NAGASE

Raising the Bar

After achieving its previous objectives ahead of schedule, Nagase has set new goals for turning intelligence and wisdom into businesses that benefit customers and shareholders.

2006
Annual Report

Nagase's Goals

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 opened up new markets worldwide together with its customers and accumulated considerable know-how in its role as “a technology and intelligence oriented trading company.” At the same time, it has enhanced its capabilities in new product R&D, manufacturing and processing.

Today, the Nagase Group comprises more than 100 companies in Japan and overseas. The Group is building a new business model that organically combines the trading, marketing, R&D, manufacturing and processing functions of these companies to provide a high-level response to customer needs. In doing so, we aim to offer new proposals as “a technology and intelligence oriented company that turns wisdom into business.” Looking ahead, along with its customers worldwide, the Nagase Group will seize business opportunities to continue to develop and grow.

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.**

“The Nagase Way” Action Principles

1 Always be customer-oriented.
2 Always be a creative challenger.
3 Always use the power of the Nagase Group.
4 Always think globally and act locally.
5 Always think systematically and act speedily.

Management Vision

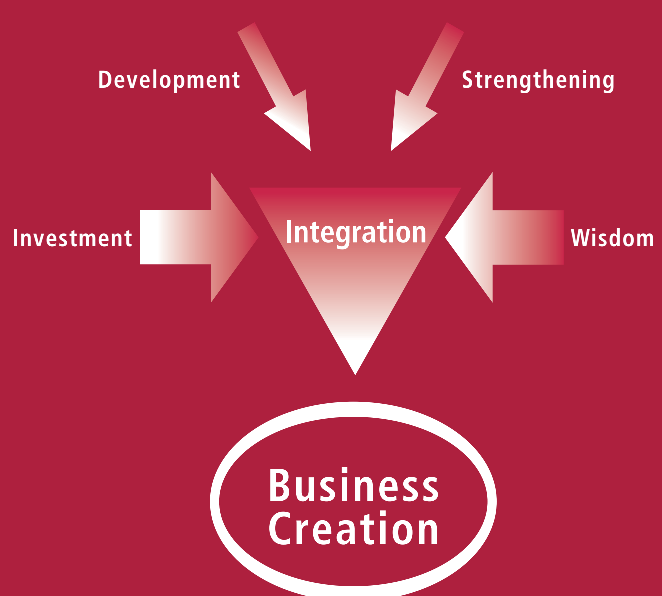
A technology and intelligence oriented company that turns wisdom into business.

Traditional Functions of a Trading Company

- Distribution
- Risks (Credit, Finance)
- Basket sales

Nagase's Strengths

- Own products (manufacturing)
- Technologies, information
- R&D Center
- Flow from upstream to downstream (Value chain)
- Asian network



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Notes on Financial Data and Graphs

- All yen amounts presented in this annual report have been truncated after the second decimal place in the case of billions of yen and yen amounts, and after the lowest whole number in the case of millions of yen amounts. Percentages are rounded to the nearest decimal place.
- U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2006. In the case of thousand dollar amounts, portions less than one thousand dollars have been truncated.
- Years in graphs represent fiscal years ended March 31.

A Cautionary Note on Forward-looking Statements

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.

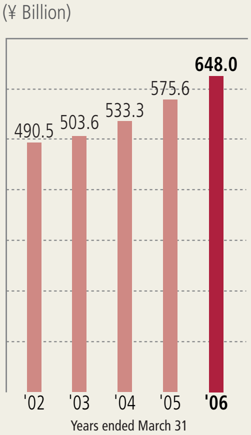
Financial Highlights

Nagase & Co., Ltd. and Consolidated Subsidiaries
(Years ended March 31)

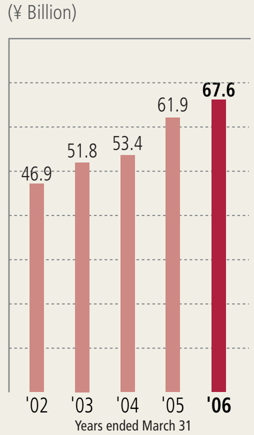
	Millions of Yen			Change	Thousands of U.S. Dollars (Note)
	2006	2005	2004	2006/2005	2006
For the Year:					
Net Sales	¥648,023	¥575,636	¥533,301	12.6%	$5,516,504
Chemicals	269,263	251,725	231,360	7.0	2,292,192
Plastics	229,278	188,456	170,996	21.7	1,951,80
Electronics	137,867	122,632	118,978	12.4	1,173,636
Health Care and Others	11,614	12,821	11,966	(9.4)	98,875
Gross Profit	67,640	61,960	53,494	9.2	575,810
Operating Income	17,596	13,256	10,244	32.7	149,797
Net Income	12,892	10,384	7,010	24.2	109,747
At the Year-end:					
Total Assets	¥396,773	¥335,290	¥310,793	18.3%	$3,377,656
Shareholders' Equity	196,620	167,092	156,210	17.7	1,673,795
	Yen			Change	U.S. Dollars
Per Share Data:					
Net Income	¥ 100.32	¥ 81.00	¥ 54.69	23.9%	$ 0.85
Shareholders' Equity	1,535.70	1,311.37	1,227.82	17.1	13.07
Cash Dividends	15.00	10.00	9.00	50.0	0.12
	%			Change	
Ratios:					
Shareholders' Equity Ratio	49.6	49.8	50.3	(0.2) points	
Operating Margin (Operating Income/Net Sales)	2.7	2.3	1.9	0.4	
Return on Equity (ROE)	7.1	6.4	4.7	0.7	
Return on Assets (ROA)	3.5	3.2	2.4	0.3	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2006.

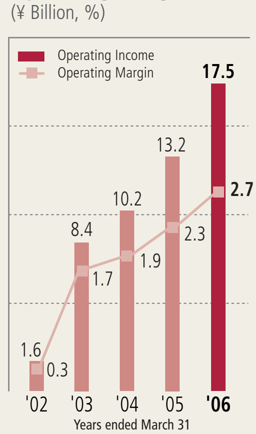
Net Sales
(¥ Billion)



Gross Profit
(¥ Billion)

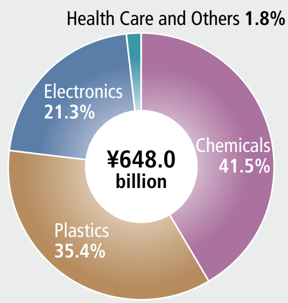


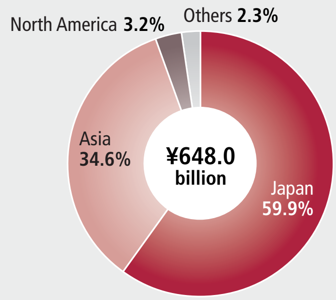
Operating Income/ Operating Margin
(¥ Billion, %)



Segment Overview

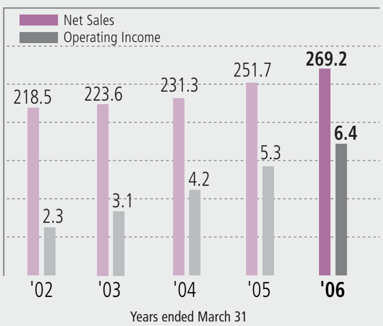
Net Sales by Business Segment
(Year ended March 31, 2006)



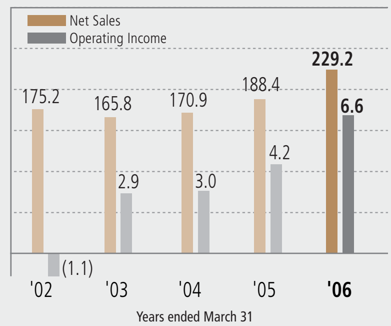


Net Sales by Region
(Year ended March 31, 2006)

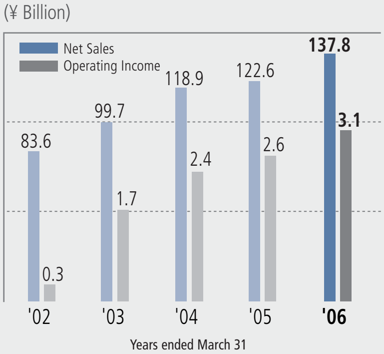
Chemicals
(¥ Billion)



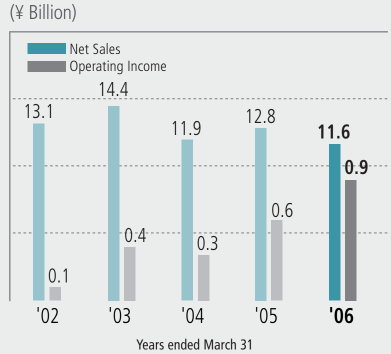
Plastics
(¥ Billion)



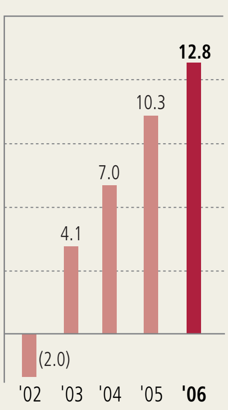
Electronics
(¥ Billion)



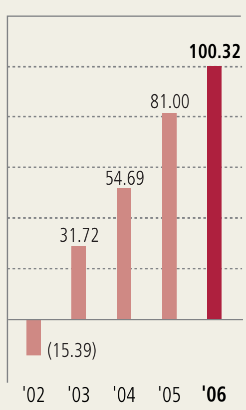
Health Care and Others
(¥ Billion)



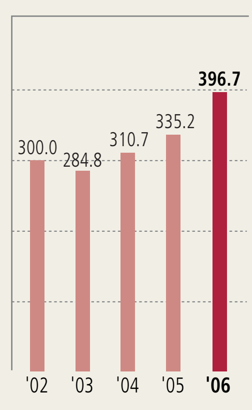
Net Income (Loss)
(¥ Billion)



Net Income (Loss) per Share
(¥)



Total Assets
(¥ Billion)



Message from the Management

Hideo Nagase Chairman　　Hiroshi Nagase President

In fiscal 2005, the final year of the medium-term management plan WIT21, Nagase & Co., Ltd. achieved its fourth consecutive year of record sales and profits, and exceeded all of the numerical targets of WIT21 by a wide margin. From its base in chemicals, Nagase has become a technology and intelligence oriented company that turns wisdom into business with a broad portfolio consisting of research and development and manufacturing. Under WIT2008, the new medium-term management plan, the Nagase Group will continue to focus on creating high-value-added businesses and growing and developing with its stakeholders.

Results for the Year Ended March 31, 2006

During fiscal 2005, the year ended March 31, 2006, despite elements of concern such as economic trends in the United States, China and other countries and the sharp rise in crude oil prices, the Japanese economy moved onto a new growth trajectory. Growth in corporate capital investment and consumer spending supported a continuing gradual economic expansion, and positive signs also appeared in the employment picture.

Against this backdrop, the Nagase Group continued working to expand sales and earnings. As a result, consolidated net sales increased 12.6 percent compared with the previous fiscal year to ¥648.02 billion. Domestic sales increased 6.8 percent to ¥388.47 billion and overseas sales increased 22.5 percent to ¥259.55 billion.

Operating income rose 32.7 percent to ¥17.59 billion, reflecting the increase in net sales. Sales of property, plant and equipment and investments in securities contributed to a 24.2 percent increase in net income to ¥12.89 billion. Net income per share increased substantially to ¥100.32 from ¥81.00 in the previous fiscal year.

While following the Company's long-standing policy of paying stable dividends, in view of another year of solid performance, we responded to the support of our shareholders by raising cash dividends to ¥15.00 per share from ¥10.00 per share for the previous fiscal year.

Working toward the New Objectives of WIT2008

Over the three years from fiscal 2003, the Nagase Group carried out the medium-term management plan WIT21. In this plan, we set numerical targets of ¥550.0 billion in consolidated net sales and ¥11.0 billion in consolidated operating income for fiscal 2005, the final year of the plan.

However, after reaching these targets one year ahead of schedule, we continued WIT21 with revised final year targets of net sales of ¥600.0 billion and operating income of ¥16.1 billion. As a result, we concluded the plan by exceeding even these targets with record sales and profits.

Based on this success, we launched a new medium-term management plan, WIT2008, for the three years from April 2006. In formulating WIT2008, the Nagase Group shared a common awareness that now, when business performance is good, is the time to reinforce our corporate structure to ensure sustainable growth over the long term. Therefore we have designated these next three years as a period for reinforcement of our corporate structure for sustained growth. The central focus of the plan is to maintain a balance between offensive and defensive strategies while strengthening both.

Increasing Shareholder Value

Since its establishment, Nagase has followed a management philosophy based on maintaining good and fair business practices. Nagase's first priority is meeting its responsibilities to all its stakeholders, comprising shareholders, customers, business partners, employees and society, by expanding its profits and continuing to grow through honest, transparent management.

By achieving the objectives of WIT2008, the Nagase Group will work to increase its corporate value and further raise shareholder value. We hope for your continued support and guidance.

July 2006

Hideo Nagase
Chairman

Hiroshi Nagase
President

Having achieved all of the targets of the medium-term management plan WIT21, the Nagase Group has started a new plan, WIT2008. President Hiroshi Nagase discusses the Group's growth strategy.

Successful Completion of WIT21

The Nagase Group met its upwardly revised targets in the final year of WIT21, after achieving the original targets a year ahead of schedule. What is your analysis of the factors that allowed the Group to accomplish these outstanding results?

As I explained in last year's annual report, Nagase has grown for many years as a trading company, with general distribution rights for large companies at the core of our business. However, the expiration of major commercial rights, together with diversification in the requirements of customers and markets, has meant that we can no longer meet these requirements with our traditional model of a straightforward intermediary business approach. Therefore, our most important task has been determining what functions the Nagase Group should have from now on.

Under WIT21, our slogan was "A technology and intelligence oriented company that turns wisdom into business." One of our goals was to shift to a business model in which we refine technology through our own efforts and exploit our technology, information and wisdom, enhanced by experience, to proactively propose what customers need.

Achievements of WIT21 (April 2003 – March 2006)

Nagase substantially exceeded all numerical targets of WIT21 and accelerated its strategic development.

	Fiscal 2003 (Actual)	Fiscal 2004 (Actual)	Fiscal 2005 (Actual)
■ Net Sales	¥533.3 billion	¥575.6 billion	¥648.0 billion
■ Domestic Sales	¥349.5 billion	¥363.7 billion	¥388.4 billion
■ Overseas Sales	¥183.7 billion	¥211.9 billion	¥259.5 billion
■ Operating Income	¥10.2 billion	¥13.2 billion	¥17.5 billion

Basic Strategies

① Set the Company apart from competitors by creating a wholly customer-oriented business
② Nurture and strengthen market-leading businesses
③ Make use of the Group's resources and distinctive identity to create new businesses

Four Strategic Areas

① Electronics ② Life Sciences
③ Automotive ④ Overseas Operations

In the three years of WIT21, we instilled awareness of this objective throughout the Company, from management to employees, and reflected it in our operations. This is the number-one factor that allowed us to achieve such outstanding success. The second was aggressive investment to create businesses. Making investments requires finding new business possibilities and building them into businesses. I believe that the thinking and action that go into turning wisdom into business have increased the projects in which we can invest and energized the efforts of the entire Company. The third factor was collaboration within the Company and the Nagase Group as well as with other companies. Rather than conducting sales activities on their own, each division takes advantage of the Nagase Group's strengths by enlisting the collaboration of other divisions and Group companies, which has given rise to major business opportunities. Employees understand this through successful experience, and are aware that is also linked to performance evaluations. As a result, collaboration has become a hallmark of Nagase's business.

I believe that our progress in changing attitudes and frameworks within the Company over the past three years is the reason we were able to finish WIT21 so successfully.

Strengthening Our Business Base and Expanding Operations

What progress has the Company made in its four strategic areas, and what issues lie ahead?

Among our four strategic areas, electronics, automotive and overseas operations are achieving satisfactory expansion, supported by external conditions, primarily economic growth in overseas markets and rising materials markets.

Looking at each area, in **electronics**, our LCD-related business expanded from liquid crystal modules and optical films to processing of component materials. Nagase ChemteX Corp., which is also a manufacturer, is stepping up its development of overseas business with a focus on China. We have also formed various strategic alliances and actively expanded our business presence in the past fiscal year, including the acquisition of a semiconductor post-processing equipment manufacturer, to respond to market growth.

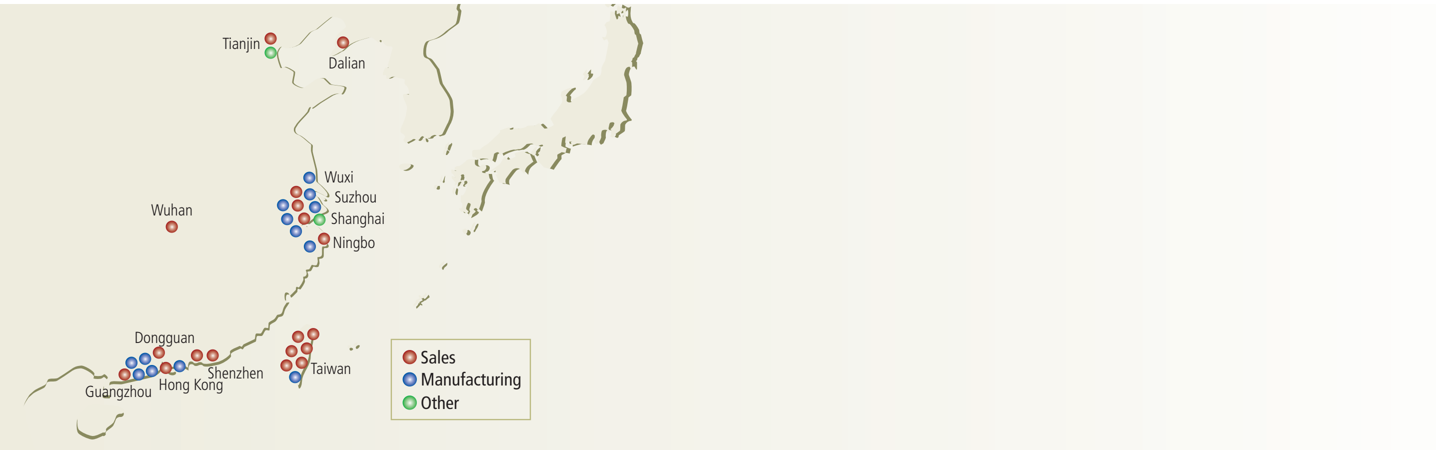
In the **automotive** area, we enhanced our sales bases in Guangzhou, Tianjin and Wuhan and elsewhere in the fast-growing Chinese market, and also expanded joint manufacturing ventures for design, molding and precision press products. In addition, we reinforced our business base by strengthening our relationships with Kasai Kogyo Co., Ltd. and other excellent partners.

In **overseas operations**, we focused on business in Greater China including Taiwan and Hong Kong, and in the ASEAN countries. As a result, overseas sales grew substantially over the past three years to 40 percent of total net sales, compared to 33 percent before we started WIT21. Beyond China, we are also developing business in Vietnam and India.

The area of **life sciences**, however, remains a challenge. Conditions in the fine chemicals business, which consists of pharmaceutical raw materials, intermediates and agricultural chemicals, have been difficult for several years. We are now focusing on adjusting our strategy by changing our product mix and shifting to growth businesses. The beauty care business, which handles cosmetics and health foods, has been on a slow downward trend in the last several years, with the door-to-door sales industry overall showing little prospect for significant growth. However, we expect to restore results by increasing the number of salespeople. In the medical care business, which handles reagents, medical information and systems for clinical testing at healthcare institutions, we implemented drastic restructuring during the past fiscal year that included withdrawing from certain businesses.

Along with electronics, the life sciences area is one of the business pillars of Nagase ChemteX, the largest manufacturer in the Nagase Group, which remains committed to its policy of developing this business. Under the new business structure, we will make appropriate investments to quickly put this business on a growth trajectory.

In our traditional business of chemicals, new development is difficult, but we have created a number of new businesses over the last three years. For example, from our base in dyestuffs, the root of Nagase's technology, we developed the Color Workshop. This business model, in which we combine Nagase's dyestuffs, pigments and resins, has enabled us to take a proposal-based approach. Instead of the concept of delivering individual products to individual customers, we are able to make proposals based on the strong presence we have developed in our customers' respective industries. This business model has been well received.



The Nagase Group's Network in Greater China

Becoming More Robust to Achieve Sustainable Growth

In April 2006, Nagase launched the new medium-term management plan, WIT2008. What are the main themes and plans of WIT2008?

When we put together WIT2008, we had thorough discussions on our vision for the future of the Company and how we should realize it based on the success of WIT21. As a result, we concluded that now, when business performance is good, is the time to reinforce our corporate structure to ensure that we continue to grow over the long term. Therefore, we have positioned the three years of WIT2008 as a period of creating a more robust corporate structure to achieve sustainable growth. This means that we will balance offensive and defensive strategies while strengthening both.

As offensive strategies, we will deepen our business portfolio strategy by 1) expanding our business base; 2) investing aggressively in key areas; and 3) restructuring for higher profitability. In particular, we invested aggressively during WIT21, but we will further increase the amount of investment in carefully selected projects while making sure they are compatible with our technology and market strategies. In total, we plan to make investments on the order of ¥30 billion over the next three years. In addition to investing in manufacturing facilities and technology, we will also invest to supplement and expand existing businesses, as well as consider mergers and acquisitions as one method of taking on new businesses rather than building them from the ground up.

As defensive strategies, we will strengthen our administrative operations by 1) maintaining a sound financial position; 2) ensuring thorough risk management; and 3) improving our consolidated management system. In particular, a critical issue in risk management will be how to minimize the increased risks that accompany aggressive investment. We plan to establish a comprehensive risk management system to check and manage the status of total investment amounts and investment criteria throughout the Company.

As a prerequisite for all of these strategies, we will enhance our human resources in terms of both quality and quantity. With the economic recovery, every company will be facing a shortage of skilled human resources, so we plan to both secure new personnel and dramatically increase investment in development of current employees.

