
Presentation on Interim Business Results for the Year ending March 2004

The technology and intelligence oriented company
that turns wisdom into business



Nagase & Co., Ltd.
November 18, 2003

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Interim Financial Highlights

Interim Consolidated Financial Highlights

(Unit: billion yen)

Expansion of Electronics Sector, Increase in Both Japan and Overseas

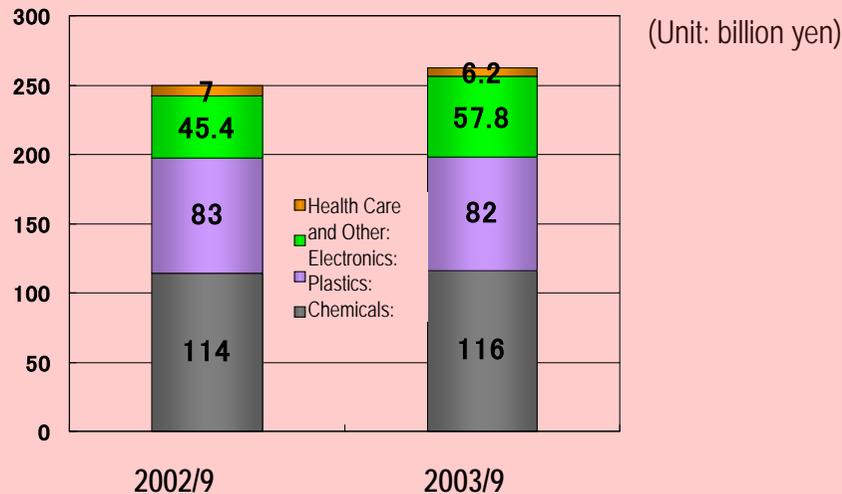
	03/09	02/09	Increase (Decrease)	Year-on-year Percentage Change	Comments
Net sales	262.6	249.5	13.0	105%	Expansion of electronics sector Increase in both Japan and overseas
Gross profit	27.6	25.8	1.8	107%	Increase in revenue of highly-profitable electronics business
Operating income	6.3	4.5	1.7	138%	Impact of increase in gross profit
Ordinary income	8.0	6.1	1.9	132%	
Interim net income before tax	4.4	7.2	(2.7)	62%	Revision of accounting standards for retirement benefits Extraordinary income: Up ¥4.2 billion Extraordinary loss: Down ¥8.2 billion
Interim net income	2.7	4.4	(1.6)	62%	
Earnings per share	¥21.73	¥33.57	(¥11.84)	65%	



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Net Sales and Gross Profit by Segment

Net Sales: ¥262.6 billion, up ¥13 billion year-on-year



Summary of Sales by Segment

Chemicals: Up ¥1.5 billion (101%)

Brisk sales of imported bulk pharmaceuticals
 Brisk sales of products relating to oil solutions
 Slight increase in sales of paint-related products

Plastics: Down ¥0.1 billion (100%)

Brisk sales of automotive-related products
 Brisk sales of products for China and Taiwan
 Decline in intermediary packaging materials business

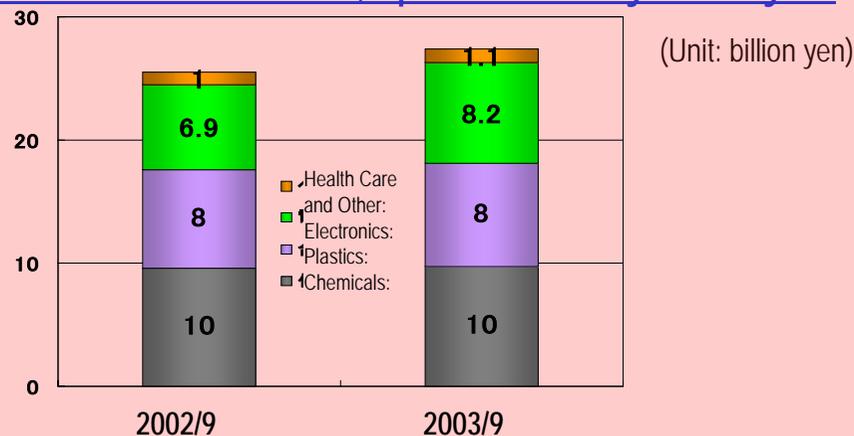
Electronics: Up ¥12.4 billion (127%)

Dramatic increase in sales of LCD-related products
 Brisk sales of communication components for China
 Dramatic increase in sales of DVD-related products

Health Care and Other: Down ¥0.8 billion (89%)

Little change in sales of cosmetics-related products
 Decrease in sales of medical-related products

Gross Profit: ¥ 27.6 billion, up ¥ 1.8 billion year-on-year

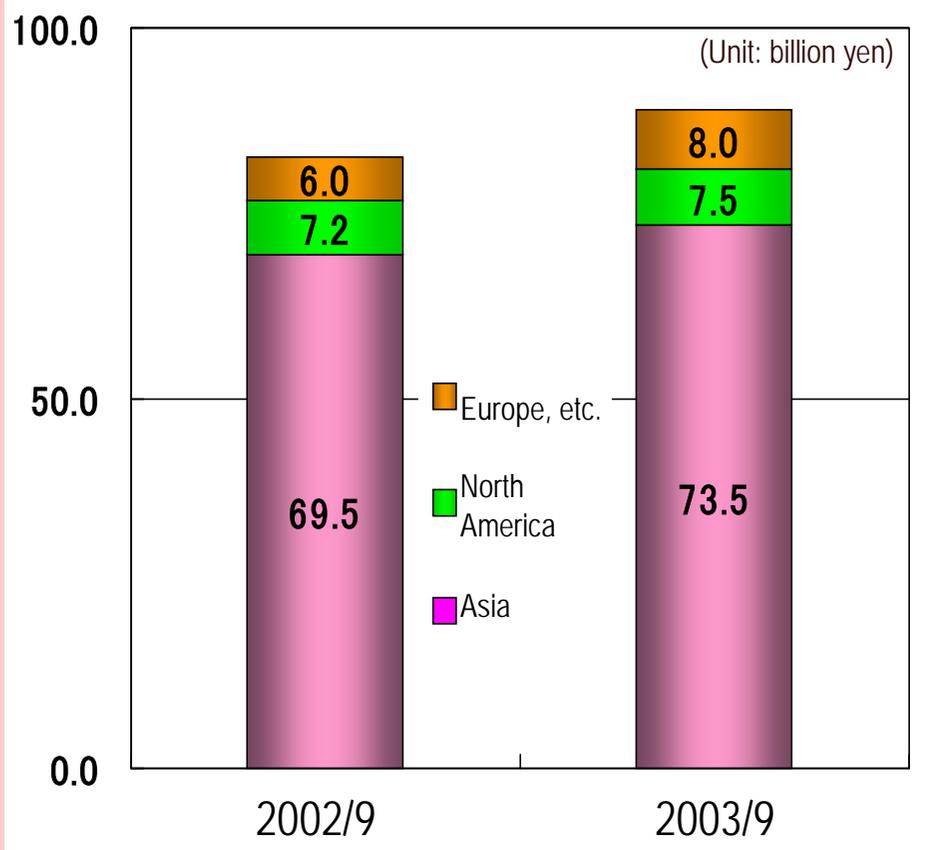


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Overseas Sales

¥89.2 billion, up ¥6.2 billion year-on-year (108%)

Expansion of Electronics and Automotive Sectors



Asia Up ¥ 4.0 billion (106%)

Dramatic increase in sales of LCD materials in Taiwan, etc.

