

The Technology and Intelligence Oriented Company
That Turns Wisdom into Business

Annual Report 2002

### Profile

### The Nagase Group Continues to Create New Businesses Together with its Customers around the World

Today, the Nagase Group provides its customers with trading, marketing, R&D, manufacturing and processing functions in four key business areas: Chemicals, Plastics, Electronics and Health Care.

Nagase & Co., Ltd., the nucleus of our group, was established as a dyestuffs wholesaler in Kyoto in 1832. In 1900, it started importing synthetic dyestuffs from Chemical Industry of Basel. In the ensuing years, it has accumulated considerable know-how in its role as a "technology and intelligence oriented trading company."

While developing new markets around the world together with its customers, Nagase has worked on acquiring processing and

manufacturing functions, and R&D functions for the development of new technologies and products.

At the Nagase Research Development Center, we conduct research into basic technologies such as organic

synthesis and biotechnology, while at the same time working on the development of pharmaceutical raw materials with fewer side effects and natural extracts that will enhance the bioactivity of the human body. Nagase group manufacturing companies are involved in producing and processing pharmaceutical intermediates, functional polymers, raw materials for electronics applications and plastic products.

Currently, the Nagase Group comprises 102 member companies at home and overseas. One of the Group's features is that it can call on these companies to combine their trading, marketing, R&D, manufacturing and processing functions as necessary to provide high

levels of customer satisfaction.

Looking ahead, the Nagase Group will, along with its customers worldwide, continue to seize business opportunities and provide business solutions.

### The Nagase Group's Four Businesses

Chemicals

**Plastics Health Care** 

### Management Philosophy

Based on our awareness of our role as members of society, we shall endeavor to enhance the welfare of employees and contribute to society by developing the company through good and fair business practices aimed at providing the products and services society seeks.

### **Management Vision**

### "The technology and intelligence oriented company that turns wisdom into business."

In line with the management philosophy at left, Nagase has adopted "The technology and intelligence oriented company that turns wisdom into business" as its management vision for the 21st century.

Rooted in a thoroughgoing customer-oriented approach that insists "the market provides all the answers," this vision expresses our determination to exploit our "technology," "information" and "wisdom," enhanced by experience, to create businesses that go beyond the intermediary role of the trading company.

Customer demands are becoming more diverse, more complex and more sophisticated. The straightforward intermediary business approach is no longer enough to satisfy these demands. At the same time, we are aware that regardless of the industry, the era in which a single company can meet all market needs alone is long gone. To help customers create new value, therefore, we will continue to propose and develop new businesses while strengthening our role as a reliable business partner.

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This annual report contains statements regarding Nagase's corporate views of future developments that are forward-looking in nature and are not simply reiterations of historical facts

These statements are presented to inform shareholders of the views of Nagase's management but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements.

These include, but are not limited to, (i) change in economic conditions that may lead to unforeseen developments in markets for products handled by Nagase, (ii) fluctuations in currency exchange rates that may cause unexpected

deterioration in the value of transactions, (iii) adverse political developments that may create unavoidable delays or postponement of transactions and projects, (iv) changes in laws, regulations, or policies in any of the countries where Nagase conducts its operations that may affect Nagase's ability to fulfill its commitments, and (v) significant changes in the competitive environment.

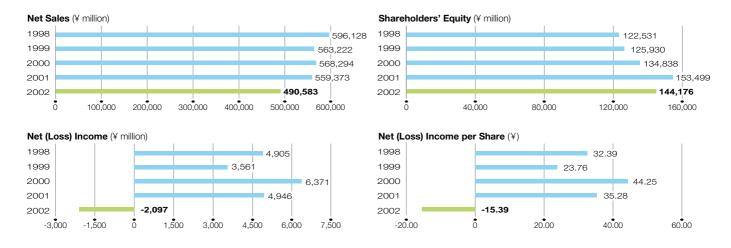
In the course of its operations, Nagase adopts measures to control these and other types of risks, but this does not constitute a guarantee that such measures will be effective

# Financial Highlights

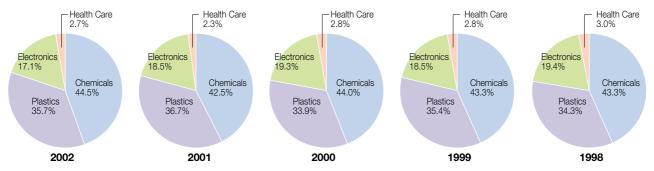
NAGASE & COMPANY, LTD. and Consolidated Subsidiaries Years ended March  $31\,$ 

			Millions of Yen					
		2002	2001	2000	1999	1998	2002	
For the Year: Net Sales		¥ 490,583	¥ 559,373	¥ 568,294	¥ 563,222	¥ 596,128	\$ 3,681,673	
Chemicals		218,524	237,872	249,977	244,068	258,294	1,639,954	
Plastics		175,252	205,460	192,711	199,189	204,718	1,315,212	
Electronics		83,660	103,383	109,770	104,455	115,556	627,842	
Health Care		13,146	12,658	15,836	15,510	17,560	98,656	
Operating Income		1,673	7,752	8,147	7,791	8,208	12,555	
Net (Loss) Income		(2,097)	4,946	6,371	3,561	4,905	(15,737)	
At the Year-End:								
Total Assets	•••••	¥ 300,073	¥ 353,777	¥ 316,657	¥ 298,525	¥ 300,781	\$ 2,251,954	
Shareholders' Equity		144,176	153,499	134,838	125,930	122,531	1,081,996	
Per Share Data:				Yen			U.S. Dollars	
Net (Loss) Income		¥ (15.39)	¥ 35.28	¥ 44.25	¥ 23.76	¥ 32.39	\$ (0.11)	
Shareholders' Equity		1,082.15	1,104.80	952.67	862.06	809.17	8.121	
Cash Dividends		8.00	8.00	8.00	8.00	8.00	0.06	

Note: Yen amounts have been translated for convenience only, at the rate of 133.25 yen to 1 U.S. dollar, the approximate exchange date on March 31, 2002.



### **Composition of Net Sales**



### A Message from Management

Nagase & Co., Ltd. develops businesses that are beneficial to customers, selecting optimal locations worldwide for production and sales activities. We draw on the technology, intelligence and wisdom of our 102 Group companies around the world to create new businesses, and this is where our true value lies. In all of our activities we are committed to strengthening the overall competitiveness of the Group.

The following sections review our performance during the year under review, which ended March 2002. We hope they will enhance your understanding of the steps we are taking to achieve an earnings turnaround.

## Results for the Fiscal Year Ended March 31, 2002

Affected by the slow domestic economy and the global IT recession, total consolidated sales amounted to ¥490.58 billion, a decline of ¥68.78 billion, or 12.3%, from last year's total of ¥559.37 billion.

Despite reducing selling, general and administrative (SG&A) expenses ¥2.08 billion, or 4.4%, to ¥45.3 billion, operating income fell by ¥6.07 billion, or 78.4%, to ¥1.67 billion under the impact of stagnating sales. Additional extraordinary losses in the form of appraisal losses on investment securities and special retirement benefits led to a net loss for the term

of ¥2.09 billion. (See page 30 for details.)

Following our long-standing basic policy of maintaining stable dividends for our shareholders, we decided to pay a dividend of ¥8 per share of common stock, the same amount as last year.

Moreover, to enhance shareholder value, we retired 529,000 shares of treasury stock worth ¥266 million and, under changes in the law, acquired 5,166,000 shares of treasury stock for ¥2.67 billion. We intend to employ these shares effectively in capital policies such as stock retirement, stock options and M&A.



Hideo Nagase, Chairman (Left) Hiroshi Nagase, President (Right)

# he WIT2000 Medium-term Management Plan

We are currently implementing the WIT2000 Medium-term Management Plan, which covers the three years from April 2000 to March 2003. The plan seeks to achieve earnings in excess of capital costs and secure continued growth. It sets business strategies and results targets in pursuit of these goals and also establishes Nagase Return on Equity (N-ROE) as a management performance indicator. Under this plan, we are working to boost earnings power and strengthen management across the Group.

### The WIT2000

- 1. Challenge Strategy
- Dynamic Strategy
   Group Strategy
- Human Resources Strategy
   Functional Development
   Strategy

Promote business investment and develop new businesses.

Adopt a selective, focused approach to business. Reinforce manufacturing companies and boost marketing strength of sales branches.

Train professionals.

Increase marketing strength by extracting and developing business models.

N-ROE = Nagase profit ÷ Equity capital at the beginning of the term

Nagase profit = Net profit after tax + (Depreciation ± Appraisal profit or loss) x (1 - Effective tax rate)

"Nagase profit" refers to the profit generated through operating activities, and is also referred to as "operating cash flow."

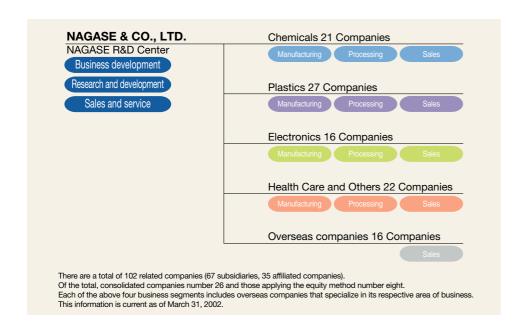
### Increase Collaboration Within the Group and Create Proposal-oriented Business Models

In accordance with WIT2000, we are pushing ahead with the creation of new, highly specialized businesses. The Nagase Group includes the Nagase R&D Center, which was established in 1990 and conducts specialized research and development in the areas of organic synthesis and biotechnology. It also includes a large number of subsidiaries that manufacture such products as high value-added chemicals, pharmaceutical intermediates, and electronics materials. We are thus capable of partnering with our customers to develop new products and technologies on top of fulfilling the more standard roles of developing new markets, procuring materials, and selling products. In developing new products and technologies, we make full use of our business groups, with their highly specialized knowledge and ability to gather information on the latest developments in technology, and the R&D Center and our subsidiaries, with their research and development and manufacturing capabilities. Since April 2000 we have promoted greater collaboration within the Group in order to take advantage of these capabilities and to actively create business models that provide valuable proposals to customers.

As a part of these efforts, we have formed projects teams that cut across group and subsidiary to combine the knowledge and talents of authorities in differing specialized fields. The teams are starting to generate results, as a number of proposal-oriented new businesses are already in the works.

In April 2001, we established Nagase ChemteX Corporation by merging four major manufacturing subsidiaries in order to strengthen our manufacturing capabilities. With the merger, which brought together the specialties of each of the four companies, we are able to make the kind of large-scale investments that were not possible previously. We are currently working on new developments in the fields of health care and electronics, areas in which the Group is concentrating its energies. (See page 24 for details.)

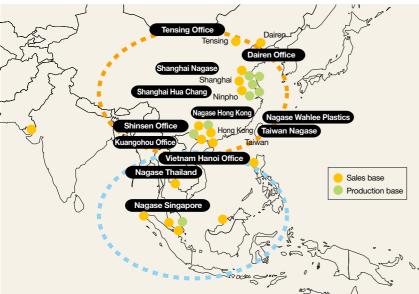
Further, we are strengthening the relationships we share with our customers by reforming our organization based on 'market in' principles to respond better to their needs. With a Group network numbering approximately 6,000 customers and suppliers, this will also enhance our capability to gather information on the latest technologies. As a part of these efforts, the Plastics Group launched a system of strategic business units (SBU) in June 2001 and is currently offering precision business solutions to its customers.



### A Message from Management

### Expanding "Top Share" Businesses

One of the main strategic goals of management is to increase the number of businesses with a top share of domestic and overseas markets. Among businesses that have already secured a top share of the market, those in which we have been engaged for a relatively long time, such as dyestuffs and coatings materials, generate stable profits year in and year out. Looking ahead, we intend also to commit to businesses that take advantage of our strengths in R&D and



manufacturing, and to those with a marketing advantage based on our technological knowledge. Specifically, areas of focus include electronics-related, environment-related and health care businesses, as well as businesses that fuse our biotechnology and organic synthesis technology.

In our overseas activities, we intend to maintain our focus on businesses in the Asian region. Because this is a market in which we have a strong local sales presence and where business can be readily conducted between foreign companies, it holds great potential for growth. During the fiscal year under review, we increased the number of sales centers we operate in China from six to nine, and increased our staffing levels. In this way, we anticipate new opportunities to arise generated by the links between the three key zones of Japan, Southeast Asia and China.

# utlook for the Comina Fiscal Year

Regarding the outlook for the coming fiscal year, concern over the prospects for the US economy along with stagnating consumer spending and capital investment in Japan is causing continued uncertainty. Against this background, we will continue to promote the three initiatives we mentioned above: the creation of proposal-oriented business models, the strengthening of customer relationships, and the expansion of "top share" businesses. We will also push ahead with consolidating and discontinuing businesses as appropriate across the Group as a whole and continue to cut costs through rationalization measures.

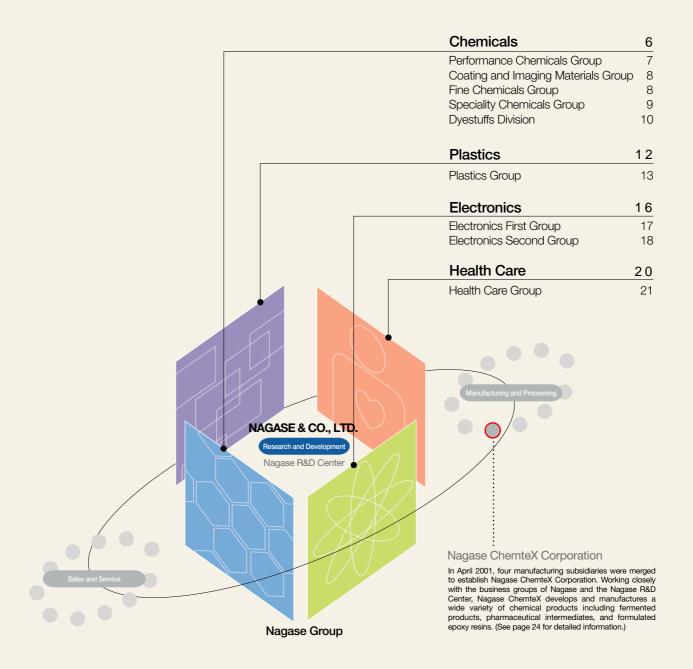
By implementing the above initiatives, we forecast net sales of ¥500 billion for the term ending March 2003, operating income of ¥5.5 billion, and net income of ¥4.8 billion. We planned to raise N-ROE to 7% for the final year of the Medium-term Management Plan, but given the extremely severe business conditions we are revising the projection for N-ROE downwards to 5%. We intend to continue to pay a dividend of ¥8 per share of common stock, the same as in

We are committed to promoting the further development of the Nagase Group by strengthening our business structure and corporate systems, and to making even greater contributions to the community. We look forward to your continuing support in these endeavors.

July 1, 2002.

Hideo Nagase, Chairman

Hiroshi Nagase, President



### Overview of Business Operations

This section explains the current situation and future prospects for each business group.

### **Chemicals**

Exploring the Limitless Potential of Chemistry

Close cooperation with the Nagase R&D Center is leading to the creation of numerous new businesses



The Nagase R&D Center engages in joint research with pharmaceuticals manufacturers and university research organizations to generate the seeds that grow into new businesses. One example is our success in generating chiral compounds (optically active substances) by means of the biocatalytic method.

### Performance Chemicals Group

The Performance Chemicals Group supplies the resin, paint, and ink industries with a wide range of products encompassing everything from petrochemical products to functional pigments and dies. For many years an import-driven business group, in recent years we have seen our export ratio approach 25%, an upward trend that continues apace. We are hastening to transform our business structure, and have entered into alliances with other Chemicals, Plastics and Electronics groups that have downstream business operations in an effort to develop new businesses.