Through these strategies, we will create an organizational and business structure that is poised for a significant leap forward in the three years of WIT2008 and beyond. (For more details on WIT2008, please see page 12.)

High-Level Shareholder Returns

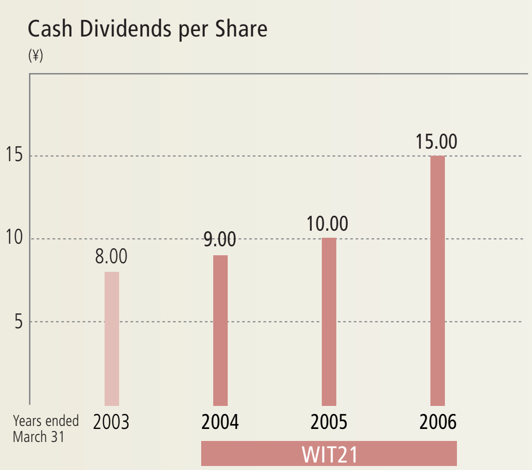
What kind of corporate group will Nagase become by successfully achieving the goals of WIT2008, and what benefits will this bring for shareholders?

As I mentioned, Nagase has adopted the slogan, "A technology and intelligence oriented company that turns wisdom into business." Accordingly, in our operations we intend to deploy an original business model that takes advantage of the technologies we have strategically accumulated. As customers become more aware of this, we will be able to increase the proportion of Nagase-led, proposal-based businesses. This in turn will allow us to maintain and expand a solid business base for sustainable growth that is not dependent on the economic environment. Next, we will strive to be a corporate group in which management as a whole implements our philosophy of "maintaining good and fair business practices" – in other words, a group that practices management oriented toward corporate social responsibility (CSR).

In regard to shareholder returns, we will not change our long-standing policy of paying stable dividends, but will make decisions based on overall assessment of factors including capital requirements and performance trends. For the year ended March 2006, we posted good results and therefore raised cash dividends by ¥5.00 per share from the previous fiscal year to ¥15.00 per share. We increased dividends in each of the three years of WIT21.

During the period of WIT2008, we intend to maintain shareholder returns at a high level by achieving our performance targets.

I would like to reiterate that the Nagase Group will continue working to increase its corporate value by achieving sustainable growth into the future. We hope that shareholders and investors will also look forward to our success with a medium-term perspective, and we ask for their continued support.



From WIT21 to WIT2008

Overview of WIT2008

Nagase implemented its medium-term management plan WIT21 (W: Wisdom, I: Intelligence, T: Technology) over the three years from April 2003. The Nagase Group achieved the numerical targets it set for fiscal 2005, the final year of the plan – consolidated net sales of ¥550 billion and operating income of ¥11 billion – a year ahead of schedule in fiscal 2004, with net sales of ¥575.6 billion and operating income of ¥13.2 billion. In the final year, the Nagase Group continued WIT21 with its targets revised to consolidated net sales of ¥600 billion and operating income of ¥16.1 billion. As a result, the Group concluded the three-year plan with another year of record sales and profits.

Based on the success of WIT21, the Nagase Group launched WIT2008, a new medium-term management plan for the three years from April 2006.

Ambitious New Objectives of WIT2008

In formulating WIT2008, the Nagase Group set the following objectives.

(1) Continue to maintain and a expand solid business base for sustainable growth

(2) Achieve market recognition for our unique business model that deploys our strategic technology portfolio

(3) Increase our share in businesses where Nagase leads the market and is adding value through its capabilities

(4) Focus on management oriented toward CSR (corporate social responsibility)

We believe that now, when performance is good, is the best time to reinforce our corporate structure by realizing these objectives in order for the Nagase Group to continue to grow. Therefore, we have designated the next three years as a period of reinforcing our corporate structure for sustainable growth. Our fundamental policy will be to balance offensive and defensive strategies while strengthening both.

Net Sales
Operating Income

¥503.6 billion
¥8.4 billion

WIT2000 (April 2000-March 2003) — Reform

Basic Strategies
① Promote business investment and develop new businesses
② Adopt a selective, focused approach to business
③ Reinforce manufacturing companies and boost marketing strength of sales branches
④ Train professionals
⑤ Increase marketing strength by extracting and developing business models

Strategic Areas
① Electronics
② Life Sciences

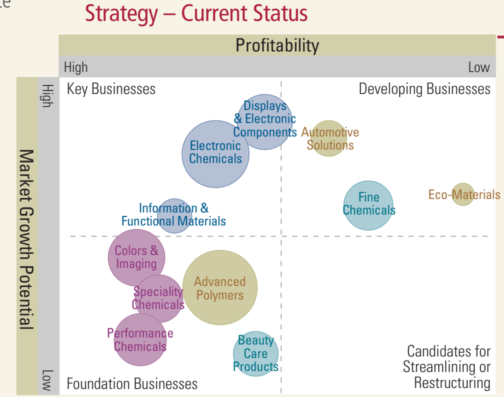
¥648.0 billion
¥17.5 billion

WIT21 (April 2003-March 2006) — Promotion

Basic Strategies
① Set the Company apart from competitors by creating a wholly customer-oriented business
② Nurture and strengthen market-leading businesses
③ Make use of the Group's resources and distinctive identity to create new businesses

Strategic Areas
① Electronics
② Life Sciences
③ Automotive
④ Overseas Operations

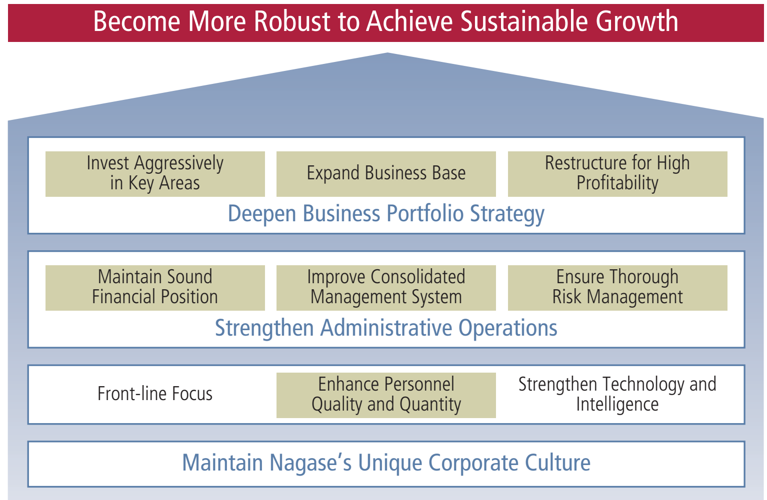
■ WIT2008 Deepening of Business Portfolio Strategy – Current Status



Basic Strategies

Our specific strategies for the Company as a whole will be to deepen our business portfolio strategy as an offensive tactic and to strengthen our administrative operations as a defensive tactic. As in WIT21, our four strategic areas will be electronics, life sciences, automotive and overseas operations. In the business base Nagase has built, these areas in particular allow us to exercise the strengths of the Nagase Group. At the same time, they are areas with good prospects for significant market expansion.

■ Basic Strategies of New Medium-term Management Plan WIT2008

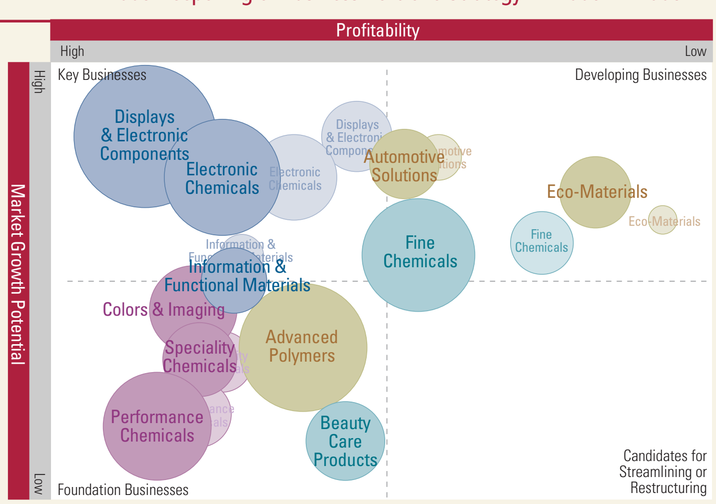


¥770.0 billion (Target)
¥24.0 billion (Target)

WIT2008 (April 2006-March 2009) Enhancement

Strategic Areas
① Electronics
② Life Sciences
③ Automotive
④ Overseas Operations

■ WIT2008 Deepening of Business Portfolio Strategy FY2006–FY2008



Offensive Strategy of WIT2008: Deepening Our Business Portfolio Strategy

The key point in executing the business strategies outlined in WIT2008 will be reinforcing the functions and business base of the companies and divisions of the Nagase Group in every area. We will further strengthen the Nagase Group's information gathering and proposal capabilities and manufacturing and distribution functions, and emphasize strong relationships with suppliers. We will take an approach of aiming for the advancement of the industry as a whole by not only responding to the needs of individual customers but also proposing business alliances among customers in the same industry. We believe this approach will further increase trust in the Nagase Group and reinforce the Group's functions and business base.

In addition, our reformulated business portfolio is a milestone for Nagase as an intelligence and technology oriented company because it relates to discussions on our technology strategy as well as business strategy. From top management to front-line supervisors, when we examine investment possibilities and carry out business restructuring and structural improvements, we will analyze whether or not these plans conform to a technology strategy appropriate for Nagase in addition to analyzing their profitability and compatibility with our business strategy. This will help to prevent dispersion of management resources.

I believe my mission is to thoroughly instill the basic spirit of WIT2008 and to foster an environment that makes it easy for employees on the front lines to work toward Nagase's future development.

Yoshizo Shibata
Representative Director and Senior Managing Executive Officer
Overall Sales Group; Beauty Care Products Department; Business Administrative Office;
New Business Development Office; Corporate Marketing Office

Individual Strategies for Deepening Our Business Portfolio Strategy

◆ Expand Our Business Base

Our business base consists of the relationships of trust with many excellent customers that the Nagase Group has cultivated, the Group's numerous business sites that extend around the world, primarily in Asia, and the trust the Nagase Group has built in its markets through its various business activities. Reinforcing and expanding this base is the first prerequisite for sustainable growth.

◆ Invest Aggressively in Key Areas

Aggressive, focused investment in key areas will be essential to achieving sustainable growth in the future. Such investment will also play a role in the creation of the new functions and new business base required by the changing business environment.

Under WIT2008, we plan to substantially increase the amount of investment compared to the period of WIT21. Over the next three years, we intend to invest a total of about ¥30 billion. We must invest in projects that we have fully analyzed for compatibility with our technology and business strategies and work tenaciously toward their realization.

◆ Restructure for High Profitability

Achieving our target for operating income will require increasing our proportion of higher-margin businesses. We will work to increase profit margins not only by increasing sales of products manufactured by Group companies, but also by raising the proportion of high-value-added businesses where the Nagase Group has control. At the same time, we will continue to pursue efficiency and take measures to address underperforming businesses.

Defensive Strategy of WIT2008: Strengthening Administrative Operations

The most important point in strengthening the administrative operations that support the business strategies to achieve WIT2008 is creating a framework to minimize risk in business operations. To adapt to the nature of risk today, Nagase must shift from its traditional system of having a dedicated division responding to risks individually to a system for responding to multiple risks. We will develop a risk map and study countermeasures, and we must maintain the highest level of compliance in chemical substance management and safety. With regard to security measures for import-export control, given the recent international situation, the entire Company will work to ensure thorough risk management and compliance with the Foreign Exchange and Foreign Trade Control Law.

In business operations, we will promote collaboration in Group management. Our organizational systems, however, are still developing, so we will enhance the Group operational structure, primarily overseas, and take proactive measures to attract and recruit human resources, the most critical element in conducting our business.

Under WIT21, all employees understood the direction in which the Company was moving and its action guidelines, and we were able to foster a sense of involvement. My mission in promoting WIT2008 is to link this heightened sense of involvement to a concrete action plan. I consider this a critical period that will determine how the Nagase Group will grow in the next stage.

Makoto Tsuruoka
Representative Director and Managing Executive Officer
Administrative Divisions; GM, Corporate Management Office;
GM, Finance Division; GM, Accounting Division

Individual Strategies to Strengthen Our Administrative Operations

◆ Maintain a Sound Financial Position

Nagase will continue to emphasize cash-flow oriented management. While working to improve operating cash flow, we will constantly review assets and focus on maintaining a sound financial position.

◆ Ensure Thorough Risk Management

Various new risks are projected to arise in the process of converting our business structure, and establishing a comprehensive risk management system throughout the Nagase Group will be imperative. We will work to maintain constant awareness and understanding of these risks and take measures to minimize them. At the same time, we will improve our internal control system to ensure thorough compliance and respond to legislation.

◆ Improve Our Consolidated Management System

The Nagase Group will step up the measures it has been taking to enhance its consolidated management system in order to strengthen Group management. These measures include promoting sharing of strategies and information within the Group and more effective use of management resources. In addition, we will establish and restructure domestic and overseas subsidiaries and affiliates to develop a Group operating structure for sustainable growth.

◆ Enhance Personnel Quality and Quantity

The Nagase Group's most important asset is its people. We will continue to actively seek diverse personnel with a high level of expertise who will be able to respond to the changes in our business structure and handle new businesses. We will also conduct systematic development of the human resources who will become the leaders of the next generation.

Overseas Operations

China Business

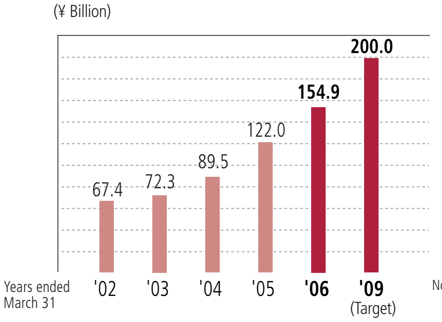
Osamu Kitaguchi
Executive Officer; CEO, China

Overview of China Business

In the fast-growing Greater China region, which encompasses Hong Kong, Shenzhen, Guangzhou, Wuhan, Shanghai, Suzhou, Tianjin, Dalian and Taiwan, the Nagase Group's operations consist of 8 sales companies, 10 branches and offices and 15 manufacturing companies, primarily in the Chemical, Plastics and Electronics businesses. The 8 sales companies employ more than 400 people. Japanese and local staff at these bases work together to conduct business in Taiwan, Hong Kong and China. Over the years, these operations have developed outstanding local staff with a high level of specialized knowledge.

In each region of Greater China, the Nagase Group also operates hazardous material and refrigerated warehouses, and has a distribution network capable of just-in-time supply. In addition, the Group has a network of affiliated manufacturers of epoxy resins, urethane products, LCD components, plastic film, automotive parts, dies and component design, and other products. These networks provide solid support for the Group's business expansion in Greater China. However, business expansion has been accompanied by an increasing number of issues that need to be resolved. We will conduct our business with a balance between offensive and defensive strategies, including thorough collection of trade receivables and credit control, stronger foreign exchange control with a focus on the movements of the rising Chinese yuan and other currencies, and appropriate responses to evolving legislation in China.

Sales in Greater China



Note: Includes South Korea from the year ended March 2006.

Achievements under WIT21 and Basic Strategies of WIT2008

The three years of WIT21 were a period of rapid growth in the China business. During this period, sales climbed to ¥154.90 billion, or 2.1 times the level of fiscal 2002. By segment, Plastics account for about 60 percent of sales, and Chemicals and Electronics make up the other 40 percent. The number of employees nearly doubled during WIT21, and we established a total of eleven new operating bases, including affiliates and investee companies. Of these, seven companies are manufacturers in which we have an equity stake. By region, East China accounted for a steadily increasing share of business. By segment, the growth of Plastics was particularly noteworthy, and Chemicals and Electronics also displayed steady growth.

Under WIT2008, we are targeting net sales of ¥200 billion for fiscal 2008. We placed top priority on expanding sales during WIT21, and under WIT2008 we will continue to establish the necessary business infrastructure and reinforce our business base in ways such as expanding existing operations and establishing new production bases. We will also focus on strengthening operations by improving the soundness of our financial position and conducting thorough risk management. In addition, we will further deepen our presence in Hong Kong, Taiwan and South China, which is the heart of Greater China, grow our business in East China, including Shanghai, into our next cornerstone, and promote development of business in North China.

In fiscal 2006, the first year of WIT2008, we will promote further intraregional collaboration in Taiwan, Hong Kong and China, and cooperation with ASEAN and other regions, as well as collaboration among the Chemical, Plastics and Electronics businesses and among sales and manufacturing companies. Expanding sales of products made by Nagase Group manufacturing companies will be one of our most effective strategies for increasing our business independence and raising profit margins. Another differentiation strategy will be improving and building our distribution system. The key to implementing these strategies will be our people. We plan to increase our sales staff to 500, and will clearly define the roles of staff dispatched from the head office and assign them to the right positions. We will also carry out personnel policies that focus on developing local staff and promoting them to executive positions.

ASEAN Business

Masamichi Kan
Executive Officer; CEO, ASEAN

Overview of ASEAN Business

Nagase's ASEAN business comprises local subsidiaries in five countries – Singapore, Malaysia, Thailand, Indonesia and the Philippines. The ASEAN business went through a slowdown, including a decline in sales in fiscal 2003, due to factors such as the manufacturing shift to China, but later moved back onto a growth trajectory. ASEAN operations mainly consist of businesses in the Plastics, Chemicals and Electronics segments, and the composition of sales among these businesses has remained virtually unchanged in the last several years.

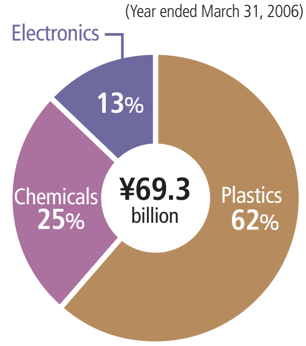
Features of Nagase's ASEAN business include 1) the ability to use the Nagase Group network to complete business locally; 2) subsidiaries in each country that can directly elicit customer needs and use that knowledge to generate new businesses; and 3) close relations with customers built up in the past. An urgent task will be developing business in nearby markets such as Vietnam and India, which are rapidly increasing their presence. Other pressing issues include the low level of demand within the region, which increases the impact of the U.S. and Chinese economies, and our response to the growing technology and brand power of rival countries such as South Korea.

Achievements under WIT21 and Basic Strategies of WIT2008

Under WIT21, the Nagase Group's sales in the ASEAN region grew to ¥69.3 billion, or 1.2 times the level of fiscal 2002. By segment, Plastics contributed strongly to results, while Chemicals and Electronics nearly reached their targets.

Our basic strategies under WIT2008 will be 1) expanding our sales network in nearby markets such as India and Vietnam; 2) offering new products and new services to existing customers in current markets; and 3) further expanding our business foundation through measures including aggressive investment in key areas. Our sales target in the ASEAN region is ¥100 billion, or about 1.5 times the level of fiscal 2005. In particular, we will establish a subsidiary in India, prepare for the conversion of branch offices into subsidiaries in Hanoi and Ho Chi Minh City, Vietnam, and move toward the quick launch of a joint venture in Hanoi. We also plan to increase the number of staff in both countries.

Sales in the ASEAN Region by Business Segment
(Year ended March 31, 2006)



Corporate Social Responsibility

The Nagase Group is a member of society and, as such, it is our duty to behave in a manner in keeping with this role by maintaining good and fair business practices and providing society with the goods and services it needs. Through continued growth and development, Nagase can improve the welfare of its employees, while making a contribution to society. Nagase aggressively promotes activities in line with this corporate philosophy.

Environmental Preservation Activities

Under the environmental policy of developing businesses that give full consideration to environmental issues, we aim to contribute to environmental preservation through expansion and creation of eco-businesses. We will use our strength in information and technology to implement various measures from this perspective.

ISO14001

Nagase obtained ISO 14001 certification for its environmental management system in April 2000, and has since been broadening the scope of certification to include affiliated companies. The six companies currently certified are Nagase & Co., Ltd., Nagase Color & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics & Co., Ltd., Nagase Barrel Finishing Systems Co., Ltd. and Nishinihon Nagase Co., Ltd.

Zero Emissions

We have developed a chemical management system (CMS) and a waste solvent recovery system that contribute to realizing zero emissions*. The CMS controls the concentration of chemicals used in the manufacture of semiconductors and LCD panels in order to make the process more stable. It also reuses chemicals. Nagase is currently manufacturing and selling its CMS in Japan and overseas as a low-cost, environmentally friendly solution that meets customer needs.

The waste solvent recovery system contributes to zero emissions by collecting and processing waste solvents that individual companies have difficulty reducing, and reusing them as raw materials for different industries.

*The concept of zero emissions, referring to a company's total emission of waste, was first advocated by the United Nations University in 1994.

Utilizing Our Strengths as a Technology and Intelligence-Oriented Company

◆ Resource Recycling Business Model

Established in 2001, Nagase FineChem Singapore (Pte) Ltd. contributes to minimizing environmental impact by recycling the chemicals it produces that are used to manufacture LCDs, semiconductors and electronic devices in Southeast Asia. The company has been granted "Pioneer Status" by the Singapore government, a distinction given to new companies that benefit the country. The Nagase Group will continue efforts in this area by building a network linking production bases in Japan, South Korea, Taiwan, Singapore and elsewhere to enhance the production, sale, recovery and recycling of chemicals used in LCD, semiconductor and electronic device manufacturing throughout Asia.

◆ New Environmentally Friendly Wood Composite Material

Nagase leverages new resources as part of its efforts to establish a recycling oriented society that makes effective use of limited resources. For example, we developed Pluswood, a composite material made from environmentally friendly biomass materials such as mill ends and tree thinnings, and non-vinyl chloride thermoplastic. Pluswood is the world's first wood-plastic composite with over 51 percent of its weight consisting of powder made from chipped wood waste.

