
Interim Results for the Year Ended March 2003

The Technology and Intelligence Oriented Company that
Turns Wisdom into Business



Nagase & Co., Ltd.
November 28, 2002



Contents

✦ Interim Results and Outlook for the Full Year

✦ WIT2000 Medium-Term Management Plan and Measures for the Future

✦ Segment Topics

—Initiatives for the Pharmaceutical Business—

1. Interim Consolidated Results

Summary of Consolidated Results

(Unit: ¥100 million)
(Rounded down to ¥100 million)

	Sept. 2002	Sept. 2001	vs. Previous Term	Increase (Decrease)	Comment
Sales	2,495	2,576	97%	(80)	Domestic decrease, Overseas increase
Gross Profit	258	240	107%	17	Improved profit margin
Operating Income	45	7	572%	37	Expense reductions
Ordinary Income	61	24	254%	37	
Net Income Before Taxes	72	33	219%	39	Subsidies (extraordinary gain)
Interim Net Income	44	16	262%	27	
Interim Earnings Per Share	¥33.57	¥12.19	275%		

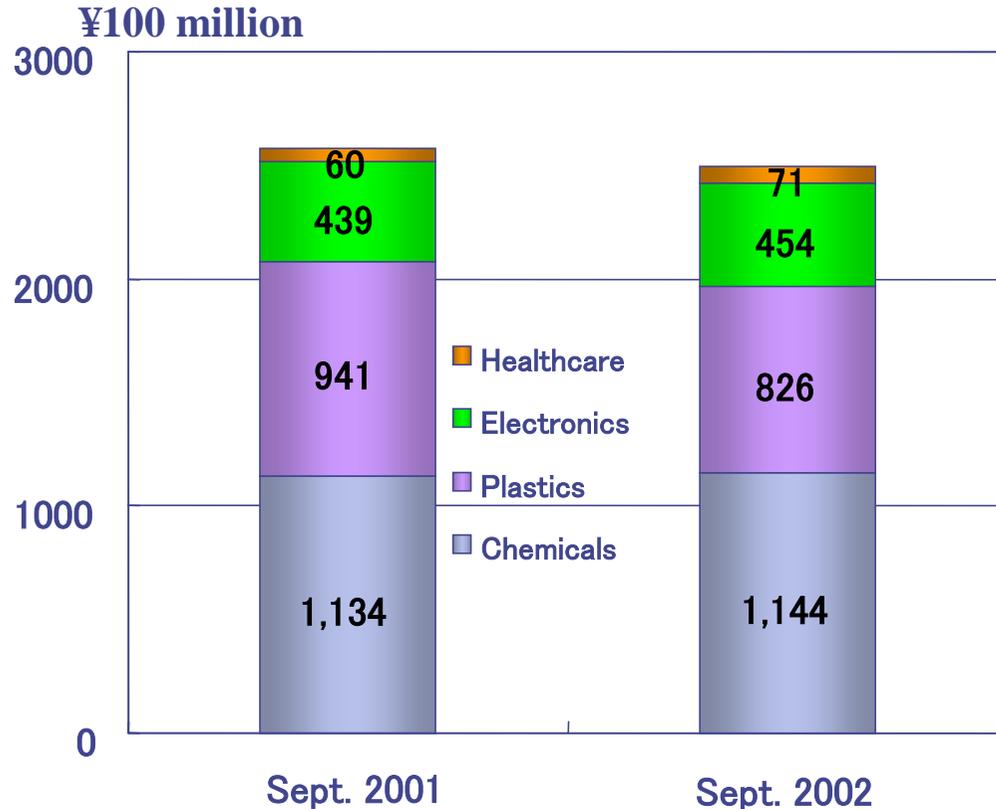


NAGASE & CO., LTD.

Sales by Segment

(Unit: ¥100 million)
(Rounded down to ¥100 million)

¥249.5 billion, ¥8.0 billion lower YoY



Chemicals +¥900 million (101%)

- Sales of plastics-related materials in Asia good
- Domestic/overseas sales of products for recording materials good
- Domestic sales lackluster
- New consolidated subsidiary, Nagase Medicals, adding to sales

Plastics -¥11.5 billion (88%)

- Impact of transfer of domestic GE sales rights
- Major increase in automobile-related product sales
- Higher sales to overseas electrical equipment manufacturers

Electronics +¥1.4 billion (103%)

- LCD materials/semiconductor-related products good
- Precision abrasive sales good

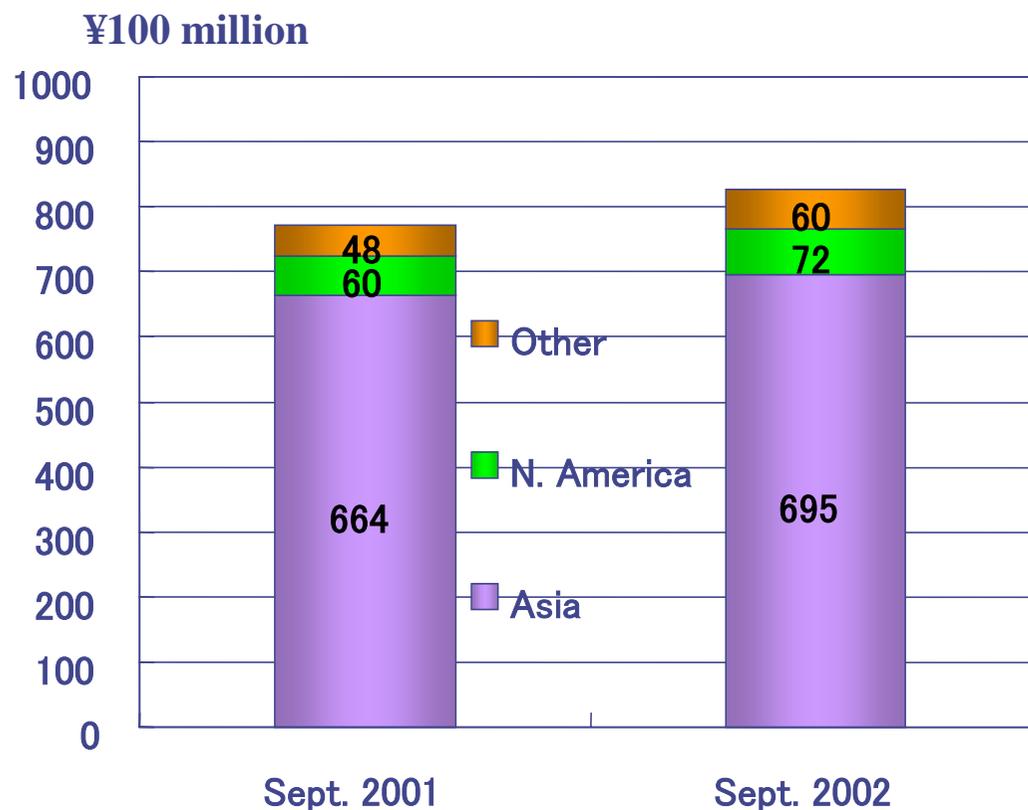
Healthcare & Other +¥1.0 billion (117%)

- Medical equipment sales good
- Cosmetics/health food sales down slightly
- Impact of new consolidated subsidiary

