

**Briefing Session on Financial Results for
Year ended March 31, 2006**

**The Technology & Intelligence Oriented Company
That Turns Wisdom into Business**



Nagase & Co., Ltd
May 16, 2006

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**Financial Highlights for FY2005
Fiscal Year ended March 31, 2006**

Overview of Consolidated Business Performance

(Unit: Hundred million yen)
(Figures are rounded down to the
nearest hundred million yen)

■ Financial Highlights of FY2005

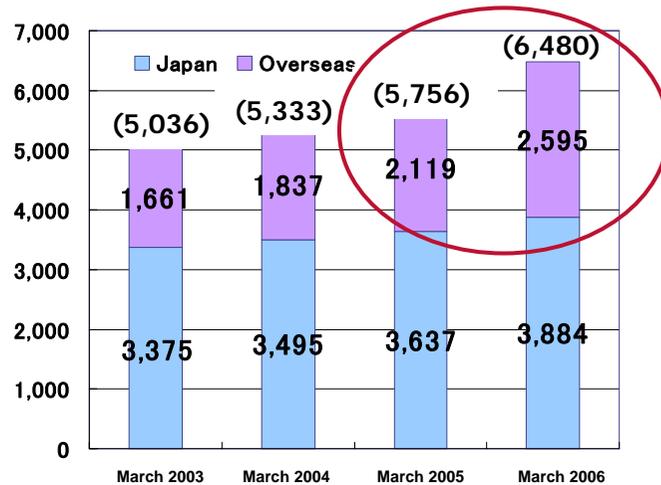
Increased Sales/Increased Profits...Year-on-year Increases in All Items...Even Exceeds Revised Interim Forecasts

	March 2006	March 2005	Increase (Decrease)	Year-on-year Comparison	(Reference) Performance Forecasts for FY2005 at Interim Period End
Net Sales	6,480	5,756	+723	113%	6,250
Gross Profit	676	619	+56	109%	663
Operating Income	175	132	+43	133%	174
Ordinary Income	187	151	+36	124%	185
Net Income	128	103	+25	124%	123
Earning per Share (EPS)	¥100.33	¥81.00	+¥19.33	124%	—

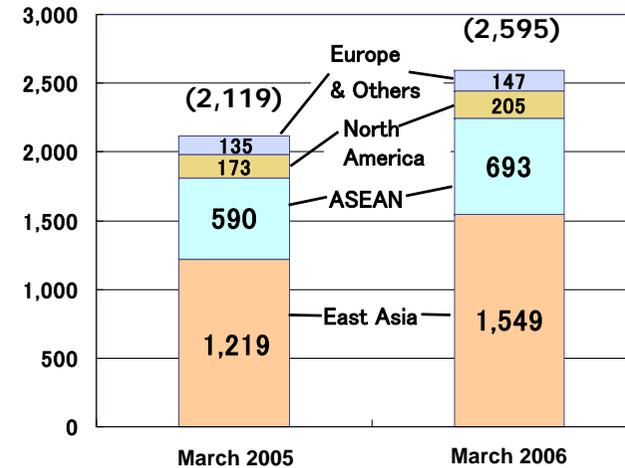
Regional Sales

(Unit: Hundred million yen)

**Sales: ¥648.0 billion,
up ¥72.3 billion year-on-year**



Breakdown of Overseas Sales



— Higher Rate of Overseas Sales —

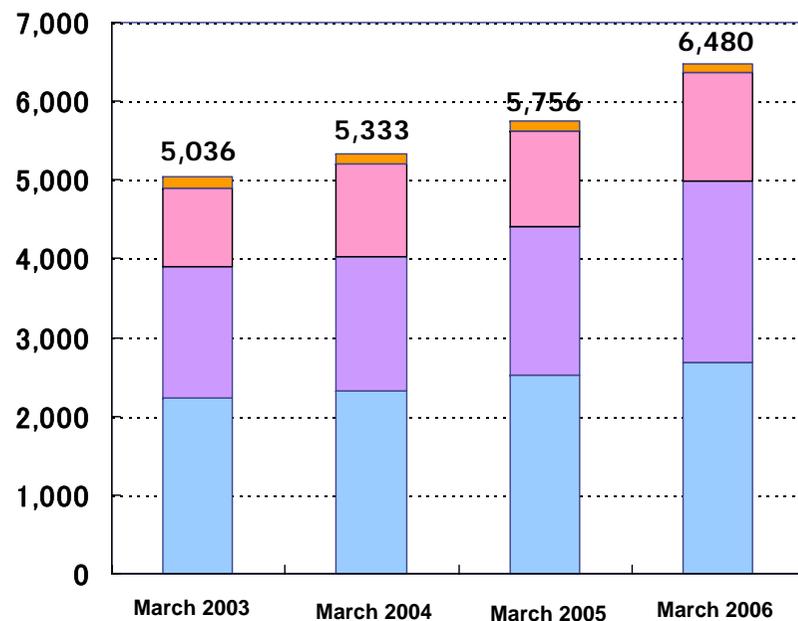
- Strong performance by overseas subsidiaries
- Increase in plastics-related sales mainly to Asia