◆ Eco-Material Solutions

The impact a product has on the environment is largely determined in its planning, development and design stages. To help reduce environmental impact, Nagase offers a lineup of eco-friendly plastics, flame retardants, chemical substitutes, repairable adhesives and other materials designed with an emphasis on lightness, recyclability, safety and ease of decomposition and separation.

◆ Reducing Energy Used in Shipping

Since 1996, the Nagase Group has implemented joint distribution, in which we ship dyestuff-related products together with other companies in the same business. Joint distribution facilitated the integration of formerly dispersed storage facilities, and has enabled us to offer more efficient and finely tuned customer services, including vehicle dispatch. In fiscal 2002, the Nagase Group began offering a "weekly full container service," which facilitates distribution by consolidating the cargo of multiple coating material manufacturers into a single container for overseas shipping. This service lessens the burden of distribution for customers and contributes to preserving the environment and conserving fossil fuels by reducing the energy used in shipping.

◆ Environmental Research Activities

The Nagase Group actively promotes joint environmental research, primarily through the Nagase R&D Center. One example of our efforts to pursue green chemistry is in the area of organic synthesis, where research is currently underway to reduce the multi-step manufacturing process for the pharmaceutical intermediate (R)-3-Quinuclidinol to a single step by using a biocatalyst to induce microbial reduction. In 2004, this project was selected for a Grant for Industrial Technology Research by the New Energy and Technology Development Organization (NEDO).


Chemical management system

In collaborative research with Professor Keiji Maruoka of Kyoto University, we successfully developed a sophisticated phase-transfer catalyst effective for producing unnatural amino acids. Called Maruoka Catalyst™, this environmentally conscious catalyst works as a solvent in two phases, aqueous and organic, to facilitate stereoselective formation of bonds between carbon atoms without the need for an associated transition metal.

◆ Supporting and Cooperating with External Environmental Organizations

Coexisting with society is one of our environmental policies, and we support and cooperate with other organizations working to protect the environment. This includes participation in the Nippon Keidanren Committee on Nature Conservation, the Japan Foreign Trade Council Global Environment Committee, the Osaka Chamber of Commerce and Industry Environmental Problem Research Council, and others. We are also part of the Nihonbashi Kobuna-cho recycling drive, a small but meaningful contribution to the local community.


Pluswood, a new environmentally friendly wood-plastic composite material

Further details regarding the Nagase Group's environmental initiatives are available on the Company's website. (http://www.nagase.co.jp/iso/english/index.html)

Contributing to Growth of Scientific Technology

Nagase has a long history of developing enzymes and technologies for organic compounds for use not only in the chemical industry but for a wide range of applications in various industries including pharmaceuticals. Through these activities we intend to promote awareness of the importance of basic technology in biochemistry and organic chemistry, and aid in the broad advance of scientific technology in Japan. To mark the 70th year since Nagase's founding, we established the Nagase Science and Technology Foundation.

Established in April 1989 and designated a public interest corporation by the former Science and Technology Agency, the Nagase Science and Technology Foundation aims to contribute to the development of the social economy by advancing science and technology through assisting research and development and supporting international exchange in fields including biochemistry and organic chemistry. Including research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures, the Foundation has awarded a cumulative 281 research grants and 178 international exchange fellowships totaling approximately ¥750.3 million. (International exchange fellowships have been suspended as of fiscal 2004.)

Researchers who have received Nagase Science and Technology Foundation grants have won awards from organizations including the Enzyme Engineering Society, the Chemical Society of Japan and the Society for Biotechnology, and are active in the fields of biochemistry and organic chemistry. In addition, the Foundation contributes to conferences by providing support to participants in the Human Genome Organization, International Organic Chemistry Conference, the International Congress of Photosynthesis and other conferences. We believe that R&D in biochemistry and organic chemistry leads to the development of various applications in the chemical industry and many others, and substantially contributes to the advancement of scientific technology and the welfare of mankind.

Research Grants Provided in 2006

Name	Position / Present office	Subject matter
Biochemistry		
Yasuhiro Igarashi	Associate Professor / Faculty of Engineering, Toyama Prefectural University	Screening of natural products active against obstinate life-style related diseases
Kenji Ueda	Associate Professor / College of Bioresource Sciences, Nihon University	Function of AmfS, a lantibiotic-like peptide that induces morphological differentiation and secondary metabolite formation in Streptomyces
Mitsuyoshi Ueda	Professor / Graduate School of Agriculture, Kyoto University	High throughput preparation of the combinatorial mutants of molecular-displayed enzymes and its significant application to industries
Kunishige Kataoka	Associate Professor / Graduate School of Natural Science and Technology, Kanazawa University	Protein engineering of multicopper oxidase aimed for industrial application
Yoshinobu Kimura	Professor / Graduate School of Natural Science and Technology, Okayama University	Control of plant cell growth by regulation of endoglycosidase-gene expression
Genta Kobayashi	Associate Professor / Ariake Sea Research Project, Saga University	A study of microbial preventive for several diseases in Ariake Sea
Miwa Sugiura	Assistant Professor / Graduate School of Life and Environmental Sciences, Osaka Prefecture University	Construction of heterotrophically growable thermophilic cyanobacteria: Application to photosynthesis research
Hideo Nakano	Professor / Graduate School of Bioagricultural Sciences, Nagoya University	Molecular evolution of proteins using cell-free protein synthesis systems
Organic chemistry		
Shuji Akai	Professor / School of Pharmaceutical Sciences, University of Shizuoka	Asymmetric construction of optically active carbon framework by the enzyme-metal combo catalysis
Motonari Uesugi	Professor / Institute for Chemical Research, Kyoto University	Fishing-rod approach to isolating target proteins of bioactive small molecules
Osamu Sato	Professor / Institute for Materials Chemistry and Engineering, Kyushu University	Development of tunable molecular nano-materials
Satoshi Shuto	Professor / Faculty of Pharmaceutical Sciences, Hokkaido University	Development of antitumor agents based on the new peptide mimetic
Kazuhiko Nakatani	Professor / The Institute of Scientific and Industrial Research, Osaka University	Studies on the engineering application of enantiomeric DNA
Yoshzki Ishibayashi	Associate Professor / School of Engineering, The University of Tokyo	Development of asymmetric propargylic substitution reactions catalyzed by ruthenium complexes
Mari Yotsu-Yamashita	Professor / Graduate School of Agricultural Science, Tohoku University	Isolation and structural studies of the analogs of polycavernoside A, a human lethal toxin from the red alga *Gracilaria edulis*, and a novel prostanoid from the same alga

Corporate Governance

At Nagase, our management philosophy has always been to maintain good and fair business practices. To implement this philosophy and continue raising corporate value, quick decision-making and action, as well as active, transparent management, are vital. Moreover, our operating environment is becoming increasingly global in scope. Nagase is therefore aggressively working to strengthen corporate governance as a key management issue.

Business Execution and Auditing Framework

Nagase has established an executive officer system as part of the Board of Auditors system. The Company's current management framework consists of ten directors, including two independent directors from outside the Company; 20 executive officers, seven of whom serve concurrently as directors; and four corporate auditors, including two from outside the Company.

The Board of Directors, which holds a regular monthly meeting, is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervising the execution of operations. It also reviews and formulates measures regarding important decisions and tracks business performance.

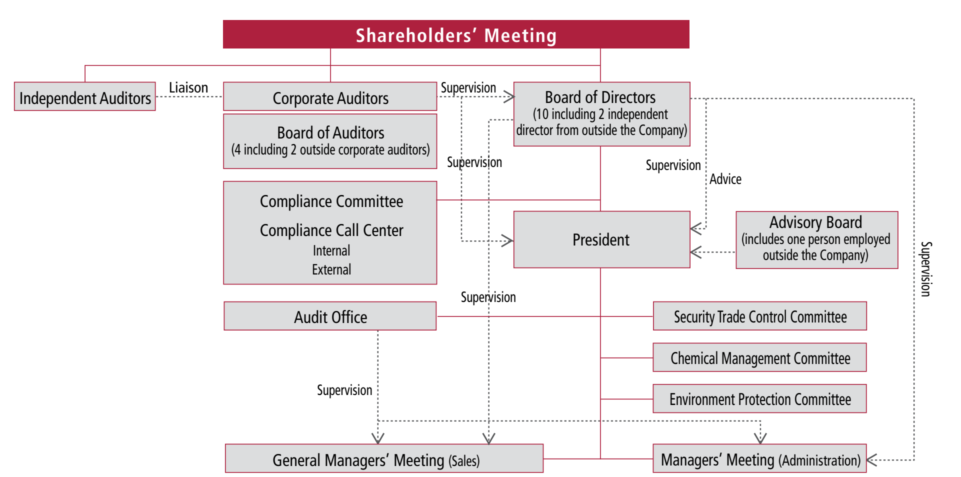
In addition to attending Board of Directors' meetings and other important meetings, corporate auditors closely monitor the execution of duties by directors and executive officers through surveys of Company operations and assets and management reports from subsidiaries, which they request on an as-needed basis. Monitoring and assignment of tasks are based on policies set at Board of Auditors' meetings.

The Board of Executive Officers holds a regular monthly meeting to ensure quick decision-making for business execution. Executive officers attend General Managers' Meetings, where they discuss sales and marketing issues, and Managers' Meetings, where they discuss administrative issues and establish concrete measures based on status reports received from each department. In addition, we have established an Advisory Board with an outside expert, based on our view that objective checks and evaluation of the Company's management practices are important.

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of business activities. The Audit Office and Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries and hold meetings twice a year with auditors of affiliated companies. In addition, they perform liaison activities including receiving regular reports from Nagase's independent auditors Ernst & Young ShinNihon regarding accounting matters and associated internal controls. Members of the Audit Office are also present at accounting audits conducted by the independent auditors. As Nagase's independent auditors, Ernst & Young ShinNihon conducts fair and impartial audits of the Company's accounts.

The Company's two independent directors are Haruyuki Niimi, Chairman of Showa Shell Sekiyu K.K. and Takuya Goto, Chairman of the Board of Kao Corporation. Neither they nor the two outside corporate auditors have any personal, capital or business relationship with, or any other interest in, the

Corporate Governance System



Company. Kao Corporation and Nagase do have a vendor-supplier relationship with regard to chemicals, but all transaction terms are identical to those between Nagase and other business partners.

Compensation of Directors and Auditors

Total compensation paid to Company officers in fiscal 2005 was as follows.

Title	Number	Compensation
Director	11	¥148 million
Corporate Auditor	4	¥ 39 million
Total	15	¥187 million

Note: In addition to the amounts shown at the left, a total of ¥96 million in salaries was paid to employees concurrently serving as directors and ¥40 million was paid to one director as a retirement bonus pursuant to a resolution of the Shareholders' Meeting. A total of ¥65 million in profits was also distributed as bonuses to Company officers during the period.

Compensation of Independent Auditors

Total compensation paid to independent auditors by the Company and its consolidated subsidiaries in fiscal 2005 was ¥56 million. Of this, the Company and its consolidated subsidiaries paid a total of ¥51 million for services rendered pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law. The portion paid by the Company for such services was ¥41 million.

Ensuring Thorough Compliance

To strengthen management compliance, the Company has established a Compliance Committee and a basic compliance policy, and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the Nagase Group Code of Conduct. Should employees of Nagase or its Group companies become aware of legal infractions or other compliance issues, they report to the Compliance Committee, which immediately reports to the Board of Auditors. As part of our ongoing efforts to develop a reporting system that is independent of the regular organizational hierarchy, in fiscal 2004 we set up a compliance call center where employees can report or discuss issues directly with the Compliance Committee Office or outside lawyers.

Strengthening the Risk Management System

The Corporate Management Office is responsible for providing comprehensive, cross-organizational risk management throughout the Company. Under the Office's leadership, department managers address risk in their particular areas by setting rules and guidelines, holding workshops and preparing and distributing manuals.

To deal with additional risks that materialize, Nagase is also working to develop a system that designates the departments responsible for rapid response, ensures speedy and appropriate communications should an incident arise, and handles emergencies. Specifically, the Security Trade Control Committee ensures that Nagase complies with all laws and regulations in connection with transactions involving goods and technologies falling under such laws as the Foreign Exchange and Foreign Trade Control Law, which were established to maintain international peace and safety. The Chemical Management Committee does the same with respect to regulations pertaining to the Law Concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law) and the Pharmaceutical Affairs Law.

The Environment Protection Committee has established an environmental policy under which it works to 1) ensure thorough compliance with environmental laws and regulations; 2) promote environmental awareness in business activities; 3) facilitate social harmony; 4) establish and continually improve environmental management systems; and 5) increase employee awareness of and publicize the environmental policy. Measures to protect personal information include issuing Regulations Regarding the Protection of Personal Information, based on our Personal Information Protection Policy, and holding briefing sessions to thoroughly familiarize management and staff.

Board of Directors, Corporate Auditors and Executive Officers

(As of June 28, 2006)

Standing (from left): Haruyuki Niimi, Eiji Asami, Kyoichi Zushi, Makoto Tsuruoka, Kazuo Nagashima, Takuya Goto
Seated (from left): Reiji Nagase, Hideo Nagase, Hiroshi Nagase, Yoshizo Shibata

Board of Directors

Representative Director and Chairman
Hideo Nagase

Representative Director and President
Hiroshi Nagase

Representative Director and Senior Managing Executive Officer
Yoshizo Shibata
Overall Sales Group; Beauty Care Products Department; Business Administrative Office; New Business Development Office; Corporate Marketing Office

Representative Director and Managing Executive Officer
Makoto Tsuruoka
Administrative Divisions; GM, Corporate Management Office; GM, Finance Division; GM, Accounting Division

Director and Managing Executive Officer
Reiji Nagase
Plastics Businesses; Automotive Related Businesses; Advanced Polymers Department; Automotive Solutions Department; Eco-Materials Department; Nagoya Branch

Director and Managing Executive Officer
Kyoichi Zushi
Life Sciences Businesses; Fine Chemicals Department; Nagase R&D Center; Nagase ChemteX Corp.

Director and Managing Executive Officer
Eiji Asami
Chemicals Businesses; Colors & Imaging Department; Performance Chemicals Department; Speciality Chemicals Department; Information & Functional Materials Department

Director and Executive Officer
Kazuo Nagashima
Electronics Businesses; Electronic Chemicals Department; Display & Electronics Components Department; Wafer Bumping Department

Independent Director
Haruyuki Niimi
(Representative Director and Chairman, Showa Shell Sekiyu K.K.)

Independent Director
Takuya Goto
(Chairman of the Board, Kao Corporation)

Corporate Auditors

Standing Corporate Auditor
Shunsuke Okabe

Standing Corporate Auditor
Hideo Yamashita

Corporate Auditor
Yasuhiro Kashiwada

Corporate Auditor
Eisaku Kimura

Executive Officers

Managing Executive Officer
Shingo Bamba
GM, Information & Functional Materials Department

Managing Executive Officer
Koji Kuramitsu
Human Resources & General Affairs Division; Audit Office; GM, Legal & Credit Division; GM, IT Planning Office; GM, Compliance Division

Executive Officer
Masamichi Kan
CEO, ASEAN

Executive Officer
Osamu Kitaguchi
CEO, China

Executive Officer
Masuhiro Nojiri
GM, Fine Chemicals Department

Executive Officer
Masao Hidaka
GM, Automotive Solutions Department

Executive Officer
Toshiro Yamaguchi
GM, Performance Chemicals Department

Executive Officer
Masami Takeuchi
GM, Nagoya Branch Office

Executive Officer
Osamu Morikiyo
GM, Business Administrative Office

Executive Officer
Kazushi Sayanagi
President, Hoei Sangyo Co., Ltd.

Executive Officer
Shunichi Kawashiri
GM, Advanced Polymers Department

Executive Officer
Kenichi Matsuki
GM, Human Resources & General Affairs Division; GM, Osaka Administrative Division

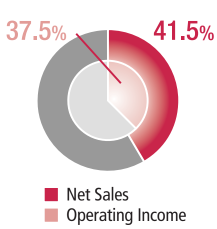
Executive Officer
Hiroshi Hanamoto
GM, Colors & Imaging Department

Nagase at a Glance

Based on its many years of experience in the chemicals and plastics businesses, the Nagase Group offers customers trading, marketing, R&D and manufacturing in its four strategic areas of electronics, life sciences, automotive and overseas operations.

This section presents Nagase's four segments for the year ended March 31, 2006. Changes in classification as of April 1, 2006 are as follows: The Fine Chemicals Department, formerly included in Chemicals, has been moved to the newly created Life Sciences segment; the Beauty Care Products Department, formerly included in Health Care and Others, has been moved to Life Sciences; and the general consumer products business, including DVD players and DVD movie software, which was formerly included in Electronics, has been moved to the Others segment.

Chemicals

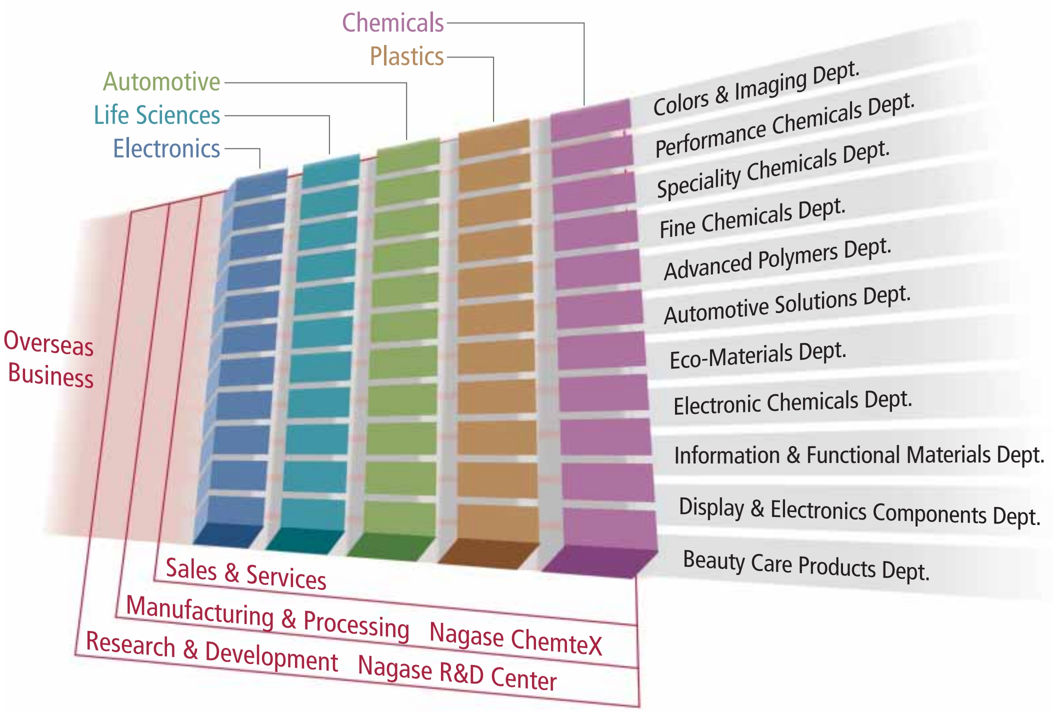


Departments	Customer Segments	Main Products and Services
Colors & Imaging Department	Textile processing (clothing, other fabrics, car interiors), plastic coloring, synthetic fiber, paint and ink, pigment dispersion, printing, inkjet toner, thermal paper, photoactive chemicals, flat panel displays, information recording paper	Dyestuffs, dyeing auxiliaries, finishing agents, textile-processing resins, adhesives for textiles, pigments, pigment dispersing agents, resin additives, UV cured resins, toner resins, silicones, dyes and related chemicals for imaging and recording, chemicals for paper manufacturing, additives for paints and inks
Performance Chemicals Department	Paint and ink, resins, synthetic fiber, urethane foam, flame retardants, FRP, plasticizers, film	Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, flame retardants, plastic additives, plasticizers, polymer filters
Speciality Chemicals Department	Organic synthesis, surfactants	Petrochemical products, raw materials for household products, cosmetic ingredients, surfactants and surfactant raw materials, fluorochemicals, materials for silicones, electronics chemicals
Fine Chemicals Department	Pharmaceuticals, food/feed chemicals, agricultural chemicals, household products	Pharmaceuticals (APIs, IND substances, intermediates, raw materials, formulations, excipients), in vitro diagnostics (bulks, instruments & kits), laboratory and research products, medical equipment, agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (bulks, formulations), animal health products, enzymes, fermentation products, toiletries (raw materials, products), functional food ingredients, health food materials, food additives, nutritional supplements, feed, feed additives

Comprehensive Strengths of the Nagase Group

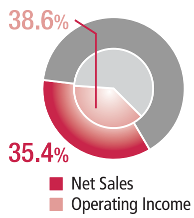
Nagase's Strengths

- Relationships developed over many years with more than 6,000 excellent companies
- Group manufacturing, research, development and marketing functions to provide superior products and services
- The ability to create and propose business models that go beyond being just an intermediary to maintain leadership
- Innovative technological and information-gathering capabilities based in the field of chemicals
- Solid finances



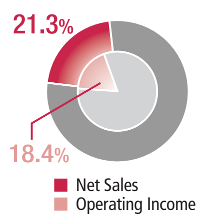
Department Overview	Overview of Fiscal 2005 Results
The Colors & Imaging Department sells materials and systems under the theme of "color and light." Its products include cutting-edge color materials as well as light-related functional products and data displays (imaging). The electronics and IT businesses comprise data processing technologies, but for data to become usable information, it must first be expressed in the form of visible images or signals. Many products handled by the department play a role in the relationship between electronics and the human eye.	In Japan, while the contraction of the textile processing business continued and shipments of inkjet-related materials in the digital printing market were weak, sales of flat panel display materials, paints, inks and plastic coloring materials increased compared with the previous fiscal year. Overseas, in the heat-sensitive dyes and coloring materials business, which the Nagase Group has been handling for several years, sales expanded and results improved substantially in China and Europe, exceeding their targets.
The Performance Chemicals Department is responsible for Nagase's core business as a chemical-based company. Handling a broad range of petrochemical products, from commodities to high-value-added products, the department enhances Nagase's core function by further strengthening its business base. In addition, as its customers' business activities become more global in nature, the department works to provide high-quality proposals and create new business models encompassing materials and products by elevating the importance of exports and overseas production and maximizing the collective strength of the Nagase Group. The department's five businesses are coating materials, urethane, plasticizers, filters and commodities.	By reinforcing its basic customer-centric sales policy, the department steadily expanded its operations and increased profitability in the bullish economy. Demand was especially robust for automotive applications in the urethane business and optical applications in the filter business, and sales expanded dramatically. In the coating materials business, demand was flat in the paint and ink industries, but overseas sales of coating materials increased, while efforts to strengthen operations, including cost reductions, and the success of customer-focused proposals contributed to steady business results. The plastic additives business remained steady throughout the year, supported by sales of additives for display-related component applications to plastic manufacturers.
The Speciality Chemicals Department supplies a range of products, including raw materials for household products, cosmetics, surfactants, fluorochemicals and silicones, to industries involved in surfactants or organic synthesis products such as chemical intermediates. To add value to operations, the department focuses on the specific needs of customers, improving sales organization productivity and developing electronics chemicals.	During fiscal 2005, selling prices of chemical products in general increased due to a tight supply-and-demand balance following the hurricane that struck the southern United States and a major expansion of demand in China, in addition to high crude oil prices. In Japan, sales of raw materials for automotive and cosmetics applications were brisk. Overseas, the department achieved both sales and profit targets, supported by strong exports of products manufactured by Nagase ChemteX Corp. and others, as well as the positive effect of the weaker yen.
The Fine Chemicals Department provides a broad range of products and services related to pharmaceuticals, biotechnology, agricultural chemicals and living environments in the field of life sciences, which is a key strategic area of WIT2008. Particular efforts are devoted to developing high-value-added products that apply comprehensive Group strengths in information, R&D and production.	Exports of functional foods and fragrances and domestic sales of functional foods were steady. Overall sales decreased year-on-year, however, due to the effect of delayed U.S. demand for major export products and behind-schedule product development in pharmaceutical intermediates, as well as delayed demand for agricultural chemical intermediates. Operating income was almost on target, partly due to the effect of cost reductions.