Overseas Sales

(Unit: ¥100 million)
(Rounded down to ¥100 million)

¥82.9 billion, ¥5.6 billion higher YoY (107%)



Asia +¥3.1 billion (105%)

- Increased sales of plastics for electrical and IT equipment

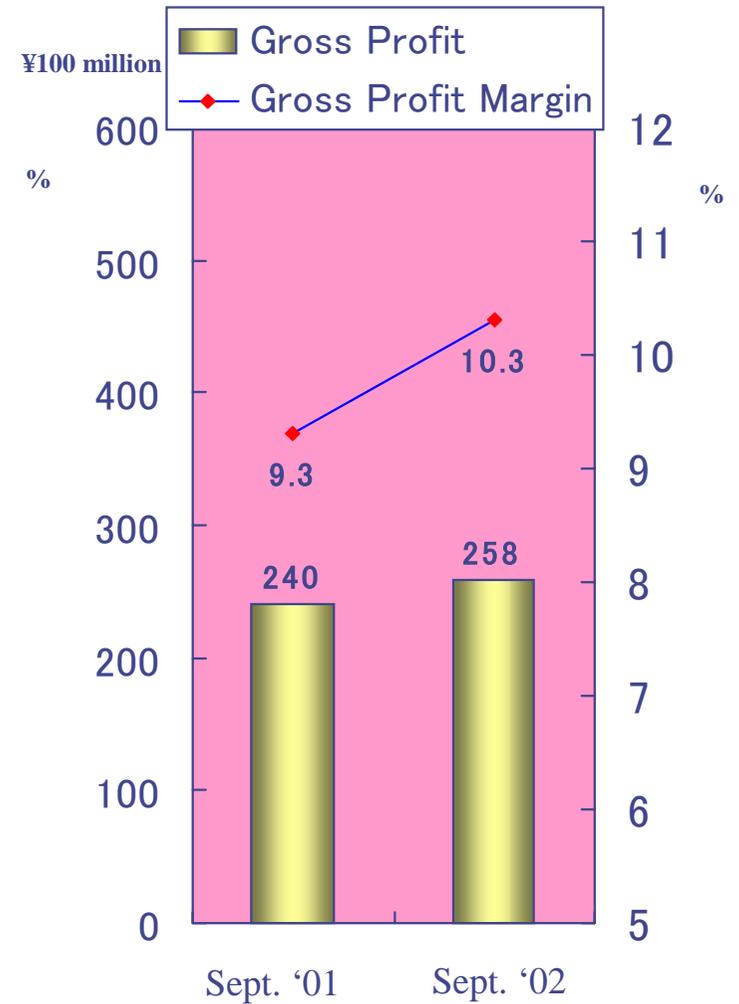
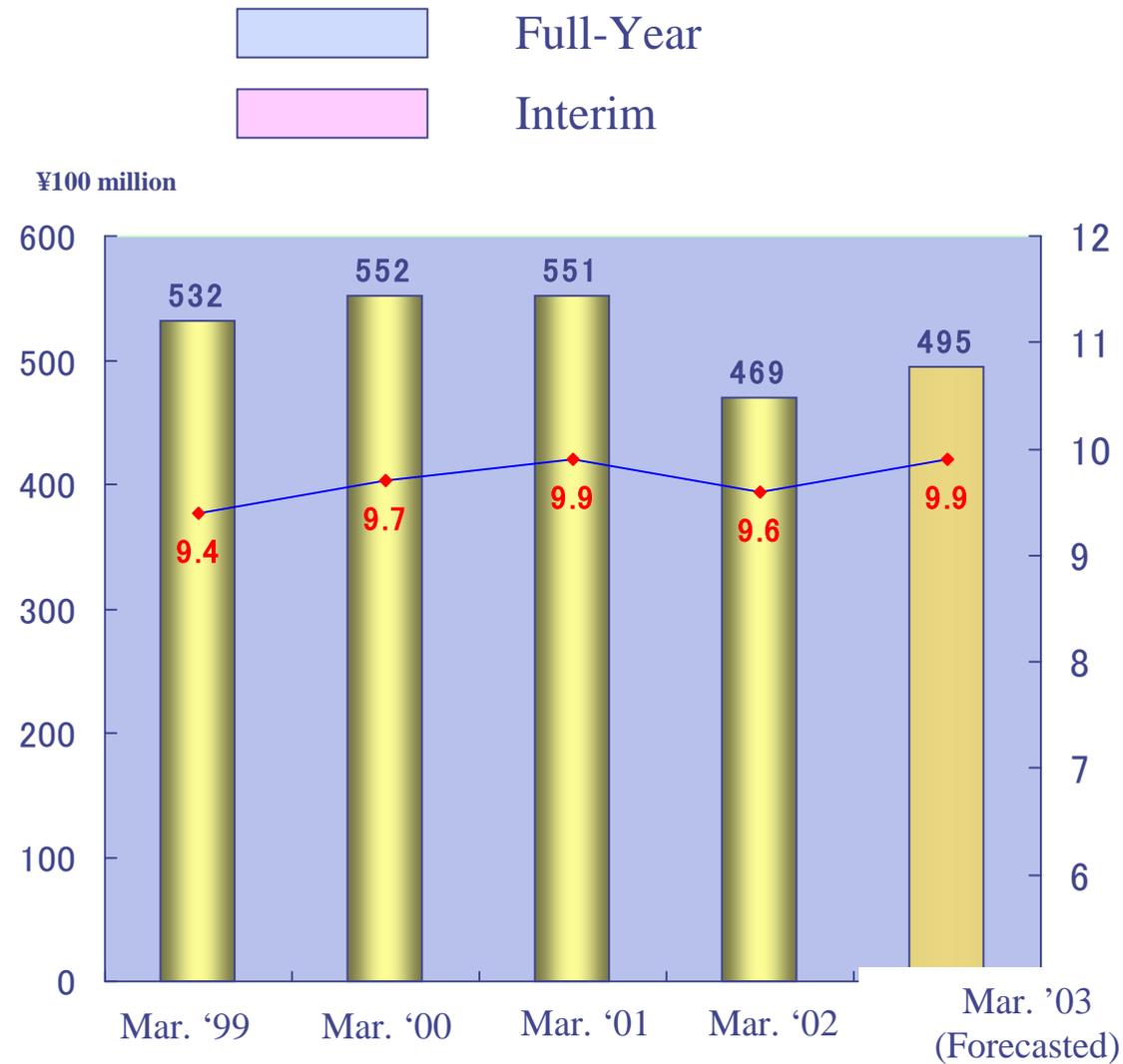
N. America +¥1.2 billion (121%)

- Sales of pharmaceutical and agrochemical intermediates good
- Sales of products for recording materials good
- Contributions from sales of molds and equipment to automobile manufacturers

Europe & Other +¥1.2 billion (126%)

- Solid sales of pharmaceutical and agrochemical intermediates to European customers

Gross Profit Margin and Gross Profit



Selling, General and Administrative Expenses

(Unit: ¥100 million)

(Rounded down to ¥100 million)

¥21.2 billion, ¥2.0 billion lower YoY



◇ Decrease Factors

- Cost-cutting ¥1.2 billion
(Personnel exp. ¥500 million)
(Other exp. ¥700 million)
- Greater eliminations of inter-company transactions ¥1.1 billion

◇ Increase Factors

- Greater sales expenses due to an increase in exports ¥100 million
- 3 new consolidated subsidiaries ¥300 million



NAGASE & CO., LTD.