In particular to China/Hong Kong/Taiwan (Greater China region)

- Expanded automotive-related sales to North America

Net Sales by Business Segment

(Unit: Hundred million yen)



	March 2003	March 2004	March 2005	March 2006
Chemicals	2,236	2,313	2,517	2,692
Plastics	1,658	1,709	1,884	2,292
Electronics	997	1,189	1,226	1,378
Healthcare and Others	144	119	128	116

Review of Sales by Business Segment (Compared to the previous year)

Chemicals + ¥17.5 billion (107%)

- Increase in automotive-related sales, including paint and urethane materials
- Strong performance by chemicals such as pigments and oil solutions

Plastics + ¥40.8 billion (122%)

- Strong performance by armoring materials for media-related uses and precision equipment
- Strong performance by automotive-related plastics both in Japan and overseas

Electronics + ¥15.2 billion (112%)

- Growth in liquid crystal display-related materials/liquid crystal display component-processing businesses
- Strong performance also seen in fine abrasives
- Decline in liquid crystal modules-related sales

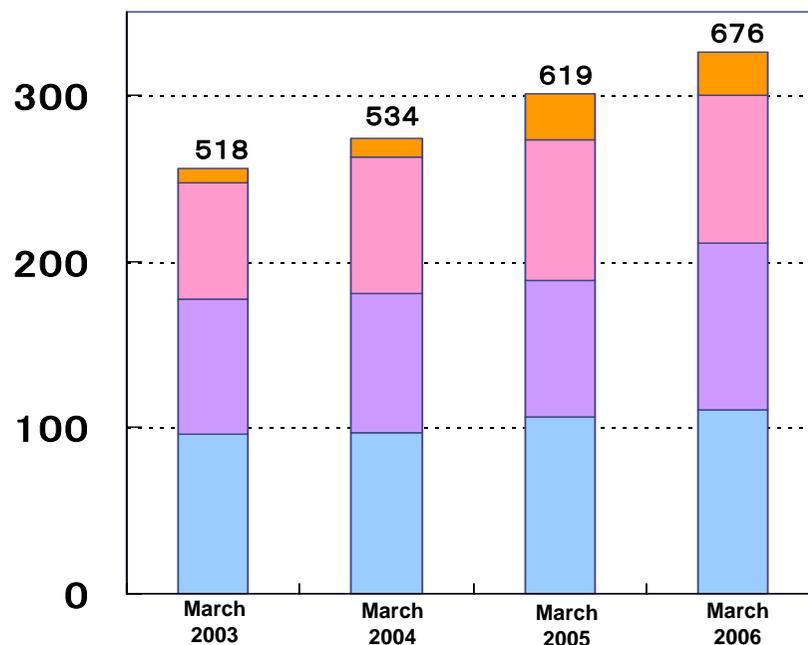
Healthcare & Others - ¥1.2 million (91%)

- Sales of cosmetics and health foods remained relatively the same as previous year
- Decline in medical care-related sales due to overhaul of business

Gross Profit by Business Segment

(Unit: Hundred million yen)

**Gross Profit: ¥67.6 billion,
up ¥5.6 billion year-on-year**



Growth due to increase in net sales mainly in Plastics

Review of Profit by Business Segment (Compared to the previous year)

Chemicals + ¥1.9 billion (109%)

Plastics + ¥2.7 billion (116%)

Electronics + ¥1.1 billion (106%)

Healthcare & Others - ¥0.1 billion (96%)

	March 2003	March 2004	March 2005	March 2006
Chemicals	186	192	212	231
Plastics	165	161	179	207
Electronics	149	168	174	185
Healthcare & Others	16	13	52	50

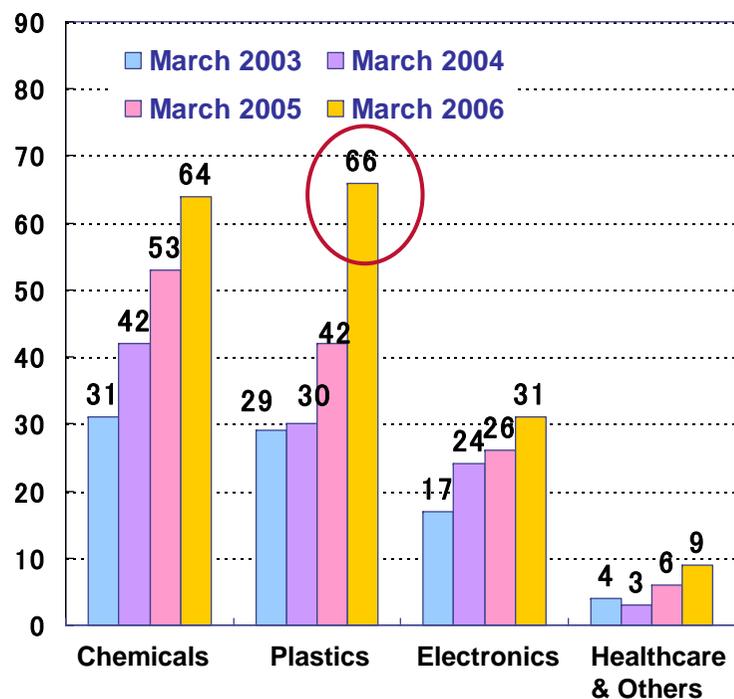
Operating Income

(Unit: Hundred million yen)