Plastics



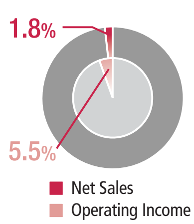
Departments	Customer Segments	Main Products and Services
Advanced Polymers Department	Electrical, electronics, office automation equipment, consumer electronics, packaging materials	General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dies, software engineering
Automotive Solutions Department	Automotive	General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dies, software engineering, facility equipment
Eco-Materials Department	Construction, building materials, housing	Building materials, housing equipment, plastic materials, construction services

Electronics



Departments	Customer Segments	Main Products and Services
Electronic Chemicals Department	Semiconductors, liquid crystal, electronics components, heavy electric machinery, automotive	Photoresist developer production equipment, chemical management equipment for liquid crystal preprocessing, chemicals for the production of semiconductors and liquid crystals, formulated epoxy resins and related products
Information & Functional Materials Department	Semiconductors, liquid crystal, communications, imaging	Semiconductor packaging materials, semiconductor packaging systems, insulating materials, fluoroplastic-related materials, precision abrasive materials, wireless communication modules and systems, communications-related integrated circuit chips, surface defect inspection systems
Display & Electronics Components Department	Displays, television assemblies, amusement	Liquid crystal displays (LCDs), materials, manufacturing devices and optical films for LCDs and organic light-emitting diodes (LEDs), processed aluminum products, processed glass products

Health Care and Others



Departments	Customer Segments	Main Products and Services
Beauty Care Products Department	General consumer market	Cosmetics, health foods, beauty foods

This section presents Nagase's four segments for the year ended March 31, 2006. Changes in classification as of April 1, 2006 are as follows: The Fine Chemicals Department, formerly included in Chemicals, has been moved to the newly created Life Sciences segment; the Beauty Care Products Department, formerly included in Health Care and Others, has been moved to Life Sciences; and the general consumer products business, including DVD players and DVD movie software, which was formerly included in Electronics, has been moved to the Others segment.

Department Overview	Overview of Fiscal 2005 Results
The Advanced Polymers Department is the largest of the plastics-related businesses, accounting for over 60 percent of sales in this segment. Both in Japan and overseas, it offers plastics, processed goods, auxiliaries, packaging materials, equipment, facilities and software for a wide range of markets and industries other than automobiles, housing and building materials. The department promotes strategic partnerships with other companies in the Nagase Group in order to focus on the creation of new plastics-related businesses and overseas expansion.	Export sales of engineering plastics and general-purpose resins increased substantially due to market expansion in Greater China. Sales of plastic materials for office automation equipment and products for amusement equipment expanded as Nagase's efforts to target major users proved effective. In domestic business, sales were also strong, due in part to an increase in selling prices.
The Automotive Solutions Department offers comprehensive business solutions in the automotive area. In addition to handling everything from the sale of materials, products and equipment to component design, development of prototypes and production of dies, the department also acts as a purchasing agent for its customers' overseas facilities. The department will continue to develop new businesses with companies in the increasingly global automotive industry while growing its operations both in Japan and overseas.	Domestic automobile production volume expanded 3 percent over the previous fiscal year, and sales of plastic materials for automobiles were strong, particularly in the Nagoya region, supported by increased sales of the automobile models in which Nagase is involved. Overseas, selling prices of plastics increased in connection with higher naphtha prices, and sales of plastic materials, components and molding equipment expanded in North America, Thailand and China, centered on interior material applications. These factors contributed to strong results overall.
The Eco-Materials Department's unique business approach to the field of lifestyles, housing and the environment is based on a policy of contributing to environmental preservation by providing environmentally friendly materials, products and systems. That approach consists of offering a lineup of other companies' products (building materials and housing equipment) and materials (resins) centered on Nagase's own product, Pluswood, a new type of eco-friendly composite material made from wood and non-vinyl chloride thermoplastic. Future efforts to broaden the environmental business will include promoting recycling and making use of natural materials such as polylactic acid.	A substantial increase in handling plastic materials in fiscal 2005 was supported by strong customer evaluation of Nagase's international procurement service (IPS), which makes use of Nagase's overseas network. On the other hand, sales of housing products and building materials were sluggish due to the impact of social incidents such as fabrication of earthquake resistance data and unscrupulous renovation business practices. Overall sales were essentially unchanged from the previous fiscal year.
The Electronic Chemicals Department sells materials manufactured by the Nagase Group, as well as the equipment and control systems used for their manufacturing processes, to the semiconductor, liquid crystal, electronic component and automotive industries. With operations in China, Taiwan, South Korea and Singapore, the department is aggressively expanding overseas business with the aim of creating highly profitable businesses that integrate trading and manufacturing capabilities.	Sales were on target due to strong sales of manufacturing equipment driven by active investment by large-screen LCD manufacturers, as well as strong growth in sales of materials for heavy electric machinery such as epoxy resin, which resulted from active capital investment in Japan's electronics industry. The department also met its income target, with worldwide growth in sales of high-value-added formulated epoxy resins for microelectronics.
The Information & Functional Materials Department handles products in three business fields: functional materials, communication and imaging systems and electronics media. Products meet market needs by leveraging the strengths of the Nagase Group centering on materials for upstream and post-processing semiconductor production, products of Gigatec Inc., a manufacturer of components for mobile phone base stations, and Scantec, an imaging inspection system for detecting surface defects. The department is gathering customer-focused information and establishing a business model that can keep pace with extremely rapid technological advances in the electronics and communications industries.	Sales of semiconductor products were strong in general, supported by brisk performance of mobile phones, personal computers, digital televisions and digital cameras, as well as business expansion resulting from internal and external collaboration. Imaging products also performed well, propelled by a boom in liquid crystal imagery in particular and by strong capital investment. As a result, the department achieved its income target by a wide margin.
The Display & Electronics Components Department uses its network in Japan and overseas to handle various materials and equipment, with a focus on optical films used in manufacturing LCDs and other products. In addition to its trading capabilities, the department is aggressively developing an overseas processing business for optical films and glass, as well as new businesses such as LED assemblies.	Sales of liquid crystal modules were considerably lower year-on-year, but sales of optical films for mobile phone LCD panels, glass processing and manufacturing devices were firm. Large increases in sales of processed metal products for mobile phone housings and LED modules also contributed to income.
The Beauty Care Products Department manufactures and sells cosmetics, health foods and beauty foods for the consumer market. Its philosophy is to contribute to the creation of a beautiful, healthy and prosperous society by providing safe, high-quality products and services that enhance beauty inside and out. A sales team of 40,000 sells products door-to-door throughout Japan. The department also operates beauty salons across the country that offer enhanced counseling services using state-of-the-art skin analyzers.	Both sales and income increased year-on-year. Although door-to-door sales of cosmetics have been in a downward trend over the past several years due to intensifying competition and shortage of salespeople, increasing health-consciousness and new product launches helped to increase sales of health food products. Consequently, overall sales were essentially unchanged compared with the previous fiscal year. Various factors put the department on a recovery track in fiscal 2005. Among these, concentrating management resources on hiring and training sales managers began to show results. In addition, the newly launched LightStep, a health food for alleviating joint inflammation, made a significant contribution to sales due to a stronger response than originally expected.

Chemicals

Eiji Asami

Director and Managing Executive Officer

Chemicals Businesses; Colors & Imaging Department; Performance Chemicals Department; Speciality Chemicals Department; Information & Functional Materials Department

Basic Strategies

① Expand core business

② Expand export business

③ Expand business through cooperation within the Company

④ Expand new businesses that leverage Group functions

WIT2008 Objectives and Strategies

Under WIT21, the chemicals businesses met numerical targets and achieved strategic results. We will continue to adhere to the same basic strategies under WIT2008 as we focus on building a framework for sustainable growth.

In a society where regulations are becoming increasingly stringent, we believe it is particularly important to build a stronger risk management structure commensurate with Nagase's position as a company centered on chemicals. Nagase has already established a good reputation among its customers for its rapid response to incidents, and we must further enhance and incorporate this approach in all our business activities. For example, our customers are very satisfied with our services at NCC Shanghai Techno Center Co., Ltd. in China. In addition to offering dyestuff lab services, the Center has facilities for testing products made in China to ensure the quality of exports to Japan. This service also meets regulatory needs. WIT2008 makes strengthening risk management a Company-wide issue, and we also plan to establish and enhance a risk response organization as part of each department's operations.

The key point of WIT2008 is to maintain and expand our base for sustainable growth beyond the next three years by investing effectively in human resources as well as operations. Investment in operations will largely be focused on overseas development. In addition to China, we plan to quickly establish bases and develop markets in India and Vietnam.

Policies and Initiatives in Fiscal 2006

In fiscal 2006, the first year of WIT2008, we plan to offer new design proposals for plastics. Activities will be centered on the Color Workshop, which creates new colors in collaboration with customers using the functional color materials of the Colors & Imaging Department, in conjunction with additive evaluation by the Plastics Laboratory. We will promote a comprehensive proposal-based business that offers new materials in addition to new colors, with the aim of tying proposals to materials sales. Overseas, we plan to establish a local subsidiary in India and enter the Vietnamese market. In Europe and North America, we plan to restructure to establish a new organization. In addition, we aim to expand support services for the rapidly growing number of our customers who are establishing operations in Eastern Europe.

Colors & Imaging Department

Hiroshi Hanamoto

Executive Officer
GM, Colors & Imaging Department

NCC Shanghai Techno Center Co., Ltd.

Achievements under WIT21 and Basic Strategies of WIT2008

The Colors & Imaging Department achieved its numerical targets and strategic objectives under WIT21. In particular, we achieved significant results from our business model that leverages the capabilities of the NCC Shanghai Techno Center Co., Ltd. to provide comprehensive support for Japanese companies expanding operations in China, from raw material procurement to product sales. Centered on the Color Workshop, our total solutions business has been a major success, providing everything from color proposals to principal materials. In the area of textile processing, the shift from an apparel- to an industrial materials-based framework went smoothly. Among products handled by this business, functional color pigments for plasma displays and red pigment for use in color filters maintained their leading shares in the global market.

Under WIT2008, we will continue to press forward in line with the basic strategies and course of action under WIT21. Specifically, we will focus our efforts on achieving three objectives: building a business model that takes advantage of the Nagase Group's competitive advantages; promoting a business model in which additives determine the principal materials; and shifting to a business structure that allows us to respond to any change in the external business environment, such as anticipated risks in China, environmental issues and customer mergers and acquisitions. By achieving these objectives, we will ensure that our accomplishments under WIT21 bear fruit under WIT2008.

Performance Chemicals Department

Toshiro Yamaguchi

Executive Officer
GM, Performance Chemicals Department

DenaFilter, a polymer filter used in film extrusion

Achievements under WIT21 and Basic Strategies of WIT2008

Under WIT21, the Performance Chemicals Department applied the Nagase Way principle of "Always be customer-oriented" to expand and strengthen the business base in all its operations through sales activities focused on the front lines. For our new proposal-based business, we acquired new commercial rights by combining investment in companies operating overseas with our market penetration capabilities. Through investment and development of new materials, we built a lineup of products that strengthen our profit structure. We also generated business through collaboration with Group companies and developed a low-cost overseas distribution system. By aggressively pursuing these new initiatives, the department achieved results that strengthened its business base for future success.

Under WIT2008, we will share the successes of WIT21 throughout the Nagase Group to further strengthen our business base. The main theme is growth of overseas business through consolidation. Toward this objective, we will enhance awareness of overseas linkages, realign our organizational framework in Japan and reallocate human resources in order to restructure our business around the five core areas of coating materials, urethane, plastic additives, filters and commodity products.

We will aggressively promote investment focused on four key areas: establishing manufacturing joint ventures overseas; capital expenditures for business initiatives; investing in distribution to retain customers; and sharing information with overseas operations and developing their local sales networks.

Speciality Chemicals Department

Kazuo Mitsuhashi

GM, Speciality Chemicals Department

Cosmetics ingredients

Achievements under WIT21 and Basic Strategies of WIT2008

The Speciality Chemicals Department achieved its numerical targets under WIT21 one year ahead of schedule. We set a course for the future in our two main business areas of surfactants, where we pursue mixing technologies, and organic synthesis, which involves reaction and synthesis. We also established a base for accelerating new business development by creating a unique organizational framework comprising the Total Solutions Team and the NCX Team. In China, we leveraged our sourcing, analysis and technological leadership capabilities to develop new businesses and established a procurement service for new Chinese products in cooperation with customers and a sales system for chemical products. These and other initiatives expanded our local business and contributed to results.

Under WIT2008, the Speciality Chemicals Department will continue to advance its surfactant, organic synthesis and NCX businesses while promoting development in the four theme areas of electronics, China, cosmetics ingredients and process chemicals. We will also collaborate with Group companies in Japan and overseas to create new businesses that lead to sustainable growth. In fiscal 2006, the first year of WIT2008, we will steadily expand core businesses and secure stable profits while working toward concrete results from development efforts in the four theme areas, which are the department's future profit centers.

Topics

Nagase's Neon-Cut Dye Becomes the Global Market Leader

Capitalizing on its superiority in the fields of color and light, Nagase has secured the leading global market share for red pigment for LCD color filters, colorants for LCD backlight reflectors, light absorbers for specified wavelengths for plasma display panel (PDP) coatings, and black color former for thermal paper. In fiscal 2005, sales of pigments, dyes and other products increased, including sales for DVD and PDP applications, and Nagase's neon-cut dye, which is used in PDPs, became the global market leader.

Analysis Services for Chemical Products Expand at Shanghai Nagase Trading

Nagase's chemical analysis business is up and running. In this business, Shanghai Nagase Trading Co., Ltd. solicits orders, and analysis is conducted at NCC Shanghai Techno Center Co., Ltd. Manufacturers submit chemical samples for analysis before products are shipped to Japan. Pre-shipment analysis serves to prevent problems and enables a more timely response than conducting tests after products have arrived in Japan. As a result, the number of orders is growing steadily. In the future, Nagase aims to increase order value and visibility among local suppliers by expanding its services to include components as well as chemicals.

Plastics

Reiji Nagase

Director and Managing Executive Officer

Plastics Businesses; Automotive Related Businesses; Advanced Polymers Department; Automotive Solutions Department; Eco-Materials Department; Nagoya Branch

Basic Strategy

Nagase will further expand the plastics businesses by promoting its customer, supplier, regional and technology strategies and ensuring thorough risk management.

WIT2008 Objectives and Strategies

The plastics businesses achieved its WIT21 targets for sales and income by applying the plan's initial strategies. These included expanding business overseas, particularly China, and establishing a design business centered on automotive dies. As a result, we significantly deepened relations with major automobile and automotive parts manufacturers. We made a significant advance in the market for dies by using our design strengths to expand business and enhance partnerships with overseas customers in China, the United States and elsewhere. Other accomplishments included steady growth by joint ventures and manufacturing subsidiaries.

Under WIT2008, the plastics businesses will focus on four theme areas: customers, suppliers, regions and technology.

We will deepen the trust that we have cultivated with customers over many years by meticulously responding to their needs as only Nagase can. We will secure suppliers that can maintain a reliable supply under any conditions. This will ultimately lead to deeper customer trust as well.

We will strengthen regional efforts by expanding our current focus beyond Greater China. This will include consideration of new subsidiaries and joint ventures in India and Vietnam. Moreover, a rapidly growing number of Japanese automotive and electronics companies are setting up operations in Eastern Europe. We are also considering establishing a business that sources materials and components from Asia to supply these companies. In North America, we plan to expand our automotive business.

We will establish technologies that allow us to provide customers in the plastics businesses with the same highly reputed services that the Nagase Group already offers in chemicals and electronics. These include technical expertise, knowledge of new materials, advisory capabilities and development, prototype development and manufacturing functions.

In addition to these four theme areas, it is important to ensure thorough risk management. As the geographic scope of Nagase's business broadens, the number of legal and environmental risks will expand. The rise in per-company sales also increases credit risk. We must therefore raise our awareness of risk and improve our capability to manage and respond to it.

In fiscal 2006, the first year of WIT2008, we will steadily increase sales and income by further expanding our business in China. We will also get established businesses such as Sun Delta Corporation on track. At the same time, we will begin expanding into India, Vietnam and Eastern Europe. These initiatives will be complemented by aggressive investment in production capacity expansion and other aspects of our domestic operations.

Advanced Polymers Department

Shunichi Kawashiri

Executive Officer
GM, Advanced Polymers Department

Joint venture for plastic colorants in Vietnam

Achievements under WIT21 and Basic Strategies of WIT2008

The Advanced Polymers Department succeeded in significantly expanding business in Greater China, a strategic focus of WIT21. Packaged sales of components, plastics materials and equipment related to LCDs, another area of focus, were also strong, meeting both numerical targets and strategic objectives.

Our basic strategy under WIT2008 is to strengthen our core engineering plastics business in Japan and overseas. In order to do this, we must deepen our involvement in production. We plan to quickly develop a new functional film business centered on the film products of Sun Delta Corporation and aim to expand product and components businesses established over the last two years.

In fiscal 2006, the first year of WIT2008, we will reinforce our efforts to expand our range of products in the growing field of displays. In our office automation segment, we will work to strengthen collaboration between Japan and overseas. Our overseas operations will invest resources in the Vietnamese market to hedge risks in China and leverage our local joint venture with Dainichiseika Color & Chemicals Mfg. Co., Ltd. in plastic colorants to reinforce expansion into new markets.

Automotive Solutions Department

Masao Hidaka

Executive Officer
GM, Automotive Solutions Department

Plastic panels allow greater freedom in exterior design of premium automobiles

Achievements under WIT21 and Basic Strategies of WIT2008

Basic strategies for the Automotive Solutions Department under WIT21 were threefold: expand the business by focusing on specific customers, products, collaborations and alliances to reinforce bases in Japan, North America, Europe, Thailand and China; develop a global die design software engineering business; and take full advantage of Nagase's capabilities as a specialized trading company to develop more wide-ranging business packages including everything from raw materials to finished products and equipment. By vigorously promoting these strategies, we achieved targets for consolidated sales and income. We also established a number of new businesses involving Nagase's original software engineering and dies. These include Design & Die Co., Ltd. in Japan, Design and Die USA Inc. in the United States and Nagase Plastics Design and Die (Tianjin) Co., Ltd. in China, as well as an instrument panel business serving the Toyota Peugeot Citroen Automobile factory in the Czech Republic and a die business that serves Honda of the UK Manufacturing Limited.

Our basic strategy under WIT2008 is to further reinforce the three strategies of WIT21, with the aim of achieving an increase of approximately 30 percent in consolidated operating income over the three-year plan period. In fiscal 2006, the first year of WIT2008, we will invest aggressively to develop our business, including further expansion in China and consideration of Eastern Europe and India. In conjunction with this we will strengthen internal risk management, particularly with respect to laws and regulations.

Eco-Materials Department

Yuji Deguchi
GM, Eco-Materials Department

Pluswood is made from a composite of wood and non-vinyl chloride thermoplastic.

Achievements under WIT21 and Basic Strategies of WIT2008

Under WIT21, the Eco-Materials Department established a unified business structure that extends from the upstream sector, which involves supplying plastic materials to building materials and housing equipment manufacturers to the downstream sector of providing products and services to general contractors, retailers and end-users. Although we faced many new challenges, the business is now on track. Business restructuring initiatives included concentrating Pluswood production at the fabless manufacturer Nagase Ecoplus Co., Ltd.

Under WIT2008, we aim to become the leader in the synthetic wood market with Pluswood by expanding the range of associated products and developing an original business model. In the international procurement service (IPS) business, which makes use of Nagase's network of overseas bases, we will pursue greater customer satisfaction by expanding the range of plastics materials we handle and continuing to develop the market for biomass plastics, which are made from corn and food waste. In fiscal 2006, the first year of WIT2008, we aim to increase the scale of business. For Pluswood, we will work to increase sales efficiency by further strengthening custom spec services for facility owners and major construction companies. In addition, we will continue to promote the IPS business to major customers by further strengthening ties with bases in Asia.