Operating Income by Segment

(Unit: ¥100 million)
(Rounded down to ¥100 million)

	Operating Income			
	Sept. 2002	Sept. 2001	Increase (Decrease)	vs. Previous Term (%)
Chemicals	2,037	1,184	853	172
Plastics	1,597	(345)	1,943	—
Electronics	539	61	477	875
Healthcare & Other	232	(100)	333	—
Eliminations	169	0	168	—
Total	4,577	799	3,777	572



Primary B/S Changes

(Unit: ¥100 million)
(Rounded down to ¥100 million)

〈Assets〉	Sept. 2002	Mar. 2002	Increase (Decrease)	〈Liabilities, Minority Interests and Shareholders' Equity〉	Sept. 2002	Mar. 2002	Increase (Decrease)
Cash and cash equivalents	206	232	(26)	Notes and accounts payable	944	1,055	(111)
Notes and accounts receivable	1,457	1,512	(54)	Short-term loans	69	67	1
Inventories	261	255	6	Other current liabilities	166	176	(9)
Other current assets	65	60	5	Bonds	70	70	—
Tangible fixed assets	259	252	7	Long-term debt	21	29	(7)
Investments in securities	573	630	(57)	<i>Interest-bearing debt</i>	160	196	(36)
Other fixed assets	60	57	3	Other long-term liabilities	125	122	3
				Minority interests	39	37	2
				Shareholders' equity	1,449	1,441	7
				<i>Treasury stock</i>	(49)	(26)	(22)
				<i>Equity Ratio</i>	50.2%	48.0%	
Total Assets	2,886	3,000	(114)	Total Liabilities, Minority Interests and Shareholders' Equity	2,886	3,000	(114)

Cash Flow

(Unit: ¥100 million)
(Rounded down to ¥100 million)

	Sept. 2002	Sept. 2001	Increase (Decrease)
Net cash provided by operating activities	29	53	(24)
Net cash provided (used) in investing activities	21	(5)	26
Net cash used in financing activities	(71)	(47)	(23)
Effect of exchange rate changes on cash and cash equivalents	(7)	10	(18)
Increase (decrease) in cash and cash equivalents	(27)	11	(39)
Cash and cash equivalents at beginning of year	219	184	34
Increase (decrease) in cash and cash equivalents from new consolidated subsidiaries, mergers, and exclusion of consolidated subsidiaries	1	(2)	4
Cash and cash equivalents at end of year	193	193	(0)

Points

- ① Due to a holiday at the end of the same period in the previous year ② Sale of investment securities
③ Purchase of the company's stock



NAGASE & CO., LTD.

Results of Principal Consolidated Subsidiaries

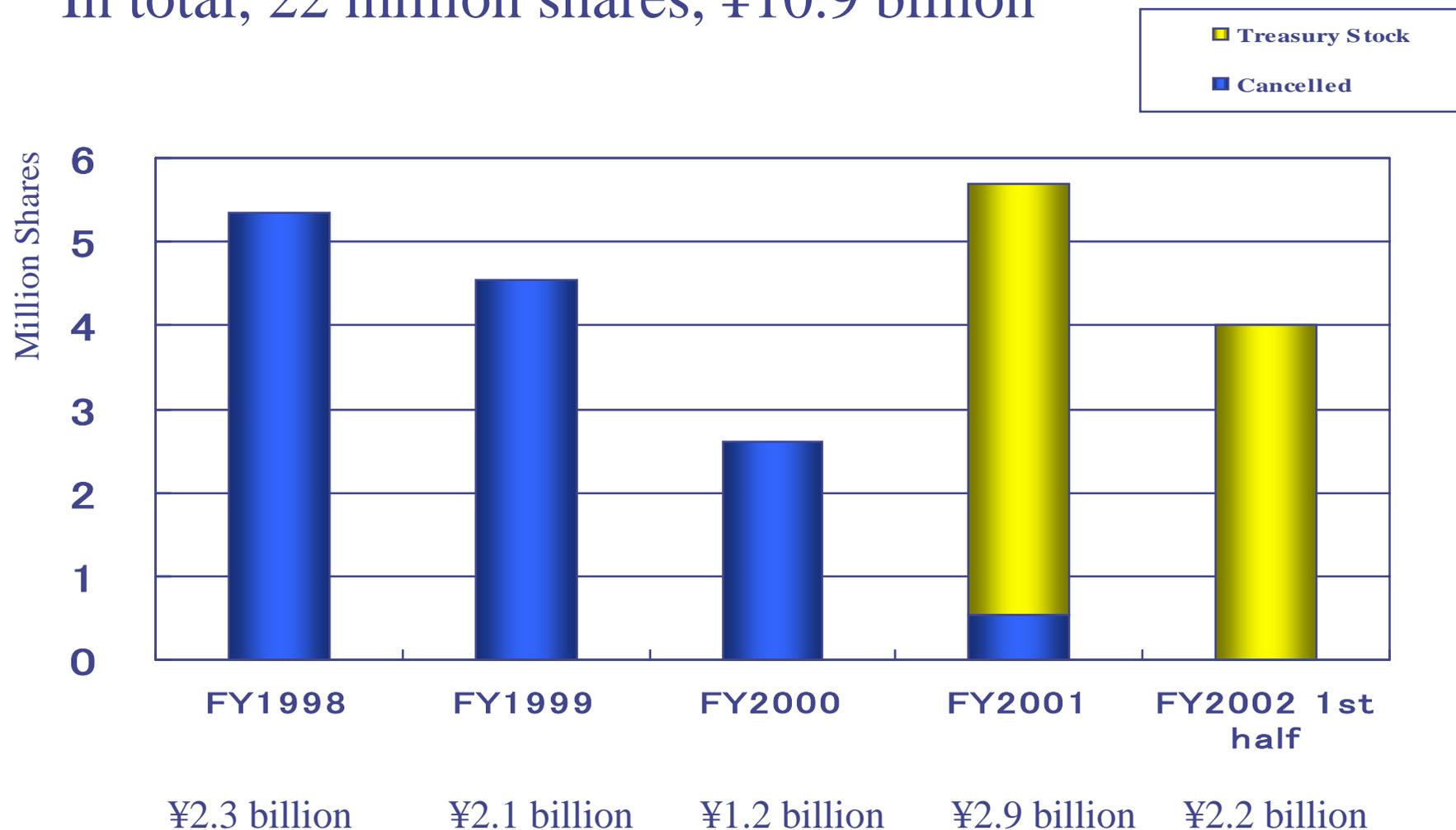
(Unit: ¥100 million)
(Rounded down to ¥100 million)