Brisk sales of resins for electronic equipment in Hong Kong, etc.

Brisk sales of resins for mobile phones in Taiwan, etc.

North America Up ¥ 0.2 billion (104%)

Growth in sales of automotive-related resins

Europe, etc. Up ¥ 1.9 billion (132%)

Launch of sales of printing plate materials

Increase in sales of food additives

Growth in sales of automotive-related resins

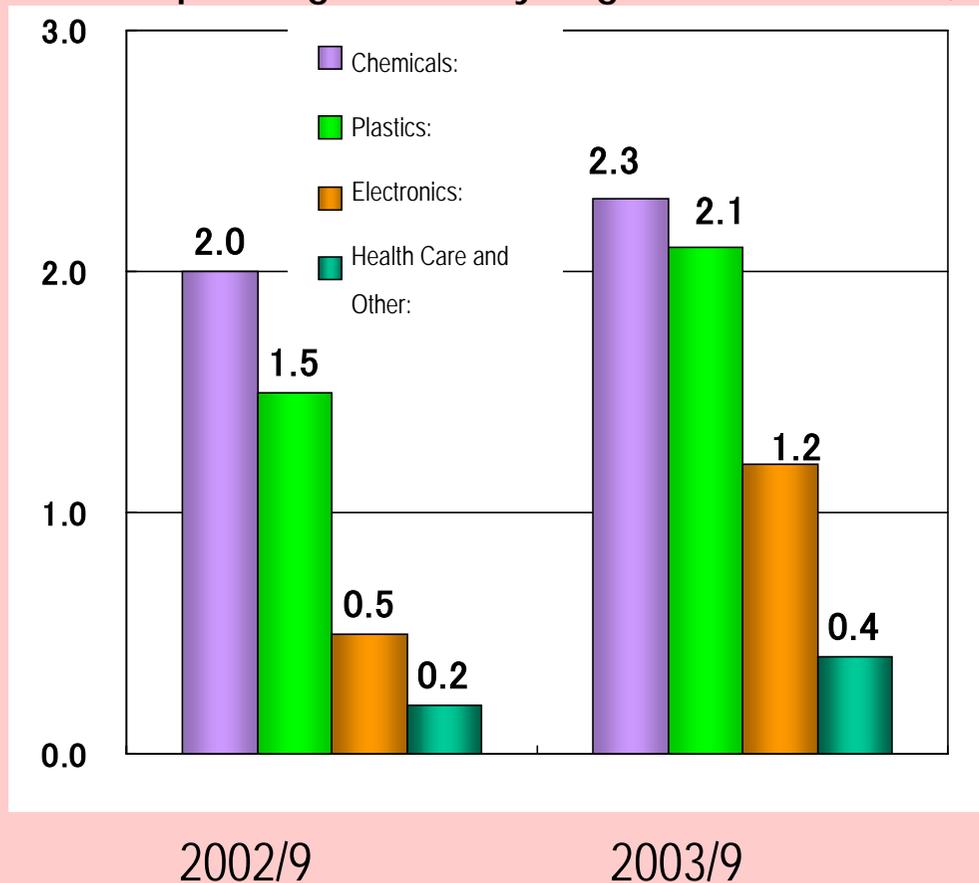


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Operating Income

¥6.3 billion, up ¥1.7 billion year-on-year (138%)

<Operating Income by Segment> (Unit: billion yen)



Summary of Operating Income

Improvement in gross profit margin

10.3% 10.5%

Increase in sales of electronics business

Increase in non-consolidated operating income by ¥1.7 billion



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Major Changes in Balance Sheet

(Unit: billion yen)

(1) Recovery of market value of investments in securities (2) Increase in working capital

Assets	03/9	03/3	Change	Liabilities and Shareholders' Equity	03/9	03/3	Change
Cash and time deposits	16.4	19.6	-3.1	Notes and accounts payable	95.9	95.9	0.0
Notes and accounts receivable	153.7	150.8	2.9	Short-term loans	7.6	8.0	-0.4
Inventories	30.4	28.1	2.2	Other current liabilities	17.1	16.1	0.9
Other current assets	6.7	4.1	2.6	Bonds	7.0	7.0	-
Plant, property and equipment	27.6	26.0	1.5	Long-term debt	2.1	1.5	0.6
Investments in securities	57.5	49.0	8.4	<i>(Interest-bearing debt)</i>	<i>(16.7)</i>	<i>(16.5)</i>	
Other fixes assets	6.1	6.8	-0.7	Other long-term liabilities	16.5	11.0	5.4
				Minority interests	4.1	4.0	0.0
				Shareholders' equity	148.1	140.9	7.2
				<i>(Shareholders' Equity Ratio)</i>	<i>(49.6%)</i>	<i>(49.5%)</i>	
Total assets	298.7	284.8	13.9	Total liabilities, minority interest and shareholders' equity	298.7	284.8	13.9



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Cash Flow Status

(Unit: billion yen)

(1) Increase in working capital (2) Decrease in borrowings

	03/9	Note
Net cash provided by operating activities	0.9	Income before taxes ¥4.4 billion Depreciation ¥1.4 billion Increase in accrued retirement benefits for employees ¥2.9 billion Increase in working capital -¥5.1billion
Net cash used in investing activities	-1.9	Capital investment -¥1.9 billion Gain on sales of securities ¥1.2 billion Increase in short-term loans receivable - ¥1.2 billion
Net cash used in financing activities	-2.2	Short-term loans payable -¥1 billion Dividends -¥1 billion
Closing balance of cash and cash equivalents	15.8	Decrease of ¥3.2 billion since previous year-end



Performance of Major Consolidated Companies

(Unit: million yen)

Good overseas performance (China including Hong Kong, Taiwan, etc. and Europe, US)