Topics

Strengthening Collaboration with Automotive Interior Parts Manufacturer Kasai Kogyo

Nagase and Kasai Kogyo Co., Ltd. have agreed to further strengthen their alliance. On the business side, we will share information concerning trends in the growing global automotive market in order to contribute to mutual business expansion and stable management. When entering new markets and establishing new operating bases, Nagase will provide market and purchasing information and Kasai Kogyo will provide technological and manufacturing information. Nagase and Kasai Kogyo will also implement joint feasibility studies as required. In addition, Nagase will provide information from its overseas network in order to facilitate optimal global purchasing by Kasai Kogyo in terms of quality and cost, and both companies will conduct joint procurement on an as-needed basis. Under our capital alliance, Nagase will increase the number of shares it holds in Kasai Kogyo from 4,270,961 to 6,304,961, raising our share of voting rights from 11.75% to 15.95%*.

*The total number of shareholders' voting rights was 39,511 as of March 31, 2006.

Overview of Kasai Kogyo Co., Ltd.

Established:	October 26, 1946
Paid-in Capital:	5,821 million yen
Main Business:	Manufacture and sale of automotive interior parts, etc.
Head Office:	3316 Miyayama, Samukawa-machi, Koza-gun, Kanagawa, Japan
Stock Listing:	Second section of the Tokyo Stock Exchange

Automotive interior parts made by Kasai Kogyo Co., Ltd.

Pluswood Market Penetration Accelerates Further

Pluswood is an environmentally friendly wood composite material. Unlike natural wood, it does not rot, splinter or fade. Recognized for its flexibility of design and maintenance-free qualities, Pluswood has gained an excellent reputation as a new building material. It is used as a standard material in famous hotels, hospitals, nursing homes and building lines such as condominiums for the elderly. In addition to Pluswood's popular interior applications, Nagase has expanded its lineup of products such as louvers to meet rapidly growing demand for exterior applications.

Electronics

Kazuo Nagashima

Director and Executive Officer

Electronics Businesses; Electronic Chemicals Department;
Display & Electronics Components Department;
Wafer Bumping Department

Basic Strategy

Based on the foundation it has built in the electronics industry, Nagase will work to expand its electronics businesses by focusing management resources on emerging markets where the Company can utilize its strengths.

WIT2008 Objectives and Strategies

Nagase's electronics businesses met targets for net sales and income under WIT21 due to factors such as a boom in the electronics industry, including displays and semiconductors. Nagase worked to expand the business through cooperation among internal divisions and Group companies around the world. In the field of liquid crystals, for example, in addition to the materials and equipment handled by Electronics, many products are now also provided by Plastics and Chemicals. Similarly, Nagase has built a structure for serving the film industry that has achieved significant growth through active cooperation in businesses such as the filters handled by the Performance Chemicals Department, the surface inspection systems handled by the Information & Functional Materials Department, and the functional films handled by the Advanced Polymers Department. In the processing business as well, overseas subsidiaries are all cooperating in their respective roles and are on track to meet targets. This business includes materials production, processing, assembly and inspection. While Nagase chooses partners and manages the logistics, materials certification and product design are conducted in North America, production is carried out in Japan, and processing and inspection are handled in China. Cooperation among local subsidiaries in all regions has therefore become a vital aspect of Nagase's operations.

Under WIT2008, Nagase plans to focus management resources on emerging markets where it can make full use of its strengths, based on the foundation it has built in the electronics industry. Specifically, we will focus on the fields of semiconductors, displays, imaging and communications. In the field of semiconductors, Nagase acquired the German post-processing equipment manufacturer Pac Tech-Packaging Technologies GmbH in February 2006. Looking forward, we plan to leverage the technology and network of Pac Tech to develop a unified global equipment, materials and processing business by strengthening cooperation with business departments in areas such as the underfill material manufactured by Nagase ChemteX Corp., related materials and products such as the semiconductor packaging design software handled by Nagase Electronic Equipment Service Co., Ltd.

In the field of displays, we have positioned processing of materials and components such as glass, LEDs and optical films as a core business. Our efforts to build a new business framework will include enhancing our device processing base in China and constructing a new glass processing base in Taiwan. In the epoxy business, we will coordinate with Nagase ChemteX to build a quadripolar sales framework with bases in Japan, North America, Europe and Asia and proactively develop markets in each of these regions. In the chemicals business, we will expand sales of stripper and developers, for which we have a high market share, and accelerate development of high-value-added products. In addition, to meet the strong demand for environmental preservation from customers and society, we will concentrate on the chemical recycling business as an important theme.

Electronic Chemicals Department

Tomitaka Ito

GM, Electronic Chemicals Department

Harima Plant of Nagase ChemteX Corp.

Information & Functional Materials Department

Shingo Bamba

Managing Executive Officer
GM, Information & Functional Materials Department

Scantec imaging inspection equipment developed by Nagase

Achievements under WIT21 and Basic Strategies of WIT2008

Formulated epoxy resins for microelectronics, an area of focus under WIT21, are growing into a core profit driver. In Japan, we also acquired substantial market share in the semiconductor, liquid crystal stripping agent and developer businesses. Nagase has also been aggressively developing its overseas production bases. Of these, Nagase ChemteX (Wuxi) Corp., a manufacturer of formulated epoxy resins in China that began operating commercially in 2003, achieved net yearly operating profit in fiscal 2005.

Under WIT2008, Nagase's business strategy for electronic chemicals is centered on Nagase ChemteX Corp., which will oversee all Group manufacturing operations. In addition to maintaining market share in our foundation of core businesses in Japan, we will aim for higher profitability by developing high-value-added products in Japan and overseas. In fiscal 2006, the first year of WIT2008, we will build a quadripolar framework for the epoxy business, with bases in Japan, North America, Europe and Asia. While strengthening sales capabilities through cooperation with the staff of local affiliates in each region, we will bolster our production structure by increasing capacity at factories in China, expanding contract production in Europe and building a contract production system in the United States. We will also promote product development in Japan to expand our business foundation. In the area of photolithography chemicals, we will accelerate new product development while working to strengthen and expand the chemical recycling business.

Achievements under WIT21 and Basic Strategies of WIT2008

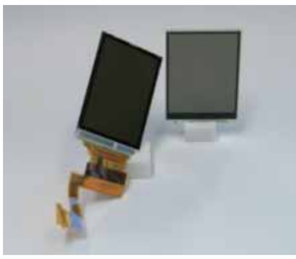
Since its establishment in fiscal 2005, which was the final year of WIT21, the Information & Functional Materials Department has begun to create a unique business model by developing original sales activities and raising awareness of cooperation with other departments and Group companies. A boom in liquid crystal imagery created a surge in demand for imaging inspection systems that contributed significantly to overall results. Developed by Nagase, these inspection systems meet diverse customer needs. Marking machinery has also achieved a good reputation. Moreover, growth in export sales is strong in conjunction with the expansion of Japanese companies overseas. Imported viewing angle inspection equipment established a unique position in the imaging inspection industry.

Strategies under WIT2008 will be a continuation of those under WIT21. Based on the foundation we have already built, we will establish seven clear priority business areas and prepare a more concrete growth strategy that allows us to take advantage of Nagase's strengths in developing emerging markets. Our aim is to offer an enhanced lineup of customer services to meet multiple customer needs by promoting collaboration with other departments and companies.

Display & Electronics Components Department

Mitsuro Naba

GM, Display & Electronics Components Department



LCD panels for mobile phones

Achievements under WIT21 and Basic Strategies of WIT2008

Under WIT21, we established a base for enhancing our businesses under WIT2008 and beyond by strengthening the assembly and processing business, including the establishment of a new factory for processing optical films in China and a new processing base in Taiwan.

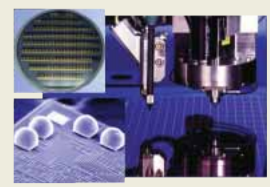
Under WIT2008, we will leverage our network in Japan and overseas to strengthen our assembly and processing functions in addition to our traditional brokerage function of supplying optical films, manufacturing devices and other related components and materials. We will respond to customer needs by quickly commencing operations at the thin glass processing company established in Taiwan in fiscal 2005. At the same time, we will create a new business model that contributes to solving customer problems by making use of Nagase International Electronics Ltd., which is central to our processing business. We also plan to actively pursue the development of materials for displays other than LCDs, such as organic light-emitting diode (OLED) displays.

Topics

Acquisition of German Venture Business Pac Tech GmbH

In January 2006, Nagase acquired Pac Tech-Packaging Technologies GmbH, a German producer of semiconductor manufacturing equipment. Pac Tech is a venture business specializing in laser devices and electroless metallization technologies. As Pac Tech's marketing representative, Nagase has been selling its equipment and licensing its technologies in Japan since 2000.

Pac Tech's laser devices are highly evaluated for use in producing magnetic heads for computer hard disks because they do not damage semiconductor substrate materials. In addition, Pac Tech's electroless metallization technologies help shorten time to delivery and reduce costs by significantly reducing the number of process steps. As a result, demand is expanding for use in manufacturing semiconductors for precision equipment such as mobile phones. Making use of the technologies obtained through the acquisition of Pac Tech, Nagase plans to double sales in the post-processing sector of the semiconductor manufacturing business in three years by increasing its competitive advantage in equipment and materials supply.



Pac Tech specializes in wafer bumping technology.

Overview of Pac Tech GmbH

Name:	Pac Tech-Packaging Technologies GmbH
Established:	September 1995
Paid-in Capital:	187,900 Euros
Main Business:	Semiconductor wafer bumping; production and sale of semiconductor manufacturing equipment

Completion of Third Production Capacity Expansion for Formulated Epoxy Resin at Nagase ChemteX (Wuxi) Corp.

Nagase is aggressively promoting investment in local production in China, based on its core "Greater China Vision" strategy. Nagase ChemteX Corp., which exports formulated epoxy resin to China, established a local production base, Nagase ChemteX (Wuxi) Corp., as a joint venture with Nagase. In fiscal 2005, Nagase ChemteX (Wuxi) completed its third production capacity expansion, and can now produce 5 thousand tons of formulated epoxy resins annually. The company also plans to open a refrigerated stock point in South China with the aim of achieving a fiscal 2006 net sales target of ¥2.0 billion and, ultimately, becoming the leading formulated epoxy resin supplier in China in terms of scale and product range.

Life Sciences

Kyoichi Zushi

Director and Managing Executive Officer

Life Sciences Businesses; Fine Chemicals Department;
Nagase R&D Center; Nagase ChemteX Corp.

Basic Strategy

Develop the life sciences businesses into a growth driver of the Nagase Group beyond fiscal 2008 with organic management that unifies the infrastructure of Nagase ChemteX Corp., the Nagase R&D Center, Nagase Medicals Co., Ltd. and the Group's overseas network

WIT2008 Objectives and Strategies

Nagase did not achieve its objectives for the life sciences businesses within the three years of WIT21 due to the effects of restructuring in the life sciences industry, which requires advanced technologies, the lack of new product development and Nagase's primary focus on restructuring and enhancing its business base. However, by refining and clarifying future strategies through restructuring efforts, I believe we have established a base for growth strategies in the life science businesses.

Under WIT2008, we will concentrate on life sciences, organically deploying the upgraded infrastructure of Nagase ChemteX's Fukuchiyama Factory, Nagase R&D Center, Nagase's affiliate Nagase Medicals and our overseas network while working to increase synergy. In three years, we aim to develop the life sciences businesses into a growth driver of the Nagase Group beyond fiscal 2008.

Specifically, we will work to increase our presence as a manufacturer in the pharmaceutical and biochemical industries through effective identification of themes by marketing staff, expediting the R&D and commercialization process and increasing our success rate. We will work to increase the scale of our business by expanding production into China and India in addition to Europe and North America, and linking operations to markets in Japan, Europe and North America. To achieve this, we plan to invest approximately ¥4.0 billion over three years, primarily in production facilities, evaluation machinery, R&D equipment and related assets.

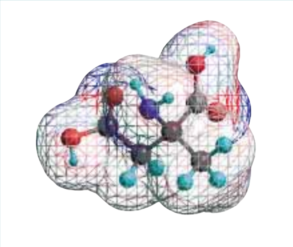
In the beauty care products business, we will concentrate our efforts on fostering capable managers by strengthening personnel training.

As of April 1, 2006, the Fine Chemicals Department, formerly included in Chemicals, and the Beauty Care Products Department, formerly included in Health Care and Others, have been reclassified to form the new Life Sciences segment.

Fine Chemicals Department

Masuhiro Nojiri

Executive Officer
GM, Fine Chemicals Department



Maruoka Catalyst™ is a high-performance chiral phase-transfer catalyst used to produce unnatural amino acids.

Achievements under WIT21 and Basic Strategies of WIT2008

The Fine Chemicals Department did not achieve its sales targets under WIT21 due to a variety of factors. In addition to the effect of delayed demand for major export products and behind-schedule product development in pharmaceutical intermediates, as well as delayed demand for agricultural chemical intermediates, we lost major commercial rights in the area of pharmaceuticals and agricultural chemicals and a sales affiliate was liquidated. However, we achieved operating income targets due to the effect of cost reductions and other factors.

Under WIT2008, we will continue to promote the basic strategies of WIT21, which are: to develop marketable businesses related to medicine, food and living environments; to create businesses that capitalize on Group strengths; and to shift the orientation of existing businesses from an intermediary role to a proposal-based approach. In particular, we will implement consolidated management with Nagase ChemteX Corp., Nagase Medicals Co., Ltd., Nagase Bio-Chemical Sales Co., Ltd., Nagase America Corp. and Nagase (Europa) GmbH and build a framework focused on the life science businesses.

In fiscal 2006, the first year of WIT2008, we will expand core businesses; create highly profitable new products and businesses; discontinue unprofitable businesses and reallocate resources; and promote aggressive investment in human resources, R&D and facilities.

Beauty Care Products Department

Ryuji Mise

GM, Beauty Care Products Department

Ecolfie-N, an anti-aging skin care line made from rosemary extract

Achievements under WIT21 and Basic Strategies of WIT2008

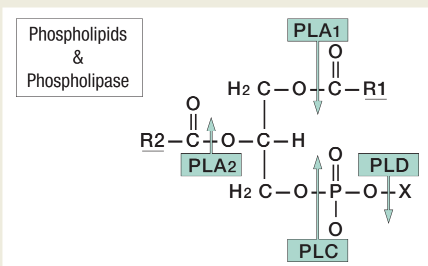
The Beauty Care Products Department achieved its target for operating income under WIT21, but not for sales. Reasons for this include our recent complete withdrawal from the newly launched beauty salon business and slower expansion of business scope than originally planned. On the other hand, under the slogan "vibrant, beautiful, young and healthy" we committed ourselves in fiscal 2005 to building an organization of 1,000 sales managers focused on door-to-door sales over the next ten years. We are beginning to see results of our efforts in this area.

Under WIT2008, we will continue to implement this basic strategy and concentrate our efforts on fostering capable managers by strengthening personnel training. We intend to firmly establish an image linking Nagase with rosemary, based on our core cosmetics line of skin care products made from rosemary, which counteracts aging. Research and development of new ingredients is progressing, and we plan to launch several promising new products by 2008.

Topics

Production and Sale of High-value-added Phospholipid Derivatives

Phospholipids exist widely throughout nature and in the body. Recent market attention has focused on their special biological activity with the successive discoveries of their various unique functions. Nagase used its original recombinant gene technologies to develop a method of producing PLA_1, PLA_2, PLC, PLD and other hydrolytic enzymes that reduces production cost to a thousandth of previous methods. Nagase is currently using these enzymes commercially, as well as developing, producing and selling phospholipid derivatives with higher added value.



Launch of *Rosemary* Magazine

In fiscal 2005, Nagase consolidated its lineup of catalogs, which serve as important marketing tools for its door-to-door cosmetics sales, and launched *Rosemary*, a magazine based on the concept "vibrant, beautiful, young and healthy." A total of 100,000 copies of *Rosemary* are published five times a year and sent directly to Nagase's sales force of 44,000 beauty consultants (BCs). BCs rate the magazine highly, as it helps promote sales by facilitating communication with customers and contributes to developing Nagase's beauty care brands.

Nagoya Branch Office

Masami Takeuchi
Executive Officer
GM, Nagoya Branch Office

A new hair dye developed as a result of a proposed functional application for stationery

Overview of Business

Most Japanese domestic automakers and related component manufacturers are concentrated in Japan's Chubu district, which centers on Nagoya. As Nagase's local base of operations in this district, the Nagoya Branch Office plays an important role in Nagase's automotive businesses, one of the four strategic areas. We deal directly with automakers such as Toyota Motor Corporation as well as their group companies and affiliated component manufacturers. Consequently, over 60 percent of our sales are related to automobiles. In the non-automotive area, we handle urethane and other performance chemical products, coating materials and electronics-related products. We are also in charge of Nagase's export business that centers on automotive products and materials. In fiscal 2005, sales and income grew as a result of an increase in sales in our core automotive businesses backed by brisk activity in the automobile manufacturing sector. In the non-automotive area, concentrating resources on major local companies expedited development of new businesses, which also contributed to results.

Achievements under WIT21 and Basic Strategies of WIT2008

In addition to achieving numerical targets one year ahead of schedule, our most significant accomplishment under WIT21 was spreading awareness of a cooperative style of business by establishing a horizontal organizational structure under a single sales division that links our local chemicals, plastics and electronics businesses. In the export business, in addition to exporting mainly automotive products to China, South Korea and the ASEAN region, we began making shipments to North America. This business is poised to expand in the future.

The basic strategies of the Nagoya Branch Office under WIT2008 are twofold: to expand the scale of our operations, centered on automotive businesses, by focusing on the fields of electronics and chemicals as well as plastics to broaden our lineup of products; and to establish a high-profit structure in conjunction with such expansion. To implement these strategies, we must continue to promote even closer cooperation among our various departments.

In fiscal 2006, the first year of WIT2008, we will continue to expand our procurement management services and work to increase the scale of operations in the automotive area by cultivating new business both in Japan and overseas. We will also begin developing new businesses in product fields related to electrical components, hybrid electric vehicles and the environment in anticipation of a shift toward next-generation automobiles. In the non-automotive area, we will continue to concentrate resources on major local companies, develop a contract manufacturing business for pharmaceutical formulations, functional health foods and other products, and develop a proposal-based business in the area of colors and coatings through the cooperative efforts of all our departments.

Nagase ChemteX

Nagase ChemteX occupies the central role in Group production. Our strengths lie in developing applications that incorporate organic synthesis and formulation technologies and solid relationships with Nagase Group customers. Based on these strengths, we develop technologies, as well as produce, supply and conduct quality assurance, for chemicals including plastics, and pharmaceuticals.

Nagase ChemteX's sales and income both increased in fiscal 2005. In particular, withdrawal of unprofitable products, a shift to high-value-added products and other adjustments to our product lineup substantially improved our profit margin. As a result, operating income increased 75 percent compared to the previous fiscal year.

Kyoichi Zushi
Director and Managing Executive Officer;
President, Nagase ChemteX Corp.

Nagase ChemteX was established in 2001 through the merger of four manufacturing companies in the Nagase Group. Over the three years of WIT21, the benefits of the merger have allowed us to make tremendous progress.

Under WIT2008, we aim to further increase Nagase ChemteX's presence and make even greater strides as the largest manufacturer in the Nagase Group. To do this, we will focus management resources in three areas: strengthening research and development, aggressive capital expenditures and investment in human resources. The business fields we will concentrate on are electronics, life sciences and the environment.

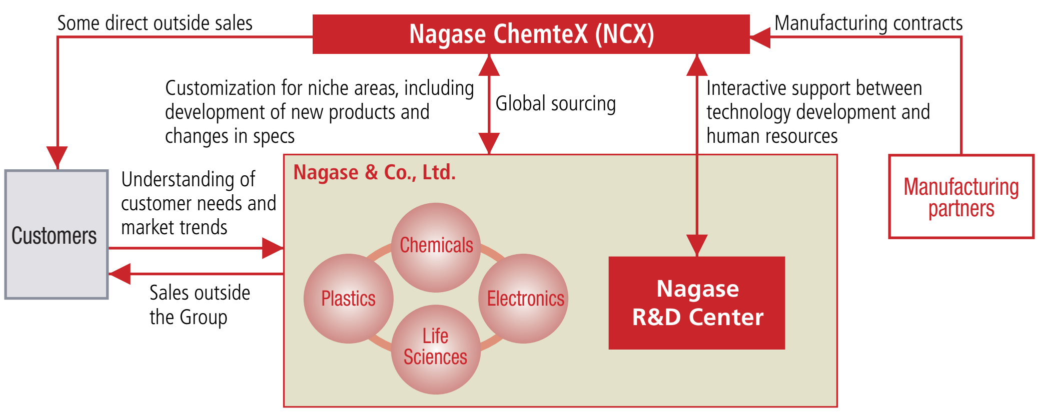
Production Structure

Nagase ChemteX's domestic production bases are the Harima Plant and the Fukuchiyama Factory. In fiscal 2005, we concentrated operations that were formerly dispersed between the two facilities. At the Harima Plant, we specialized in the production of electronics and performance chemicals and made facility investments for high productivity. At the Fukuchiyama Factory, we specialized in pharmaceutical intermediates and enzymes using biotechnology and organic synthesis technologies. We will continue working to achieve even greater synergy between the two facilities.

Nagase ChemteX has overseas production bases in Singapore, China and Taiwan. Nagase FineChem Singapore (Pte) Ltd., which handles manufacturing and recycling of chemicals used in the electronics field, became profitable in fiscal 2005 as a result of efforts to improve sales and income. In China, we established Nagase ChemteX (Wuxi) Corp. through a joint venture with Nagase & Co., Ltd. to produce formulated epoxy resins. The company expanded production capacity in its second fiscal year of full-scale operation through cooperation with Nagase & Co., Ltd., Shanghai Nagase Trading Co., Ltd., Nagase (Hong Kong) Ltd. and Nagase (Taiwan) Co., Ltd., which handle sales. As a result, Nagase ChemteX (Wuxi) became profitable ahead of schedule. In Taiwan, the Nagase ChemteX Taiwan Branch is operating at full capacity and working to improve profitability. In Europe, we are undertaking contract production with local partners.