	Company Name	Sales	vs. Previous Year	Operating Income	vs. Previous Year	Interim Net Income	vs. Previous Year
Manufacturing Companies	Nagase Chemtex	10,105	104%	758	392%	470	167%
	Totaku Industries	3,165	92%	40	—	1,238	164%
	Setsunan Kasei	2,308	112%	8	—	5	—
	Nagase Medicals*	1,451	77%	138	83%	75	85%
	Kotobuki Industries	1,295	107%	53	74%	25	71%
Sales Companies	Nagase Colors & Chemicals	7,333	89%	41	54%	11	39%
	Hoei Sangyo	6,874	86%	(13)	—	23	32%
	Nagase Plastics	4,850	102%	29	267%	21	276%
	Delta Fine Chemical	3,041	100%	37	108%	19	149%
Overseas Companies	Nagase Singapore	16,522	107%	244	120%	211	92%
	Nagase (Hong Kong)	11,309	107%	326	95%	284	89%
	Nagase (Thailand)	8,634	149%	308	139%	247	151%
	Nagase America	5,950	97%	52	57%	36	47%

* Nagase Medicals is a new consolidated subsidiary

Purchases of the Company's Shares

In total, 22 million shares, ¥10.9 billion



2. Outlook for the Full Year

Full-Year Outlook for FY2002

(Unit: ¥100 million)
(Rounded down to ¥100 million)

	Yr. Ended March 2003 (Forecasted)	Yr. Ended March 2002 (Posted)	vs. Previous Year	Increase (Decrease)	Comment
Sales	5,000	4,905	102%	94	2nd half results expected to be similar to first half
Gross Profit	495	469	105%	25	2nd half gross profit margin expected to be lower
Selling, General and Administrative Expenses	426	453	94%	(27)	
Operating Income	69	16	412%	52	
Non-Operating Income	26	30	85%	(4)	1st half = ¥1.5 billion 2nd half = ¥1.0 billion
Ordinary Income	95	47	200%	47	
Net Income	59	(20)	—	79	

Full-Year Outlook for FY2002 by Segment (Unit: ¥100 million) (Rounded down to ¥100 million)

	Sales			Gross Profit		
	Yr. Ended March 2003 (Forecasted)	Yr. Ended March 2002 (Posted)	vs. Previous Year	Yr. Ended March 2003 (Forecasted)	Yr. Ended March 2002 (Posted)	vs. Previous Year
Chemicals	2,300	2,185	105%	190	176	107%
Plastics	1,650	1,752	94%	155	125	124%
Electronics	900	836	108%	130	130	99%
Healthcare & Other	150	131	114%	20	36	55%
Total	5,000	4,905	102%	495	469	105%

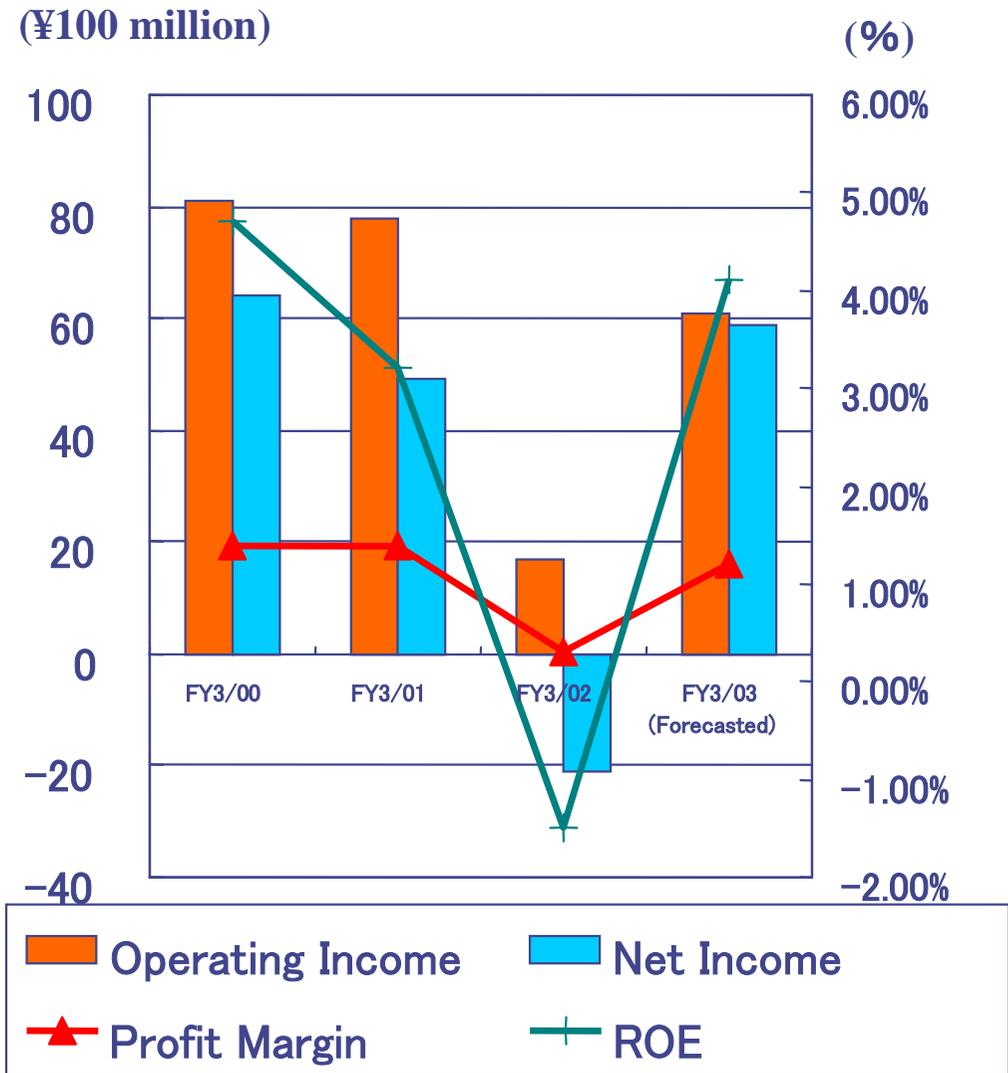
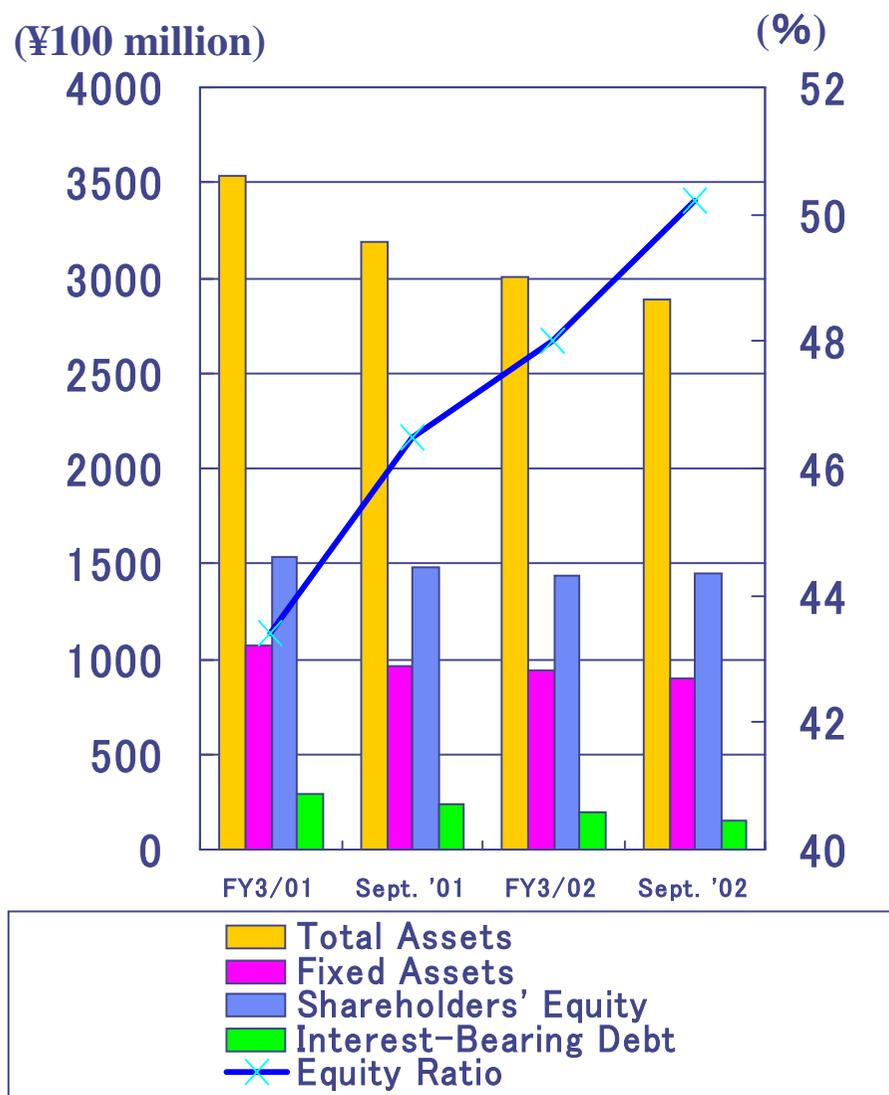
WIT2000 Medium-Term Management Plan and Measures for the Future