#### Main Products Handled:

Petrochemical products, plastics raw materials and additives, pigments

### Developing new domestic and overseas markets focused on color, films, and niche products

With the market for our products expanding beyond Japan to ASEAN countries, and from ASEAN countries to China, the Performance Chemicals Group is focusing on developing new businesses, such as support for customers as they transfer their production bases to China. For instance, we are providing customers with useful functions such as smooth procurement of raw materials and risk hedging on the collection of receivables. In cooperation with other business groups we intend to develop applications for the products our customers make in China and sell those products, as we expand the scope of our business

As is happening in the West, it is now commonplace in the Japanese chemicals industry for companies to merge, transfer businesses, or withdraw from business sectors, and the old way of doing business based on the mere brokering of products is no longer of value. Acting as a purchasing agent for our customers, we are carrying on with efforts to locate and procure products with new functions that customers desire, not only in Europe and North America where the chemicals business is highly developed, but also in Asia, an emerging source of supply.

In addition to these activities, we are also working to develop new markets from a fresh perspective. Over the years the Performance Chemicals Group has adequately met the demands of our customers' customers, but has had few opportunities to directly respond to the needs of manufacturers of finished products. The Nagase Group as a whole, including other business groups, however, covers the market from upstream to downstream, and can offer even manufacturers of finished products a broad selection of products. We are therefore forming partnerships with other groups who develop downstream businesses both domestically and abroad, aiming to develop new businesses that meet the needs of finished product manufacturers in such areas as consumer electronics and housing. With color as our strength, we plan to put particular emphasis on highly functional films for plasma display applications and our original niche products.

One example of this approach is the launch of Color Lab, a system for creating original color formulas using functional colorants such as sparkling pigments. Through this project we have become involved in the color selection process for home appliances, printed materials and other products made by our customers, moving into the business of selling color expertise rather than just colorants.

#### Color Lab

The Performance Chemicals Group newly launched Color Lab, a system by which we go beyond the sales of colorants to offer color expertise.



Exhibiting the Color Lab system at the 2002 Paint Show



Yoshizo Shibata **Executive Officer** 

### **Chemicals**



Eiii Asami **Executive Officer** 



## Coating and Imaging Materials Group

The Coating and Imaging Materials Group is engaged in two business sectors. The first is imaging and recording materials, a field in which we have been involved for many years. It includes pressure-sensitive and heat-sensitive paper, non-impact printing materials, and raw materials for paper manufacturing. The second is coatings in the form of raw materials for inks and paints. We are currently utilizing other groups' sales channels and customers, and making full use of our network of leading chemical manufacturers, as we construct a new business model that adds value to conventional raw materials supply.

#### Main Products Handled:

Products and materials for imaging and recording, chemicals for paper manufacturing, raw materials for paints and inks

Taking full advantage of Nagase's intellectual properties and internal and external networks to construct a new business model that adds value to raw materials supply

The Coating and Imaging Materials Group is working to fully leverage the intellectual properties and internal and external networks of Nagase to bring high added value to our business. An example of this is the creation of new businesses by means of forging strategic partnerships. This involves cooperating with materials suppliers and users to move beyond the supply of raw materials to create businesses involving issuing new product proposals, providing sales support, and supporting distribution activities. One aspect of this has been the development of N-SCM, a model for supply chain management developed by Nagase. At present, N-SCM centers on proposals for streamlining physical distribution in the coatings business, but future plans call for extending it to include services that take advantage of our abundant product knowledge: for instance, proposals for storage and transport methods tailored to our customers' products. We also intend to extend N-SCM to the area of imaging materials.

We are also stepping up our engagement in the Chinese market. We offer distribution and sales support for Japanese companies moving their operations overseas, targeting primarily customers who would have difficultly undertaking the move on their own.

At the same time, we have begun considering partnerships with other groups and sales companies to raise the value-added of both partners' businesses. For example, we are considering the potential for combining our information on inks and paints with the Plastics group's plastic products for automobiles and plastic materials for consumer appliances. Another opportunity could involve using some of our

> products and materials for imaging and recording with the organic LED materials handled by the Electronics groups. We intend to pursue the possibilities of developing new markets by exploring partnerships with outside groups such as these and by making full use of the knowledge and expertise accumulated by the Group.

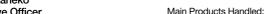


### Building Strategic Partnerships

The Coating and Imaging Materials Group is building strategic partnerships with suppliers and users to create new businesses in the areas of product commercialization support, sales support and distribution support.

### Fine Chemicals Group

The Fine Chemicals Group takes a global approach in providing functional products and services that are closely connected with people's lives and lifestyles, such as pharmaceuticals, agricultural chemicals, and household insecticides. During fiscal 2003 we are working to establish a new business to take its place alongside pharmaceuticals and agricultural chemicals. Promoting businesses focused on the life sciences sector, we added enzymes, enzyme products, toiletry raw materials, food additives, health food materials, and nutritional supplements to our existing line-up of products.



Pharmaceuticals (raw materials, intermediates, APIs, formulations, additives), agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (intermediates, bulks), diagnostic reagent materials, enzymes, enzyme products, toiletry raw materials, food additives, health food materials, nutritional supplements, feed and culturing products

Providing of an extensive line of functional products and services centered on the life sciences Research and develop leadtimes for creating a new drug are said to average twelve years in Japan and eight years in the United States. For this reason, streamlining and speeding up the drug development process is fast becoming an important management issue for the world's pharmaceuticals manufacturers.



Takeo Kaneko Executive Officer



The Fine Chemicals Group contributes to streamlining our customers' drug development processes, leveraging the technological capabilities of the Nagase R&D Center and of the manufacturing subsidiary Nagase ChemteX. As a part of these activities, we capitalize on the strengths of a domestic and overseas network that comprises more than 400 companies to outsource the production of intermediates, which pharmaceuticals manufacturers use in the mass production of drugs as well as during research and development. A particular advantage is our front-line staff who consult with customers. These employees possess knowledge of synthetic organic chemistry, biochemistry, and pharmacology. This enables us to provide a rapid, high-level response to customer needs in any number of areas, from generating process solutions to facilitating mass production to consulting on the development of environmentally friendly, pollution-free processes.

We are focusing on developing new businesses in the area of the life sciences to establish a mainstay business to complement our pharmaceuticals operation, putting special emphasis on new gene therapy-related products and technologies, food additives, and raw materials for health foods. Specifically, we are working to expand our business in household products, an area for which we are already the top supplier of bulk formulations. We also are developing a business in natural and fermented products that leverages our knowledge of enzymes.



#### Investing in Overseas Venture Companies

Most industry observers believe that in twenty years gene therapy will be squarely in the mainstream of health care. We are devoting our efforts to establishing a new business in this field, aggressively investing in overseas ventures and working to develop the new technologies and products needed in the field.

### Speciality Chemicals Group

The Specialty Chemicals Group handles a wide range of chemical products for industrial and household applications. Our ultimate mission is to take full advantage of the Group's knowledge of chemicals and abundant information and serve as a bridge linking the chemicals industry with outside industries. During fiscal 2003 we are assumed responsibility for the high reactivity chemicals, catalysts and other products previously handled by the Fine Chemicals Group, a development that expanded our product range. We are focusing on the formation and development of small business units (SBU) that combine our wide-ranging products, technologies, and information in exploring the potential of new businesses.

### Main Products Handled:

High reactivity chemicals, electronics chemicals, catalysts, raw materials for toiletries, surfactants, household raw materials, fluorine, silicon

### Focusing on the development of new businesses that leverage our wealth of products, technologies, and information

The Specialty Chemicals Group handles chemical products for a broad spectrum of special applications that range from household detergents and other consumer products to plating, water treatment agents, detergents for precision parts processing, electronics chemicals, and environment-related materials.

To fully leverage the markets, technologies, and customer information accumulated over the years by Nagase, we are currently engaged in developing a new business model that involves launching multiple SBUs within the group. This involves selecting promising projects from among more than 200 project themes put forth within the group and testing their potential for being developed as new businesses. We are already actively engaged in business development activities based on developing energy-related products, expanding resist products, and constructing sales networks with China as a supply base.

Although it will be some time before the fruits of these activities are reflected in actual business results, we intend to continue to make use of Nagase's knowledge of chemicals as well as its information gathering and procurement capabilities to expand the scope of our business. To that end, we plan to take advantage of the sales channels and information networks of other divisions to explore the potential for new businesses and to strengthen our alliance with subsidiary Nagase ChemteX. With Nagase ChemteX we intend to develop new products based on its epoxy organic synthesis, compounding and fermentation technologies.



Shingo Bamba Executive Officer

### **Chemicals**



Yasuhiro Yamasaki Manager, Dyestuffs Division President, Nagase Colors & Chemicals Co., Ltd.

Jamazaki

### Ovestuffs Division

The Dyestuffs Division sells dyestuffs, chemicals, and machinery for processing textiles. We enjoy total coverage of the domestic market through Nagase Colors & Chemicals Co., Ltd., Delta Fine Chemical Co., Ltd., Nishinihon Nagase Co., Ltd. and Kyushu Nagase Co., Ltd. We have launched a functional dyestuffs business targeted at the entire Asian region, bringing to fruition previous efforts to enter Asian markets.

#### Main Products Handled:

Dyestuffs, dyeing auxiliaries, industrial chemicals, finishing agents, textile processing resins, adhesives for textiles, functionality-added finishing agents including anti-bacterial agents, deodorizing agents, and shape memory agents

### BOAT21 Borderless Action in the Textile Field — A functional dyestuffs business targeting the entire Asian region is launched

Though the Japanese dyestuffs market has contracted in recent years, in the world's textiles market development of a global supply chain with Asia as the base of supply has progressed. In response to these changes, the Dyestuffs Division has stepped up business development activities aimed at Japanese companies entering Asian markets. In fiscal 2003, we launched a project named BOAT21. This project brings together the collective capabilities of the Wise Men's Group<sup>1</sup> in Japan, the Shanghai Office, the Shanghai Techno Center, and our subsidiaries in Thailand and Indonesia to powerfully promote technological support and raw materials procurement for the dyeing and finishing industry as a whole. Furthermore, we intend to extend our business activities developed only in the midstream of textile production to encompass upstream and downstream areas.

Scheduled to begin operations in September 2002, the Shanghai Techno Center plays the pivotal role in this initiative. Initially this facility will perform on a contract basis staining (dip dyeing) tests, finished process tests and various dye fastness tests in conformance with JIS. Beginning in fiscal 2004 we plan to install testing equipment necessary for performing continuous dyeing and printing tests and we intend to increase the number of local staff. This facility will work closely with the existing Techno Center within the Osaka headquarters, and in the future will provide the same technical services overseas that are provided in Japan.

In Japan, the recognition capabilities of the computer telephony integration (CTI)<sup>2</sup> system we introduced in April 2001 have increased, and we will make use of customer relations management to strengthen relations with key customers and expand our business in niche markets.

1 Wise Men's Group: This is an organization of specialists from within and outside Nagase who work to find more concrete ways of taking advantage of our technology and information orientation. In conjunction with the Techno Center, this organization has issued proposals related to the establishment of dyeing technologies for new materials, the development of dyestuffs, dyeing auxiliaries and finishing agents, and the production and formulation of blended dyestuffs by means of original techniques.

2 CTI: Using this system Nagase manages more than 1,000 delivery destinations. Based on customer purchase order data a computer forecasts demand and issues instructions to the system operator. The system began operation in April 2001. In the future we plan to consolidate the order receipt function in a single location.

### Development of the Digital Swatch Color Matching System

Selection of a dye color traditionally involved viewing color samples or other colored objects. Now, the innovative Digital Swatch Color Matching System utilizes the Web to enable color confirmation, selection, and specification on computer monitors. The system represents a cross-border supply chain management solution for expediting processes from color specification to dyeing and for facilitating quality control.

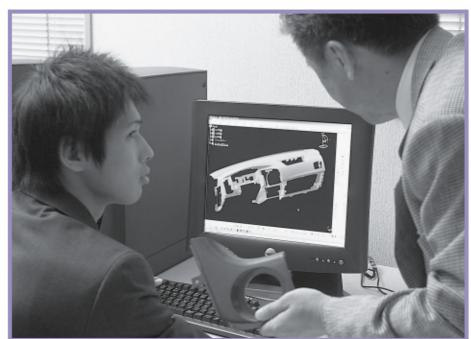
The Techno Center is responsible for development of proprietary products and the dissemination of technical information. Currently, the center is developing metal-free dvestuffs and working to develop technologies to improve light-fastness, durability, and texture for specialty apparel applications. Another Techno Center is scheduled to open in China in September 2002.





### **Plastics**

66 Solving the Issues Facing Industry is Our Core Business ?? Broader Coverage and More Rapid Response in the Global Marketplace





In February 2002 Nagase established Design & Die Co., Ltd., a joint venture engaged in the development and engineering of plastic components for automobiles. The new company helps shorten development times, enhance quality, and reduce costs for automotive manufacturers by providing across-theboard subcontracting services for processes ranging from advanced three-dimensional solid parts design to prototypes and mass production dies.

### Plastics Group

Adopt a thoroughly customer-oriented approach and actively invest when necessary — In line with this management vision, in June 2001 we started a system of strategic business units (SBU) to serve as the interface with the market and our customers. We have devised a number of business models — region-oriented, user-oriented, manufacturer-oriented, and product development-oriented — in response to the increasingly diversified, complex, and sophisticated needs of individual customers, and have begun anticipatory investment to further develop and nurture them.

#### Main Products Handled:

Thermoplastic resins, thermosetting resins, synthetic rubbers, inorganics, auxiliaries, plastic products, plastic-related equipment, devices and dies

### Establishing a flat organization for rapid decision-making in line with customer needs

We believe a "trading company of choice" is a company that can accurately and rapidly implement the solutions required by customers and markets. The Plastics Group has restructured our operations and transformed our business processes in accord with this belief and on the basis of the idea that "the answer to everything lies in the market."

With markets changing at a bewildering pace, decision-making in the conventional pyramid organization was not fast enough to keep up and led to lost business opportunities. For this reason, in fiscal 2002 we abolished the traditional "department" and "section" structure and launched a system of 23 SBUs aligned with markets and customers, delegating authority while at the same time speeding-up decision-making. The SBUs will explore various region-oriented, user-oriented, manufacturer-oriented, and product development-oriented business themes.

At the same time, we put in place a separate support structure for the 23 SBUs. We formed a specialist legal and taxation unit staffed by people with expert knowledge in investment and risk assessment. We also created a specialist information technology unit to actively utilize IT and e-commerce. Through these organizational reforms, we are creating a "proposal-based business" that will motivate customers to choose us as a business partner.

### Twenty-three customer — and market-oriented SBUs create diverse new markets and products

Currently, the Plastics Group's 23 business units pursue their respective business themes, identifying industry trends from a global perspective and engaging in aggressive overseas business development.

Some business units have set their sights on creating new businesses in various Asian markets. For instance, currently many companies in the automotive, electric, and electronics industries are expanding their production bases in China. In response to this situation, during the year under review Nagase established Nagase Precision Plastics Shanghai Co., Ltd., a company that produces industrial plastic packaging materials such as electronic component transport trays. The new company, KNCT Co., Ltd., a company established in Thailand in fiscal 2001, and domestic manufacturing subsidiary Kotobuki Industries Co., Ltd. comprise a network that links Japan and other Asian countries. Our aim in constructing this supply structure for industrial plastic packaging materials is to expand our business in Asia.

We have established a regional sales base in the northeast of China, and plans call for enhancing our sales network in central, east, and south China. We are also establishing a representative office in Hanoi, Vietnam in anticipation of a trend toward expansion of production bases beyond China throughout all of Asia.