R&D Structure

Nagase ChemteX cooperates closely on research and development with the Nagase R&D Center, the research and development organization for Nagase. We dispatch research and development staff in the life sciences field to the Nagase R&D Center to conduct joint research in teams with researchers there. In fiscal 2005, three of our researchers obtained doctorates. We expect this to contribute to increasing the level of research and technology in the Nagase Group. In addition, the Harima Plant is central to research and development of electronics and other industrial materials. Our numerous research themes are based on a keen understanding of customer needs gained through the synergies created between our R&D and trading company functions.



Electronics

Our electronics business continues to grow steadily. This business focuses on the fields of microelectronics, organic devices, semiconductors and electronics components, and offers original high-performance, high-value-added products such as liquid encapsulant for semiconductors, film sealant, adhesives for optical devices related to image sensors and materials for organic electroluminescence.

Life Sciences

In life sciences, Nagase ChemteX does business in two fields: pharmaceutical intermediates and enzymes. The pharmaceutical intermediates business is primarily contract production and is concentrated in areas that make use of our specialized technologies and those of the Nagase R&D Center. At the Fukuchiyama Factory, we are increasing utilization of cGMP-compliant production facilities for investigational drugs, low-volume drugs, pharmaceutical intermediates and other products. To strengthen our competitive edge, we are concentrating on products with higher added value that combine our technological strengths in the areas of organic synthesis and biology.

In the industrial enzymes field, we went beyond merely selling enzymes to producing and selling useful fermented products that employ our fermentation technologies. We are currently focusing on entering the market for phospholipids by using a phospholipid-degrading enzyme to create food emulsifiers, raw materials for pharmaceuticals and ingredients for a rapidly growing array of health foods.

Performance Chemicals

Nagase ChemteX concentrates on original in-house products: liquid crystal intermediates, fluorene, polysilane and Denatron. Highly transparent and possessing excellent electrical properties, these high-value-added chemical substances are used in innovative applications. Sales of fluorene, which is mainly used as a material for LCDs, continued to increase steadily in fiscal 2005 due to growth in the large-screen LCD television and other markets. We are concentrating production of performance chemicals at the Harima Plant to increase our share of production of high-performance, high-value-added products.

Structural Materials

In the structural materials business, Nagase ChemteX provides urethane, UV cure acrylic and materials such as tooling resin for master molds and prototype production in the automotive industry. All are extremely high-value-added products. In fiscal 2006, we will work to achieve rapid commercialization of a specialty thermoplastic resin currently under development.

Nagase R&D Center

Under its policy of serving as the growth driver of Nagase's life sciences businesses, the Nagase R&D Center has three missions: to provide technological solutions to relevant businesses; to make a strategic contribution to the Nagase Group's consolidated businesses; and to strengthen the Group's technology platform. The R&D Center provides vital R&D functions for the Group by expanding and strengthening Nagase ChemteX's platform of pharmaceutical, enzyme and fermentation technologies in the field of life sciences to create original new products and production methods.

Core Technologies and Main Research Themes at the Nagase R&D Center

1. Process development technologies	①Develop methods for producing unnatural amino acids using Maruoka Catalyst™ (a chiral phase-transfer catalyst) and enzymes ②Develop methods that use optical resolution, biotechnologies (microorganisms and enzymes) and multi-step synthesis to produce chiral compounds including pharmaceuticals, pharmaceutical intermediates and liquid crystal intermediates
2. Enzyme development technologies	①Identify new enzymes using a ready-to-use microorganism library ②Produce enzymes on a commercial scale using genetic engineering ③Develop enzymes using recombinant microorganisms
3. Natural materials identification and evaluation technologies	①Develop new ingredients for health foods and cosmetics
4. Collaboration with Nagase ChemteX	①Strengthen and expand the technology platform required to develop new production processes for pharmaceuticals and new enzymes
5. Analysis and evaluation technologies	①Analyze imported pharmaceuticals according to the Japanese Pharmacopeia in compliance with good manufacturing practice (GMP) standards ②Evaluate plastics additives

R&D Achievements in Fiscal 2005

The Nagase R&D Center achieved commercial-scale supply of Maruoka Catalyst™, a high-performance phase-transfer catalyst developed by Professor Keiji Maruoka of Kyoto University that is effective in producing unnatural amino acids. Unnatural amino acids such as α,α-disubstituted amino acids do not occur in proteins and have until now been difficult to produce. By using Maruoka Catalyst™, however, we achieved large-scale supply of unnatural amino acids, thereby expanding their potential as a drug discovery resource. Unique products and efficient production methods such as these will contribute not only to the growth of Nagase's contract manufacturing business of APIs and pharmaceutical intermediates, but to qualitatively changing our business structure. We also developed versatile processes that use Maruoka Catalyst™ to produce structurally diverse unnatural amino acids other than α,α-disubstituted amino acids.

In the area of applied microbiology, we used genetic engineering technology to develop versatile microbial reduction processes. We also established a system for evaluating activity and quickly developing enzymes even when they were produced by the microorganism in tiny amounts. In addition, we developed a system for evaluating pharmacological activity using genetically engineered eukaryotic cells.

In the area of beauty care, we clarified the mechanism behind the anti-aging and bio-defensive effects of rosemary extract.

Achievements under WIT21

Strategies of the Nagase R&D Center under WIT21

- Focus on developing the select technologies that will help Nagase's operations in the life sciences businesses
- Use the Nagase Group's R&D resources to full advantage through collaboration with Nagase ChemteX
- Collaborate with universities and other R&D organizations and take advantage of public funds to strengthen the technology platform
- Build up a brand strategy aimed at the acquisition of research contracts
- Develop the technology platform to support Nagase ChemteX and assist in the launch of new productions and the development of manufacturing processes to increase the Group's profits

Under WIT21, the Nagase R&D Center focused its developmental research on the life sciences businesses. As a result, we established core technologies for producing unnatural amino acids using Maruoka Catalyst™ and built a platform of enabling technologies for developing versatile microbial reduction processes. The latter was conducted under a grant from the New Energy and Industrial Technology Development Organization (NEDO).

Promoting our R&D achievements via international symposiums, academic conferences and article submissions has led to orders for the Nagase Group's contract manufacture of pharmaceutical intermediates. It has also triggered an expansion of collaborative R&D activities in the field of biotechnology with universities and public research institutions, which has facilitated faster development of new products and efficient development of practical applications for the technology platform. As a result, we established a brand based on the anti-aging effect of rosemary extract and enhanced and expanded genetic engineering technologies essential for enzyme development.

In collaboration with Nagase ChemteX, we made efficient use of Group R&D resources by providing technological assistance in both process and enzyme development for contract manufacture of pharmaceutical intermediates and for development of phospholipids.

WIT2008 Objectives and Basic Strategies

Under WIT2008, the Nagase R&D Center aims to be a vital source of market-oriented research that uses core technologies, which contribute directly to business as marketing tools. At the same time, we aim to establish ourselves as an independent organization by conducting technology-oriented research that can be applied in combination with our core technologies to establish businesses in new fields. We have set three objectives toward realizing these aims: Use the results of research conducted in WIT21 as seeds to create original products and production methods for the Nagase Group; expand the business base and create highly profitable businesses through technology- and market-oriented research; and build a technology platform that allows Group businesses to grow regardless of changes in the industrial structure. To achieve these objectives, we will deepen strategic contributions to affiliated businesses within the Nagase Group while promoting collaboration beyond the Group's organizational structure. We will also develop more efficient research through effective use of non-Group resources such as public grants and universities.

The Nagase R&D Center will build a unified R&D structure with departments responsible for the fundamental strategies for market-oriented research under WIT2008. Based on this structure, we will conduct research focused on results, thereby contributing directly to business growth. In the area of technology-oriented research, we will continue to focus on and concentrate resources in the development of systems that use genetic engineering to produce enzyme proteins. We will also promote cooperation with consolidated Group businesses by systematically sharing knowledge, resources and results. Through the publication of our R&D achievements, we will enhance interactive relationships with related academic organizations. In addition to taking advantage of the public system of funding research grants, we will make use of information from universities and the Nagase Science and Technology Foundation.

Our specific research themes under WIT2008 are as follows:

① Develop methods to produce unnatural amino acids using the chiral phase-transfer catalyst, Maruoka Catalyst™, and conduct contract production of such amino acids

② Develop and produce new enzymes

③ Commercialize pharmacological evaluation kits that use genetically engineered eukaryotic cells

④ Provide technological assistance to Nagase ChemteX in its development themes, such as phospholipids

⑤ Develop new materials for and compile data on the effectiveness of beauty care products

Management and Use of Intellectual Property Rights

Intellectual property created through Nagase's R&D activities is managed by the Legal & Credit Division. The Nagase R&D Center shares information with the Legal & Credit Division from the research theme selection stage in order to promote strategic patent acquisition.

Patent Applications Filed and Patents Acquired

	During Fiscal 2005		Cumulative Total* as of March 31, 2006	
	In Japan	Overseas	In Japan	Overseas
Patent applications filed	13	0	158	0
Patent rights established	4	0	13	13

* Includes patents acquired

Six-year Summary

Nagase & Co., Ltd. and Consolidated Subsidiaries
(Years ended March 31)

	Millions of Yen						Thousands of U.S. Dollars (Note)
	2006	2005	2004	2003	2002	2001	2006
For the Year:							
Net Sales	¥ 648,023	¥ 575,636	¥ 533,301	¥ 503,688	¥ 490,583	¥ 559,372	$5,516,504
Gross Profit	67,640	61,960	53,494	51,899	46,976	55,140	575,810
Operating Income	17,596	13,256	10,244	8,433	1,673	7,752	149,797
Net Income (Loss)	12,892	10,384	7,010	4,186	(2,097)	4,945	109,747
At the Year-end:							
Total Assets	¥ 396,773	¥ 335,290	¥ 310,793	¥ 284,800	¥ 300,073	¥ 353,776	$3,377,656
Shareholders' Equity	196,620	167,092	156,210	140,944	144,176	153,498	1,673,795
Interest-Bearing Debt	24,834	14,019	16,417	16,578	16,677	23,878	211,411
	Yen						U.S. Dollars (Note)
Per Share Data:							
Net Income (Loss)	¥ 100.32	¥ 81.00	¥ 54.69	¥ 31.72	¥ (15.39)	¥ 35.28	$ 0.85
Shareholders' Equity	1,535.70	1,311.37	1,227.82	1,107.54	1,082.15	1,104.80	13.07
Cash Dividends	15.00	10.00	9.00	8.00	8.00	8.00	0.12
	(%)						
Ratios:							
Ratio of Gross Profit to Sales	10.4	10.8	10.0	10.3	9.6	9.9	
Total Asset Turnover (Times)	1.8	1.8	1.8	1.7	1.5	1.7	
Return on Assets (ROA)	3.5	3.2	2.4	1.4	(0.6)	1.5	
Return on Equity (ROE)	7.1	6.4	4.7	2.9	(1.4)	3.4	
Shareholders' Equity Ratio	49.6	49.8	50.3	49.5	48.0	43.4	
Interest Coverage Ratio (Times)	30.5	31.0	25.7	22.9	5.8	11.9	
Debt to Equity Ratio (Times)	0.13	0.08	0.11	0.12	0.14	0.16	
Number of Employees	3,504	3,203	2,884	2,790	2,718	2,952	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47 = U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2006.

Overview of Results

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with Nagase & Co., Ltd. (the "Company" or "Nagase") at its center. In addition, the Nagase Group manufactures and sells products and provides services. These businesses are conducted by 99 related companies, consisting of 69 subsidiaries and 30 affiliates. The scope of consolidation includes 40 subsidiaries and eight affiliates accounted for by the equity method.

Five companies were added to the scope of consolidation in the fiscal year ended March 31, 2006 because they had become increasingly material to consolidated results. The five companies are Nishinihon Nagase Co., Ltd.; Alpha Bumping Technology Co., Ltd.; Nagase ChemteX (Wuxi) Corp.; Nagase Precision Plastics Shanghai Co., Ltd.; and Nagase International Electronics Ltd.

On December 31, 2005, Nagase America Holdings Inc. merged and absorbed three companies – Nagase America Corp., Nagase Plastics America Corp. and Nagase California Corp. – and changed its name to Nagase America Corp. In addition, 29 companies, including Guangzhou Nagase Trading Ltd., were excluded from the scope of consolidation during the year ended March 31, 2006 because their total assets, net sales, net income and retained earnings had no material effect on the consolidated financial statements.

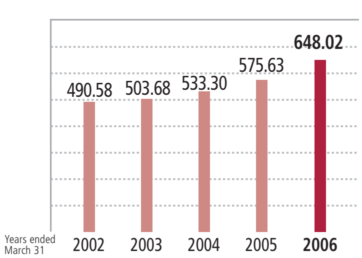
Net Sales

During the year ended March 31, 2006, expansion of corporate capital investment and consumer spending continued to drive modest economic expansion in Japan. Positive signs also began to appear in the employment situation, and despite the effects of economic trends in the United States, China and other countries and concerns regarding the sharp rise in crude oil prices, the Japanese economy is moving onto a new growth trajectory.

In these conditions, the Nagase Group worked to expand sales and profits, and sales increased both in Japan and overseas. Consolidated net sales increased 12.6 percent year-on-year, or ¥72.38 billion, to ¥648.02 billion.

Domestic sales increased 6.8 percent year-on-year, or ¥24.76 billion, to ¥388.47 billion as a result of strong sales to the automotive market in the Plastics business, together with stable sales in the Chemicals business. Overseas sales increased 22.5 percent, or ¥47.62 billion, to ¥259.55 billion. In addition to strong sales of paints and urethane in the Chemicals business, sales of engineering plastics in the Plastics business continued to expand, primarily in the Greater China region.

Net Sales
(¥ Billion)



Gross Profit and Selling, General and Administrative Expenses

Cost of sales increased 13.0 percent year-on-year, or ¥66.70 billion, to ¥580.38 billion. Reflecting the increase in sales, gross profit increased 9.2 percent, or ¥5.67 billion, to ¥67.64 billion. The ratio of gross profit to net sales decreased 0.4 percentage points to 10.4 percent.

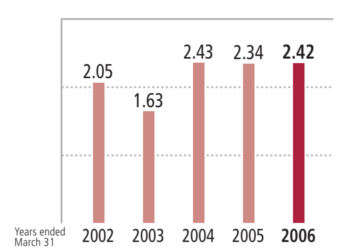
Selling, general and administrative (SG&A) expenses increased 2.7 percent year-on-year, or ¥1.33 billion, to ¥50.04 billion, but the ratio of SG&A expenses to net sales decreased 0.8 percentage points to 7.7 percent.

Research and Development Expenses

The Nagase Group integrates its comprehensive strengths to engage in research and development with the objective of developing new products and disseminating technological information.

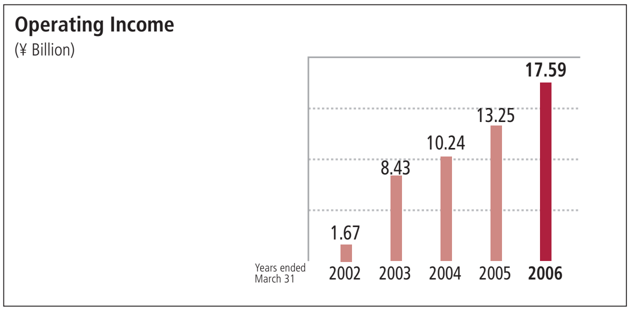
The Nagase R&D Center develops products based on user needs and conducts applied research. Main research and development themes include development of chiral technologies that feature organic synthesis and biotransformations using microorganisms or enzymes, and technologies for isolation and biological assay of natural products. The Nagase R&D Center also collaborates with Nagase ChemteX Corp., a major subsidiary. The Nagase R&D Center's technology development capabilities, including applied research of fermentation technology using chiral synthesis technology and enzymes for applications in pharmaceutical intermediates, and the use of natural ingredients in development of cosmetics and health foods, are well regarded by the Nagase Group's customers. In addition, the Nagase Group deploys a precise understanding of customer needs acquired from its marketing network and its extensive portfolio of organic synthesis and compounding technologies in developing and expanding sales of products such as plastic additives and coating materials. The Nagase Group uses the many patents it has obtained from its research and development activities to increase earnings. For the year ended March 31, 2006, research and development expenses totaled ¥2.42 billion, compared to ¥2.34 billion in the previous fiscal year.

Research and Development Expenses
(¥ Billion)



Operating Income, Net Other Income and Net Income

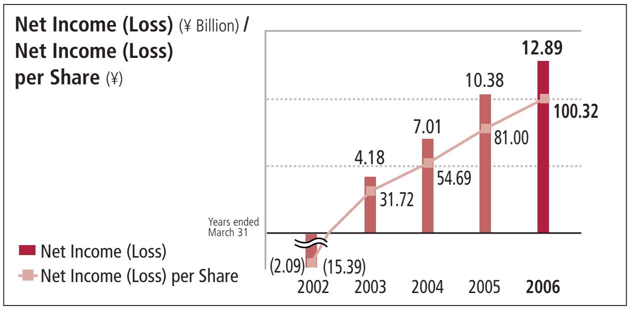
Operating income increased 32.7 percent year-on-year, or ¥4.34 billion, to ¥17.59 billion as a result of the increase in gross profit. The operating margin increased 0.4 percentage points to 2.7 percent.



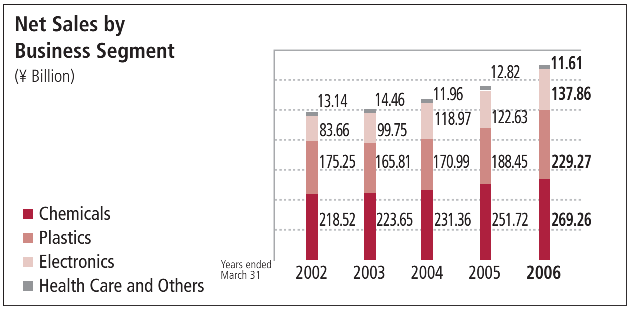
Net other income decreased 30.6 percent, or ¥1.31 billion, to ¥2.98 billion. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, decreased from 31.0 times to 30.5 times.

Gain on sales of investments in securities decreased to ¥1.19 billion from ¥1.54 billion in the previous fiscal year. Loss on devaluation of investments in securities decreased to ¥0.09 billion from ¥0.42 billion in the previous fiscal year. Net gain on sales of property and equipment decreased to ¥1.05 billion from ¥1.95 billion in the previous fiscal year.

As a result, income before income taxes and minority interests increased 17.2 percent year-on-year, or ¥3.02 billion, to ¥20.58 billion. Income taxes net of deferrals rose 4.6 percent year-on year to ¥6.72 billion. As a result, net income increased 24.2 percent, or ¥2.50 billion, to ¥12.89 billion. Net income per share increased to ¥100.32 from ¥81.00 in the previous fiscal year.



Results by Business Segment



Chemicals

Segment sales increased 7.0 percent year-on-year, or ¥17.53 billion, to ¥269.26 billion. Segment operating income increased 21.1 percent year-on-year, or ¥1.13 billion, to ¥6.49 billion. Sales were strong overall, with increased sales of products for final applications in automobile-related fields and substantial growth in sales to Greater China, which includes Hong Kong and Taiwan.

In the performance chemicals business, which covers a relatively large portion of the upstream areas of Nagase's business, sales of coating materials and urethane for the automotive industry increased substantially both domestically and overseas. Sales of general-purpose chemicals were essentially unchanged, but overall sales were strong, as sales of products such as flame retardants for plastics increased, primarily in overseas markets.

In colors and imaging products, which include pigments and other businesses related to color, sales expanded of pigments, including color filter materials for LCDs and pigments for DVD and plasma display related applications. Although sales of dyestuffs and products related to thermal and pressure-sensitive paper declined, overall sales in this category increased slightly.

The speciality chemicals business handles products including oil solutions and surfactants used as raw materials for detergents, cosmetics and other household toiletries. Sales increased, centered on epoxy compounds and products used in high-precision metal processing manufactured by Nagase ChemteX Corp., the core of the Nagase Group's manufacturing operations.

Sales of fine chemicals, including raw materials and intermediates for pharmaceuticals and agricultural chemicals and enzymes, decreased overall. Sales of food additives and other fermentation products increased slightly, but pharmaceutical-related sales decreased slightly and sales of agricultural chemicals continued on a downward trend.

Plastics

Segment sales increased 21.7 percent year-on-year, or ¥40.82 billion, to ¥229.27 billion, with continued growth of overseas sales, primarily in Greater China, and strong domestic sales, centered on the automotive field. Operating income increased 55.7 percent, or ¥2.38 billion, to ¥6.67 billion.

Overseas sales of engineering plastics and general-purpose resins, which are centered in Asia, continued to increase substantially as in the previous fiscal year. Sales of plastics used in precision machinery housing and plastics for media such as CDs and DVDs remained strong in the strategic Greater China region. Domestic sales of products for precision machinery-related applications also increased.

Sales of plastic raw materials and parts and plastic molding equipment to the automotive industry expanded in North America, primarily for use in interior materials. Sales of plastic raw materials were also strong in Japan, contributing to an overall increase in sales.

Sales of materials and products used in the housing and building materials industries, including original Nagase Group products using wood composite materials, were near the level of the previous fiscal year.

Although still relatively small, the electronic component assembly business, which is part of the plastics-related products business, continued to expand its sales.

Among Nagase Group manufacturing companies in Japan, Totaku Industries, Inc., which manufactures various types of flexible hose and pipes for vacuum cleaners, washing machines and other household appliances and for industrial applications, performed well. However, sales were essentially unchanged at Setsunan Kasei Co., Ltd., which handles plastic coloring and compounding, and sales decreased at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging.