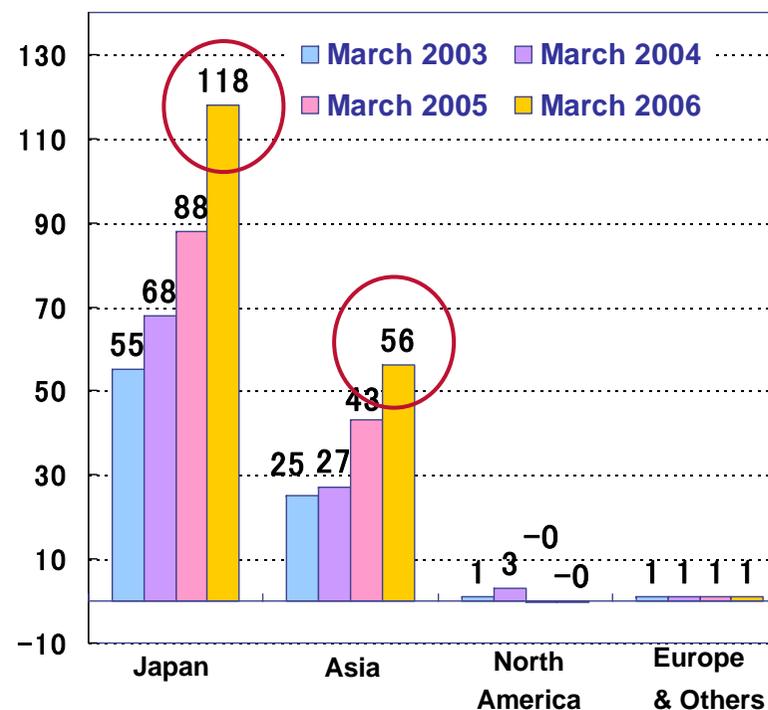
¥17.5 billion, up ¥4.3 billion year-on-year (133%)

- Steady increase in Chemicals due to growth in sales
- Increase in operating income of Plastics by Asian subsidiaries in addition to increase in non-consolidated operating income

< Operating Income by Business Segment >



< Operating Income by Regional Segment >



Non-operating Profit/Loss · Extraordinary Income/Loss

< Non-operating Profit/Loss >

(Unit: Hundred million yen)

	March 2006	March 2005	Increase (Decrease)	Year-on-year Comparison
Non-operating Profit/Loss	12	19	(6)	63%
Financial Balance	9	8	0	103%
Others	2	10	(7)	28%