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CAF

Solutions for the

automotive industry

Raw materials

and parts

Affiliated manufacturers

Overseas joint ventures

Outsourcing

Dies

Plastic dies

Press dies

(prototypes and

mass production)

With regard to our automotive business units, in February 2002 we established the development and engineering company Design & Die Co., Ltd. in Japan. Overseas, we established Nagase Plastics America Corp. in January 2002 in Detroit to meet customer needs in areas

Business Process Outsourcing for the Automotive Industry
With the establishment of Design & Die Co., Ltd. Nagase has
developed 3D solid designs for automotive parts. This development
makes it possible to strengthen our comprehensive solutions
business, which involves raw materials supply, prototypes,
production dies, and development support.



Kazuaki Kobayashi Director and Executive Officer

L. Labyashi

### **Plastics**

such as global procurement. In fiscal 2003 we will establish a representative office in Budapest, Hungary. From these operating bases we will reinforce our solutions business by which we offer opportunities for the world's automotive manufacturers to streamline their development, planning, and production facilities.

Other business units focus on environment-related initiatives. One such SBU supplies air-cooled refrigerating systems for use with machine tools and other such devices. Many manufacturers who have transferred production to Asian countries are plaqued by incessant machinery failure due to the poor quality of local water used as cooling water. Our waterless air-cooled refrigerating systems are attracting attention both for solving this problem and for not requiring wastewater processing.

The initiatives on which we are focusing the greatest effort are the development of new businesses and new markets in Japan. The ongoing aging of society is certain to give rise to increasingly barrier-free environments in urban spaces, public facilities, and the home. In addition, environmental concerns have given rise to demand for fully recyclable materials. The Plastics Group will link this latent demand with the products we offer to open unexplored new markets for the company.

For instance, the Plastics Group has offered a recycling system for housing materials that uses Pluswood, a product original to Nagase. Leveraging the knowledge and expertise gleaned through this program, we are now working to develop new products and services targeted at market sectors where environmental impact is a concern.

Nagase is already much more than a company that supplies materials to manufacturers. We will continue to create new businesses required by the market by taking advantage of our worldwide network and making use of our wealth of internal and external technologies and information.

#### Air-cooled refrigeration systems

The Plastics Group is putting its efforts into an innovative, fully electrical air-cooled refrigeration system. Because this system does not require a tower or underground cistern for water cooling, or a large-scale water treatment system, it delivers a dramatic reduction in mechanical trouble. Moreover, it is attracting attention as an environmentally friendly product.





Plastics manufacturing subsidiary in Shanghai established In January 2002 Nagase established Nagase Precision Plastics Shanghai Co., Ltd. in Shanghai as a plastics manufacturing subsidiary. The new company began production of plastic trays for electronics component carriers in March of the same year. We intend to engage in sales initiatives directed at Japan-affiliated manufacturers of electronic equipment and parts active in China.



### **Electronics**

We Listen to the Voice of Customers in the Chinese Market >> Contributing to developing infrastructure for the spread of PHS



In a joint project with Group company Gigatec Inc. we have developed PHS base station components such as power amplifiers. These products are selling well in China, a market where demand for PHS communications is on the rise.

### Electronics First Group

In close cooperation with production and sales companies within the Nagase Group, the Electronics First Group is engaged in providing the electronics component, semiconductor, and liquid crystal industries with materials and systems solutions. We are currently expanding our business in China, Korea, Taiwan, Singapore and other Asian markets, and aggressively investing to build a foundation for future growth and business development.

#### Main Products Handled:

Semiconductor manufacturing equipment, chemicals management systems, semiconductor and photolithography chemicals for liquid crystal manufacture, semiconductor packaging materials, semiconductor packaging systems, insulating materials, fluoroplastic-related products, epoxy-resin related products

### Expanding investment in the Asia region with a focus on China for the construction of next-generation business infrastructure

Based on company-wide business policies, the Electronics First Group has established the following policy initiatives:

1. Expand and enhance manufacturing capabilities, with a focus on Nagase ChemteX. 2. Expand activities as a trading company with production capabilities in the Asia region. 3. Achieve early profitability from businesses in which we have already invested. 4. Launch new functional materials, 5. Establish next-generation businesses (two to three year timeframe) through organizational restructuring.

We intend to create profitable businesses by strategically linking and implementing these policies. In particular, we are expanding our activities as a trading company with production capabilities by making large-scale investments in Asia. With domestic markets for electronic components, semiconductors, and liquid crystal maturing and markets elsewhere in Asia growing rapidly, we intend these investments to strengthen the foundation for our future growth and development.

In July 2001 Nagase established the joint venture company Nagase CMS Technology Co., Ltd., a company whose mainstay product is the chemicals management systems (CMS) that Nagase is working to expand. Aggressive capital expenditure in Japan, Korea, and Taiwan enabled this company to achieve its first-year targets. In September, Nagase also established Nagase Fine Chemicals Singapore (Pte) Ltd. and in the summer of 2002 we plan a full-fledged launch of a chemicals management business serving liquid crystal panel and semiconductor factories in Singapore.

In fiscal 2003 we will actively develop business in the semiconductor and liquid crystal market sectors. Primary areas of focus will be our core semiconductor manufacturing pre-processing and postprocessing materials, liquid crystal pre-processing materials, epoxy resins and other functional materials, and systems solutions centered on the chemicals management system.

In the area of semiconductor pre-processing, we will launch a developer dilution system that uses non-filtration membranes (reverse osmosis), and will expand local production in Korea and Taiwan. We are continuing joint development of next-generation photoresists with Korea Kumho Petrochemical Co., Ltd. that began in fiscal 2002, and by strengthening our alliance with Ashland Chemical Company of the U.S. we are working to expand our business in removers for semiconductors. We will also launch new products into the liquid crystal market segment.

With regard to semiconductor post-processing, the wafer bumping processing business conducted at Alpha Bumping Technology Co., Ltd., a domestic subsidiary established in fiscal 2001, is now in full swing, and we expect to gradually see results from this undertaking going forward. The LSE (liquid epoxy semiconductor encapsulation agent) business in fiscal 2002 was affected by the sluggish semiconductor market, however, work continues on putting in place a global sales network that we expect to lead to a 20% share of the market within a few years.

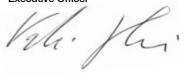
As for functional materials, we are planning to produce formulated epoxy resins in China and intend to launch onto the market new value-added adhesives with induction heating, UV anaerobic, and Deep UV properties.

What's more, through the Strategic Development Division established in April 2002 we will bolster teamwork with Nagase groups involved in chemicals and plastics to engage in new businesses that leverage Nagase's proprietary knowledge in the areas of liquid crystals, organic light emitting diodes (LED), and nanotechnology.

Nagase & Co. and Nagase ChemteX sign a contract with the City of Wuxi, paving the way for construction of a joint plant in China Nagase & Co. and Nagase ChemteX have secured from the City of Wuxi the land necessary to construct a plant to produce formulated epoxy resins for electrical, electronic, tooling, and adhesive applications.



Kyoichi Zushi **Executive Officer** 





Second from the left in the first row is Gong Pei Xing, Vice Mayor of the Wuxi Municipal Government

### **Electronics**



Negeshim

Kazuo Nagashima **Executive Officer** 

### Electronics Second Group

The Electronics Second Group handles key devices and equipment for the IT sector, including displays, communications components, network equipment and image processing devices. In order to respond to the advance of Japanese and Taiwanese semiconductor and liquid crystal device manufacturers into China, we are actively focusing on developing our business there.

#### Main Products Handled:

Display units, material for liquid crystal displays and organic light emitting diodes (LED), precision abrasive materials, network equipment, wireless communication modules and systems, communications-related integrated circuit chips, optical communications components and materials, surface defect inspection system

### Creating original businesses in partnership with Group manufacturing and processing affiliates

The Electronics Second Group is currently focusing on creating original businesses that will contribute to sustained increases in corporate revenue. To this end, we will take advantage of the knowledge and expertise accumulated over many years by the trading company Nagase in order to create original businesses in the IT and electronics industries. Further, we will leverage the capabilities of the Group's manufacturing and processing companies. Accordingly, we are in the process of dividing responsibility with other parts of the Group and external business partners to build a cooperative framework for business development.

In fiscal 2002 we targeted communications-related demand in Asian countries, a sector expected to grow in the coming years, and developed our overseas operations in cooperation with other Group companies. Sales of PHS base station components (such as power amplifiers), developed taking full advantage of the communications technologies of Group company Gigatec., have increased rapidly in China, a market where wireless communication is demonstrating explosive growth in popularity.

In China, we are already involved in display unit production and polarizing film processing, and we plan to expand local production operations by manufacturing light-emitting diodes. We have dispatched additional staff to China in anticipation of future growth from this market.

Some of the businesses we have focused on the past few years are beginning to bear fruit. Sales of Scantec are growing satisfactorily. Scantec is a surface defect inspection system for steel plates of automobiles and optical films, and in the near future we will ramp up our sales activities in order to establish it as the standard inspection system for optical films. In the area of precision abrasive materials as well, sales of abrasive slurries used in leading-edge chemical mechanical polishing processes are steadily increasing despite a slump in the semiconductor device industry. We are also hastening development of related materials.

Our efforts in the communications sector during fiscal 2003 will continue to focus on reinforcing our sales of power amplifiers for PHS (Personal Handyphone System) base stations and other infrastructure products for the mobile communications business. We have also concluded a sales agency agreement with Memtek International Inc. to market Memorex brand products, the global market leader in CD-R and DVD-R media. As we commence sales of these products, we plan to take advantage of this opportunity to expand our IT business. In the area of network storage products, we are engaged in a cooperative venture with Group subsidiary Hoei Sangyo Co., Ltd. and are approaching the stage where we can progress from development to a major expansion in sales.

Although last year the semiconductor and communications industries were mired in a slump, manufacturers are actively preparing for the next generation of markets. Nagase is a part of this trend, as it incisively grasps market movements and creates original businesses.

### Agency Agreement for Sales of Memorex **Products**

As part of our efforts to expand our IT business, we have signed a sales

agency agreement with Memtek International Inc. to market CD-R and DVD-R products.



Front row left, Eugene Kuo, Deputy Chairman of

### Scantec Sales Expand

Sales of the Scantec surface defect inspection system for optical films are growing satisfactorily, as we are vigorously engaged in sales expansion activities aimed at establishing Scantec as the standard inspection system for optical films.





66 Our Mission is to Contribute to Beauty and Health? In Closer Contact with Consumers





The discovery of carnosic acid, with its whitening and moisturizing action, represents the culmination of years of research into the properties of rosemary. In April 2002 we launched Sela White Essence V, a new whitening essence that incorporates this ingredient.

### Health Care Group

As society ages, awareness of health is increasing. Rooted in a "company-to-consumer" orientation, we provide products and services that support a secure and comfortable life for our customers, contributing to people's lifetime health plans and their quality of life.

#### Main Products Handled:

Cosmetics, health foods, beauty foods, bacteria test devices and reagents, diagnostic systems, infectious disease control systems, reagents for research, x-ray-related equipment, automatic gene extraction devices, electronic medical chart systems, healthcare accident prevention support systems, home nursing care products, home therapy devices

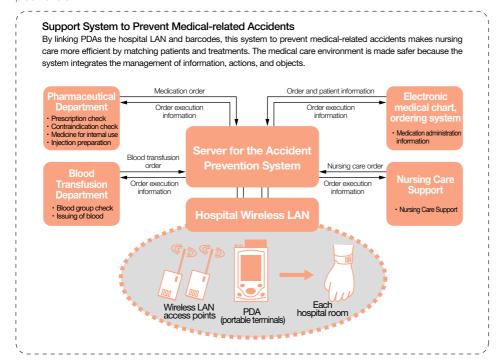
### Offering a comprehensive health care information system to help advance community health care

The Health Care Group does business in the fields of medical and beauty care with a view to contributing to secure and comfortable lifestyles.

The products we handle in the medical care sector include nursing care products and home therapy devices for people whose health has declined, as well as medical care information systems that contribute to improved health care services. We are especially focusing efforts on these systems. Taking advantage of the knowledge and experience gained through our involvement with infectious disease control systems, we began sales in fiscal 2002 of electronic medical charts for comprehensive medical care systems. This system for consolidating patient information is highly regarded not only as a means of increasing the efficiency of diagnosis and treatment, but also as a tool for increasing management efficiency at medical institutions. It has been installed at medical institutions nationwide, including university hospitals.

In recent years an increase in the number of medical-related accidents has become a serious problem. In response to this we developed a support system to help prevent medical-related accidents in a joint effort with Tohoku University. By linking a LAN in the hospital with PDAs carried by hospital staff this system makes it possible to accurately distinguish patient type, medical treatment, and administered medication. Operational testing at Tohoku University has already been completed and we have begun selling the system nationwide.

Although we are still at the conceptual stage, we plan to create a new framework for regional medical care that will allow this medical information system to be used throughout the region. For example, linking all the large hospitals, small and medium-sized hospitals, clinics and private practitioners in a specific region via the Internet would allow each institution to shoulder its share of the burden while making the most of its individual specialties. This would ensure that they are all in the position to take appropriate preventative measures and offer the most suitable medical treatments. As a first step, we are engaged in activities to sell our electronic medical chart system to a wider market, including clinics and private practitioners.





Makoto Ono **Executive Officer** 

Takoto Ou

### **Health Care**

Yet another initiative directly linked to increasing quality of life is home health care. In the years to come the number of people who will require home medical care and nursing care is certain to increase. We have already developed an oxygen concentrator jointly with Respironics Inc. of the United States and plan a full-scale launch in October 2002. This represents the first step in a program to expand and enhance our home medical care business.

We are also actively doing business in China, establishing a joint venture company in Shanghai to produce clinical testing reagents and kits. We also opened sales routes into Singapore and Taiwan.

### Opening salons and shops nationwide to provide more reassuring, reliable beauty care

In the beauty care market sector, we sell health foods for the maintenance of good health and high-grade cosmetics that help to prevent aging through a nationwide network of 40,000 door-to-door sales people. As in our medical care business, in our health foods and cosmetics business we have made "peace of mind" and "trust" our watchwords in preparation for the day when products with no scientific basis or products that don't offer clear-cut effectiveness won't sell.

Based on this awareness, for years Nagase has researched the efficacy of natural extracts such as herbal extracts in cooperation with university research institutes and the Nagase R&D Center. We have paid particular attention to the aromatic plant rosemary, about which we have discovered various effects and made presentations at academic conferences. Last year we discovered a new substance with whitening and moisturizing action that represents the culmination of long years of research. In April 2002 we launched Sela White Essence V, a new whitening essence that incorporates this new ingredient.

The Health Care Group's products are produced by an integrated system that begins with research and development and continues through to manufacturing. For many years we have valued direct communications with our customers, selling our products door-to-door. Beginning in fiscal 2002, we are opening beauty salons in areas across the country to provide our customers with even greater peace of mind as they use our products. Taking advantage of the characteristics of door-to-door selling, we are working to enhance the salon's counseling services, which make use of a range of high tech devices.

As a new experiment, in February 2002 the subsidiary Herbal Care Co., Ltd. began in-store sales. The company opened four Pour Toi stores located in the Takashimaya Tamagawa Store, Odakyu Shinjuku Store, Mitsukoshi Ebisu Store, and the Odakyu Machida Store. At these shops the company sells its products, provides counseling, and enables customers to try aromatherapy and esthetic services.

Based on the theme "Turning wisdom into business," Nagase is currently engaged in an effort to originate new businesses. The Health Care Group has long turned wisdom into safe products and services and provided them to our customers, and we intend to continue to create high-quality health care that fosters "peace of mind" and "trust." Our support system to prevent medical-related accidents and our beauty salons represent the first step toward this end. In the coming years we will continue to pursue the potential of medical care and beauty care and contribute to enhanced quality of life.