Electronics

Segment sales increased 12.4 percent year-on-year, or ¥15.23 billion, to ¥137.86 billion as a result of strong performance by precision abrasive materials and the components business, an offshoot of the LCD-related business. Operating income increased 19.2 percent, or ¥0.51 billion, to ¥3.18 billion.

Overall sales of original products manufactured by Nagase ChemteX Corp. and other Nagase Group companies decreased slightly. Sales of formulated epoxy resins increased, but sales of supply and control equipment and chemicals for front-end-of-line photolithography for LCDs and semiconductors decreased.

In the LCD-related business, including products for post-processing of LCDs, sales of products for optical films and liquid crystal modules were down from the previous fiscal year. However, overall sales increased due to expansion in offshoot businesses such as aluminum housing materials for electronic equipment related to LCDs.

Sales of precision abrasives and related products used in silicon wafer production increased in Japan and overseas. Sales of encapsulants and related products used in semiconductor post-processing were also solid.

Sales of imaging and surface inspection systems manufactured by the Nagase Group expanded steadily. Sales to end-users of downstream products developed from Nagase's LCD operations, such as DVD players with LCD screens and DVD movie software, also increased.

Health Care and Others

Segment sales decreased 9.4 percent year-on-year, or ¥1.20 billion, to ¥11.61 billion because sales of medical care products decreased while sales of cosmetics and health foods were essentially unchanged. Operating income increased 51.7 percent, or ¥0.32 billion, to ¥0.94 billion.

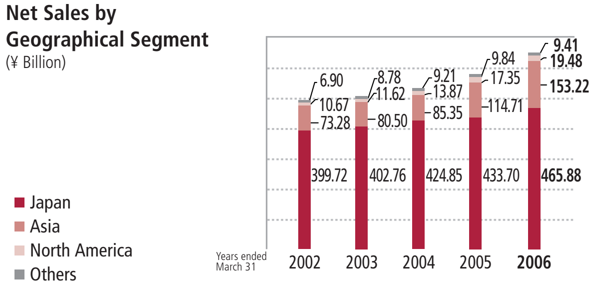
In the cosmetics and health food business, the Nagase Group conducted activities with business resources concentrated in door-to-door sales. As a result, sales of certain health food products showed an improvement trend, and sales increased slightly overall.

Sales of the medical care products business, which handles reagents for clinical examinations, medical information and clinical examination systems for health care institutions and radiation measurement products related to the safe management of radiation, decreased as a result of restructuring of unprofitable businesses.

Results by Geographical Segment

Intersegment sales are excluded from net sales. Results by geographical segment differ from the domestic and overseas net sales figures discussed earlier because sales in Japan discussed below include domestic import and export transactions and the overseas transactions of Nagase Group companies domiciled in Japan. These latter transactions, however, are also included in the overseas sales discussed above.

Net Sales by Geographical Segment
(¥ Billion)



Japan

Sales in Japan increased 7.4 percent year-on-year, or ¥32.17 billion, to ¥465.88 billion. In addition to growth in sales of the Chemicals and Plastics businesses due to improved conditions in the materials market and expanded sales for automotive applications, sales in the Electronics business increased in electronic component and material processing. Operating income in Japan increased 34.4 percent, or ¥3.03 billion, to ¥11.84 billion.

Asia

Sales in Asia increased 33.6 percent year-on-year, or ¥38.51 billion, to ¥153.22 billion. Sales in Greater China expanded in the Plastics business, and sales were solid in the Chemicals business and Electronics business. Operating income in Asia increased 29.1 percent, or ¥1.27 billion, to ¥5.65 billion.

North America

Sales in North America increased 12.3 percent year-on-year, or ¥2.12 billion, to ¥19.48 billion, as a result of growth in sales of automotive products in the Plastics business. However, an operating loss at a subsidiary in the die business resulted in an overall operating loss of ¥0.02 billion.

Others

Sales in other regions decreased 4.4 percent year-on-year, or ¥0.43 billion, to ¥9.41 billion due to decreased sales of plastics in Europe. However, operating income in other regions was essentially unchanged at ¥0.11 billion.

Profit Sharing Policy

Dividend Policy

The Nagase Group's basic policy is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders.

While maintaining steady dividends, Nagase reflected its solid performance by increasing ordinary cash dividends for the fiscal year ended March 31, 2006 to ¥15.00 per share from ¥10.00 per share for the previous fiscal year. As a result, the dividend payout ratio was 25.0 percent. In addition, Nagase amended its Articles of Incorporation at the regular Shareholders' Meeting on June 28, 2006 to establish an interim dividend system. This will enable Nagase to make flexible and appropriate distributions of profits to shareholders according to business conditions and other factors.

The Nagase Group intends to use internal reserves effectively to enhance future business activities and its management base.

Stock Option System

In the fiscal year ended March 2003, the Nagase Group introduced a stock option system aimed at boosting the motivation and morale of Group employees in order to improve their performance, and at further enhancing the Company's corporate value by aligning the interests of the Group with those of shareholders. During the year ended March 31, 2006, the Nagase Group issued rights to purchase new shares in the form of stock options to directors, executive officers, technology officers and Company managers, as well as to directors and individuals with equivalent titles at subsidiaries.

Liquidity and Financial Position

Cash and cash equivalents as of March 31, 2006 increased 33.2 percent from a year earlier, or ¥5.72 billion, to ¥22.93 billion.

Operating activities used cash of ¥2.34 billion due to factors including a ¥21.94 billion increase in notes and accounts receivable reflecting the increase in net sales. Investing activities, including purchases of property and equipment and purchases and sales of investments in securities, used cash of ¥3.80 billion. Nagase raised ¥9.33 billion through financing activities, including short-term loans and the issue of commercial paper.

Net Cash Used in Operating Activities

Net cash used in operating activities was ¥2.34 billion; in the previous fiscal year, operating activities provided cash of ¥1.71 billion. Net income increased ¥2.50 billion to ¥12.89 billion. However, this was offset by factors including a ¥21.94 billion increase in notes and accounts receivable, reflecting the increase in net sales.

Net Cash Used in Investing Activities

Net cash used in investing activities increased 169.7 percent, or ¥2.39 billion, to ¥3.80 billion. Proceeds of ¥2.56 billion from sales of investments in securities and ¥1.14 billion from sales of property and equipment helped fund purchases of property and equipment totaling ¥3.68 billion as the Nagase Group continued to aggressively invest in growth opportunities. Payments for purchases of investments in securities and investments in capital totaled ¥3.34 billion.

Net Cash Provided by Financing Activities

Net cash provided by financing activities totaled ¥9.33 billion. Primary factors were proceeds of ¥5.00 billion from the issue of commercial paper, a ¥2.89 billion net increase in short-term loans, net and proceeds of ¥2.50 billion from long-term debt. Cash dividends paid totaled ¥1.44 billion.

Cash Flow Summary

(¥ Billion)

	2006	2005	2004
Net Cash Provided by (Used in) Operating Activities	(2.34)	1.71	6.43
Net Cash Used in Investing Activities	(3.80)	(1.41)	(1.68)
Net Cash Provided by (Used in) Financing Activities	9.33	(5.11)	(1.83)

Assets

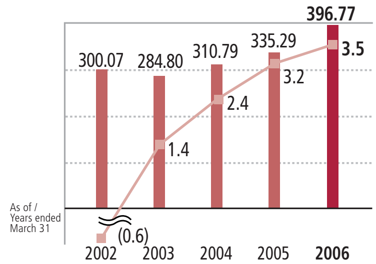
Total assets as of March 31, 2006 increased 18.3 percent, or ¥61.48 billion, from a year earlier to ¥396.77 billion.

Current assets increased 13.5 percent, or ¥31.63 billion, to ¥266.29 billion. Primary factors included a ¥21.80 billion increase in notes and accounts receivable due to the increase in net sales and a ¥3.95 billion increase in inventories.

Property, plant and equipment increased 3.9 percent, or ¥1.14 billion, to ¥30.81 billion as the Nagase Group invested in facilities at manufacturing subsidiaries.

Investments and other assets increased 40.4 percent, or ¥28.69 billion, to ¥99.65 billion, mainly because investments in securities increased ¥28.11 billion from a year earlier due to higher stock prices.

Total Assets (¥ Billion) **/**
Return on Assets (%)



Total Assets
Return on Assets

Liabilities

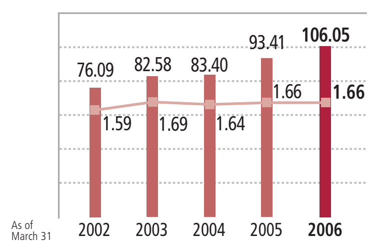
Total liabilities as of March 31, 2006 increased 19.0 percent, or ¥31.04 billion, from a year earlier to ¥194.39 billion.

Current liabilities increased 13.5 percent, or ¥18.99 billion, to ¥160.24 billion. Notes and accounts payable increased ¥8.16 billion from a year earlier as a result of an increase in the amount of goods purchased. Short-term loans increased ¥3.70 billion from a year earlier, and the issue of commercial paper increased current liabilities by ¥5.00 billion.

Working capital increased to ¥106.05 billion from ¥93.41 billion a year earlier. The current ratio was unchanged at 1.66 times.

Long-term liabilities increased 54.5 percent, or ¥12.04 billion, to ¥34.14 billion. Long-term debt increased ¥2.03 billion from a year earlier, and deferred income taxes increased ¥11.69 billion because the rise in stock prices during the year increased net unrealized holding gain on securities included in deferred income taxes.

Working Capital (¥ Billion) **/**
Current Ratio (Times)

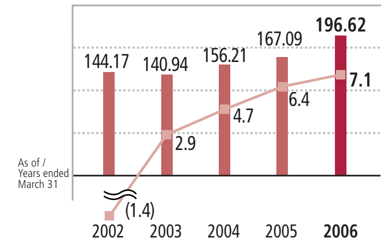


Working Capital
Current Ratio

Shareholders' Equity

Shareholders' equity increased 17.7 percent, or ¥29.52 billion, from a year earlier to ¥196.62 billion. Retained earnings increased ¥10.93 billion to ¥145.70 billion due to the increase in net income. In addition, net unrealized holding gain on securities increased ¥16.07 billion due to the rise in stock prices during the fiscal year. Treasury stock, at cost decreased ¥0.30 billion to ¥5.60 billion. As a result, the ratio of shareholders' equity to total assets was 49.6 percent compared to 49.8 percent a year earlier.

Shareholders' Equity
(¥ Billion) **/**
Return on Equity (%)



Shareholders' Equity
Return on Equity

Investment in Plant and Equipment

Investment in plant and equipment for the year ended March 31, 2006 centered on manufacturing facilities for electronic components and totaled ¥3.76 billion.

In the Chemicals segment, investment in plant and equipment totaled ¥1.40 billion and included production equipment at manufacturing subsidiaries for industrial chemicals, pharmaceuticals and enzymes. In the Plastics segment, investment in plant and equipment totaled ¥0.67 billion and included plastic molding and production equipment at Nagase and its manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥1.37 billion and included production equipment for electronic components and related products at Nagase and its manufacturing subsidiaries. In the Health Care and Others segment, investment in plant and equipment totaled ¥0.32 billion. The Nagase Group used both internal and external capital resources to fund capital expenditures.

Outlook for the Year Ending March 31, 2007

In the year ending March 31, 2007, the first year of the medium-term management plan WIT2008, the Nagase Group will further accelerate reinforcement of its strategic areas of electronics, life sciences, automotive and overseas operations. Nagase believes that market demand will expand in each of these four areas, and that the Company will have the opportunity to deploy its strengths.

Based on the above, the outlook for the Nagase Group's performance for the year ending March 31, 2007 is as follows.

(¥ Billion)

	Net Sales	Operating Income	Net Income
Year ending March 31, 2007 (Projected)	694.0	21.2	13.6
Year ended March 31, 2006 (Actual)	648.0	17.5	12.8
Projected YOY increase	7.1%	20.5%	5.5%

Operating and Other Risks

The following presents an overview of operating and other issues to which the Nagase Group is subject and that exert or could exert a significant influence on investor decisions. Forward-looking statements are Nagase Group estimates as of March 31, 2006.

1. Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import and export transactions that involve foreign currencies. Fluctuations in foreign currency exchange rates impact the value of transactions denominated in foreign currencies when translated into yen. The Nagase Group works to minimize the risks associated with fluctuations in foreign currency exchange rates by hedging these transactions using forward foreign exchange contracts. However, fluctuations in foreign currency exchange rates have the potential to exert a material impact on the Nagase Group's performance and financial position. The Nagase Group also includes corporations domiciled in countries other than Japan that maintain their financial statements in currencies other than Japanese yen. Fluctuations in foreign currency exchange rates therefore have the potential to impact the consolidated financial statements upon translation of the accounts of these corporations into Japanese yen.

2. Risks Involved in Operating Overseas

A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in Southeast Asia, Europe, North America and China. As a matter of policy, the Nagase Group makes every effort to determine trends in markets overseas and respond appropriately to them. However, failure on the part of the Nagase Group to make accurate projections due to unexpected events including factors related to the regulatory systems and customs of overseas countries would have the potential to impact the Group's performance and financial position.

3. Impact of Changes in Stock Prices

The Nagase Group maintains a portfolio of marketable stock, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by continuously reviewing and reorganizing its shareholdings. However, changes in stock prices have the potential to impact the Group's performance and financial position.

4. Risk of New Investments

The Nagase Group's businesses center primarily on low-margin brokerage transactions, and the Group is working to develop high-value-added businesses. As a matter of policy, the Nagase Group is therefore supporting the ability of the Nagase R&D Center, Group manufacturing subsidiaries and other Group organizations to provide high-level technologies and information through measures such as aggressively investing in new businesses and purchasing strategic commercial rights. However, this policy entails operating risks that are different from those inherent in the Group's conventional, low-risk brokerage businesses. The increased latent risks involved have the potential to impact the Group's performance and financial position.

5. Product Quality Risk

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide high added value to customers, and devotes scrupulous attention to the quality of the technologies and products the Group thus provides. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers, which would have the potential to impact the Group's performance and financial position.

6. Risks of Handling Various Chemicals

Chemicals are a core business of the Nagase Group, which imports and exports a diverse array of products for a broad range of applications. The Group's exports are therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order, and imports are subject to the Chemical Substances Control Law and other laws and regulations. The Nagase Group has therefore established the Security Trade Control Committee and the Chemical Management Committee, which work to assure compliance with the above regulatory systems. Contravention of these regulatory systems would result in restrictions on business activities, and therefore have the potential to impact the Group's performance and financial position.

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Net sales (Note 13)	¥648,023	¥575,636	$5,516,504
Cost of sales (Note 9)	580,383	513,675	4,940,694
Gross profit	67,640	61,960	575,810
Selling, general and administrative expenses (Note 9)	50,043	48,704	426,012
Operating income (Note 13)	17,596	13,256	149,797
Other income (expenses):			
Interest and dividend income	1,543	1,363	13,138
Interest expense	(628)	(471)	(5,349)
Equity in earnings of affiliates	120	312	1,022
Gain on sales of investments in securities	1,190	1,542	10,130
Loss on sales of investments in securities	(6)	(0)	(54)
Loss on devaluation of investments in securities	(92)	(422)	(785)
Gain on sales of property and equipment	1,091	2,083	9,289
Loss on sales of property and equipment	(34)	(123)	(296)
Loss on impairment of fixed assets (Note 2(i))	—	(314)	—
Other, net	(196)	333	(1,669)
Income before income taxes and minority interests	20,583	17,558	175,223
Income taxes (Note 8):			
Current	6,787	5,389	57,782
Deferred	(58)	1,046	(500)
Income before minority interests	13,854	11,122	117,941
Minority interests	962	738	8,193
Net income	¥ 12,892	¥ 10,384	$ 109,747

See notes to consolidated financial statements.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents	¥ 22,936	¥ 17,215	$ 195,250
Time deposits (Note 5)	603	637	5,140
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,558	4,441	21,783
Trade	192,150	168,928	1,635,738
Other	1,273	1,298	10,840
Less allowance for doubtful receivables	(1,365)	(1,859)	(11,622)
	194,617	172,809	1,656,739
Inventories	40,268	36,316	342,795
Deferred income taxes (Note 8)	3,529	2,947	30,045
Other current assets	4,344	4,733	36,988
Total current assets	266,299	234,660	2,266,959
Property, plant and equipment:			
Land	9,448	9,252	80,434
Buildings and structures	30,026	29,273	255,611
Machinery and equipment	33,975	32,059	289,223
Construction in progress	98	88	834
	73,548	70,674	626,104
Less accumulated depreciation	(42,729)	(41,000)	(363,747)
Property, plant and equipment, net	30,819	29,674	262,357
Investments and other assets:			
Investments in securities (Notes 3 and 5):			
Unconsolidated subsidiaries and affiliates	11,875	11,495	101,097
Other	83,434	55,701	710,260
	95,310	67,197	811,358
Long-term loans receivable	42	183	360
Deferred income taxes (Note 8)	712	827	6,064
Other assets	4,101	3,063	34,916
Less allowance for doubtful accounts	(512)	(317)	(4,359)
Total investments and other assets	99,654	70,955	848,339
Total assets	¥396,773	¥335,290	$3,377,656

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term loans (Note 4)	¥ 13,650	¥ 9,944	$ 116,205
Current portion of long-term debt (Note 4)	660	588	5,621
Commercial paper	5,000	—	42,564
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	1,468	1,829	12,503
Trade	117,341	108,819	998,905
	118,810	110,648	1,011,408
Accrued income taxes (Note 8)	3,955	3,626	33,670
Deferred income taxes (Note 8)	—	4	—
Accrued expenses	6,407	5,929	54,545
Other current liabilities	11,762	10,506	100,135
Total current liabilities	160,247	141,247	1,364,152
Long-term liabilities:			
Long-term debt (Note 4)	5,523	3,487	47,017
Deferred income taxes (Note 8)	21,497	9,803	183,008
Accrued retirement benefits for employees (Note 7)	5,902	7,406	50,249
Accrued retirement benefits for officers	933	941	7,949
Other liabilities	291	467	2,485
Total long-term liabilities	34,149	22,105	290,711
Minority interests	5,755	4,844	48,997
Contingent liabilities (Note 11)			
Shareholders' equity (Note 6):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 138,408,285 shares	9,699	9,699	82,571
Capital surplus	9,725	9,648	82,790
Retained earnings	145,709	134,778	1,240,394
Net unrealized holding gain on securities	36,504	20,431	310,756
Translation adjustments	586	(1,558)	4,989
Less treasury stock, at cost	(5,604)	(5,908)	(47,707)
Total shareholders' equity	196,620	167,092	1,673,795
Total liabilities and shareholders' equity	¥396,773	¥335,290	$3,377,656

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Number of shares of common stock	Millions of yen: Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2004	138,408,285	¥9,699	¥9,635	¥125,116	¥18,933	¥(1,195)	¥(5,979)
Net income for the year	—	—	—	10,384	—	—	—
Gain on sales of treasury stock	—	—	13	—	—	—	—
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	489	—	—	—
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	(12)	—	—	—
Cash dividends	—	—	—	(1,145)	—	—	—
Bonuses to officers	—	—	—	(53)	—	—	—
Net unrealized holding gain on securities	—	—	—	—	1,498	—	—
Translation adjustments	—	—	—	—	—	(362)	—
Treasury stock	—	—	—	—	—	—	71
Balance at March 31, 2005	138,408,285	¥9,699	¥9,648	¥134,778	¥20,431	¥(1,558)	¥(5,908)
Net income for the year	—	—	—	12,892	—	—	—
Gain on sales of treasury stock	—	—	76	—	—	—	—
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	79	—	—	—
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	(393)	—	—	—
Decrease in retained earnings resulting from inclusion of companies accounted for by the equity method	—	—	—	(6)	—	—	—
Decrease in retained earnings resulting from exclusion of companies accounted for by the equity method	—	—	—	(287)	—	—	—
Cash dividends	—	—	—	(1,274)	—	—	—
Bonuses to officers	—	—	—	(80)	—	—	—
Net unrealized holding gain on securities	—	—	—	—	16,072	—	—
Translation adjustments	—	—	—	—	—	2,144	—
Treasury stock	—	—	—	—	—	—	304
Balance at March 31, 2006	138,408,285	¥9,699	¥9,725	¥145,709	¥36,504	¥ 586	¥(5,604)

	Thousands of U.S. dollars (Note 1): Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2005	$82,571	$82,136	$1,147,348	$173,933	$(13,263)	$(50,297)
Net income for the year	—	—	109,747	—	—	—
Gain on sales of treasury stock	—	653	—	—	—	—
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	677	—	—	—
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	(3,346)	—	—	—
Decrease in retained earnings resulting from inclusion of companies accounted for by the equity method	—	—	(53)	—	—	—
Decrease in retained earnings resulting from exclusion of companies accounted for by the equity method	—	—	(2,444)	—	—	—
Cash dividends	—	—	(10,845)	—	—	—
Bonuses to officers	—	—	(688)	—	—	—
Net unrealized holding gain on securities	—	—	—	136,823	—	—
Translation adjustments	—	—	—	—	18,253	—
Treasury stock	—	—	—	—	—	2,589
Balance at March 31, 2006	$82,571	$82,790	$1,240,394	$310,756	$ 4,989	$(47,707)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Operating activities:			
Net income	¥ 12,892	¥ 10,384	$ 109,747
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,528	3,074	30,040
Loss on impairment of fixed assets	—	314	—
Decrease in accrued retirement benefits	(1,534)	(1,112)	(13,062)
Gain on sales of property and equipment, net	(1,056)	(1,959)	(8,992)
Equity in earnings of affiliates	(120)	(312)	(1,022)
Gain on sales of investments in securities	(1,180)	(1,541)	(10,051)
Loss on devaluation of investments in securities	92	422	785
Other, net	2,453	2,133	20,886
Changes in operating assets and liabilities:			
Notes and accounts receivable	(21,947)	(13,819)	(186,836)
Inventories	(4,300)	(7,028)	(36,607)
Other current assets	(431)	(1,672)	(3,669)
Notes and accounts payable	8,164	10,737	69,505
Accrued income taxes	263	1,065	2,242
Accrued expenses	477	270	4,068
Other current liabilities	356	759	3,035
Net cash provided by (used in) operating activities	(2,341)	1,716	(19,931)
Investing activities:			
Purchases of property and equipment	(3,689)	(6,530)	(31,406)
Proceeds from sales of property and equipment	1,141	2,371	9,718
Purchases of investments in securities	(2,104)	(1,700)	(17,916)
Proceeds from sales of investments in securities	2,565	3,678	21,838
Purchase of investments in capital	(1,240)	(480)	(10,563)
Increase (decrease) in short-term loans receivable, net	(56)	1,109	(477)
Other, net	(425)	139	(3,623)
Net cash used in investing activities	(3,809)	(1,412)	(32,429)
Financing activities:			
Increase in short-term loans, net	2,894	708	24,642
Increase in commercial paper	5,000	—	42,564
Proceeds from long-term debt	2,500	2,320	21,282
Redemption of bonds	—	(7,000)	—
Cash dividends paid	(1,443)	(1,291)	(12,288)
Other, net	378	143	3,225
Net cash provided by (used in) financing activities	9,330	(5,119)	79,425
Effect of exchange rate changes on cash and cash equivalents	1,989	(296)	16,932
Net increase (decrease) in cash and cash equivalents	5,168	(5,111)	43,996
Cash and cash equivalents at beginning of the year	17,215	21,033	146,554
Increase in cash and cash equivalents arising from inclusion of consolidated subsidiaries	551	1,293	4,698
Cash and cash equivalents at end of the year	¥ 22,936	¥ 17,215	$ 195,250
Supplemental information on cash flows:			
Cash paid during the year for:			
Interest	¥ 615	¥ 512	$ 5,235
Income taxes	6,524	4,324	55,539

See notes to consolidated financial statements.