WIT2000 Progress

(Unit: ¥100 million)
(Rounded down to ¥100 million)

	FY2000		FY 2001		FY 2002	
	Posted	Forecasted	Posted	Forecasted	Posted	Forecasted
Sales	5,593	5,800	4,905	6,090	5,000	6,400
Net Income	49	65	(20)	68	59	83
ROA(%)	1.5	2.0	—	2.1	2.0	2.5
ROE (%)	3.4	4.8	—	4.9	4.1	5.8
N-ROE (%)	5.0	6.0	2.5	6.2	5.2	7.0

Management Strengthening Initiatives



Top-Share/High-Share Business 1st Half Results

		Sales YoY comparison
Dyestuff Business	Strengthened Chinese operations, but domestic market weak	89%
Dyestuff Raw Materials Business	Increased market share	107%
Pharmaceutical intermediates/ Subcontracting business	Sales increase slight, but profitability up	102%
Recording materials/ Color formers	Solid domestic and overseas results	111%
NCX specialty epoxy monomers	Exports, subcontracting, and development all good	115%
NCX enzymes	Domestic demand weak	89%
Liquid crystal display materials CMS-related	Liquid crystal display market recovering Overseas liquid crystal-related business good	125% 112%
Precision abrasives business	Asian market recovering	130%
Surface inspection equipment for photosensitive drums/film	Large spot sale in the previous year	96%

Business Development in China

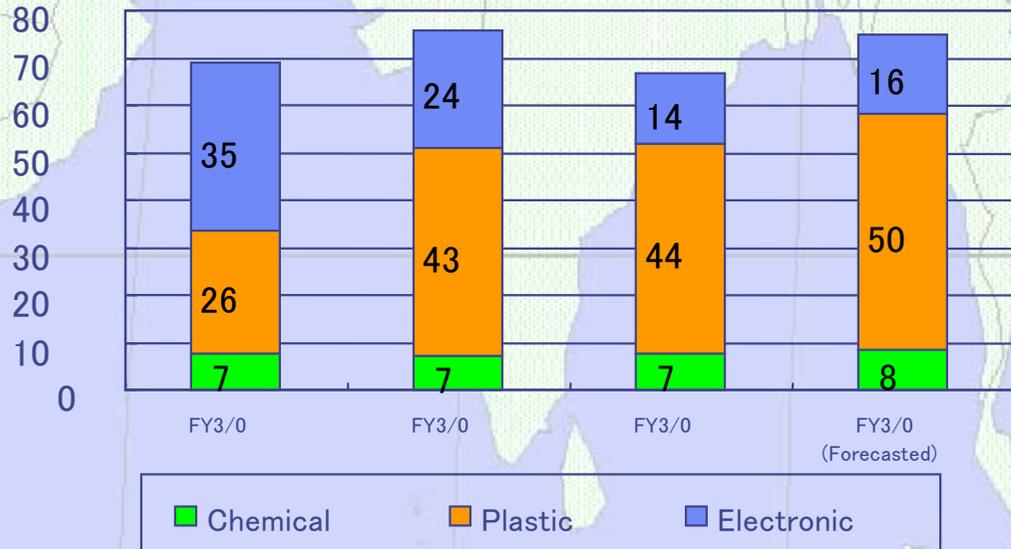
Sales in Greater China

FY3/01 **¥75 billion**

FY3/02 **¥66 billion**

FY3/03 **¥75 billion (forecasted)**

Sales by Segment (Unit: ¥100)



Nagase Precision Plastics (Shanghai) Co., Ltd.

Industrial plastic packaging production

Established Dec. 2001

Volume production scheduled to begin in 2003

Nagase ChemteX (Wuxi) Co., Ltd.

Epoxy adhesives and other products

Approval to establish company obtained Sept. 2002

Construction scheduled to start in 2003

Guangzhou Kurabo Chemicals Co., Ltd.

Production of urethane for use in sheeting for automobiles

Full-scale operations scheduled for Jan. 2003

Nagase Colors & Chemicals Shanghai Techno Center Co., Ltd.