		Net sales	Year-on-year Comparison	Operating income	Year-on-year Comparison	Net income	Year-on-year Comparison
Parent	Nagase & Co., Ltd.	213,325	103%	3,201	226%	1,362	48%
Manufacturers	Nagase ChemteX Corporation	10,245	101%	535	71%	579	123%
	Totaku Industries, Inc.	3,209	101%	167	414%	194	16%
Distributors	Nagase Plastics & Co., Ltd.	5,657	117%	-18	—	-8	—
	Hoei Sangyo Co., Ltd.	6,509	95%	1	—	-6	—
	Nagase Colors & Chemicals Co., Ltd.	7,041	96%	28	69%	11	99%
Overseas	Nagase (Hong Kong) Ltd.	14,964	132%	426	131%	348	123%
	Nagase Singapore (Pte) Ltd.	15,927	96%	218	89%	185	88%
	Nagase (Thailand) Co., Ltd.	7,205	83%	294	96%	271	110%
	Nagase America Corporation	6,349	107%	118	226%	67	185%



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Acquisition Status of Treasury Stock

<Trends in Treasury Stock Acquisitions by Period>



	Number of Stocks (thousand stocks)	Amount (billion yen)
Total number of treasury stocks acquired	24, 086	11.8
Treasury stocks held as of Sep. 30, 2003	11, 066	5.9
Portion subject to resolution of ordinary general meeting of shareholders in June 2003	3, 000	2.0
Number of stocks subject to stock option	1, 024	0.6



Full-year Performance Forecast

Full-year Performance Forecast for Year ended March 2004

(Unit: billion yen)

	Year ended March 2004 (Projected)	Year ended March 2003 (Actual)	Year-on-year Comparison (%)	Change	Projection at time of Presentation on May 26, 2003
Net sales	509.0	503.6	101%	5.3	509.0
Gross profit	53.4	51.8	103%	1.5	52.9
Selling, general and administrative expenses	43.7	43.4	100%	0.2	44.0
Operating income	9.7	8.4	115%	1.2	8.9
Non-operating income/expenses	2.9	2.8	101%	0.0	2.9
Ordinary income	12.6	11.2	112%	1.3	11.8
Net income	7.0	4.1	167%	2.8	6.0



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Full-year Performance Forecast for FY2003 by Segment (Unit: billion yen)

	Net sales			Gross profit		
	Year ended March 2004 (Projected)	Year ended March 2003 (Actual)	Year-on-year Comparison (%)	Year ended March 2004 (Projected)	Year ended March 2003 (Actual)	Year-on-year Comparison (%)
Chemicals	226.0	223.6	101%	19.1	18.6	102%
Plastics	159.0	165.8	96%	16.0	16.5	97%
Electronics	111.0	99.7	111%	16.1	14.9	108%
Health Care and Other	13.0	14.4	90%	2.2	1.6	130%
TOTAL	509.0	503.6	101%	53.4	51.8	103%



New Medium-term Management Plan: WIT21

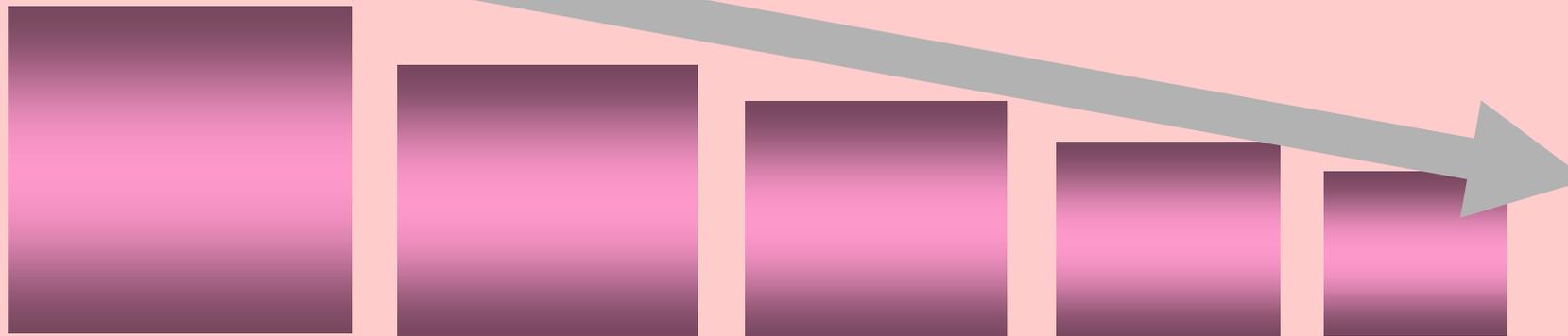
W ---- *Wisdom*

I ---- *Intelligence*

T ---- *Technology*

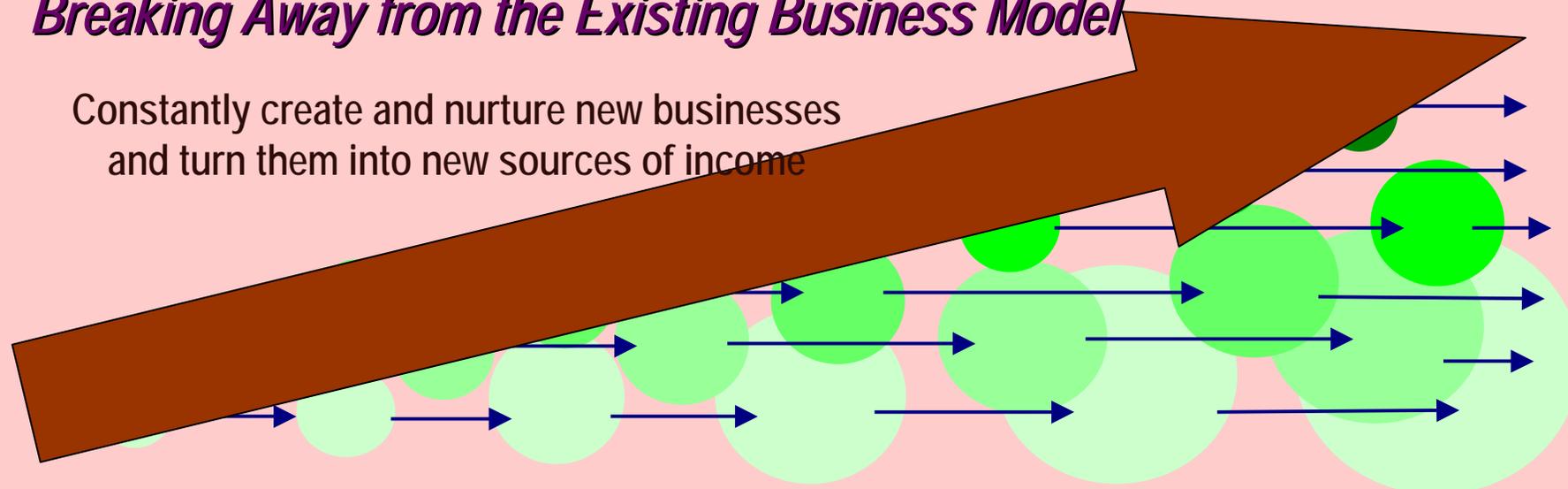
Factors which led to Development of New Medium-term Management Plan "WIT21"