The Kobe Beauty Salon in Kobe's Central Ward.

### Newly Established Beauty Salons

We have established beauty salons in various locations to enable people to use the door-to-door sales services for cosmetics and health foods with greater peace of mind. Featuring a full range of counseling services that make use of high tech devices, these offices deepen communications with customers.



### **Detailed Information by Topic**

# 1 One Year since Integration of Manufacturing Subsidiaries

— New Challenges for the New Nagase ChemteX (NCX)

Nagase ChemteX (NCX) was inaugurated in April 2001 by the merger of four manufacturing subsidiaries belonging to the Nagase Group. During the current term, its 12 business segments were restructured into five business groups to create an organization capable of offering proposals for new businesses from as close as possible to the customer's standpoint. NCX also started to develop new business potential by fusing the technologies and expertise accumulated by the companies prior to the merger.



In the area of pharmaceuticals manufacture, the world's pharmaceuticals companies are increasingly concentrating resources on research and development. In Japan, progress in deregulating the pharmaceuticals sector has made it possible for us to form alliances of various kinds. For many years, we have provided pharmaceuticals companies with pharmaceutical raw materials and fine chemicals. Now, in addition to offering support for the mass production of pharmaceuticals, we are manufacturing on contract such products as the intermediates used in drug development and are providing assistance for the development of manufacturing processes. As part of these initiatives, we expect during the coming

term to complete a small-scale intermediates plant that satisfies the code of good manufacturing practice (GMP) for pharmaceuticals. We are also considering further investments in these areas in the future.

While working on expanding the health care business, a primary area of focus of the Nagase Group, we are also prioritizing research and development on fusing organic synthesis technology and biotechnology, a field which harnesses the power of enzymes and microorganisms.



Conceptual drawing of the small-scale pilot plant for pharmaceutical intermediates in Fukuchiyama

### New Developments in the Electronics Business

Electronics is another area of focus of the Nagase

Group. As manufacturers of liquid crystal panels and semiconductors move production to locations overseas, the Group is growing businesses at sites overseas to locally manufacture and recycle chemicals. The summer of 2002 will mark the completion in Singapore of a chemicals manufacturing and recycling plant for Nagase Finechem (Pte) Singapore. As a manufacturer, we will play a central role in ensuring it goes into operation smoothly and work to expand its business in the future.

In the advanced semiconductors sector, we will increase our development, production and sales of liquid and film packaging materials with a view to expanding our global market.

We will also promote the development of a number of new materials for the promising growth areas of electronics and optoelectronics. In the process, we intend to make the most not only of the organic synthesis and formulation technologies that Group companies possessed before the merger, but also of the applications development capabilities Nagase possesses in electronics and optoelectronics, and its strong relationships with customers.

### Largest Domestic Manufacturer of Formulated Epoxy Resins

We are Japan's largest domestic manufacturer of formulated epoxy resins. In addition to the electrical and electronics sectors, we are expanding our operations into areas ranging from tooling to construction and civil engineering. In particular, the new corrosion-resistant materials for concrete lining that we have developed for use in construction and civil engineering has been very well-received. As orders for corrosion-resistant covering work will be altered to performance-based orders in the future, we anticipate substantial growth in demand for a new ultra-corrosion-resistant epoxy lining material (trade name DENACOAT), which was recently launched on the market. In response, we acquired marketing rights in the area of formulated epoxy resins from Nihon Polymer Co., Ltd., a subsidiary of Asahi Kasei Corporation, in May 2002. Using the products and technologies accumulated by Nihon Polymer and its network of agents and construction contractors, we intend to strengthen and expand our lining materials business, including our own products.

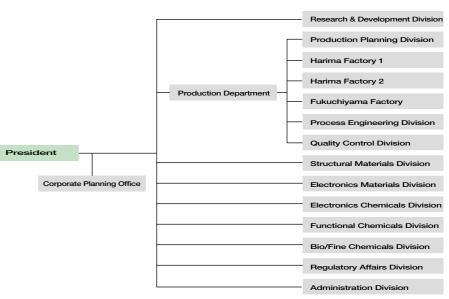
Plans for the construction of a formulated epoxy resin production plant in China will also go ahead in fiscal 2003, and we plan to start supplying Chinese electrical machinery manufacturers and others with products from early in fiscal 2005.



Reiji Nagase President, Nagase ChemteX Corporation (NCX) Managing Director and Executive Officer, Nagase & Co., Ltd.

eg Hagust

When the four companies were merged, our objective was to fuse their technologies and expertise, and to engage in selective, focused investment for the future. We also aimed to strengthen human networking with related business groups at Nagase and the Nagase R&D Center. As the above shows, we have gone a long way to achieving these goals and believe we have at last established a framework that allows us to compete in the increasingly competitive global market. We are approaching the stage when the fruits of our investments will begin to emerge, and intend to fulfill your expectations by developing our businesses hand in hand with the global expansion of the Nagase Group.



Nagase ChemteX Corporation's Organization

### 2 Integrated System for Contract Research and Development Established with Nagase R&D Center at its Core

### The Linchpin of R&D in the Nagase Group

Since its inauguration in 1990, the Nagase R&D Center's policy has been to serve as the driving force behind R&D in the Nagase Group through the 21st century. As such, it has been engaged in process research and development, using microorganisms and enzymes for the manufacture of pharmaceutical intermediaries and other fine chemical products. The R&D Center focuses in particular on developing technologies for converting existing substances into high value-added products and, through the Nagase



Group's network, has successfully met the needs of various customers while acquiring many patents for processes used in manufacturing fine

The R&D Center plays an important role in strengthening the organic synthesis and biotechnologies (production and application of various enzymes) possessed by Nagase ChemteX. It has also established an integrated system that allows it to both assess the market value of Nagase's pharmaceutical intermediates and electronics materials and to develop new products and manufacturing processes on a custom basis. At the core of the R&D Center's activities lie chiral technologies, which are used for producing optically active substances.

### Leveraging Expertise in Chiral Technology

Chiral technologies encompass the fields of organic synthesis and biotechnology. They are currently the focus of global attention as manufacturing technologies indispensable to the production of pharmaceutical intermediates. Right from the start, the R&D Center has devoted itself to exploring chiral technologies, and has a successful track record in all three basic techniques — optical resolution, asymmetric synthesis, and the biocatalytic method. In particular, the R&D Center has received acclaim for being at the cutting edge of research in the enzyme method, which is very much in the limeliaht as an effective means of addressing environmental issues. Based on the technological capabilities of the R&D Center, (S) ibuprofen, an anti-inflammatory drug, is being produced through optical resolution in India and supplied to Europe and Asia. The R&D Center is also using its wide array of enzymes and other biocatalysts to offer formulations that meet the demands of the times from the perspective of green chemistry. In this way, the R&D Center's technology base enables us to respond precisely to various customer needs, ranging from procurement of the raw materials and intermediates used in optically active substances to their process development and manufacture.

Development projects at the R&D Center

### **Detailed Information by Topic**





With an eye on the promising next-generation field of nanotechnology, we have started new business marketing activities in cooperation with one of our Group companies, Cluster Technology Co., Ltd. The microfabrication technology of Cluster Technology is used in inkjet printers, but its elemental technology for dispensing microscopic amounts of solution and ejecting droplets with great positional accuracy has made a significant contribution to resolving a number of technological issues at the nano scale.

In December 2000 we started employing this inkjet ejection method in the development of "DNA microarray" manufacturing systems for use in the medical field. We also have high expectations that the inkjet device technology we have accumulated in this field will find useful applications in the manufacture of organic LEDs in the Electronics business.

### DNA Microarray Spotter (High Performance DNA Microarray Printing Technology)

By applying inkjet methods, we developed an inkjet DNA microarray spotter that dispenses minute spotting at one-tenth conventional levels with a liquid that contains DNA instead of ink. With this technology, the spotting amount has been improved along with the uniformity and reproducibility of the form. The technology has also made possible the mass production of high precision DNA microarrays. By combining nano level hybrid compounds and microfabrication technology, we are also developing nanobiodevices, which are receiving considerable attention in the post-genome era.

### Resolving Technical Issues Involved in Creating Full-color Organic LEDs

This elemental inkjet printer technology can also be applied to resolving patterning technology issues arising in the manufacture of organic LEDs. Originally, one of the problems hindering the their commercialization was that of enabling pico-level droplets to reach the target surface with sufficient positional accuracy. Enabling the droplets to reach the desired target positions required the creation of banks (partitions), which also had to be made water-repellent. Although the resulting organic LEDs emitted light, inconsistencies in the luminance of individual dots made the displays uneven.

We are developing key devices and systems for inkiet devices in an attempt to resolve these technological problems.



Inking an agreement to enter a business alliance with Cluster Technology
(At right: Minoru Adachi, President of Cluster Technology)

Cluster Technology Co., Ltd.

1991: Company established (Nagase has a 20% equity interest)

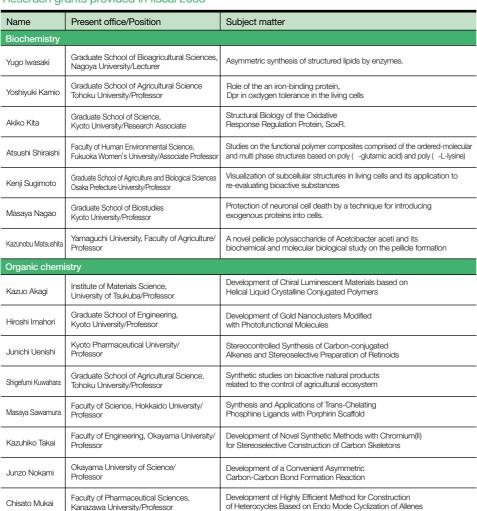
2001: R&D approval under the Small and Medium Enterprise Creative Activity Promotion Law. Selection for METI subsidies for the development of IT, and for the cost of developing IT leading to the creation of new business.

# 4 Activities of Nagase Science and Technology Foundation

The Nagase Science and Technology Foundation was established in April 1989 to support scientific and technological development in fields such as biochemistry and organic chemistry. The mission of the foundation is to contribute to socio-economic development by providing grants and other support for research and development and international exchange activities. To date it has provided approximately ¥610 million in aid in the form of 221 research grants and 175 international interchange projects.

The foundation is a specific juridical person for the promotion of the public interest and its chartering agency is the Ministry of Education, Culture, Sports, Science and Technology.

### Reserach grants provided in fiscal 2003



### International interchange projects supported in fiscal 2003

Name	Present office/Position	Subject matter
Kenjiro Onimura	Faculty of Engineering, Yamaguchi University/ Research associate	14th International Symposium on Chirality
Kazuo Takimiya	Department of Applied Chemistry, Graduate School of Engineering, Hiroshima University/ Research associate	International Symposium on Functional -Electron Systems
Etsuji Okada	Faculty of Engineering, Kobe University/ Associate Professor	Development of Highly Efficient Synthetic Methods for Novel Biologically Active Heterocyclic Compounds Containing Fluorine Atoms
Atsuhiro Osuka	Department of Chemistry, Graduate School of Science, Kyoto University/ Professor	Jeremy Keith Morris Sanders/Professor Second International Conference on Porphyrins and Phthalocyanines
Tetsuya Kamataki	Graduate School of Pharmaceutical Sciences, Hokkaido University/ Professor	Fred F. Kadlubar/Director 14th International Symposium on Microsomes and Drug Oxidations
Naotaka Kuroda	School of Pharmaceutical Sciences, Nagasaki University/ Professor	Susan M. Lunte/Associate Professor 123rd Annual Meeting of the Pharmaceutical Society of Japan
Keisuke Suzuki	Tokyo Institute of Technology/ Professor	Stefan Matile/Associate Professor The 2nd Tateshina Conference on Organic Chemistry



Fiscal 2003 grant presentation ceremony

### **Detailed Information by Topic**

### 5 Tackling Environmental Issues

### **Environment Policies**

Based on our management philosophy, we have formulated policies for preserving the global environment and are working to put them into practice.

- 1. Comply with all environmental laws and regulations
- 2. Develop businesses that give full consideration to environmental issues
- 3. Fulfill our responsibilities as a good corporate citizen
- 4. Establish and continuously improve an environmental management system
- 5. Disclose and make all relevant parties fully aware of our Environmental Policy

### Acquiring ISO14001 Certification

In May 1999, we established the Environment Protection Committee, formulating our environmental policies following an inaugural announcement from our President in July 1999. Since then, the entire company has been engaged in environmental preservation activities, including the creation of our own environmental management system.

On April 28, 2000, we received ISO14001 certification, the international standard for environmental management, from Lloyd's Register Quality Assurance Limited. The certification applies to all the offices of our Tokyo and Osaka headquarters, the Nagoya branch, and the R&D Center. We are presently continuing to work to protect and improve the environment and contribute to society as a whole.

#### **Eco-business**

Based on our corporate philosophy of adopting an "Environmentally-friendly Approach to Business," we aim to contribute to environmental preservation through the expansion and creation of "eco-businesses." The direct impact of our business activities on the environment is limited compared with the manufacturing industries. Nevertheless, we make a particular effort to utilize our strengths as a technology and information company, actively offering information pertaining to the safety of chemical products (ASP services conforming to the PRTR Law, sales of environment-related applications, etc.), information for achieving zero emissions (chemical recovery and regeneration systems, waste solvent recovery systems, etc.), and eco-materials, equipment and systems that will reduce the burden on the environment.

### **Key Projects**

Development of New Environmentally-friendly Wooden Materials

Support for Plastic Recycling

Proposals for Eco-materials

Proposals for Alternatives to Toxic Substances

Support for Zero Emissions

Developing Business Models for Recycling Resources

Providing Information on Chemical Safety

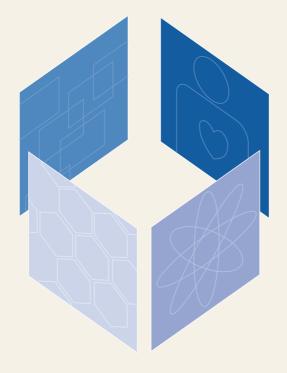
Chemical Research Concerning Environmental Problems







Please visit our Web site for further information about our environmental preservation activities. http://www.nagase.co.jp/iso/english/index.html



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### Financial Review

### **Group Results**

During the consolidated fiscal year under review, Japan's economy experienced a decline in private capital investment as corporate earnings deteriorated, while consumer spending remained weak under the impact of continuing high unemployment rates and stagnating personal income. As was the case last year, deflation continued to affect the Japanese economy and business conditions remained harsh.

Overseas, the US economy began to show signs of recovery in the second half of the fiscal year, while expectations of a recovery in the Asian and European economies have been rising. However, the impact of the IT recession originating in the United States was severe and the global economy overall remained weak throughout the year.

Under these conditions, total consolidated sales fell by ¥68.78 billion (12.3%) year-on-year to ¥490.58 billion owing to the slow domestic

economy and the consequences of the global IT recession. On a consolidated basis, domestic sales fell by ¥51.45 billion (13.1%) year-on-year to ¥341.1 billion, while overseas sales declined by ¥17.33 billion (10.4%) to ¥149.48

Gross profit declined by ¥8.1 billion (14.8%) year-on-year to ¥46.97 billion. Selling, general and administrative (SG&A) expenses fell by ¥2.08 billion to ¥45.3 billion. Operating income decreased by ¥6.07billion to ¥1.67 billion, including a non-consolidated operating loss of ¥0.9 billion for Nagase & Co., Ltd.

Nagase also reported an extraordinary loss for the term of ¥8.83 billion. Loss on devaluation of investments in securities accounted for ¥6.72 billion of this amount. Special retirement allowances of ¥1.7 billion were posted owing to the introduction of a voluntary early retirement program. As a result, the net loss for the term came to ¥2.09 billion.