< Extraordinary Income/Loss >

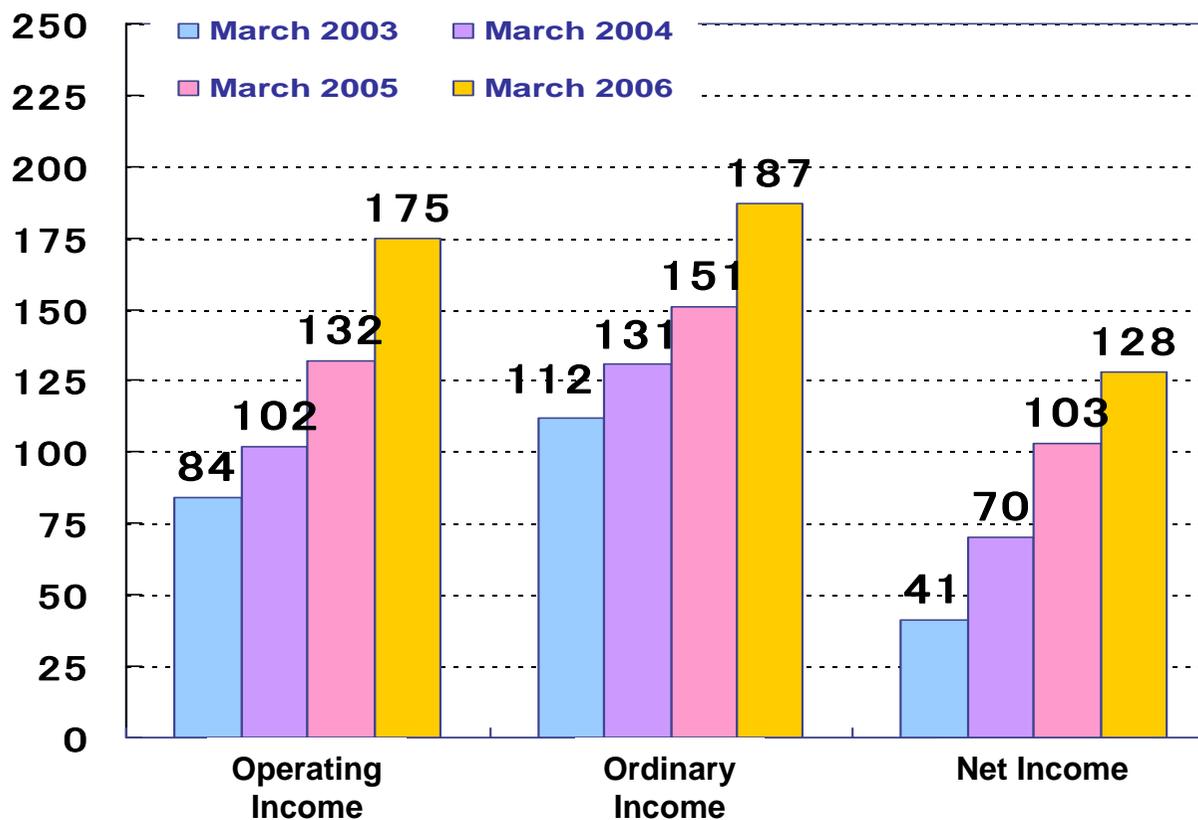
	March 2006	March 2005	Increase (Decrease)
Extraordinary Income	22	36	(13)
Gain on sales of fixed assets	10	20	(9)
Gain on disposal of investment securities	11	15	(3)
Extraordinary Loss	4	12	(7)
Loss on disposal of fixed assets	2	2	0
Others	2	9	(7)

Ordinary Income and Net Income

(Unit: Hundred million yen)

Ordinary Income: ¥18.7 billion, up ¥3.6 billion year-on-year (124%)

Net Income: ¥12.8 billion, up ¥2.5 billion year-on-year (124%)



Major Changes in Balance Sheet

① Increase in unrealized gain on investment securities

(Unit: Hundred million yen)

② Increase due to growth in accounts receivable

《Assets》	March 2006	March 2005	Increase (Decrease)	《Liabilities & Shareholders' Equity》	March 2006	March 2005	Increase (Decrease)
Cash and time deposits	235	178	+56	Notes and accounts payable	1,188	1,106	+81
Notes and accounts receivable	1,946	1,733	+213	Short-term loans	143	105	+37
Inventories	402	363	+39	Commercial Paper	50	—	+50
Other current assets	78	71	+6	Other fixed liabilities	221	200	+20
Tangible noncurrent assets	308	296	+11	Long-term debt	55	34	+20
Investments in securities	933	658	+274	(Interest-bearing debt)	248	140	+108
Other fixed assets	63	50	+12	Other noncurrent liabilities	286	186	+100
				Minority interests	57	48	+9
				Shareholders' equity	1,966	1,670	+295
				(including treasury stock)	(56)	(59)	(+3)
				(Shareholders' equity ratio)	(49.6%)	(49.8%)	
	3,967	3,352	+614	Total liabilities, minority interests and shareholders' equity	3,967	3,352	+614

Cashflow Status

(Unit: Hundred million yen)

·Increase in income before taxes ·Increase in working capital

	March 2006	Remarks
Net cash from operating activities	(23)	Income before taxes ¥20.5 billion Working capital (¥18.0 billion) Payment of income taxes (¥6.5 billion)
Net cash used for investing activities	(38)	Acquisition of property, plant and equipment (¥3.6billion) Sales of property, plant and equipment ¥1.1 billion Acquisition of investment securities (¥2.1 billion) Acquisition of equity (¥1.2 billion) Sales of investment securities ¥2.5 billion
Net cash used for financial activities	93	Short-term loans ¥2.8 billion Commercial Paper ¥5.0 billion Long-term debt ¥2.5 billion
Closing balance of cash and cash equivalents	229	Year-on-year increase of ¥5.7 billion

Performance of Major Consolidated Subsidiaries

(Unit: million yen)

	Company Name	Net Sales	Year-on-year Comparison	Operating Income	Year-on-year Comparison	Net Income	Year-on-year Comparison
Parent Company	Nagase & Co., Ltd.	473,351	107%	6,822	132%	7,747	129%
Manufacturing Subsidiaries	Nagase ChemteX Corp.	22,751	108%	1,932	175%	1,686	272%
	Totaku Industries, Inc.	7,658	104%	616	132%	790	59%
Sales Subsidiaries	Nagase Plastics Co., Ltd.	11,111	93%	79	86%	44	84%
	Hoei Sangyo Co., Ltd.	12,786	96%	193	104%	158	164%
	Nagase Colors & Chemicals Co., Ltd.	13,667	100%	52	32%	15	18%
Overseas Subsidiaries	Nagase (Hong Kong) Ltd.	45,153	138%	1,140	107%	942	107%
	Nagase Singapore (Pte) Ltd.	29,989	101%	727	119%	680	110%
	Nagase (Thailand) Co., Ltd.	21,705	125%	756	111%	592	116%