Mere intermediation business is suffering from a downward trend



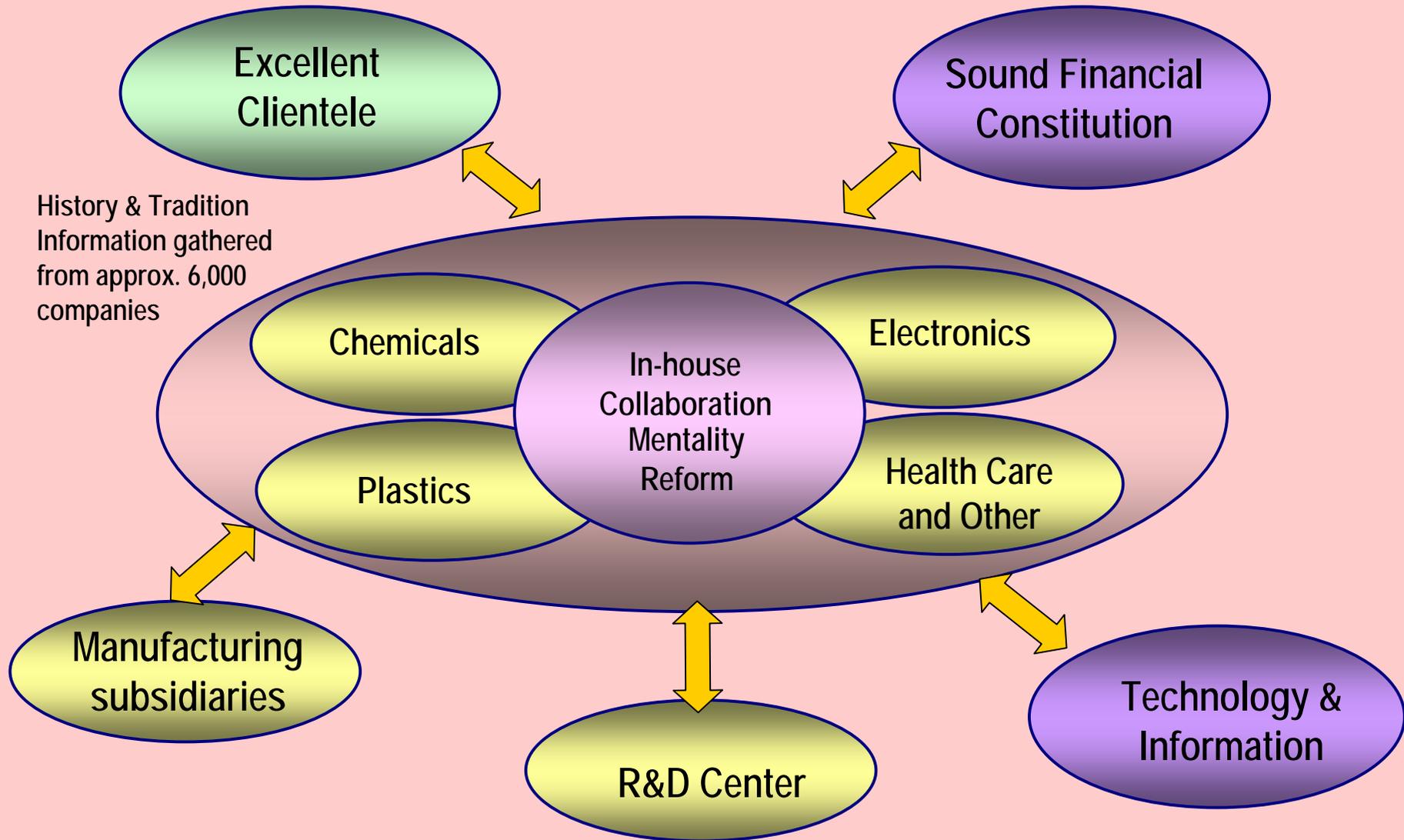
Breaking Away from the Existing Business Model

Constantly create and nurture new businesses and turn them into new sources of income



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Nagase's Strengths as a Business Creator



Keywords for New Business Creation

- Promote selection and concentration of businesses, and create highly specialized businesses.
- Promote reform of employee mentality so that each and every one of them will turn into a “business creator”.
- Increase corporate value through demonstration of initiative by Nagase.

Leadership

- Enhance leadership in target markets.
- Create businesses by actively approaching customers.

Ownership

- Secure functions indispensable for succeeding in the target markets, fair relationship with clients, technologies and assets.

Partnership

- Collaborate with companies within Nagase Group, as well as customers and partner companies.
- Lateral, cross-organizational alliances and clientele consisting of 6,000 companies



Purpose of developing New Medium-term Management Plan “WIT21”

[Crystallization of Management Philosophy]

The Nagase Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees.

[Clarification of Long-term Vision]

To provide new “capabilities” and “services” worldwide based on our chemical business, so as to become a company that keeps creating value-added businesses capable of solving issues for customers.

[Improvement in Corporate Value]

Creation of new businesses

Continual increase in revenues

Reform of employees' mentality

Thorough customer-oriented approach



a technology- and intelligence-oriented company that
turns **Wisdom into Business**

Basic Strategies under WIT21

(1) Differentiate Nagase from the competition by creating a wholly customer-oriented business

(2) Nurture and strengthen market-leading businesses

(3) Make use of Nagase Group's functions and distinctive identity to create new businesses