Technical services regarding dyestuffs

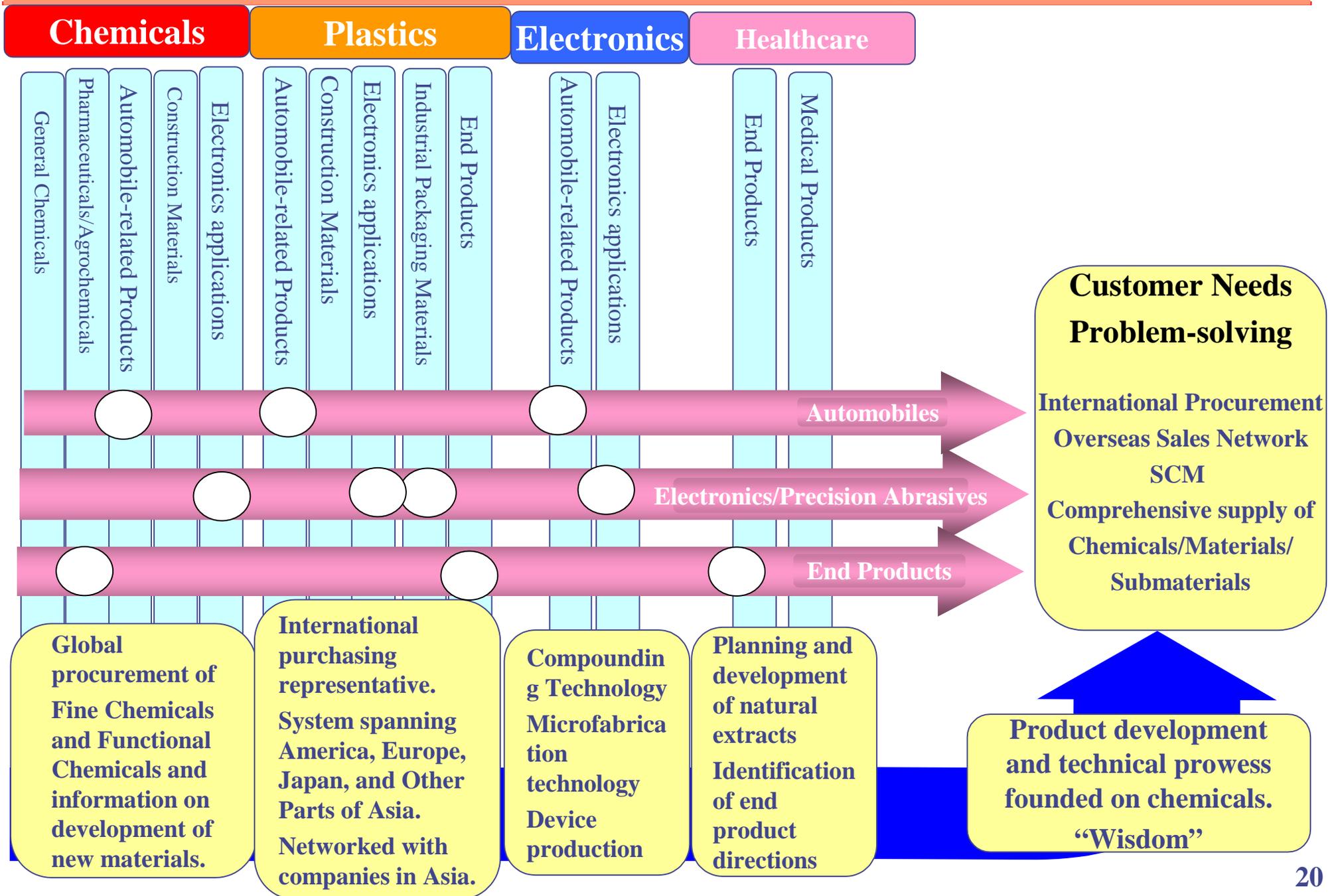
Analysis of Chinese chemical products

Full-scale operations began in Dec. 2002



NAGASE & CO., LTD.

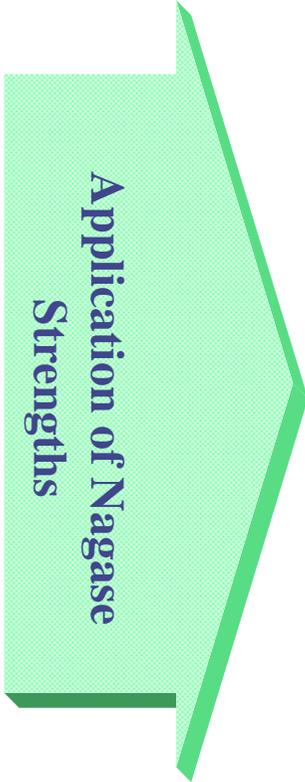
Differentiation Strategy ~Exercise Overall Strength~



New Business Creation

- Transition from simply presenting products to proposing new businesses -

- Trusting relationships with suppliers
- High name recognition and solid history
- Numerous excellent suppliers
- Strong Asian sales network
- Understanding of technology/products
- Ability to procure any industrial material
- Robust financial condition



Application of Nagase Strengths

- Identify customer needs
- Meet customer needs
- Expand business investment
- Advance globalization
- Operational streamlining



Framework for Next Mid-Term Management Plan

Continue with Policies for “Turning Wisdom into Business”

- 1. Be a company that continuously creates high value-added businesses.**
- 2. Be a company that exercises the full strength of its group.**
- 3. Be a company whose power to create business, and marketing and sales strength preclude duplication by others.**



Nagase's Approach to Pharmaceuticals

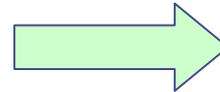
Fine Chemicals Group

Takeo Kaneko,
Executive Officer

Growth
Prospects

Sales Volume

Current
¥40 billion

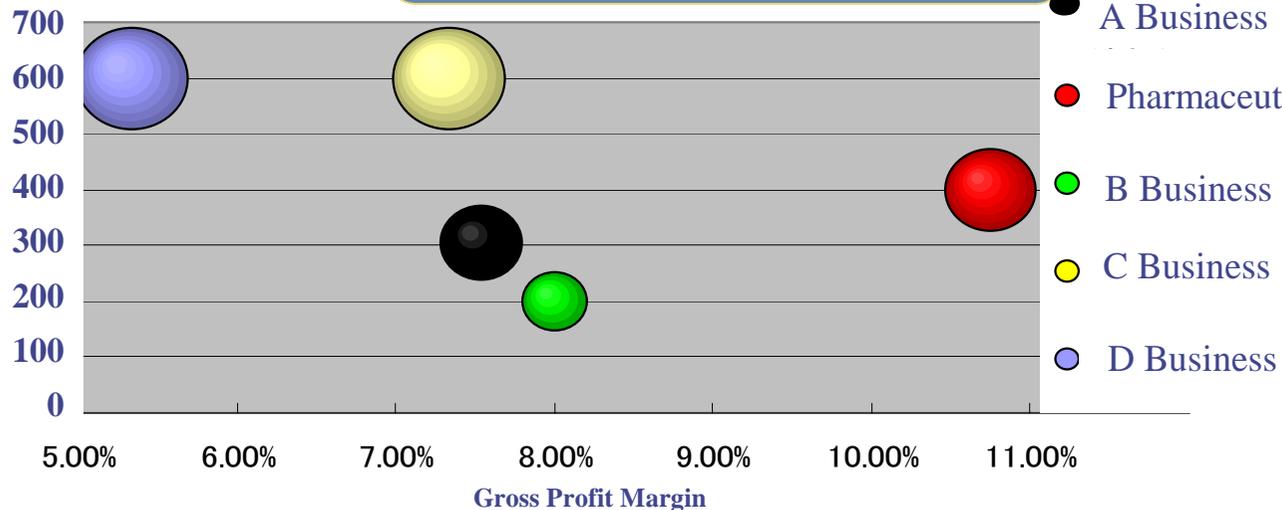


5-Year Goal
¥60 billion

Profitability

Gross Profit Margin
Distribution

Sales: ¥100 million



**Characteristics of
Pharmaceuticals Business**

- ◆ Proprietary products
- ◆ Involvement with many new drugs
- ◆ Valued added in production process
- ◆ Benefits of global scale
- ◆ Technically proficient sales staff

Pharmaceuticals Business Overview ②

— Product Line —

Pharmaceutical Intermediates

Approx. ¥20 billion

Antibiotics, drugs for circulatory organs, anti-allergents

Business with nearly all major domestic and overseas pharmaceutical companies – Glaxo Smith Kline (UK), Pfizer (US), Takeda, Sankyo, many others

End Products

Approx. ¥10 billion

Anti-Ulcer Drug (Product: Lonmiel, Nagase Medicals)

Anesthetic (Product: Lidocaine, Nagase Medicals)

Hyperlipemia Drug (Product: Lipantil, Grelan Pharmaceutical)

Raw Materials/ Auxiliary materials

Approx. ¥10 billion

Chemosynthesis materials, enzymes, additives



Anesthetics (Nagase Medicals)



Lipantil (Grelan Pharmaceutical)



NAGASE & CO., LTD.