### **Results by Business Segments**

#### Chemicals:

In the Chemicals business, the pharmaceutical raw materials and pharmaceutical intermediates segments of reporting companies performed strongly, but the economic slowdown at home and overseas affected sales of pigments, paints, plastics raw materials and electronics-related chemicals, causing consolidated sales overall to fall below the levels recorded in the preceding fiscal year.

Sales of the Chemicals business of Nagase ChemteX Corp. were lower than in the preceding consolidated fiscal year because of stagnating sales of enzymes and specialty chemicals. Nagase Colors & Chemicals Co., Ltd. also recorded lower sales year-on-year because of the sluggish performance of the domestic textiles industry. Nagase (Thailand) Co., Ltd. performed well thanks to expanded sales of urethane plastics raw materials and other products. Nagase America Corp. also put in a strong performance on the back of growth in sales of food additives.

As a result, sales fell by ¥19.34 billion (8.1%) to ¥218.52 billion compared with the preceding consolidated fiscal year. Consolidated operating income fell by ¥721 million (23.4%) year-on-year to ¥2.35 billion.

### Plastics:

In the Plastics business, reporting companies revealed that the automobilerelated sectors and sales of Group company products were buoyant. Under the impact of the IT recession, however, exports of plastics to manufacturers of electrical machinery and information-devices declined, while the transfer of domestic selling rights for General Electric products led to lower domestic sales of plastics, resulting in a decline compared with the preceding consolidated fiscal year.

Nagase Plastics Co., Ltd. also posted lower sales year-on-year as market conditions remained weak due to competition from imports. Although Kotobuki Industries Co., Ltd. performed well, the recession in the construction and real estate industries and in office automation and consumer electronics resulted in substantial year-on-year declines for Totaku Industries, Inc. and Setsunan Kasei Co., Ltd. Nagase Singapore (Pte) Ltd. and Nagase Wahlee Plastics Corp. both posted considerably lower sales than in the preceding consolidated fiscal year owing to weak demand for plastics in the electrical machinery and information devices sectors. Nagase (Hong Kong) Ltd. boosted its sales as a result of shifting its production centers for electrical machinery and information devices to China. Canada Mold Technology Inc. improved its sales of molds for automobiles in Canada.

As a result, sales fell by ¥30.2 billion (14.7%) to ¥175.25 billion compared with the preceding consolidated fiscal year. The operating loss totaled ¥1.15 billion, an earnings decline of ¥4.14 billion compared with the preceding consolidated fiscal year.

#### **Electronics:**

In the Electronics business, reporting companies disclosed sales growth in communications component modules and image processing devices. However, demand for PCs, mobile phones and information devices fell sharply, causing a sharp decline in LCD unit sales prices. This, and slumping sales of parts and materials for mobile phones, fluororesins and encapsulation materials resulted in lower sales compared with the preceding consolidated fiscal year.

The Electronics business of Nagase ChemteX Corp. was buoyant thanks to sales of epoxy resins for the heavy electrical equipment sector and LCD manufacturing chemicals. Despite this, epoxy resins for semiconductors and chemicals for use in semiconductor manufacturing declined sharply, resulting in lower sales year-on-year. Hoei Sangyo Co., Ltd.'s video mediarelated business did well, but its results were flat year-on-year as a result of stagnation in the equipment systems and software segments. Nagase Electronic Equipment Service Co., Ltd. transferred a portion of its business to Nagase CMS Technology Co., Ltd. a newly established subsidiary, causing sales to fall sharply compared with the preceding fiscal year.

As a result, sales fell by ¥19.72 billion (19.1%) year-on-year to ¥83.66 billion. Consolidated operating income fell by ¥1.23 billion (79.8%) yearon-year to ¥313 million.

### **Health Care & Others:**

In the Health Care business, reporting companies declared a year-on-year decline in sales of cosmetics through door-to-door sales, but sales of health and beauty foods rose, as did sales of medical information equipment-related products.

The door-to-door sales business felt the consequences of stagnant business conditions in the form of lower market prices and deteriorating consumer spending, which lead to weak sales of cosmetics. Nevertheless, health foods grew as a result of growing health-consciousness and the launch of "New Belmash." In the medical information equipment-related segment, our focus on expanding sales of infectious disease prevention systems and bacteria test devices paid off in solid results.

As a result, sales rose by ¥488 million (3.9%) compared with the preceding consolidated fiscal year to ¥13.14 billion. Consolidated operating income increased by ¥26 million (20.4%) year-on-year to ¥157 million.

### **Results by Geographical Segments**

The return to General Electric of sales rights in the plastic business and the overall weakness of the Japanese economy caused net sales to decline by ¥66.81 billion (14.3%) compared with the preceding consolidated fiscal year to ¥399.72 billion. As a result, the operating loss amounted to ¥785 million.

#### Asia:

Although some new products sold well in the China market, the sharp downturn in demand for IT-related products led to a year-on-year decline in net sales of ¥1.66 billion (2.2%) to ¥73.28 billion. Consolidated operating income fell by ¥1.37 billion (39.6%) year-on-year to ¥2.09 billion.

#### **North America:**

As a result of robust sales of pharmaceutical raw materials and pharmaceutical and agrochemical intermediates, net sales rose by ¥41 million (0.4%) compared with the preceding fiscal year to ¥10.67 billion. Consolidated operating income increased by ¥61 million (83.5%) year-onyear to ¥136 million.

### Other Regions:

Although net sales fell by ¥352 million (4.9%) year-on-year to ¥6.9 billion, a review of the operating structure in Europe resulted in operating income of ¥58 million, an increase of ¥149 million compared with the preceding consolidated fiscal year.

### **Cash Flows**

During the fiscal year under review, consolidated cash and cash equivalents climbed by ¥3.49 billion (18.9%) year-on-year to ¥21.96 billion.

### **Cash Flow from Operating Activities:**

During the fiscal year under review, consolidated cash and cash equivalents from operating activities climbed by 51.3% year-on-year to ¥12.35 billion. This was due to the fact that even though the Company posted a net loss of ¥2.94 billion and notes and accounts payable fell by ¥28.28 billion, trade receivables declined by ¥33.11 billion and inventories by ¥5.97 billion. In addition, adjustments were made to treat the ¥6.72 billion arising from loss on devaluation of investments in securities as non-funding costs.

### **Cash Flow from Investing Activities:**

During the fiscal year under review, consolidated cash and cash equivalents

from investing activities fell by 68.7% year-on-year to ¥1.3 billion. Outlays on acquisitions of investments in securities amounted to ¥1.85 billion, and if outlays on acquisitions of stocks in subsidiaries following changes in the scope of consolidation during the preceding consolidated fiscal year are taken into consideration, the decline amounts to 77.0% year-on-year. Collections of short-term loans receivable amounting to ¥1.12 billion also played a role.

### **Cash Flow from Financing Activities:**

During the fiscal year under review, consolidated cash and cash equivalents from financing activities fell by 3.7% year-on-year to ¥8.61 billion. This was due to a net decline of ¥6.25 billion in short-term loans and outlays of ¥2.94 billion on purchases of treasury stock.

### **R&D** Activities

The Nagase Group (Nagase and its consolidated subsidiaries) is focusing its allround group strengths into research and development activities aimed at developing new products and distributing its technical information.

Currently, the Nagase R&D Center and the research and development departments of its manufacturing subsidiaries are engaged in development activities. Trading company activities such as the Chemicals and Health Care businesses are moving apace, as are R&D activities and technical information evaluations related to new technologies and new products in the areas of

organic chemistry and biotechnology. These two areas are especially in line with our future vision for our manufacturing subsidiaries. We have placed particular emphasis on pharmaceutical synthesis technologies, especially applications of chiral synthesis technology for provision to customers. Already, we have commercialized some products that make use of this technology, and intend in the future to offer R&D functions that transcend the framework of the trading company. During the consolidated fiscal year under review, research and development expenditures totaled ¥2.05 billion.

### **Assets**

At the end of the consolidated fiscal year under review, total assets amounted to ¥300.07 billion, a year-on-year decline of ¥53.7 billion, or 15.2%.

Current assets fell by ¥40.2 billion (16.3%) compared with the preceding fiscal year-end to ¥206.06 billion as a result of a decline in notes and

accounts receivable.

Fixed assets declined by ¥13.49 billion (12.6%) year-on-year to ¥94.01 billion as the Company reduced its investments in securities due to the impact of falling market values.

### Liabilities

At the end of the consolidated fiscal year under review, total liabilities amounted to ¥152.15 billion, a year-on-year decline of ¥44.23 billion, or 22.5%.

Current liabilities fell by ¥38.17 billion (22.7%) compared with the preceding fiscal year-end to ¥129.96 billion as a result of a decline in notes and

accounts payable.

Fixed liabilities fell by ¥6.06 billion (21.5%) year-on-year to ¥22.18 billion as a result of a decline in deferred income taxes.

### Shareholders' Equity

Shareholders' equity at the end of the consolidated fiscal year under review fell by ¥9.32 billion (6.1%) year-on-year to ¥144.17 billion as a result of the net loss posted for the term, the purchase and retirement of treasury stocks, and a decline in unrealized holding gains on securities.

# Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries March 31, 2002 and 2001

Assets		Millio	Thousands of U.S. dollars (Note 1)			
		2002		2001		2002
Current assets:						
Cash and cash equivalents	¥	21,960	¥	18,465	\$	164,803
Short-term investments (Note 5) ·····		1,336		2,939		10,026
Notes and accounts receivable:						
Unconsolidated subsidiaries and affiliates		6,592		8,288		49,470
Trade ·····		144,730		176,330		1,086,153
Other ····		988		1,473		7,414
Less allowance for doubtful receivables		(1,579)		(1,179)		(11,849)
		150,732		184,912		1,131,196
Inventories		25,545		34,180		191,707
Deferred income taxes (Note 8)		2,386		1,886		17,906
Other current assets		4,099		3,886		30,761
Total current assets		206,062		246,268		1,546,431
Property, plant and equipment:						
Land (Note 5)		9,545		7,968		71,632
Buildings and structures		25,705		24,875		192,908
Machinery and equipment		26,361		28,047		197,831
Construction in progress		5		211		37
		61,618		61,101		462,424
Less accumulated depreciation ·····		(36,389)		(36,370)		(273,088)
Property, plant and equipment, net ·····		25,228		24,731		189,328
Investments and other assets:						
Investments in securities (Notes 3 and 5):						
Unconsolidated subsidiaries and affiliates		12,159		11,172		91,249
Other ····		51,412		65,252		385,831
		63,572		76,424		477,088
Long-term loans receivable		424		315		3,181
Deferred income taxes (Note 8)		434		749		3,257
Other assets ·····		4,478		5,802		33,606
Less allowance for doubtful accounts ·····		(126)		(512)		(945)
Total investments and other assets		68,782		82,778		516,187
-	¥	300,073	¥	353,777	\$	2,251,954

See notes to consolidated financial statements.

Liabilities and shareholders' equity		Millions of yen				Thousands of U.S. dollars (Note 1)		
		2002		2001		2002		
Current liabilities:								
Short-term loans (Note 4) ·····	¥	7,949	¥	13,275	\$	59,654		
Current portion of long-term debt (Note 4)		1,782		727		13,373		
Notes and accounts payable:								
Unconsolidated subsidiaries and affiliates		3,554		2,192		26,671		
Trade ····		102,045		132,146		765,816		
		105,599		134,338		792,487		
Accrued income taxes (Note 8)		563		4,615		4,225		
Deferred income taxes (Note 8) ·····		12		_		90		
Accrued expenses		5,261		6,062		39,482		
Other current liabilities		8,797		9,125		66,018		
Total current liabilities		129,966		168,142		975,354		
Long-term liabilities:								
Long-term debt (Note 4)		9,945		9,876		74,634		
Deferred income taxes (Note 8) ·····		2,014		7,847		15,114		
Accrued retirement benefits for employees (Note 7)		9,266		9,232		69,538		
Accrued retirement benefits for officers		929		1,261		6,971		
Other liabilities		32		37		240		
Total long-term liabilities		22,188		28,253		166,514		
Minority interests		3,741		3,883		28,075		
Contingent liabilities (Note 11)								
Shareholders' equity:								
Common stock:								
Authorized:								
346,980,000 shares and 347,509,000 shares at March 31,								
2002 and 2001, respectively								
Issued:								
2002 - 138,408,285 shares		9,699		_		72,787		
2001 - 138,937,285 shares		_		9,700		_		
Additional paid-in capital (Note 6)		9,634		9,635		72,300		
Retained earnings (Note 6)		114,870		118,337		862,063		
Unrealized holding gain on securities		11,690		16,211		87,729		
Translation adjustments		963		(383)		7,227		
Less treasury stock, at cost		(2,682)		(1)		(20,127)		
Total shareholders' equity		144,176		153,499		1,081,996		
	¥	300,073	¥	353,777	\$	2,251,954		

# Consolidated Statements of Operations

Nagase & Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

_	Millions of yen					housands of dollars (Note 1)
		2002		2001		2002
Net sales (Note 12)	¥	490,583	¥	559,373	\$	3,681,673
Cost of sales (Note 9)		443,607		504,233		3,329,133
Gross profit		46,976		55,140		352,540
Selling, general and administrative expenses (Note 9)		45,302		47,388		339,977
Operating income (Note 12)		1,673		7,752		12,555
Other income (expenses):						
Interest and dividend income		1,948		1,959		14,619
Interest expense ·····		(623)		(815)		(4,675)
Equity in earnings of affiliates		276		375		2,071
Gain on sales of investments in securities ·····		1,112		3,972		8,345
Gain on marketable securities contributed to employees'						
retirement benefit trust ······		_		1,870		_
Loss on devaluation of investments in securities		(6,720)		(124)		(50,431)
Gain on sales of property and equipment ·····		37		1,519		277
Amortization of net retirement benefit obligation at transition		_		(6,984)		_
Other, net ·····		(654)		(171)		(4,908)
(Loss) income before income taxes and minority interests		(2,949)		9,353		(22,131)
Income taxes (Note 8):						
Current		1,758		6,527		13,193
Deferred		(2,807)		(2,506)		(21,065)
(Loss) income before minority interests		(1,900)		5,332		(14,258)
Minority interests		197		386		1,478
Net (loss) income =	¥	(2,097)	¥	4,946	\$	(15,737)
_		(Yen)				U.S. dollars) (Note 1)
Amounts per share of common stock:						
Net (loss) income	¥	(15.39)	¥	35.28	\$	(0.11)
Cash dividends ·····	•	8.00	•	8.00	Ψ	0.06

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

Nagase & Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

							Million	s of	yen				
	Number of shares of common stock	Comm	on stock		ditional in capital		Retained earnings	hold	nrealized ling gain on securities		anslation justments		Treasury stock
Balance at March 31, 2000 ·····	141,537,285	¥	9,700	¥	9,635	¥	115,504	¥	_	¥	_	¥	(1)
Net income for the year	_		_		_		4,946		_		_		_
Increase in retained earnings resulting from merger of													
unconsolidated subsidiaries ····							338		_		_		_
Cash dividends ······			_				(1,132)		_				
Bonuses to officers ·····			_				(62)		_				
Unrealized holding gain on							(02)						
securities ······					_		_		16,211				
Translation adjustments	_		_		_		_				(383)		_
Retirement of treasury stock ······	(2,600,000)		_		_		(1,257)		_		_		_
,							( ) /						
Balance at March 31, 2001 ······	138,937,285	¥	9,700	¥	9,635	¥	118,337	¥	16,211	¥	(383)	¥	(1)
Net loss for the year ·····			_		_		(2,097)		_		_		_
Increase in retained earnings													
resulting from merger of													
consolidated subsidiaries ······	_		_		_		86		_		_		_
Decrease in retained earnings													
resulting from exclusion of													
consolidated subsidiaries	_		_		_		(23)		_		_		_
Cash dividends ·····	_		_		_		(1,111)		_		_		_
Bonuses to officers ·····	_		_		_		(54)		_		_		_
Unrealized holding gain on													
securities ·····	_		_		_		_		(4,519)		_		_
Translation adjustments	_		_		_		_		_		1,346		_
Increase in treasury stock ·······	_		_		_		_		_		_		(2,681)
Retirement of treasury stock ······	(529,000)						(266)						
Balance at March 31, 2002 ······	138,408,285	¥	9,699	¥	9,634	¥	114,870	¥	11,690	¥	963	¥	(2,682)
						=							