Priority & Strategic Areas under WIT21

Electronics

Life Sciences

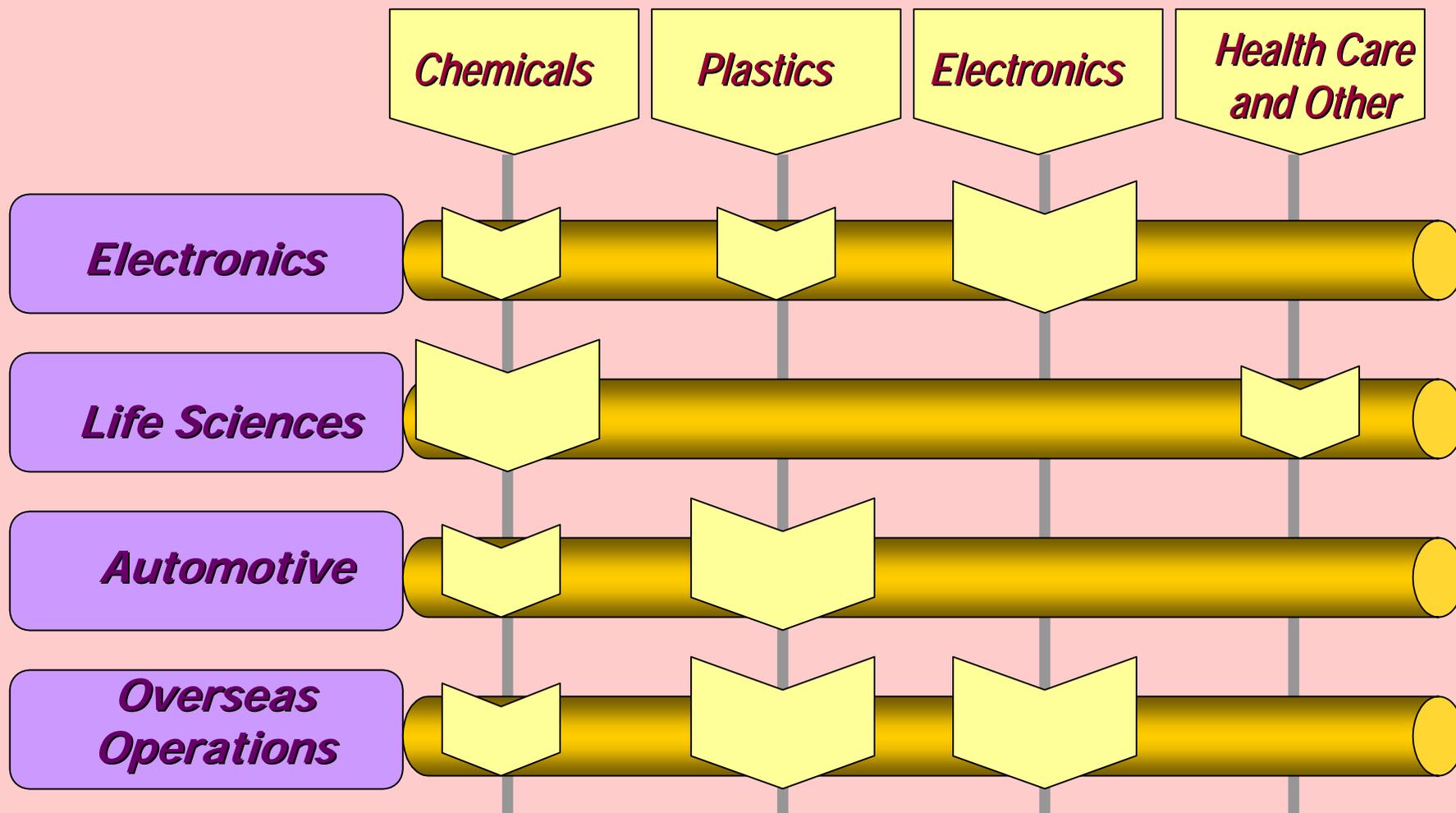
Automotive

Overseas Operations



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Correlation between Priority & Strategic Areas and Each Segment



Electronics Sector

Basic Strategies

- Expand sales of advanced chemicals for electronics industry.
- Expand business targeting displays, semiconductors and communication industries.
- Globalize Nagase Group's manufacturing functions.

[Electronics Business]

LCD materials, components and assembly ; Components for communications equipment ; Materials of fine abrasives ; Epoxy materials ; Agents for manufacturing liquid crystals and semiconductors ; Sales of peripherals and DVD products for end users, etc.

[Plastics Business]

Sales of plastics for electronic and electric appliance applications and related facilities

[Chemicals Business]

Chemicals for inkjet and plasma display applications and chemicals business relating to other electronics applications



• Nagase ChemteX (Wuxi) Corp.

(Left Photo)

(Manufacture of formulated epoxy resin)

• Nagase Finechem Singapore (Pte) Ltd.

(Right Photo)

(Manufacture of high-purity chemicals for semiconductors and liquid crystals)



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Life Sciences Sector

Basic Strategies

- Expand new drug business such as contract-based synthesis of pharmaceutical and agricultural intermediates and contract-based clinical trials.
- Expand sales of cosmetics and health foods by enhancing door-to-door sales and sales at retail outlets.
- Enhance medical care business, including medical information systems and diagnostic systems.
- Improve new drug synthesis process and research applications for natural extracts at Nagase R&D Center.

[Chemicals Business]

Pharmaceuticals (Sales and contract-based manufacture of bulks, intermediates and their raw materials)

[Health Care Business]

Cosmetics and health foods; clinical examination, medical information, etc.



• Nagase ChemteX Corporation.

(c-GMP-compliant pharmaceutical intermediates manufacturing)



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Automotive Sector

Basic Strategies

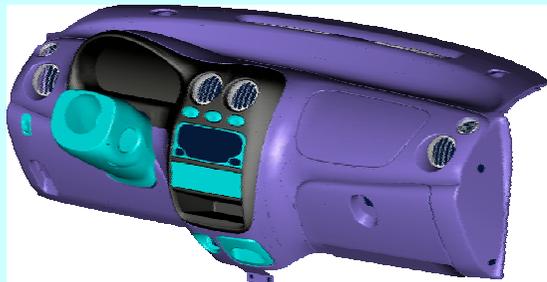
- Upgrade bases in Japan, North America, Europe, Thailand and China.
- Globalize mold software engineering business.
- Support modularization and expand components and products businesses.
- Globally-optimized procurement.

[Plastics Business]

Resins, components, molds, facilities, etc. for automotive applications (interior components, exterior components, lighting equipment, etc.)

[Chemicals Business]

Chemicals for automotive applications



Instrument Panel

▪ Design and Die Co., Ltd.

(Fusion of design of automotive components and mold manufacturing functions)

→ Branching out in Japan, China and USA



Bumper mold



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Overseas Operations

Basic Strategies

- Strengthen Nagase Group's manufacturing functions.
- Promote local businesses overseas.
- Expand operations by establishing joint venture companies and by supporting efforts to expand into overseas markets.