Performance Forecasts for FY2006

Year ending March 31, 2007

Performance Forecasts for Year ending March 31, 2007

(Unit: Hundred million yen)

	Year ending March,31 2007 (Forecast)	Year ended March 31, 2006 (Results)	Year-on-year Comparison (%)	Increase (Decrease)
Net Sales	6,940	6,480	107%	+459
Gross Profit	735	676	109%	+58
Operating Income	212	175	121%	+36
Ordinary Income	227	187	121%	+39
Net Income	136	128	105%	+7

* Figures were calculated assuming an exchange rate of US\$1.00 = ¥113.

Performance Forecasts for FY 2006: Net Sales by (Former) Segment

(Unit: Hundred million yen)

	Year ending March 31, 2007 (Forecast)	Year ended March 31, 2006 (Results)	Year-on-year Comparison (%)
Chemicals	2,817	2,692	105%
Plastics	2,569	2,292	112%
Electronics	1,463	1,378	106%
Healthcare and Others	91	116	78%
Total	6,940	6,480	107%

Performance Forecasts for FY 2006: Net Sales by (New) Segment

(Unit: Hundred million yen)

	Year ending March 31, 2007 (Forecast)	Year ended March 31, 2006 (Results)	Year-on-year Comparison (%)
Chemicals	2,347	2,222	106%
Plastics	2,569	2,292	112%
Electronics	1,408	1,320	107%
Life Science	536	564	95%
Healthcare and Others	80	79	100%
Total	6,940	6,480	107%