				Thousands	of U	J.S. dollars	(Not	e 1)	
	Com	ımon stock	lditional l-in capital	Retained earnings	h	Inrealized olding gain necurities		ranslation djustments	Treasury stock
Balance at March 31, 2001	\$	72,795	\$ 72,307	\$ 888,082	\$	121,658	\$	(2,874)	\$ (7)
Net loss for the year ·····		_	_	(15,737)		_		_	_
Increase in retained earnings resulting from									
merger of consolidated subsidiaries ······		_	_	645		_		_	_
Decrease in retained earnings resulting from									
exclusion of consolidated subsidiaries		_	_	(172)		_		_	_
Cash dividends ·····		_	_	(8,337)		_		_	_
Bonuses to officers ·····		_	_	(405)		_		_	_
Unrealized holding gain on securities		_	_	_		(33,913)		_	_
Translation adjustments ·····		_	_	_		_		10,101	_
Increase in treasury stock ·····		_	_	_		_		_	(20,120)
Retirement of treasury stock ·····		_	_	(1,996)		_		_	_
Balance at March 31, 2002	\$	72,787	\$ 72,300	\$ 862,063	\$	87,729	\$	7,227	\$ (20,127)

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries Years ended March 31, 2002 and 2001

		Millio	ns of yen		Thousands of U.S. dollars (Note 1		
-		2002		2001		2002	
Operating activities							
Net (loss) income ····	¥	(2,097)	¥	4,946	\$	(15,737)	
Adjustments to reconcile net (loss) income to net cash							
provided by operating activities:							
Depreciation and amortization		2,888		2,966		21,673	
Provision for retirement benefits, net of payments		247		4,541		1,853	
Loss (gain) on sales of property and equipment ······		15		(1,478)		112	
Equity in earnings of affiliates		(276)		(375)		(2,071)	
Gain on sales of investments in securities		(1,075)		(3,802)		(8,067)	
Gain on marketable securities contributed to employees' retirement benefit trust		_		(1,870)		_	
Loss on devaluation of investments in securities ······		6,720		124		50,431	
Other, net		(173)		874		(1,298)	
		(173)		0/4		(1,290)	
Changes in operating assets and liabilities:		22 112		(2.242)		249 405	
Notes and accounts receivable		33,112		(2,342)		248,495	
Inventories ····		5,974		(5,781)		44,833	
Other current assets·····		1,248		401		9,365	
Notes and accounts payable ·····		(28,287)		7,118		(212,285)	
Accrued income taxes ·····		(5,174)		2,894		(38,829)	
Accrued expenses ·····		(800)		(97)		(6,003)	
Other current liabilities		31		46		232	
Net cash provided by operating activities ·····		12,351		8,165		92,690	
Investing activities							
Purchases of property and equipment		(3,993)		(3,593)		(29,966)	
Proceeds from sales of property and equipment		156		2,046		1,170	
Purchases of investments in securities		(1,858)		(5,185)		(13,943)	
Proceeds from sales of investments in securities		1,800		6,119		13,508	
Purchases of shares of subsidiaries				(2,896)		13,300	
		1 122				9.420	
Decrease (increase) in short-term loans receivable, net ·······		1,122		(270)		8,420	
Other, net		1,471 (1,300)		(383) (4,162)		11,039 (9,756)	
Financing activities		(( )==)		(6,920)		(46.041)	
Decrease in short-term loans, net		(6,255)		(6,830)		(46,941)	
Proceeds from long-term debt ····		3,054		1,186		22,919	
Repayment of long-term debt ····		(1,101)		(271)		(8,262)	
Cash dividends paid ·····		(1,370)		(1,883)		(10,281)	
Purchases of treasury stock ····		(2,948)		(1,257)		(22,123)	
Other, net ····		5		748		37	
Net cash used in financing activities		(8,615)		(8,307)		(64,652)	
Effect of exchange rate changes on cash and cash equivalents		1,318		1,073		9,891	
Net increase (decrease) in cash and cash equivalents		3,753		(3,231)		28,165	
Cash and cash equivalents at beginning of the year ·····		18,465		21,016		138,574	
Increase in cash and cash equivalents arising from merger of unconsolidated subsidiaries				680			
		_		000		_	
Decrease in cash and cash equivalents arising from exclusion		(2(0)				(0.5(1)	
of consolidated subsidiaries		(368)				(2,761)	
Increase in cash and cash equivalents arising from merger of							
consolidated subsidiaries		110				825	
Cash and cash equivalents at end of the year	¥	21,960	¥	18,465	\$	164,803	
Supplemental information on cash flows							
Cash paid during the year for:							
Interest		619		822		4,645	
Income taxes ·····	¥	6,932	¥	3,634	\$	52,022	

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries March 31, 2002

## 1. Basis of Preparation

Nagase & Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and records in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan. Its foreign consolidated subsidiaries maintain their books in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared for domestic reporting purposes and have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader and, as a matter of arithmetic computation only, at the rate of \(\frac{\pma}{133.25} = \text{U.S.} \\$1.00, the rate of exchange prevailing on March 31, 2002. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2001 to the 2002 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen for the year ended March 31, 2002 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the year ended March 31, 2002 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

## 2. Summary of Significant Accounting Policies

#### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The foreign consolidated subsidiaries have a December 31 year-end date and one domestic consolidated subsidiary has its year end at the end of February, closing dates which differ from the balance-sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these subsidiaries and the year end of the Company.

Unrealized intercompany gains and losses among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

The difference between the cost of an investment in a subsidiary and the amount of the underlying equity in the net assets of the subsidiary is treated as an asset or a liability as the case may be, and is amortized over a period of five years on a straight-line basis.

The difference between the cost of an investment in an affiliate and the amount of the Company's underlying equity in the net assets of the affiliate is amortized over a period of five years on a straight-line basis.

## (b) Foreign Currency Translation

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain and loss is recognized for financial reporting purposes.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are

translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Translation adjustments resulting from translating foreign currency financial statements are not included in the determination of net income but are reported as "Translation adjustments" in a component of shareholders' equity and minority interests in the consolidated financial statements.

Effective April 1, 2000, the Company and the consolidated subsidiaries adopted a revised "Accounting Standard for Foreign Currency Translation" issued by the Business Accounting Deliberation Council of Japan. Under this standard, all monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward exchange contracts rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income. The effect of the adoption of the revised standard on the consolidated financial statements for the year ended March 31, 2001 was immaterial.

#### (c) Inventories

Inventories are stated at the lower of cost or market, cost being determined by the weighted average method.

## (d) Investments in Securities

Through March 31, 2000, marketable securities were stated principally at the lower of cost or market, cost being determined by the moving average method, and investments in securities other than marketable securities were stated at cost determined by the moving average method.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. This standard requires that securities be classified into three categories: trading securities, held-tomaturity debt securities or other securities.

In accordance with the new standard, trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Heldto-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent in holding their investments in securities, classified their investments at March 31, 2001 as "other securities." and accounted for the securities in accordance with the standard referred to above.

Golf club memberships

This new accounting standard for financial instruments also applies to golf club memberships. A loss on the impairment of deposits for golf club memberships is also required to be recognized.

The effect of the adoption of this standard on the consolidated statement of income for the year ended March 31, 2001 was to increase income before income taxes and minority interests by ¥1,274 million.

## (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets as prescribed by the Corporation Tax Law, except that the straight-line method is applied to buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998. Property, plant and equipment owned by certain consolidated subsidiaries is depreciated by the straight-line method.

#### (f) Leases

The Company and its consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for as operating leases.

#### (g) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed for temporary differences between the financial reporting and tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on the enacted tax laws.

## (h) Retirement Benefits

The Company and the domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain foreign consolidated subsidiaries also have defined benefit plans.

The employees' retirement benefit plans provide for a lump-sum payment determined by reference to the current rate of pay, length of service and conditions under which the termination occurs.

For the year ended March 31, 2000, the liability for retirement allowances was stated at the amount which would be required to be paid if all employees covered by the plan involuntarily terminated their employment at the Company's request as of the balance sheet date, less the amount covered by the pension plan.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. In accordance with this standard, accrued retirement benefits were provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year. The net retirement benefit obligation at transition of ¥6,984 million was fully charged to income for the year ended March 31, 2001.

In connection with the adoption of this standard, the Company contributed its own securities to an employees' retirement benefit trust. In forming the trust and contributing its marketable securities, the Company recognized gain of ¥1,870 million arising from the valuation of the marketable securities contributed. This was reported in the consolidated statement of operations for the year ended March 31, 2001 as "Gain on marketable securities contributed to employees' retirement benefit trust."

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over ten years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over three years, which is within the estimated average remaining years of service of the eligible employees. For the year ended March 31, 2002, prior service cost incurred since the pension plan of the Company was amended in accordance with an amendment to the Employee's Pension Insurance Law.

The effect of the adoption of this standard for retirement benefits was to decrease income before income taxes and minority interests for the year ended March 31, 2001 by ¥5,186 million from the amount which would have been recorded under the method applied in the previous year.

Directors and statutory auditors ("officers") of the Company and certain consolidated subsidiaries are customarily entitled to lumpsum payments under unfunded retirement benefit plans. Provision for retirement benefits for these officers has been made at estimated amounts based on the applicable internal rules.

### (i) Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company and consolidated subsidiaries principally in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment in accordance with the Company's rules for in-company foreign exchange transactions. Under these rules, the Company conducts transactions within a certain range and places limits on the applicable assets and liabilities based on the actual demand. In addition, the Company also assesses the effectiveness of the hedging by verifying the approval, reporting and monitoring of all transactions involving derivatives. The Company and consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

The Company and consolidated subsidiaries are exposed to certain market risks arising from their forward foreign exchange contracts. The Company and consolidated subsidiaries are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest-rate contracts; however, they do not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or liability.

#### **Amounts Per Share**

The computation of net (loss) income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

## 3. Investments in Securities

## (a) Marketable securities classified as other securities at March 31, 2002 and 2001 are summarized as follows:

_				Million	s of ye	n		
				20	002			
•				Other s	ecuritie	es		
		Cost	Gross unrealized gain		Gross unrealized loss		Book val (estimate fair valu	
Market value available:  Equity securities	¥	25,720	¥	20,275	¥	(146)	¥	45,848
				Million		n		
	2001							
				Other s	ecuritie	es		
		Cost		Gross ealized gain		Gross realized loss	(es	ok value timated r value)
Market value available:  Equity securities		32,061	_¥	29,110	¥	(1,144)	¥	60,027
			7	housands o	f U.S.	dollars		
_	2002							
				Other s	ecuritie	es		
		Cost	unı	Gross ealized gain		Gross realized loss	(es	ok value timated r value)
Manhat malan ann Bahlar		Cost		<u> 5</u> aiii		1033	141	i varue)
Market value available:  Equity securities	\$	193,020	\$	152,157	\$	(1,095)	\$	344,075

#### (b) Securities whose market value was not available and were classified as other securities at March 31, 2002 and 2001 are summarized as follows:

Millions of yen				Thousands of U.S. dollars		
	2002		2001	2002 Carrying value		
	Carryi	ng value				
¥	3,526	¥	3,255	\$	26,461	
	2,037		2,000		15,287	
¥	5,563	¥	5,225	\$	41,748	
	¥	2002 Carryi ¥ 3,526 2,037	2002  Carrying value  ¥ 3,526 ¥ 2,037	2002 2001  Carrying value  ¥ 3,526 ¥ 3,255 2,007 2,000	Millions of yen     U       2002     2001       Carrying value       ¥     3,526       2,037     2,000	

## 4. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2002 and 2001 principally represented note, in the form of deeds, commercial paper and overdrafts due within one year, at average annual interest rates of 1.72% and 3.76% per  $\,$ annum, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars		
		2002		2001		2002
Secured loans from banks, payable in yen, due through 2003 at rates from 1.84% to 1.94%		210	¥	1,710	\$	1,575
yen, due through 2011 at rates from 0.62% to 2.54%		4,518		1,893		33,906
1.53% unsecured bond, payable in yen, due 2004 ·····		$\frac{7,000}{11,728}$		7,000 10,603		52,532 88,015
Less current portion		(1,782)		(727)		(13,373)
	¥	9,945	¥	9,876	\$	74,634

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

ar ending March 31,		llions of yen	Thousands of U.S. dollars		
		2002		2002	
2003	¥	1,782	\$	13,373	
2004 ····		1,523		11,429	
2005		8,038		60,322	
2006		78		585	
2007		78		585	
2008 and thereafter ·····		227		1,703	
·	¥	11,728	\$	88,015	

## 5. Pledged Assets

At March 31, 2002, assets pledged as collateral for short-term loans and long-term debt, including the current portion of long-term debt were as follows:

	Mill	ions of yen	Thousands of U.S. dollars		
Short-term investments	¥	700	\$	5,253	
Land		7		52	
Investments in securities		224		1,681	
·	¥	931	\$	6,986	

At March 31, 2002, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Mil	lions of yen	Thousands of U.S. dollars		
		2002		2002	
Short-term investments Investments in securities	¥	600 2,533	\$	4,502 19,009	
-	¥	3,133	\$	23,512	

## 6. Additional Paid-in Capital and Retained Earnings

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal

reserve until the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the Commercial Code. The legal reserve of the Company included in retained earnings at March 31, 2002 and 2001 amounted to ¥2,424 million (\$18,191 thousand).

### 7. Retirement Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2002 and 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen				Thousands of U.S. dollars		
		2002		2001		2002	
Retirement benefit obligation	¥	(33,256)	¥	(33,619)	\$	(249,575)	
Plan assets at fair value		20,248		21,255		151,954	
Unfunded retirement benefit obligation		(13,008)		(12,364)		(97,621)	
Unrecognized prior service cost		(421)		13		(3,159)	
Unrecognized actuarial loss		4,162		3,119		31,234	
Accrued retirement benefits recognized in the consolidation							
balance sheets	¥	(9,266)	¥	(9.232)	\$	(69,538)	

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2002 and 2001 are outlined as follows:

		Millio	Thousands of U.S. dollars			
		2002		2001		2002
Service cost ·····	¥	1,532	¥	1,617	\$	11,497
Interest cost ·····		852		803		6,393
Expected return on plan assets		_		(481)		_
Amortization of net retirement benefit obligation at transition		(233)		6,984		(1,748)
Amortization of prior service cost		311		(45)		2,333
Retirement benefit expenses	¥	2,463	¥	8,878	\$	18,484

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2002 and 2001 were as follows:

2002	2001
3.0%	3.0%
0.0%	2.61%
	3.0%

#### 8. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprises taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 42.1% for the years ended March 31, 2002 and 2001.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2001 as a percentage of income before income

taxes and minority interests has been omitted since the difference between the statutory tax rate and the effective tax rate was minor. A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2002 as a percentage of loss before income taxes and minority interests has been omitted since the Company recorded a loss before income taxes and minority interests.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The significant components of the Companies' deferred tax assets and liabilities at March 31, 2002 and 2001 are summarized as follows:

		Millio	ns of yen			nousands of J.S. dollars
		2002		2001		2002
Deferred tax assets:						
Unrealized gain on inventories ·····	¥	259	¥	333	\$	1,943
Investments in securities		3,561		1,450		26,724
Long-term prepaid expenses		293		277		2,198
Accrued enterprise tax		_		384		_
Accrued bonuses ·····		512		501		3,842
Retirement benefits for employees		3,381		3,054		25,373
Retirement benefits for officers		372		516		2,791
Other ····		1,822		1,010		13,673
Total deferred tax assets		10,204		7,525	,	76,577
Deferred tax liabilities:						
Revaluation of land		(384)		(384)		(2,881)
Deferred capital gain on property		(517)		(514)		(3,879)
Special reserve for depreciation		(67)		(80)		(502)
Unrealized holding gain on securities		(8,402)		(11,649)		(63,054)
Other ····		(37)		(110)		(277)
Total deferred tax liabilities		(9,410)		(12,737)		(70,619)
Net deferred tax assets (liabilities)	¥	794	¥	(5,212)	\$	5,958

## 9. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2002 and 2001 totaled ¥2,051 million (\$15,392 thousand) and ¥2,845 million, respectively.