Pharmaceutical Industry Business Conditions

- ◆ Low-Growth Domestic Market
(Focus on development of pharmaceuticals for the world market).

- ◆ High-Growth Overseas Market

- ◆ Pharmaceutical companies concentrating on research and marketing for new drugs and increasingly outsourcing production.

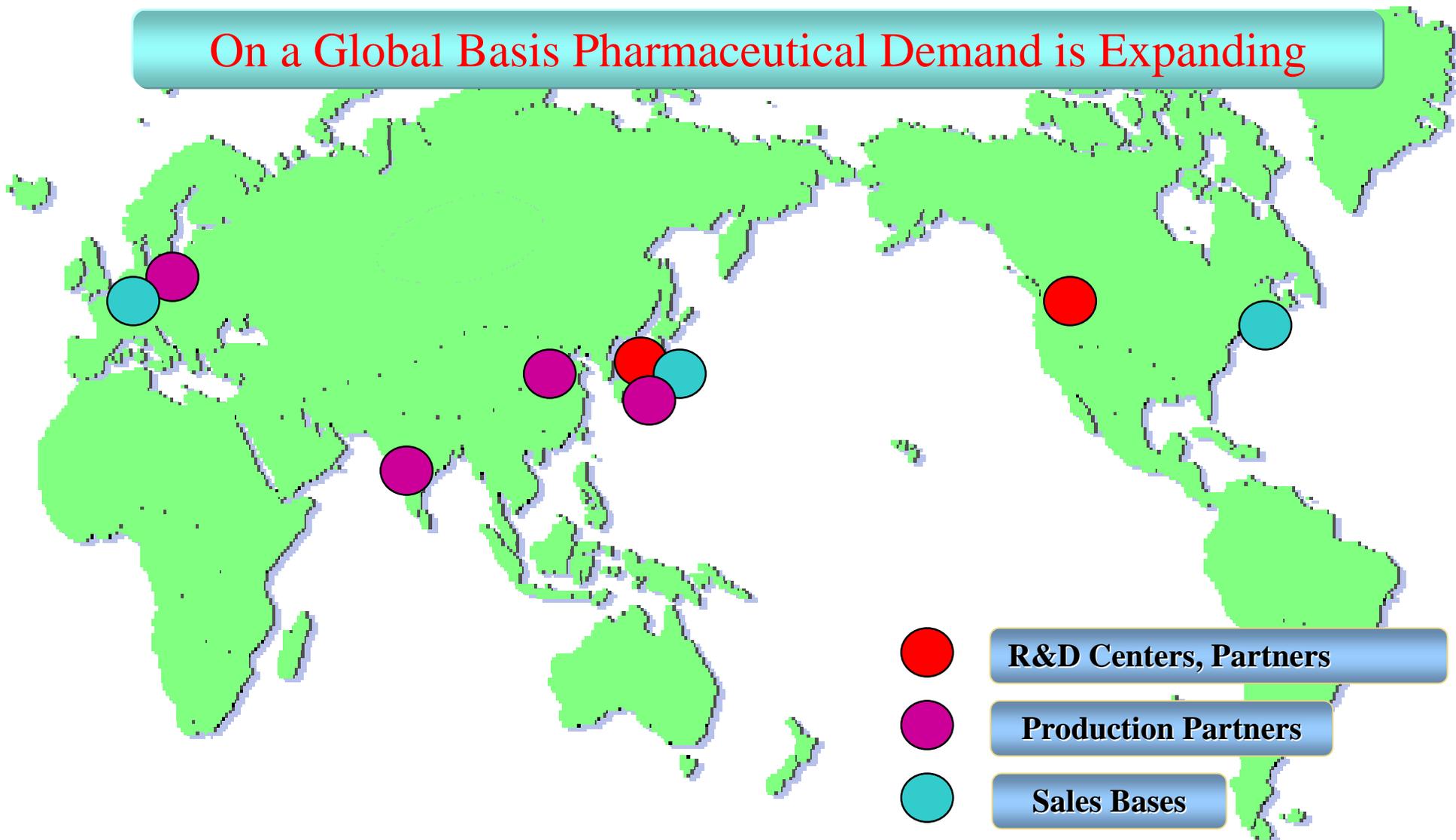


Nagase's Pharmaceuticals Business Strengths

- ◆ Strong business ties with overseas companies.
 - Quadri-polar organization covering Europe, the US, Asia, and Japan.
- ◆ Group includes R&D Centers and manufacturing companies.
 - Process development proposals possible
 - Can meet production outsourcing needs
- ◆ Nearly all sales staff technically proficient
(Backgrounds in organic chemistry, biology, and pharmacology)
 - Can contribute beginning with initial stages of new drug development
 - Ability to understand raw materials and synthesis technologies and arrange optimal production