[Sales in China (Greater China Region)]

Year ended March 2001	¥75.0 billion (Chemicals 8.1, plastics 41.4, electronics 25.5)
Year ended March 2002	¥67.4 billion (Chemicals 8.6, plastics 44.1, electronics 14.8)
Year ended March 2003	¥72.3 billion (Chemicals 9.7, plastics 47.3, electronics 15.5)
Year ended March 2004	¥79.0 billion (Chemicals 10.4, plastics 43.6, electronics 25.0) (Projections)



Investment in Overseas Operations

- Harmonization with priority & strategic areas
- 「Electronics」
 - Nagase ChemteX (Wuxi) Corp.
 - Nagase Finechem Singapore (Pte) Ltd.
 - Processing of liquid crystal components on contract basis
 - 「Life Sciences」
 - Design & Die Co., Ltd. (Tianjin, China) (U.S.A.)
 - 「Automotive」
 - Nagase Tianjin International Trading Ltd.



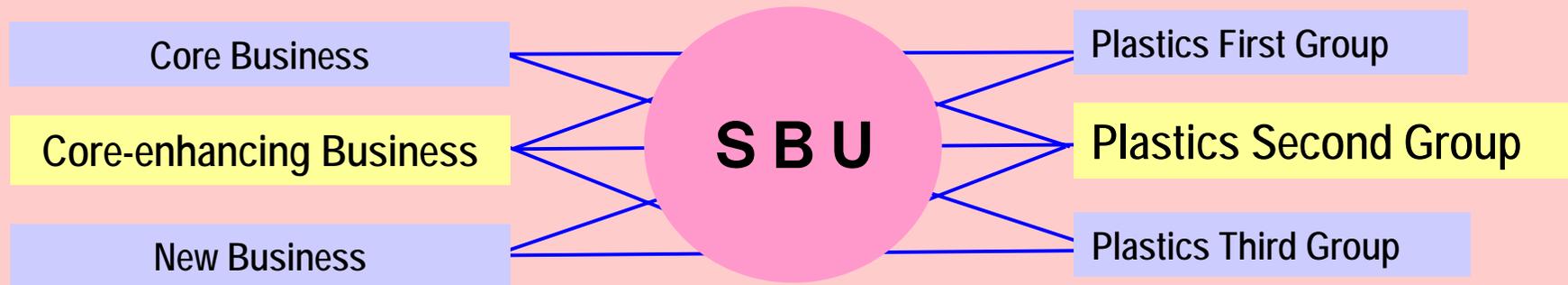
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Efforts in Automotive Business

Plastics Group
Director
Kazuaki Kobayashi

Organization of Plastics Group

Organizational Flexibility and Speedy Response to Changes



- Determine whether the target market is in the development, growth, maturity or declining stage.
- Focus on the timeframe when developing and operating businesses. The timeframe varies between core business and new businesses.

Purposes and Merits of SBU

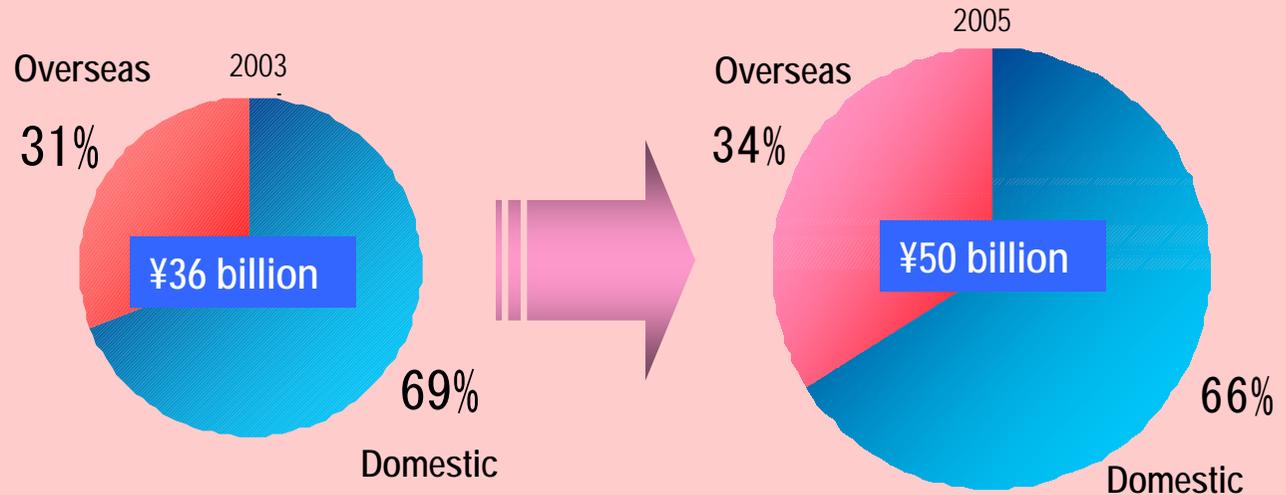
- Engage in business based on "market-in" principles at all times and offer products and services demanded by customers.
- Promote collaboration by deepening communication with members within the Group, customers and clients.
- Make each and every employee think *what he/she can do, wants to do and must do*.
- Prevents organizational inflexibility and enables speedy and flexible responses to market changes.

Positioning of Automotive Business

One of the priority & strategic areas under WIT21

- Electronics
- Life Sciences
- Automotive**
- Overseas Operation

Plastics for Automotive Business



Numerical Targets under WIT21

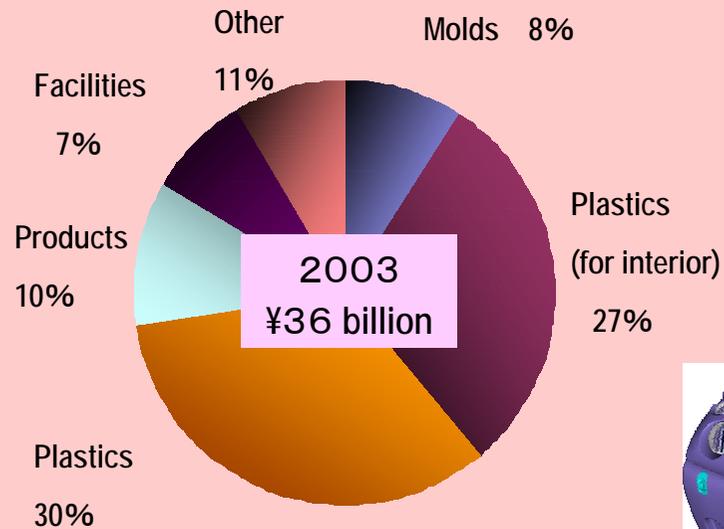
Consolidated Sales of Plastics for Automotive Sector

	2003		2005	
Overseas	¥11.2 billion	31%	¥17.0 billion	34%
Domestic	¥24.8 billion	69%	¥33.0 billion	66%
TOTAL	¥36.0 billion		¥50.0 billion	