### 10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2002 and 2001, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property of the Companies (which are currently accounted for as operating leases) were capitalized:

					Million	s of ye	1				
		2	2002					2	2001		
	uisition costs		mulated eciation		t book alue		uisition costs		mulated reciation		t book value
Buildings and structures Machinery and equipment Furniture and fixtures	53 2,158 1,660 3,871	¥	7 1,165 913 2,086	¥	45 992 747 1,785	¥	2,769 2,023 4,792	¥	1,180 1,097 2,277	¥	1,589 926 2,515

	Th	ousand	s of U.S. doll	lars	
			2002		
-	quisition costs		umulated reciation		et book value
Buildings and structures Machinery and equipment Furniture and fixtures	\$ 397 16,195 12,457	\$	52 8,742 6,851	\$	337 7,444 5,606
=	\$ 29,050	\$	15,654	\$	13,395

The related lease payments and depreciation for the years ended March 31, 2002 and 2001 were as follows:

_		Millio	ns of yen		ousands of .S. dollars
		2002		2001	2002
Lease payments	¥	1,006	¥	1,317	\$ 7,549
Depreciation expense		878		1,002	7,549 6,589
Interest expense		97		133	727

Depreciation is calculated by the straight-line method over the respective lease terms.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 under finance leases other than those which transfer the ownership of the leased property to the Companies are summarized as follows:

Mil	llions of yen		ousands of J.S. dollars
¥	796	\$	5,973
	1,080		8,105
¥	1,877	\$	14,086
	Mi ¥ ¥	170	Millions of yen U

## 11. Contingent Liabilities

At March 31, 2002, the Company and consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥2,232 million (\$16,750 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥311 million (\$2,333 thousand).

In addition, at March 31, 2002, the Company and consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed and delivered for payment to vendors in the total amount of ¥655 million (\$4,915 thousand).

## 12. Segment Information

The Company and consolidated subsidiaries are primarily engaged in the manufacture, purchase and sale of products in Japan and overseas in four major segments: chemicals which mainly include coating materials, color materials, monomers, urethane raw materials, resin additives, dyes, organic fine chemicals, specialty chemicals, and agricultural and ecological materials, plastics which include synthetic

resin, synthetic rubber and building materials, shaped processed goods, electronics which include semiconductor water processing, semiconductor assembly processing, liquid crystal display components, communications devices and other electronic devices, and health care products which include medical devices, cosmetics and health food, as well as health care services.

The business and geographical segments of the Company and consolidated subsidiaries for the years ended March 31, 2002 and 2001 are outlined as follows:

## **Business Segments**

						]	Millio	ons of ye	n					
							2	2002						
	Cł	nemicals	F	lastics	Ele	ctronics		alth care d others		Total		ninations orporate		solidated sales
Sales to customers ·····	¥	218,524	¥	175,252	¥	83,660	¥	13,146	¥	490,583	¥	_	¥	490,583
Intersegment sales		12		15		3		1,663		1,695		(1,695)		_
Total sales		218,537		175,268		83,663		14,810		492,279		(1,695)		490,583
Operating expenses		216,178		176,425		83,349		14,652		490,606		(1,695)		488,910
Operating income (loss)	¥	2,358	¥	(1,157)	¥	313	¥	157	¥	1,673	¥	0	¥	1,673
Assets	¥	117,716	¥	83,622	¥	46,442	¥	11,041	¥	258,822	¥	41,250	¥	300,073
Depreciation and amortization		1,067		810		826		183		2,888		_		2,888
Capital expenditures		1,453		1,515		1,251		332		4,553		_		4,553

						]	Millio	ons of ye	n					
							2	2001						
	Cł	nemicals	F	Plastics	Ele	ectronics		lth care d others		Total		inations orporate		solidated sales
Sales to customers	¥	237,872	¥	205,460	¥	103,383	¥	12,658	¥	559,373	¥	_	¥	559,373
Intersegment sales ·····		0		64		4		1,777		1,845		(1,845)		_
Total sales		237,872		205,524		103,387		14,435		561,218		(1,845)		559,373
Operating expenses		234,792		202,535		101,835		14,304		553,466		(1,845)		551,621
Operating income ·····	¥	3,080	¥	2,989	¥	1,552	¥	131	¥	7,752	¥	0	¥	7,752
Assets Depreciation and amortization Capital expenditures	¥	130,489 1,362 1,557	¥	103,605 732 1,380	¥	53,774 679 760	¥	9,228 193 72	¥	297,096 2,966 3,769	¥	56,681 0 0	¥	353,777 2,966 3,769

			Thous	sands of U.S.	dollars		
				2002			
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	\$ 1,639,954	\$ 1,315,212	\$ 627,842	\$ 98,656	\$ 3,681,673	\$	\$ 3,681,673
Intersegment sales ·····	90	112	22	12,480	12,720	(12,720)	
Total sales	1,640,052	1,315,332	627,864	111,144	3,694,401	(12,720)	3,681,673
Operating expenses	1,622,348	1,324,015	625,508	109,958	3,681,846	(12,720)	3,669,118
Operating income (loss) ·····	\$ 17,696	\$ (8,682)	\$ 2,348	\$ 1,178	\$ 12,555	\$ 0	\$ 12,555
Assets	\$ 883,442	\$ 627,557	\$ 348,532	\$ 82,859	\$ 1,942,378	\$ 309,568	\$ 2,251,954
Depreciation and amortization	8,007	6,078	6,198	1,373	21,673	_	21,673
Capital expenditures	10,904	11,369	9,388	2,491	34,168	_	34,168

## **Geographical Segments**

						N	Iillio	ns of ye	n					
							2	2002						
		Japan		Asia	North	n America	C	Others		Total		ninations corporate		solidated sales
Sales to customers ·····	¥	399,725	¥	73,283	¥	10,671	¥	6,903	¥	490,583	¥	_	¥	490,583
Intersegment sales ·····		48,320		2,730		2,679		1,649		55,379		(55,379)		_
Total sales ·····		448,045		76,013		13,350		8,552		545,963		(55,379)		490,583
Operating expenses		448,831		73,914		13,214		8,493		544,454		(55,543)		488,910
Operating income (loss)	¥	(785)	¥	2,099	¥	136	¥	58	¥	1,509	¥	164	¥	1,673
Assets	¥	237,886	¥	25,112	¥	5,517	¥	2,336	¥	270,852	¥	29,221	¥	300,073

						N	Iillio	ns of ye	n					
							2	2001						
		Japan		Asia	Nortl	n America	(	Others		Total		ninations corporate		solidated sales
Sales to customers	¥	466,539	¥	74,948	¥	10,630	¥	7,256	¥	559,373	¥	_	¥	559,373
Intersegment sales ·····		57,492		4,142		3,077		1,580		66,291		(66,291)		_
Total sales·····		524,031		79,090		13,707		8,836		625,664		(66,291)		559,373
Operating expenses		519,927		75,613		13,633		8,927		618,100		(66,479)		551,621
Operating income (loss)	¥	4,104	¥	3,477	¥	74	¥	(91)	¥	7,564	¥	188	¥	7,752
Assets	¥	272,778	¥	28,923	¥	5,358	¥	2,801	¥	309,860	¥	43,917	¥	353,777

					Thous	ands	of U.S.	dolla	ars			
						2	2002					
	Japan		Asia	Nort	h America	(	Others		Total	minations corporate	Co	nsolidated sales
Sales to customers ·····	\$ 2,999,8	312	\$ 549,966	\$	80,082	\$	51,804	\$	3,681,673	\$ _	\$	3,681,673
Intersegment sales ·····	362,6	26	20,487		20,105		12,375		415,602	(415,602)		_
Total sales ·····	3,362,4	39	570,454		100,187		64,180		4,097,283	(415,602)		3,681,673
Operating expenses	3,368,3	37	554,701		99,166		63,737		4,085,958	(416,833)		3,669,118
Operating income (loss)	\$ (5,8	91)	\$ 15,752	\$	1,020	\$	435	\$	11,324	\$ 1,230	\$	12,555
Assets	\$ 1,785,2	260	\$ 188,457	\$	41,403	\$	17,530	\$	2,032,660	\$ 219,294	\$	2,251,954

## Notes to Consolidated Financial Statements

## **Sales to Foreign Customers**

-				Millions 200		n		
-		Asia		North merica		Other		Total
Overseas sales	¥	128,657	¥	11,171	¥	9,652	¥¥	149,481 490,583
Overseas sales as a percentage of consolidated net sales		26.2%		2.3%		2.0%		30.5%

	Millions of yen							
				200	01			
		Asia		North merica	(	Other		Total
Overseas sales  Consolidated net sales	¥	145,375	¥	12,305	¥	9,137	¥ ¥	166,817 559,373
Overseas sales as a percentage of consolidated net sales		26.0%		2.2%		1.6%		29.8%

	Thousands of U.S. dollars 2002							
		Asia		North merica		Other	Total	
Overseas sales Consolidated net sales	\$	965,530	\$	83,834	\$	72,435		1,121,808 3,681,673

## 13. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, were approved at a shareholders' meeting of the Company held on June 27, 2002:

	Mi	llions of yen	Thousands of U.S. dollars		
Cash dividends (¥8.00 = \$0.06 per share)	¥	1,065	\$	7,992	

# Report of Independent Certified Public Accountants

## The Board of Directors and the Shareholders Nagase & Co., Ltd.

We have audited the consolidated balance sheets of Nagase & Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of Nagase & Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

As described in Note 2, Nagase & Co., Ltd. and consolidated subsidiaries adopted new accounting standards for foreign currency translation, financial instruments and retirement benefits effective April 1, 2000 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Osaka, Japan June 27, 2002

Shin Rihan & Co.

See Note 1 which explains the basis of preparation of the consolidated financial statements of Nagase & Co., Ltd., under Japanese accounting principles and practices.

# lagase in Japan

## Our Major Consolidated Subsidiaries and Associated Companies

## Manufacturing

Nagase ChemteX Corp. \* Manufacture of epoxy resins, enzymes and industrial chemical products

Grelan Pharmaceutical Co., Ltd. \*\* Manufacture and sales of pharmaceuticals

Nagase Pharmaceutical Co., Ltd. \* Manufacture of pharmaceuticals

Totaku Industries, Inc. \* Manufacture and sales of plastics products Kyusyu Totaku Industries, Inc. Manufacture and sales of plastics products Thermo Co., Ltd. \*\* Manufacture and sales of plastics products

Gigatec Inc. Design, manufacture and sales of high frequency power amplifiers

Idea System Co., Ltd. Design and manufacture of electronic parts and instruments

Nagase Alphametics Co., Ltd. Manufacture of cosmetics and medical care products

Nagase Cosmetics Co., Ltd. Manufacture of cosmetics and health foods

### **Processing**

Kotobuki Industries Co., Ltd. \* Molding, processing and sales of plastics products Setsunan Kasei Co., Ltd. \* Processing and sales of plastic coloring compounds Kyoraku Co., Ltd. \*\* Manufacture, processing and sales of plastics products Cluster Technology Co., Ltd. Manufacture, processing and sales of precision molded parts Alpha Bumping Technology Co., Ltd.

Contract processing for wafer bumping using Ni/Au electroless plating

### Servicing

Delta 21 Corp. Marketing activities, management and consulting for plastics production

Design & Die Co., Ltd. Design, manufacture and sales of parts of cars, plastics products

Nagase Electronic Equipment Service Co., Ltd. \* Manufacture, sales and maintenance of low temperature vacuum

equipment, etc.

Nagase CMS Technology Co., Ltd. Development, design, manufacture, sales and maintenance of

CMS devices

Nagase Landauer Ltd. \*\* Radiation measuring services

NCC Engineering Co., Ltd. Maintenance and manufacture of medical equipment

Nagase Storage & Distribution Co., Ltd. \* Warehousing and distribution

Nagase General Service Co., Ltd. \* Sales of sundry goods, lease and real estate management

Nagase Information Development, Ltd. \* Software development and maintenance

Nippon Vopak Co., Ltd. \*\* Warehousing, automatic shipping of freight and freight handling

businesses

Nagase Business Support Corp. Consulting

Nagase Trade Managment Co., Ltd. Business agent for foreign trade documentation

Choko Co., Ltd. Insurance agency

<sup>\*</sup> Consolidated subsidiary \*\* Company accounted for under the equity method

#### Sales

Nagase Colors & Chemicals Co., Ltd. \* Purchasing and sales of dyestuffs, industrial chemicals, etc. and related information provision

Delta Fine Chemical Co., Ltd. \* Sales of dyestuffs, industrial chemicals, plastics and machinery

Kyushu Nagase Co., Ltd. Sales of dyestuffs, auxiliaries industrial chemical and plastics

Nishinihon Nagase Co. Ltd. Sales of dyestuffs, auxiliaries industrial chemical and plastics

Shizuoka Nagase Co., Ltd. \* Sales of pigments and chemicals for paper manufacturing

Nagase Bio-chemical Sales Co., Ltd. \* Sales of enzymes and additives for food and feed

Nagase Chemspec Co., Ltd. Sales and technological servicing of chemicals, etc.

Nagase Agritech KK Sales of agricultural products including chemicals and materials

Griffin Nagase KK Sales of industrial chemicals and agricultural chemicals

Nagase Plastics Co., Ltd. \* Sales of plastics raw materials and products

Nagase Elex Co., Ltd. \* Sales of raw materials for plastics and plastics products

Hoei Sangyo Co., Ltd. \* Sales of film materials, magnetic products, information imaging

materials, etc.

Nagase Barrel Finishing Systems Co., Ltd. \* Sales of abrasives and grinding materials

Shinshu Nagase Co., Ltd. Sales of electronics parts and plastics raw materials

Nagase Beauty Care Co., Ltd. Sales promotion services for cosmetics and health foods

Herbal Care Co., Ltd. Internet, mail-order and store sales of cosmetics and health foods

Nagase Medix Co., Ltd. Manufacture and sales of pharmaceuticals and pharmaceuticals for animals

## lagase Worldwide

Our Major Consolidated Subsidiaries and Associated Companies, Offices

## Europe

## Germany

Nagase (Europa) GmbH \* Berliner Allee 59 40212 Dusseldorf, Germany Tel: (211) 866200 Fax: (211) 3237068

#### UK

Nagase & Co., Ltd., London Representative Office 4F, Crown House, 143 Regent Street, London W1R 7LB, U.K. Tel: (020) 72873368 Fax: (020) 72873588

### Asia

#### Korea

Nagase Korea Corp.