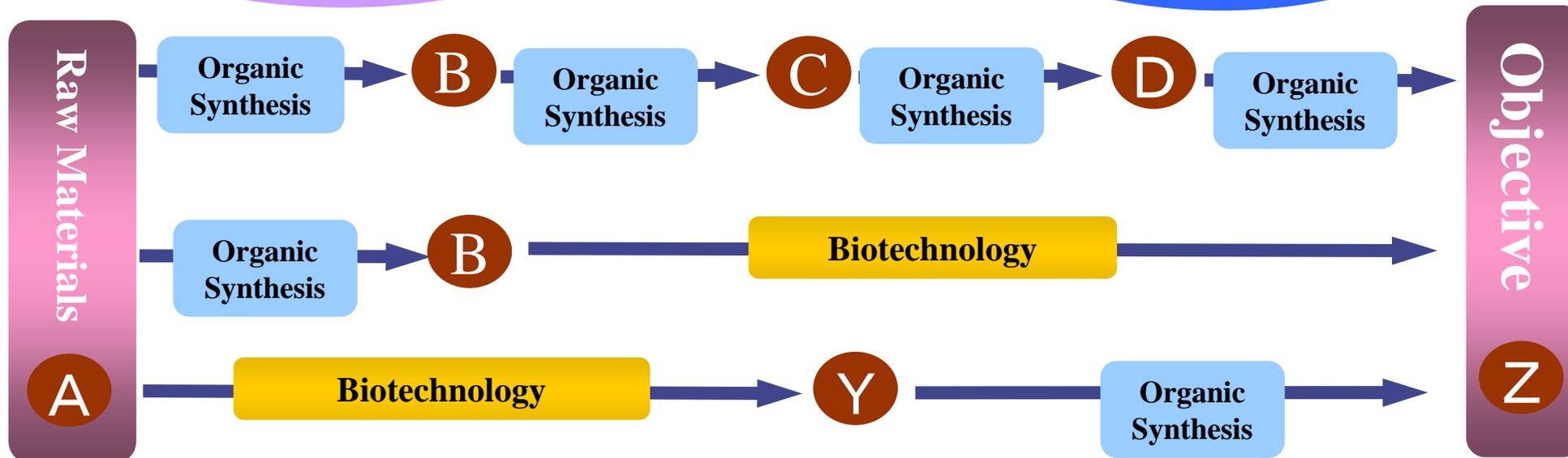
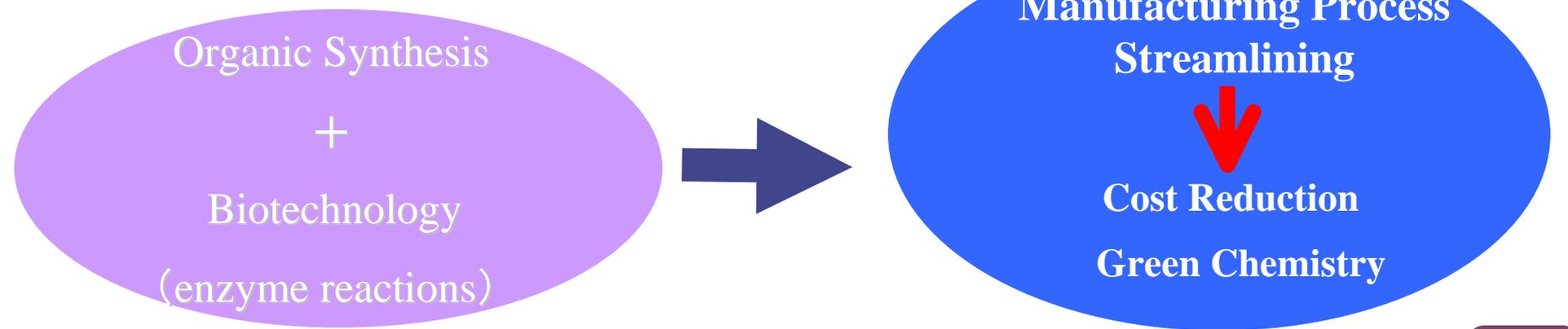


On a Global Basis Pharmaceutical Demand is Expanding



Nagase's Pharmaceuticals Business Strengths Own R&D, Manufacturing Functions —

Melding of Organic Synthesis and Biotechnology



NAGASE & CO., LTD.

Nagase's Pharmaceuticals Business Strengths Own R&D, Manufacturing Functions —

Manufacturing Subsidiaries

Nagase ChemteX

Expanding plant for producing pharmaceutical bulks and intermediates

Nagase Medicals

Enhancing facilities for greater production of formulations

Grelan Pharmaceutical

Joint Development of New Drugs

R&D Center

Focusing on Chiral Compounds

R&D Expense ··· ¥2.2 billion

Researchers ··· 90

Pharmaceutical-Related Patents

Japanese 48

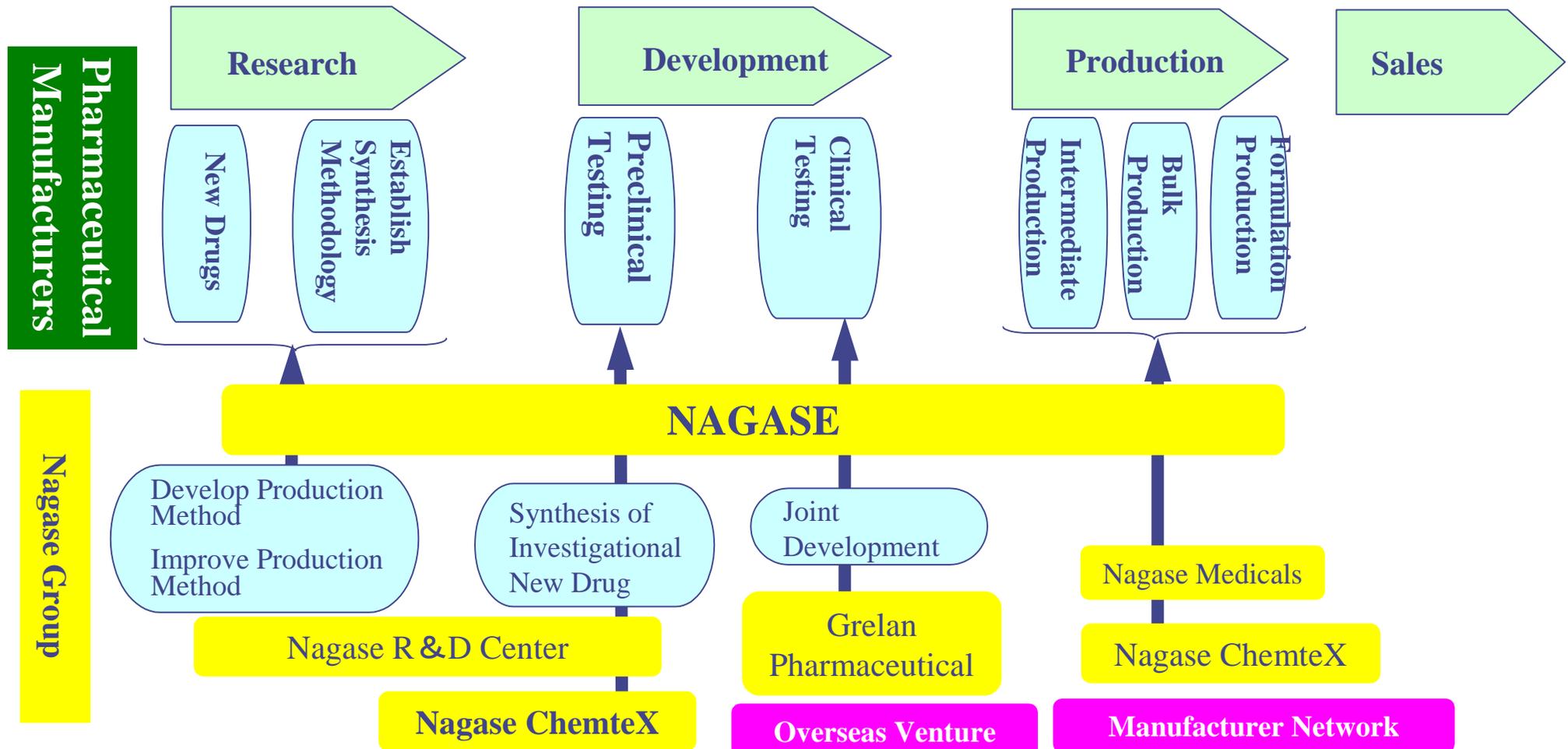
Overseas 13



NAGASE & CO., LTD.

Business Strategy

◆ Enhance the Group's overall strengths and functions and offer domestic and overseas pharmaceutical manufacturers a broad range of services covering everything from research to production.



NAGASE & CO., LTD.

The Technology and Intelligence Oriented Company that
Turns Wisdom into Business



NAGASE & CO., LTD

This document contains forecasts based on forward-looking assumptions, prospects, and plans as of November 28, 2002. Actual results may differ from the forecasts contained herein due to risk and uncertainty related to the global economy, competitive situation, and exchange fluctuations.