New Medium-term Management Plan *WIT* 2008

The Technology & Intelligence Oriented Company

That Turns Wisdom into Business

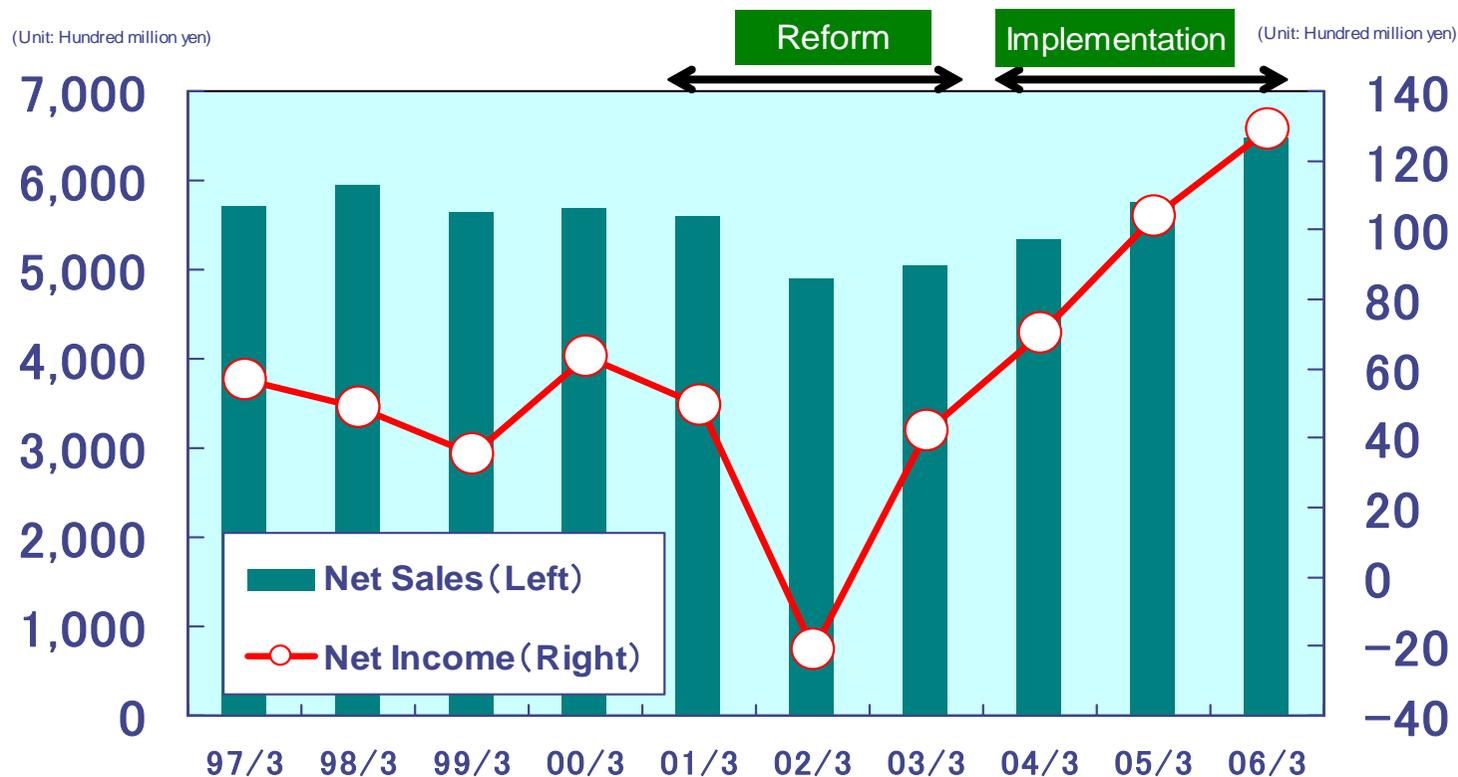
W* ---- *Wisdom

I* ---- *Intelligence

T* ---- *Technology

Business Performance for the Past 10 Years and Outline of Medium-term Management Plan

WIT2000	Reform	March 01~ March 03	<ul style="list-style-type: none"> ■ Reform of business foundations ■ Commencement of Group management
WIT21	Implementation	March 04~ March 06	<ul style="list-style-type: none"> ■ Clarification of the direction of business ■ Enhancement of business foundations ■ Enhancement of management foundations



Results of WIT 21 and Numerical Targets of WIT 2008



Summary of WIT 2008 (Reasons for Accelerated Fulfillment of *WIT 21*)

Electronics

- Overseas expansion of manufacturing function including Nagase ChemteX Corporation (China/Wuxi and other areas)
- Expansion of liquid crystal display-related field (optical film, from modules to component processing)
- Expansion of strategic partnerships (acquisition of semiconductor post-processing manufacturer)

Life Science

- Integration of manufacturing plants (Nagase ChemteX Corporation concentration in Fukuchiyama)
- Commencing development of unnatural amino acid manufacturing technology and rosemary extracts

Automotive

- Expansion of sales bases in growth areas (e.g., Guangzhou, Tianjin, Wuhan)
- Expansion of joint venture manufacturer group (design, metal molds, precision metal stamping)
- Enhancement of relations with prime customers (Kasai Kogyo Co. Ltd. and others)

Overseas Operations

- Focus on Greater China region and ASEAN (Nagase's area of specialty)
- Opening up post-China regions (e.g., Vietnam, India)
- Increased overseas sales ratio: 33% (FY2002) → 40% (FY2005)

1. Effects of injecting management resources into priority areas (internal cause)

2. Economic growth overseas mainly in China and improved materials market conditions resulting from surge in crude oil prices (external cause)