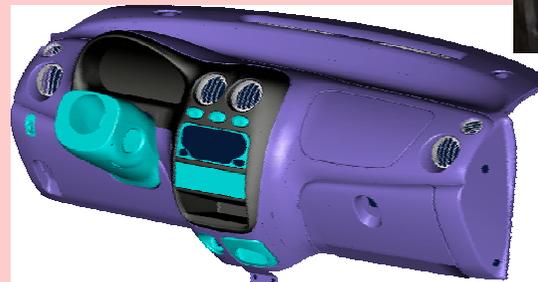
Nagase's Main Products and Services

Breakdown of Automotive-related Sales

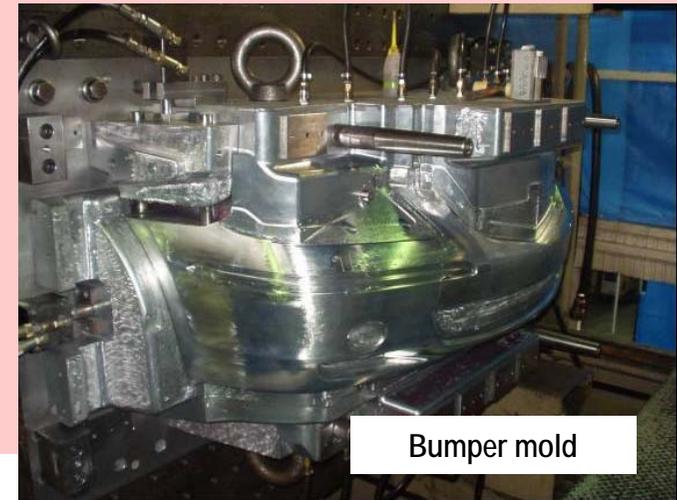


Nagase' Main Characteristics

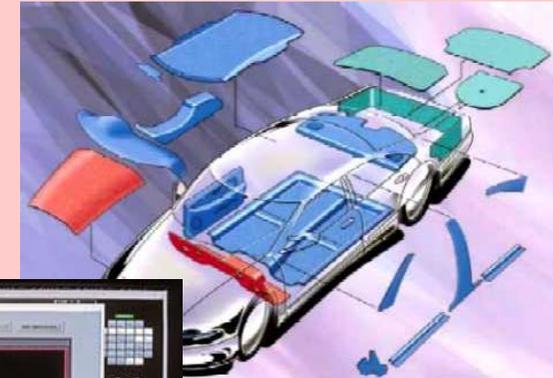
- Offers comprehensive services spanning materials, products and software.
- Not dependent on any particular manufacturer as buyer due to independent nature.
- Committed to expanding range of buyers and products for the future based on concept of "globally optimized procurement based on cross-industry alliances".



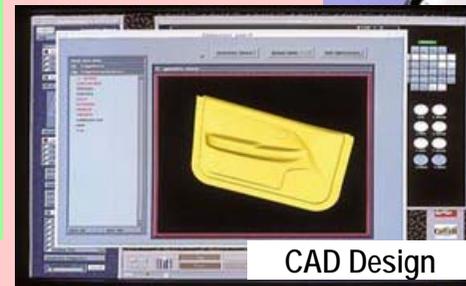
Instrument Panel



Bumper mold



Automobile Interior Components



CAD Design



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Strengths in Automotive Business

Dynamic SBU Operation

- ◆ Business Concept: “Market-in” → Ability to sell goods that customers want
- ◆ Organization Concept: Compartmentalization → Greater flexibility based on reform towards lateral organization

Speedy Efforts in response to Changes in Environment

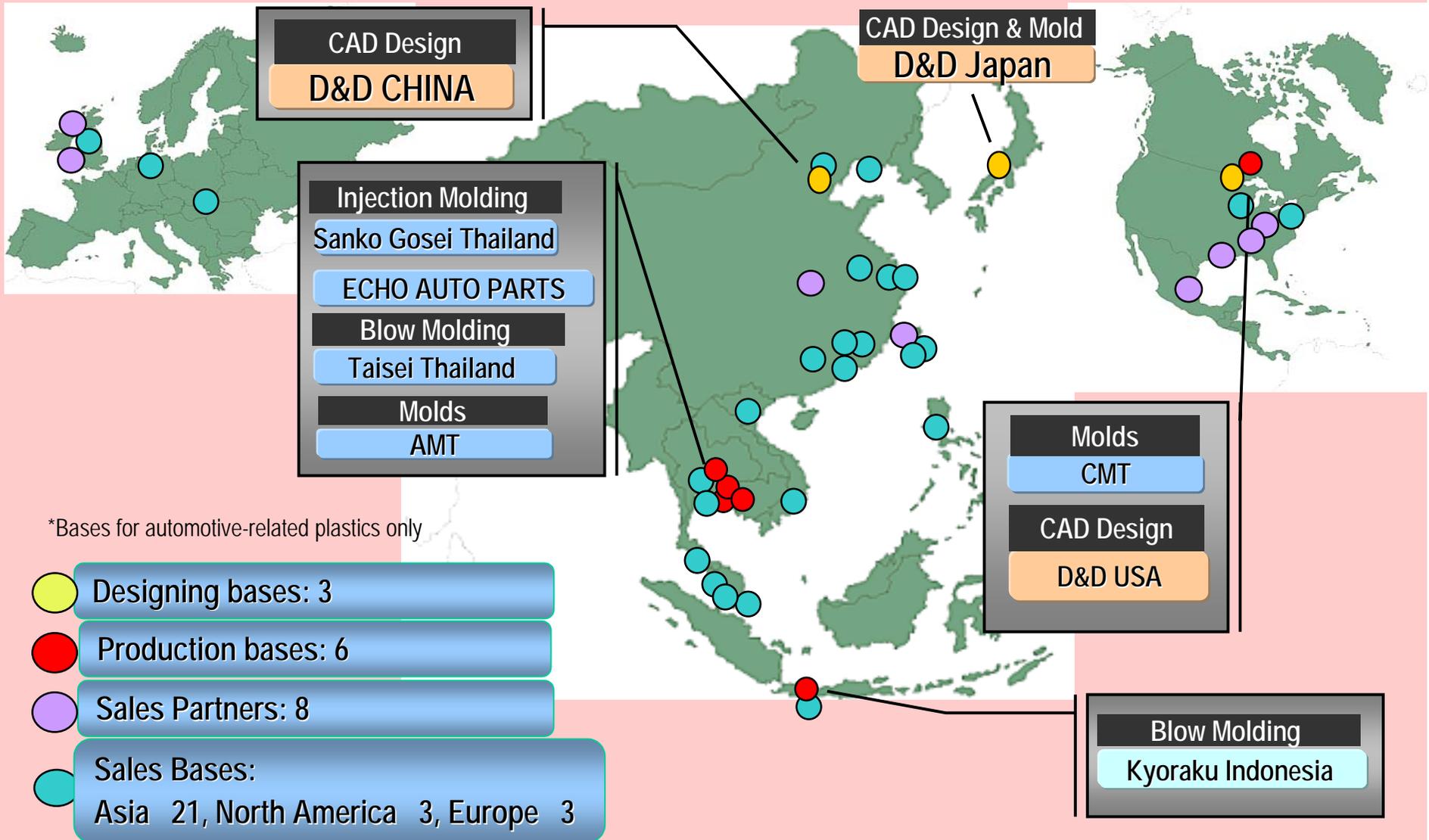
- ◆ Increase in business opportunities: Overseas production, collapse of affiliations, changes in market
- ◆ Optimal procurement, modularization: Refined organization and human resources over 10-year period