The Daehan Maeil & Press Center Bldg. 10F 25, 1-Ga, Taepyung-ro, Chung-ku, Seoul, Korea Tel: (02)7348745 Fax: (02)7348747

Nagase Engineering Service Korea Co., Ltd. Seowon Bldg. 3F, Togok-Dong, 544-3, Kangnam-ku, Seoul, Korea Tel: (02)5720881 Fax: (02)5720884

#### Taiwan

Nagase (Taiwan) Co., Ltd. \* 4F-1, 248, Sec.3, Nanking E. Road. Taipei, Taiwan, R.O.C. Tel: (02) 27733668 Fax: (02) 27737288

Nagase Wahlee Plastics Corp. \* 9F, Chuan Ta Bldg., No.37, Sec.3, Min Chuan East Road, Taipei, Taiwan, R.O.C. Tel: (02)5062400 Fax: (02)5062401

#### China

Shanghai Nagase Trading Co., Ltd. 16F, HSBC Tower, No.101 Yincheng Dong Lu, Pudong new District, Shanghai, P.R. China Tel: (21) 68413535 Fax: (21) 68411826

Nagase & Co., Ltd., Shanghai Office 16F, HSBC Tower, No.101 Yincheng Dong Lu, Pudong new District, Shanghai, P.R. China Tel: (21)68413535 Fax: (21)68411826

Nagase (Hong Kong) Ltd. \*

Suite 2001-6, Tower 1, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong S.A.R., P.R. China Tel: 23750000 Fax: 23772728

Nagase (Hong Kong) Ltd., Shenzhen Representative Office Suite 1811, Kerry Centre, Reminnan Road, Shenzhen, P.R. China 518001 Tel: (755) 25180683 Fax: (755) 82317089

#### Nagase (Hong Kong) Ltd., Guangzhou Representative Office

Room2615, Metro Plaza, 183 Tian He Bei Road, Guangzhou, P.R. China Tel: (20) 87550626 Fax: (20) 87550493

#### Nagase (Hong Kong) Ltd., Tianjin Representative Office

Room C02, 7/F, Hechuan Bldg, Nanjing Road, Heping District, Tianjin, P.R. China Tel: (22) 27217002 Fax: (22) 27213335

#### Nagase (Hong Kong) Ltd., Dalien Representative Office

Room 807-809, Furama Hotel, 60 Remin Road, Dalian, P.R. China Tel: (411) 2593150 Fax: (411) 2808349

#### Shanghai Hua Chang Trading Co., Ltd.

Room 1505, Marine Tower, No.1, Pudong Ave.Shanghai, P.R. China Tel: (21) 68861177 Fax: (21) 68861435

#### Guangzhou Nagase Trading Ltd.

Room 2317, CITIC Plaza Office Tower. 233 Tian He Bei Road, Guangzhou, China P.C. 510613 Tel: (020) 38911101 Fax: (020) 38911103

#### Nagase Precision Plastics Shanghai Co., Ltd.

B-Block, 1st Floor, 173 Meisheng Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai 200131, China Tel: (021) 58681661 Fax: (021) 58681667

#### Thailand

Nagase (Thailand) Co., Ltd. \*

25F, Thaniya Plaza Bldg., 52 Silom Road, Bangkok 10500, Thailand Tel: (02) 2312221 Fax: (02) 2312262

#### Katolec (Thailand) Co., Ltd.

Saha Rattana Nakorn Industrial Estate, 115/5 Moo 4, Bangprakroo, Amphur Nakornluang, Ayuthaya 13260, Thailand Tel: (35) 360135 Fax: (35) 360134

## Sanko Gosei Technology (Thailand) Ltd.

64/20 Moo 4 Eastern Seaboard Industrial Estate T. Pluakdaeng. A.Pluakdaeng Rayong 21140, Thailand Tel: (38) 955234 Fax: (38) 955225

### Advanced Mold Technology Co., Ltd.

22F, SSP Bldg., Tower 3, 88 Silom Road, Suriyawongse, Bangrak, Bangkok 10500, Thailand Tel: (02) 6366401 Fax: (02) 6366402

<sup>\*</sup> Consolidated subsidiary \*\* Company accounted for under the equity method

## Malaysia

Nagase (Malaysia) Sdn. Bhd. \*

Suite 16.01, Level 16, Menara IGB Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia Tel: (03) 22832366 Fax: (03) 22822933

Nagase (Malaysia) Sdn. Bhd., Penang Office

Suite13-2, 3F, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia Tel: (04) 2286951 Fax: (04) 2286841

Nagase (Malaysia) Sdn. Bhd., Johor Bahru Office

Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi, Jalan Kuning, 80400 Johor Bahru, Malaysia Tel: (07) 3336088 Fax: (07) 3339088

Malaysian Fine Material Sdn. Bhd.

17, Lintan Beringin 6, Jalan Permatang Damar Laut, Diamond Valley Industrial Park, 11960 Penang, West Malaysia Tel: (04) 6262485 Fax: (04) 6262487

## Singapore

Nagase Singapore (Pte) Ltd. \*

300 Beach Road, #39-00 The Concourse, Singapore 199555. Tel: 63980088 Fax: 63980227

Chang Fong Overseas Enterprises (Pte) Ltd.

31 Gul Circle, Jurong Industrial Estate, Singapore 629569 Tel: 68623801 Fax: 68622655

Nagase Finechem Singapore (Pte) Ltd.

9 Tuas View Lane 637569 Singapore Tel: 68989289 Fax: 68985313

#### Vietnam

Nagase & Co., Ltd., Hanoi Representative Office

Unit 807 Hanoi Tung Shing Square 2 Ngo Quyen Hoan Kiem Dist., Hanoi, Vietnam Tel: (04) 9350110 Fax: (04) 9350108

Nagase Singapore (Pte) Ltd., Vietnam Representative Office

Room1809, Sun Wah Tower, 115 Nguyen Hue Boulevard, Dist.1, HCMC, Vietnam Tel: (08) 8219166 Fax: (08) 8219139

#### Indonesia

P.T. Nagase Impor-Ekspor Indonesia

14F, Lippo Plaza Jalan Jend, Sudirman Kav. 25, Jakarta 12920, Indonesia Tel: (21) 5203506 Fax: (21) 5203505

P.T. Daimei Santana Indonesia

Kawasan International Industrial City Lot C4-b, JL. Toll. Jakarta Cikampek KM. 47 Karawang, Jawa Barat Indonesia Tel: (21)8904221 Fax: (21)8904220

## **Philippines**

Nagase Philippines Corp.

18-B Trafalgar Plaza H.V. Dela Costa Street, Salcedo Village, 1227 Makati City, Philippines Tel: (02) 7502935 Fax: (02) 8118296

#### India

Nagase & Co., Ltd., Bombay Liaison Office

34, 3F, Maker Chamber III, Nariman Point, Mumbai 400021, India Tel: (22) 2844415 Fax: (22) 2045419

#### UAE

Nagase Singapore (Pte) Ltd., **Dubai Office** 

LOB#15-320, Jebel Ali Free Zone, P. O. Box 17865, Dubai-United Arab Emirates Tel: (971 )4-8871366 Fax: (971 )4-8871377

### **North America**

#### USA

Nagase America Corp. \*

546 Fifth Avenue 16F, New York, NY 10036 U.S.A. Tel: (212)7031340 Fax: (212)3980687

Nagase Plastics America Corp. \*

34119 West Twelve Mile Road, Suite 205 Farmington Hills, MI 48331 U.S.A Tel: (248) 3244467 Fax: (248) 3244471

Nagase California Corp. \*

710 Lakeway, Suite 135, Sunnyvale, CA 94085, U.S.A Tel: (408) 3281520 Fax: (408) 7739567

Sofix Corp. \*\*

2800 Riverport Road, Chattanooga, Tennessee 37406-1721, U.S.A. Tel: (423) 6243500 Fax: (423) 6243587

## Canada

Canada Mold Technology Inc. \* 1075 Ridgeway Road, Woodstock, Ontario, Canada N4V 1E3 Tel: (519) 4210711 Fax: (519) 4210706

## Board of Directors and Auditors, Executive Officers

(as of July 1, 2002)

## BORD OF DIRECTORS

REPRESENTATIVE DIRECTOR AND CHAIRMAN

HIDEO NAGASE

REPRESENTATIVE DIRECTOR AND PRESIDENT

HIROSHI NAGASE

REPRESENTATIVE DIRECTOR AND EXECUTIVE MANAGING DIRECTOR

MICHIYUKI INUKAI

BOARD SUPERVISOR, CHEMICALS BUSINESS GROUP BOARD SUPERVISOR, RESEARCH&DEVELOPMENT CENTER

REPRESENTATIVE DIRECTOR AND EXECUTIVE MANAGING DIRECTOR (EXECUTIVE OFFICER)

AKIRA NAITOH

BOARD SUPERVISOR, ADMINISTRATIVE DIVISIONS; COO, CORPORATE PLANNING OFFICE; COO, NEW BUSINESS DEVELOPMENT OFFICE

MANAGING DIRECTOR

KAZUNORI ANDO

BOARD SUPERVISOR, HEALTH CARE BUSINESS GROUP

MANAGING DIRECTOR

TAKESHI IWAI

BOARD SUPERVISOR, CHEMICALS BUSINESS GROUP

MANAGING DIRECTOR (EXECUTIVE OFFICER)

**REIJI NAGASE** 

PRESIDENT OF NAGASE CHEMTEX CORPORATION

DIRECTOR (EXECUTIVE OFFICER)

MASAHIRO MURAYAMA

BOARD SUPERVISOR, AUDIT OFFICE; BOARD SUPERVISOR, PERSONNEL DIVISION; BOARD SUPERVISOR OSAKA ADMINISTRATIVE DIVISION; COO, GENERAL AFFAIRS DIVISION

AKIRA SAKAI

PRESIDENT OF TOTAKU INDUSTRIES, INCORPORATED

DIRECTOR (EXECUTIVE OFFICER)

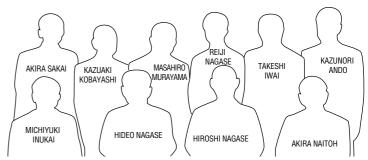
KAZUAKI KOBAYASHI

COO, PLASTICS BUSINESS GROUP

## CORPORATE AUDITORS

YASUHIRO KASHIWADA KEISUKE IAI SOUJI OKADA EISAKU KIMURA





### **EXECUTIVE OFFICERS**

RYOICHI OKUNO COO. NAGOYA BRANCH OFFICE

KANJI TAKAHASHI

MANAGING DIRECTOR OF NAGASE CHEMTEX CORPORATION

NORIO KURAKAKE

COO. PERSONNEL DIVISION: COO, LEGAL & CREDIT DIVISION

TAKEO KANEKO

COO, FINE CHEMICALS GROUP; COO, CHEMICALS DEVELOPMENT OFFICE

TAKASHI MATSUYAMA

PLASTICS BUSINESS GROUP

YOSHIZO SHIBATA

COO. PERFORMANCE CHEMICALS GROUP: COO, CHEMICALS PLANNING OFFICE

SHUNSUKE OKABE

PLASTICS BUSINESS GROUP

MAKOTO ONO

COO. HEALTH CARE BUSINESS GROUP

SHINGO BAMBA

COO, SPECIALITY CHEMICALS GROUP

EIJI ASAMI

COO, COATING & IMAGING MATERIALS GROUP

KYOICHI ZUSHI

COO FLECTRONICS 1ST GROUP

KAZUO NAGASHIMA

COO, ELECTRONICS 2ND GROUP; COO, ELECTRONICS PLANNING OFFICE

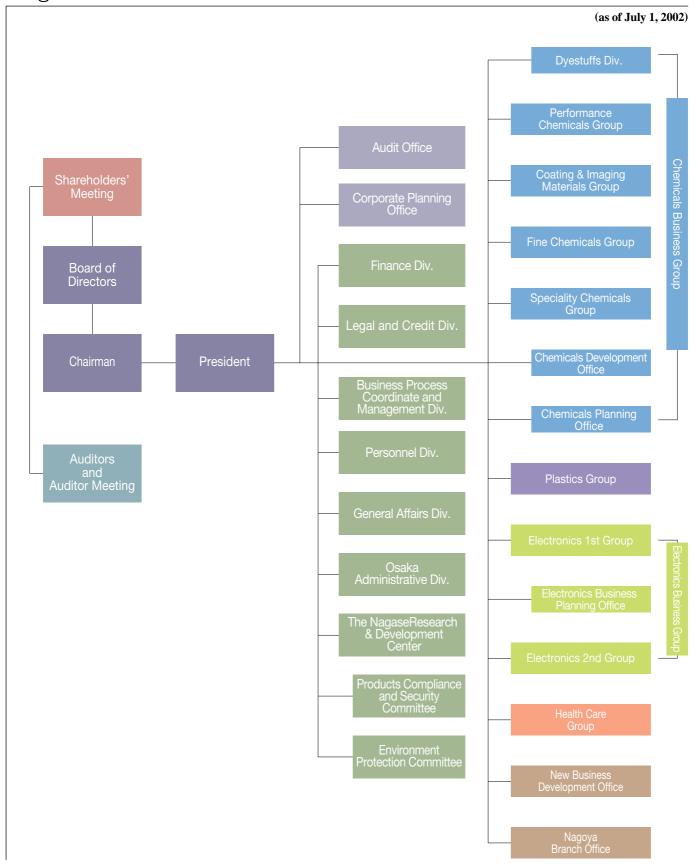
MAKOTO TSURUOKA

CHIEF FINANCIAL OFFICER

KOJI KURAMITSU

COO, BUSINESS PROCESS COORDINATE & MANAGEMENT DIVISION

## Organizational Structure



(as of March 31, 2002)

Head Office

Osaka: 1-17, Shinmachi 1-chome Nishi-ku, Osaka Tokyo: 5-1, Kobunacho Nihonbashi Chuo-ku, Tokyo

Branch Office

Nagoya: 14-18, Marunouchi 3-chome Naka-ku, Nagoya

**Foundation** 

December 1917

For More Information Contact **General Affairs Division** Tel: (81)3-3665-3021 Fax: (81)3-3665-3030

Share Transfer Agent

Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-Chome Chuo-ku, Osaka Stock Listed

First Section of the Tokyo Stock Exchange and Osaka Securities Exchange (since August 1970)

Common Stock

Number of shares to be issued by the company: 346,980,000 Number of issued shares: 138,408,285

Number of Shareholders 8,738

Principal Shareholders (% of total shares held)

]	Investment in t	he Company	Investment by the Company			
No.	. of shares held	Special rate	No. of shares held	Special rate		
	M shares	%	M shares	%		
1. Sumitomo Mitsui Bank	6,867	4.96	7,102	0.12		
2. Sumitomo Trust Bank	5,841	4.22	4,060	0.28		
3. Tokyo Mitsubishi Bank	5,402	3.90	<del>_</del>	_		
4. UFJ Bank	4,603	3.33	_	_		
5. Nippon Life Ins. Co.	4,228	3.05	_	_		
6. Hiroshi Nagase	4,134	2.99	_			
7. SNFE MAC Japan Active Shareholder Fund, L. P	. 4,115	2.97	_			

#### Share Distribution % of total Shares held Composition of Shareholders Number (thousand stocks) shares held 25 1,021 0.74 **Securities Companies:** Non-Japanese Corporations, etc.: 55 13,378 9.66 Other Corporations: 321 25,397 18.35 **Private and Others:** 8,252 43,293 31.28 **Financial Institutions:** 85 55,318 39.97



Osaka Head Office



Tokyo Head Office



Nagoya Branch Office

## NAGASE & CO., LTD.

HEAD OFFICE

Osaka: 1-17, Shinmachi 1-chome Nishi-ku, Osaka

Tel: (81)6-6535-2114

Tokyo: 5-1, Kobunacho Nihonbashi Chuo-ku, Tokyo Tel: (81)3-3665-3021

http://www.nagase.co.jp/english/