Basic Strategy of New Medium-term Management Plan *WIT 2008*

Reinforcement of corporate culture for sustained growth

Aggressive investments into priority areas

Expansion of business foundations

Transformation of corporate structure toward higher profit

Deepening of business portfolio strategies

Maintaining a sound financial standing

Providing for a consolidated management structure

Thorough risk management

Reinforcement of inner structure

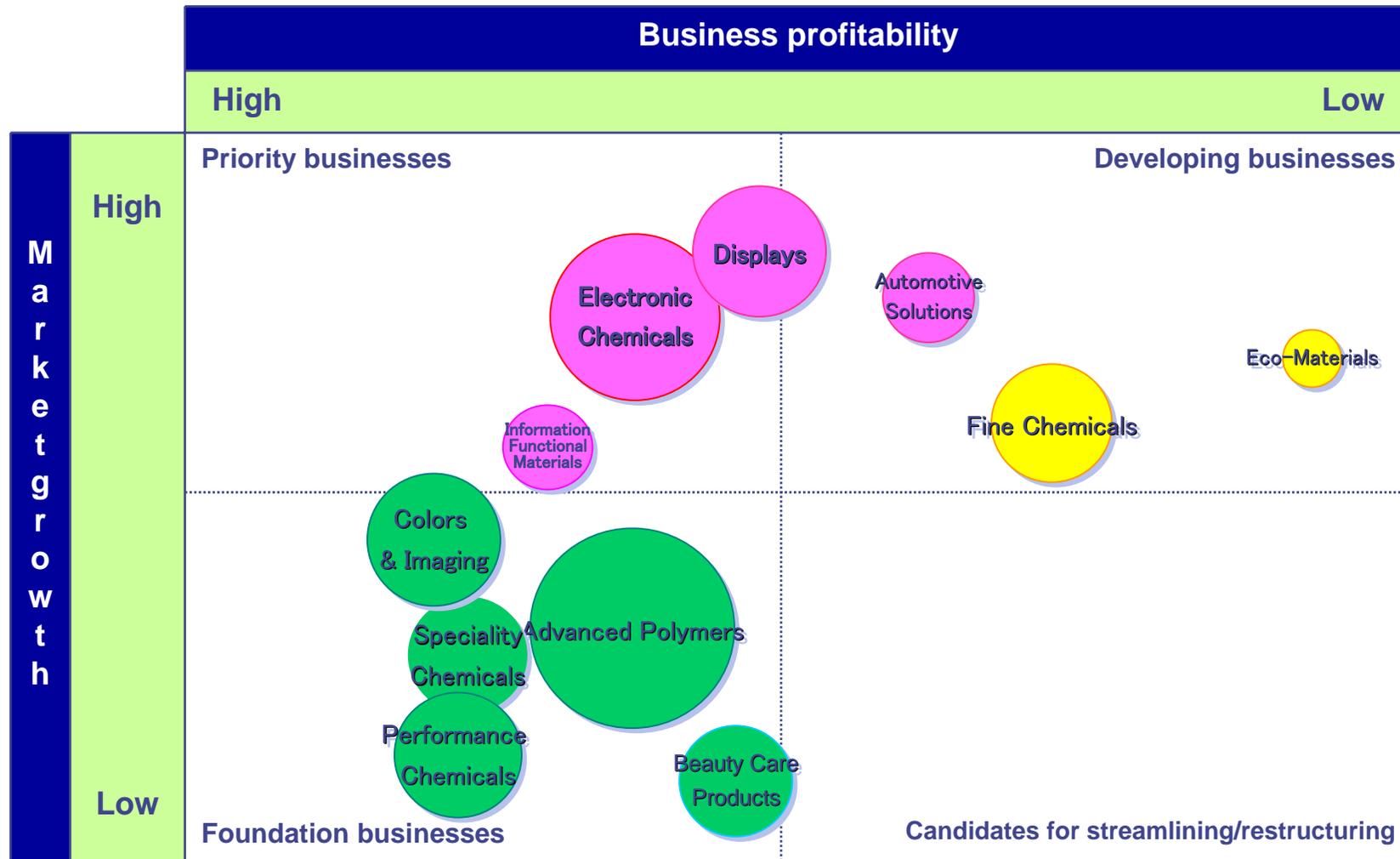
On-site oriented principles

Improvement in the quality/quantity of human resources

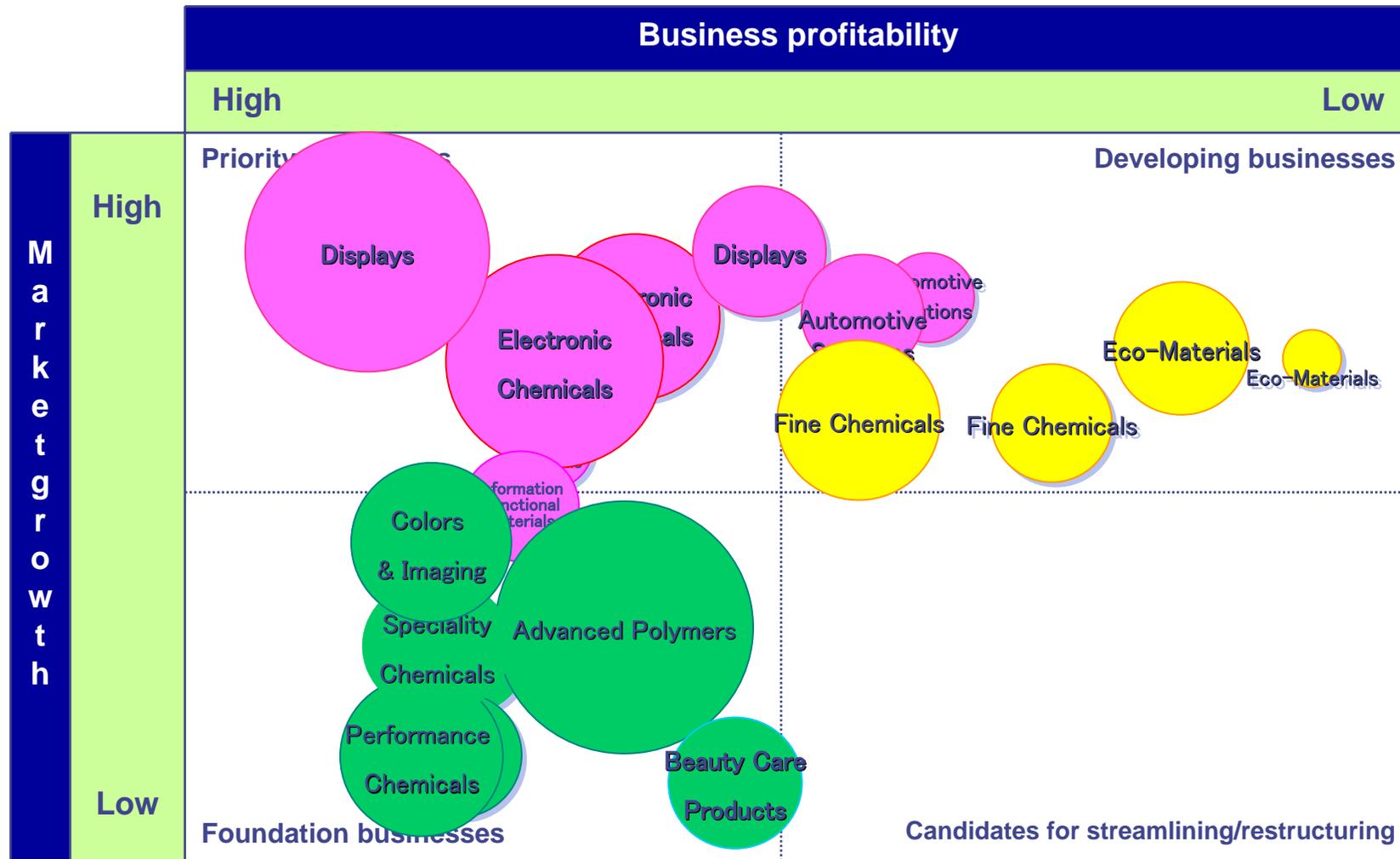
Enhancement of technology and information capabilities