SCM Solution Capabilities

- ◆ Globalization: Technology and information based on diverse customer base and partnership
- ◆ From design to trial production, mass production and even distribution: Tier 1 supplier functions

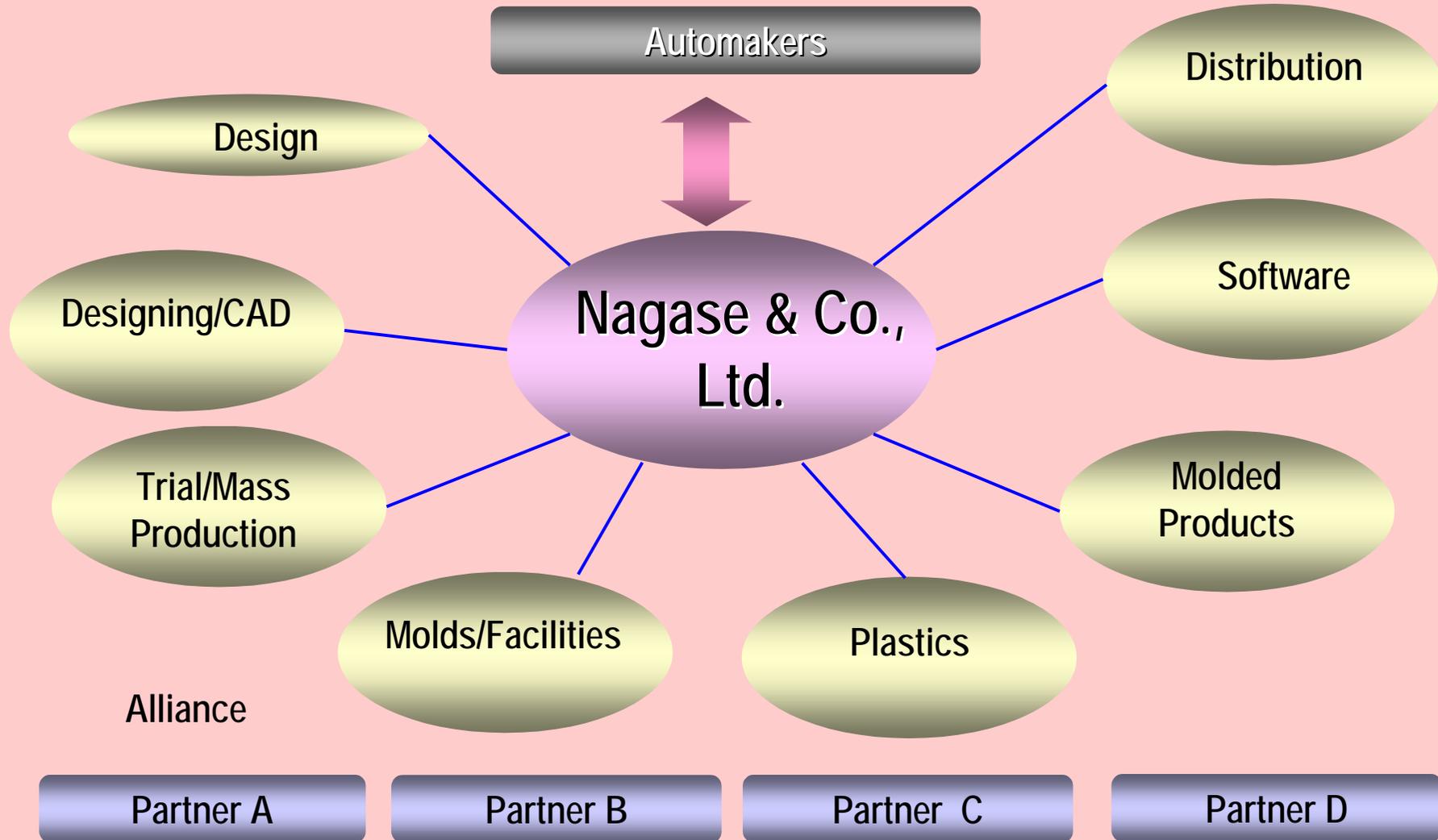


Globalization of Automotive Business



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Modularization Efforts



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Automotive Business Strategy

Expand operations by upgrading bases in Japan, North America, Europe, Thailand and China.

North America	Upgrade sales and distribution bases. → Provide JIT support for users.
Thailand	Enhance capacity for accepting mold orders (AMT). → Adapt to ASEAN automobile bases.
China	Reinforce functions by establishing local company in Tianjin. → Accept payments in Chinese Yuan.
Europe	Upgrade bases in Eastern Europe (Hungary) and London.

Globalization of Mold Software Engineering Business

North America	Establish D&D (USA). <ul style="list-style-type: none">▪ Add designing functions to existing mold manufacturing and sales bases. Enhance mass production system for molds in Canada (CMT). <ul style="list-style-type: none">▪ Launch direct deliveries to American components makers.
China	Establish D&D (Tianjin) <ul style="list-style-type: none">▪ Prepare for demand in East China region and look into offering design support to Japan based on low-cost designing.

Fully Demonstrate Functions as Specialized Trading Company and Increase Business Opportunities

Components business fully utilizing technology, information and distribution functions

- Components supply utilizing Nagase's global network
- Supply to locations all over the world from production network in Asia



The technology and intelligence oriented company
that turns wisdom into business



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This presentation includes forecasts based on assumptions, projections and plans for the future made as at November 18, 2003. Please note that the actual business performance may differ from the forecasts stated herein due to risks and uncertainties associated with the global economy, competition, exchange rate fluctuations, etc.