Continuing the essence of Nagase

WIT 2008 Deepening of Business Portfolio Strategies (Current Status)



WIT 2008 Deepening of Business Portfolio Strategies (The Company That We Would Like To Be)



WIT 2008 Growth of High-profit Businesses

■ **Electronic/Chemicals Business**

- **Business expansion of products made by Group manufacturers**
(Nagase ChemteX Corporation and others, (1) Formulated epoxy resins
(2) Photolithography chemicals for liquid crystal displays and semiconductors)

■ **Displays Business**

- **Enhancement of manufacturing and processing businesses**
(Optical film for liquid crystal displays/glass processing, liquid crystal display-related component processing /assembly)

■ **Other major developing businesses**

- **Automotive Solutions Business** (Expansion of global accounts, expansion of strategic partnerships and joint ventures)
- **Fine Chemicals Business** (Manufacturing business using organic synthetic technology and biotechnology of Nagase ChemteX Corporation and others)
- **Eco-materials Business** (Expansion of “Pluswood” wood-composite material business)

Total investment amount ¥30.0 billion (in 3 years)

WIT 2008 Improvement Toward a High-profit Structure

- **Streamlining businesses/improvement of corporate structure**
 - **Drastic overhaul of medical care business (already implemented in FY2005)**
 - **Continued overhaul of unprofitable businesses not benefiting from the Nagase presence**

WIT 2008 Improvement of Foundation Businesses

■ Advanced Polymers Business

- Continued business expansion of functional plastics (engineering plastics) and general-use plastics in the Greater China region
- Focusing on precision equipment (e.g., printers, copiers, liquid crystal display-related, equipment) and digital media applications
- Upgrading bases in developing areas (e.g., Vietnam, India)

■ Performance Chemicals Business

- The five areas of plastic additives, paint materials, commodity chemicals, urethane materials, and polymer filters
- Business expansion overseas (expansion in Asia, such as the Greater China region)
- Improvement of logistics functions

■ Color & Imaging and Specialty Chemicals Businesses

- Focusing on the growing area of digital application related to “color & imaging”
- Expansion of Nagase ChemteX Corporation products (e.g., Denatron: transparent conductive coating)
- Expansion of organic synthesis and surfactant businesses, procurement from and manufacture licensing with China

WIT 2008 The Nagase Advantage Shared by All Businesses**■ Overseas Strategy**

- Deep cultivation of Greater China region (e.g., expansion of manufacturing bases)
- Expansion of ASEAN region → Expansion into Vietnam and India (with establishing subsidiaries being considered)

■ Manufacturing/Processing Strategy

- Upgrading manufacturing businesses mainly through Nagase ChemteX Corporation (electronics-related, pharmaceutical-related)
 - Expansion of manufacturing and processing businesses, including Fabless manufacturing
- Achieving the best balance between manufacturing/processing businesses and the trading firm business

WIT 2008 Reinforcement of internal structure**■ Maintaining a Sound Financial Standing**

- Emphasis on cash flow, improvement of cash flow from operating activities
- Continued review of assets

■ Thorough Risk Management

- Recognition/understanding/control of new risks accompanying transformation of business structure
- Thorough management of regulations and implementation of internal control

■ Providing for a Consolidated Management Structure

- Deepening of Group management and enhancement of management structure

■ Improvement in the quality/quantity of human resources

- Recruiting and nurturing “diversity” and “specialization”

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Nagase & Co., Ltd

<http://www.nagase.co.jp>

This presentation includes forecasts based on certain assumptions, projections and plans for the future as at May 16, 2006. Please note that the actual business performance may differ from the forecasts stated herein, due to risks and uncertainties associated with the global economy, state of competition, exchange rate volatility and other factors.