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2006

1. BASIS OF PREPARATION

Nagase & Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and their records in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan. The overseas consolidated subsidiaries maintain their books of account 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 is different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2005 to the 2006 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

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 ¥117.47 = U.S.$1.00, the rate of exchange prevailing on March 31, 2006. This translation should not be construed as a representation that the 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.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen for the years ended March 31, 2006 and 2005 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2006 and 2005 (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 which it controls directly or indirectly. Significant 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 overseas consolidated subsidiaries have a December 31 year-end closing date and one domestic consolidated subsidiary's year end is at the end of February, 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 periods 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 its net assets 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 its net assets is amortized over a period of five years on a straight-line basis.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates 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 contract 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.

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 overseas 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. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies 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 accompanying consolidated financial statements.

(c) Inventories

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

(d) Investments in Securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. 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. Held-to-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, and 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.

A loss on the impairment of deposits for golf club memberships is also required to be recognized.

All securities held by the Company and its subsidiaries are classified as "other securities" and have been accounted for as outlined above.

(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 in the Corporation Tax Law, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998. Moreover, property, plant and equipment owned by certain consolidated subsidiaries is depreciated by the straight-line method.

(f) Computer Software

Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

(g) Leases

The Company and its consolidated subsidiaries lease certain property and 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.

(h) 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 to determine the temporary differences between the financial reporting and the tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the enacted tax laws.

(i) Retirement Benefits

The Company has defined benefit pension plans and retirement benefit plans. The Company also has defined contribution pension plans. The domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

The Company has established an employees' retirement benefit trust for the payment of retirement benefits.

Actuarial gain or loss is principally credited or charged to income in the year following the year in which such gain or loss is recognized for financial reporting purposes. Prior service cost is credited or charged to income in the year in which such cost is recognized for financial reporting purposes.

In addition, directors and corporate auditors ("officers") of the Company and certain subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowances plans. The provision for officers' retirement allowances is made at an estimated amount.

(j) Accounting Standard for Impairment of Fixed Assets

Tangible and intangible fixed assets are carried at cost less depreciation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and its domestic consolidated subsidiaries are required to recognize an impairment loss in the statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that an impairment loss should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of its disposition cost, and (2) the present value of future cash flows arising from the ongoing utilization of the asset and from its disposition, if applicable. The standard covers land, factories, buildings and other items of property, plant and equipment as well as intangible assets.

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. As a result of the adoption of this accounting standard, a loss on impairment of fixed assets in the amount of ¥314 million was recognized in the consolidated statement of income for the year ended March 31, 2005, and income before income taxes and minority interests decreased by the same amount from the corresponding amount which would have been recorded under the previous method. The impairment loss on these assets was deducted directly from their carrying amounts in the consolidated balance sheet at March 31, 2005.

(k) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize derivative financial instruments principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established a control environment that includes policies and procedures for risk assessment in accordance with the Company's rules for foreign exchange transactions and interest-rate swap 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 and verifies the approval, reporting and monitoring of all transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

If an interest-rate swap meets certain criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the underlying hedged item.

The Company and its consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange contracts. They 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.

Derivatives are carried at fair value with any changes in unrealized gain or loss being 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 a liability.

(l) Research and Development Costs

Research and development costs are charged to income when incurred.

(m) Appropriation of Retained Earnings

Dividends and other appropriations of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the appropriations are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable appropriations of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 14.)

3. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen			
	2006			
	Other securities			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Stock	¥19,010	¥61,728	¥(3)	¥80,735
Government bonds	14	—	(0)	14
Total	¥19,024	¥61,728	¥(3)	¥80,749

	Millions of yen			
	2005			
	Other securities			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Stock	¥17,422	¥34,589	¥(38)	¥51,973
Government bonds	14	—	—	14
Total	¥17,437	¥34,589	¥(38)	¥51,987

	Thousands of U.S. dollars			
	2006			
	Other securities			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Stock	$161,831	$525,484	$(27)	$687,288
Government bonds	123	—	(3)	119
Total	$161,955	$525,484	$(31)	$687,408

(b) Securities whose market value was not determinable were classified as other securities at March 31, 2006 and 2005 and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities	¥2,657	¥3,676	$22,626
Bonds and debentures	26	37	225
	¥2,684	¥3,713	$22,852

(c) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Proceeds from sales	¥2,496	¥2,771	$21,249
Gain on sales	1,190	1,515	10,130
Loss on sales	6	0	54

4. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2006 and 2005 principally represented notes and loans in the form of deeds at average annual interest rates of 4.40% and 2.55% per annum, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Unsecured loans from banks and insurance companies, payable in yen, due through 2011, at rates from 0.62% to 4.85%	¥6,183	¥4,075	$52,639
Less current portion	(660)	(588)	(5,621)
	¥5,523	¥3,487	$47,017

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 660	$ 5,621
2008	58	495
2009	3,058	26,033
2010	2,358	20,074
2011	48	414
	¥6,183	$52,639

5. PLEDGED ASSETS

At March 31, 2006, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 604	$ 5,149
Investments in securities	3,923	33,397
	¥4,528	$38,546

6. SHAREHOLDERS' EQUITY

The Commercial Code of Japan ("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 sum of 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 Code. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The legal reserve of the Company included in retained earnings at March 31, 2006 and 2005 amounted to ¥2,424 million ($20,642 thousand).

In accordance with the Code, a stock option plan for directors, executive officers, certain key employees of the Company and directors of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 27, 2002. Under the terms of this plan, 260,000 shares of common stock have been reserved for issuance at an exercise price of ¥565 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options became exercisable on August 1, 2004 and are scheduled to expire on July 31, 2007.

In accordance with the Code, a stock option plan for directors, executive officers, corporate auditors, certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 27, 2003. Under the terms of this plan, 764,000 shares of common stock have been reserved for issuance at an exercise price of ¥657 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options became exercisable on August 1, 2005 and are scheduled to expire on July 31, 2008.

In accordance with the Code, a stock option plan for directors, corporate auditors, executive officers, certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 29, 2004. Under the terms of this plan, 759,000 shares of common stock have been reserved for issuance at an exercise price of ¥1,023 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options become exercisable on August 1, 2006 and are scheduled to expire on July 31, 2009.

In accordance with the Code, a stock option plan for directors, corporate auditors, executive officers, certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the general meeting of the shareholders held on June 28, 2005. Under the terms of this plan, 762,000 shares of common stock have been reserved for issuance at an exercise price of ¥1,169 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options become exercisable on August 1, 2007 and are scheduled to expire on July 31, 2010.

In accordance with the Code, a stock option plan for directors, executive officers, technology officers and certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 28, 2006. Under the terms of this plan, the issuance of up to 850,000 shares of common stock has been authorized. Eligible participants may exercise their stock options at an exercise price calculated by multiplying the average of the closing market prices of the Company's shares on the Tokyo Stock Exchange for all trading days of the month immediately preceding the date of the issuance of the rights by a factor of 1.05; however, if the exercise price referred to above is less than the closing market price of the Company's shares on the Tokyo Stock Exchange on the day on which the rights were issued, the closing market price is to be the exercise price. The exercise price is subject to adjustment for certain events including stock splits. The options become exercisable on August 1, 2008 and are scheduled to expire on July 31, 2011.

7. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. The Company transferred certain defined benefit pension plans to a defined contribution pension plan. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

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, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Retirement benefit obligation	¥(21,829)	¥(22,104)	$(185,831)
Plan assets at fair value	17,907	15,490	152,446
Unfunded retirement benefit obligation	(3,921)	(6,613)	(33,384)
Unrecognized actuarial gain	(1,981)	(792)	(16,865)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ (5,902)	¥ (7,406)	$ (50,249)

The total pension liabilities to be transferred over four years to the defined contribution pension plan system amounted to ¥626 million ($5,337 thousand). The amount to be transferred subsequent to March 31, 2006 to the defined contribution pension plans amounted to ¥136 million ($1,159 thousand), which has been included under "Other current liabilities."

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2006 and 2005 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	¥ 937	¥1,019	$ 7,984
Interest cost	483	483	4,113
Expected return on plan assets	(349)	(7)	(2,970)
Amortization of prior service cost	—	81	—
Amortization of actuarial gain	(468)	(503)	(3,989)
Contributions to defined contribution pension plans	42	42	360
Retirement benefit expenses	¥ 645	¥1,115	$ 5,497

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
Discount rate	2.5%	2.5%
Expected rates of return on plan assets	Mainly 2.5%	Mainly 0.0%

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 40.7% for the years ended March 31, 2006 and 2005.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2006 and 2005 differ from the statutory tax rates for the following reasons:

	2006	2005
Statutory tax rates	40.7%	40.7%
Effect of:		
Expenses not deductible for income tax purposes	2.0	2.1
Dividends and other income deductible for income tax purposes	(4.5)	(2.9)
Net adjustment resulting from elimination of dividend income upon consolidation	4.5	2.6
Different tax rates applied to income of overseas subsidiaries	(4.9)	(4.0)
Tax credit	(2.4)	(1.5)
Other, net	(2.7)	(0.3)
Effective tax rates	32.7%	36.7%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the deferred 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, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Unrealized gain on inventories	¥ 400	¥ 366	$ 3,411
Allowance for doubtful receivables	536	687	4,569
Investments in securities	2,443	2,627	20,798
Accrued expenses	1,319	1,197	11,236
Retirement benefits for employees	2,660	3,212	22,646
Retirement benefits for officers	381	384	3,247
Other	2,389	1,763	20,345
Gross deferred tax assets	10,132	10,240	86,255
Valuation allowance	(376)	(510)	(3,202)
Total deferred tax assets	9,756	9,730	83,052
Deferred tax liabilities:			
Revaluation of land	(371)	(371)	(3,164)
Deferred capital gain on property	(1,319)	(1,292)	(11,233)
Special reserve for advanced depreciation	(162)	—	(1,383)
Special reserve for depreciation	(27)	(37)	(235)
Net unrealized holding gain on securities	(25,109)	(14,050)	(213,750)
Other	(21)	(9)	(183)
Total deferred tax liabilities	(27,012)	(15,762)	(229,951)
Net deferred tax liabilities	¥(17,256)	¥ (6,031)	$(146,898)

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, 2006 and 2005 totaled ¥2,428 million ($20,674 thousand) and ¥2,348 million, respectively.

10. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2006 and 2005, which would have been reflected in the balance sheets if the finance leases other than those which transfer the ownership of the leased property of the Company and the consolidated subsidiaries (which are currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2006			2005		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥259	¥181	¥ 77	¥ 499	¥342	¥157
Furniture and fixtures	393	256	137	1,145	627	518
	¥652	¥437	¥215	¥1,644	¥969	¥675

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	$2,207	$1,543	$ 663
Furniture and fixtures	3,349	2,179	1,169
	$5,556	$3,722	$1,833

The related lease payments, depreciation and interest expenses for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Lease payments	¥306	¥483	$2,613
Depreciation expense	281	421	2,392
Interest expense	18	33	158

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, 2006 under finance leases other than those which transfer the ownership of the leased property to the Company and the consolidated subsidiaries are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥109	$ 931
2008 and thereafter	131	1,117
	¥240	$2,049

11. CONTINGENT LIABILITIES

At March 31, 2006, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥899 million ($7,653 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥97 million ($829 thousand).

In addition, at March 31, 2006, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥756 million ($6,443 thousand).

12. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2006	2005	**2006**
Net income:			
Basic	¥ 100.32	¥ 81.00	$ 0.85
Diluted	100.04	80.82	0.85
Shareholders' equity	1,535.70	1,311.37	13.07
Cash dividends applicable to the year	15.00	10.00	0.12

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the amount of net income attributable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of the stock options. The amounts per share of net assets have been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

13. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture, purchase and sale of products in Japan and overseas in four major segments: Chemicals which primarily include coating materials, coloring materials, monomers, urethane raw materials, resin additives, dyes, organic fine chemicals, speciality chemicals, agricultural and ecological materials; Plastics which include synthetic resin, synthetic rubber and building materials, shaped processed goods; Electronics which include semiconductor wafer processing, semiconductor assembly processing, LCD components, communications devices and other electronic devices; and Health care and others which include medical devices, cosmetics and health food, as well as health care services.

The business and geographical segments of the Company and the consolidated subsidiaries for the years ended March 31, 2006 and 2005 are outlined as follows:

Business Segments

	Millions of yen						
Year ended March 31, 2006	Chemicals	Plastics	Electronics	Health care and Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥269,263	¥229,278	¥137,867	¥11,614	¥648,023	¥ —	¥648,023
Intersegment sales	9	134	177	5,139	5,460	(5,460)	—
Total sales	269,273	229,412	138,044	16,753	653,484	(5,460)	648,023
Operating expenses	262,777	222,735	134,862	15,806	636,182	(5,755)	630,427
Operating income	¥ 6,495	¥ 6,677	¥ 3,182	¥ 947	¥ 17,301	¥ 295	¥ 17,596
Assets	¥142,588	¥112,106	¥ 80,823	¥11,512	¥347,030	¥49,743	¥396,773
Depreciation and amortization	1,303	960	1,113	151	3,528	—	3,528
Capital expenditures	1,774	842	1,717	442	4,777	(7)	4,769

	Millions of yen						
Year ended March 31, 2005	Chemicals	Plastics	Electronics	Health care and Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥251,725	¥188,456	¥122,632	¥12,821	¥575,636	¥ —	¥575,636
Intersegment sales	12	166	87	5,144	5,411	(5,411)	—
Total sales	251,738	188,622	122,719	17,966	581,047	(5,411)	575,636
Operating expenses	246,378	184,334	120,049	17,342	568,104	(5,724)	562,379
Operating income	¥ 5,360	¥ 4,288	¥ 2,669	¥ 624	¥ 12,942	¥ 313	¥ 13,256
Assets	¥128,007	¥ 93,576	¥ 63,195	¥10,600	¥295,379	¥39,911	¥335,290
Depreciation and amortization	1,162	772	1,008	130	3,074	—	3,074
Capital expenditures	1,439	3,720	955	501	6,616	—	6,616

Year ended March 31, 2006	Thousands of U.S. dollars						
	Chemicals	Plastics	Electronics	Health care and Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	$2,292,192	$1,951,800	$1,173,636	$ 98,875	$5,516,504	$ —	$5,516,504
Intersegment sales	78	1,143	1,514	43,748	46,484	(46,484)	—
Total sales	2,292,271	1,952,944	1,175,150	142,623	5,562,989	(46,484)	5,516,504
Operating expenses	2,236,977	1,896,103	1,148,062	134,561	5,415,704	(48,996)	5,366,707
Operating income	$ 55,293	$ 56,840	$ 27,087	$ 8,062	$ 147,284	$ 2,512	$ 149,797
Assets	$1,213,825	$ 954,342	$ 688,032	$ 98,001	$2,954,201	$423,454	$3,377,656
Depreciation and amortization	11,094	8,178	9,479	1,288	30,040	—	30,040
Capital expenditures	15,108	7,167	14,624	3,769	40,669	(64)	40,604

Geographical Segments

Year ended March 31, 2006	Millions of yen						
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥465,888	¥153,229	¥19,485	¥ 9,419	¥648,023	¥ —	¥648,023
Intersegment sales	60,425	8,911	1,763	2,110	73,210	(73,210)	—
Total sales	526,313	162,141	21,249	11,530	721,234	(73,210)	648,023
Operating expenses	514,465	156,485	21,271	11,414	703,637	(73,210)	630,427
Operating income (loss)	¥ 11,847	¥ 5,656	¥ (22)	¥ 115	¥ 17,597	¥ (0)	¥ 17,596
Assets	¥293,599	¥ 62,530	¥ 6,254	¥ 2,909	¥365,293	¥ 31,479	¥396,773

Year ended March 31, 2005	Millions of yen						
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥433,709	¥114,719	¥17,356	¥ 9,849	¥575,636	¥ —	¥575,636
Intersegment sales	59,461	5,550	2,019	1,250	68,282	(68,282)	—
Total sales	493,170	120,270	19,376	11,100	643,918	(68,282)	575,636
Operating expenses	484,357	115,888	19,420	10,987	630,655	(68,275)	562,379
Operating income (loss)	¥ 8,813	¥ 4,381	¥ (44)	¥ 112	¥ 13,262	¥ (6)	¥ 13,256
Assets	¥253,954	¥ 45,946	¥ 5,605	¥ 2,734	¥308,240	¥ 27,049	¥335,290

Year ended March 31, 2006	Thousands of U.S. dollars						
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	$3,966,021	$1,304,417	$165,878	$80,186	$5,516,504	$ —	$5,516,504
Intersegment sales	514,387	75,860	15,011	17,970	623,229	(623,229)	—
Total sales	4,480,408	1,380,278	180,889	98,157	6,139,734	(623,229)	5,516,504
Operating expenses	4,379,550	1,332,128	181,080	97,173	5,989,933	(623,226)	5,366,707
Operating income (loss)	$ 100,857	$ 48,149	$ (190)	$ 983	$ 149,800	$ (3)	$ 149,797
Assets	$2,499,359	$ 532,311	$ 53,240	$24,767	$3,109,678	$ 267,977	$3,377,656

Sales to Overseas Customers

	Millions of yen			
Year ended March 31, 2006	Asia	North America	Others	Total
Overseas sales	¥224,273	¥20,537	¥14,742	¥259,553
Consolidated net sales				¥648,023
Overseas sales as a percentage of consolidated net sales	34.6%	3.2%	2.3%	40.1%

	Millions of yen			
Year ended March 31, 2005	Asia	North America	Others	Total
Overseas sales	¥181,010	¥17,373	¥13,544	¥211,928
Consolidated net sales				¥575,636
Overseas sales as a percentage of consolidated net sales	31.4%	3.0%	2.4%	36.8%

	Thousands of U.S. dollars			
Year ended March 31, 2006	Asia	North America	Others	Total
Overseas sales	$1,909,195	$174,833	$125,502	$2,209,531
Consolidated net sales				$5,516,504

14. SUBSEQUENT EVENT

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2006, was approved at a meeting of the shareholders held on June 28, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥15.00 = U.S. $0.12 per share)	¥1,920	$16,347

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated balance sheets of NAGASE & CO., LTD. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As discussed in Note 2(j), effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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.

Ernst & Young ShinNihon

June 28, 2006

Company Information

(As of March 31, 2006)

About Nagase & Co., Ltd.

Company Name: Nagase & Co., Ltd.

Founded: June 18, 1832

Established: December 9, 1917

Paid-in Capital: ¥9,699,714,135

Number of Employees: 872 (Consolidated: 3,504)

Main Business: Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods

Main Offices:
Osaka Head Office: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114
Tokyo Head Office: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021
Nagoya Branch Office: 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615
Nagase R&D Center: Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162

History

1832
- Nagase founded in Kyoto as a dyestuffs trading concern
- Sales of dyestuffs, starches and funori seaweed

1893
- Established Osaka branch office

1898
- Head office switched to Osaka, branch office to Kyoto

1900
- Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)

1911
- Established Tokyo branch office

1917
- Inaugurated as Nagase Shoten Company with capital of ¥3 million

1923
- Established business ties with Eastman Kodak Co. of the United States

1930
- Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States

1940
- Established Nagoya branch office

1943
- Company name changed to Nagase & Co., Ltd.

1964
- Listed Company shares on the Osaka Securities Exchange

1968
- Concluded an exclusive distributorship agreement with General Electric Co. of the United States

1970
- Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd.
- Listed Company shares on the Tokyo Stock Exchange

1971
- Established Nagase (Hong Kong) Ltd. and Nagase America Corp.
- Established Engineering Plastics, Ltd. (now GE Plastics Japan Ltd.) jointly with General Electric Co.

1974
- Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States

1975
- Established Nagase Singapore (Pte) Ltd.

1980
- Established Nagase (Europa) GmbH and Chang Fong Overseas Enterprises (Pte) Ltd.

1982
- Established Nagase (Malaysia) Sdn. Bhd.

1985
- Established Seoul branch office

1988
- Established Nagase California Corp. and Nagase (Taiwan) Co., Ltd.

1989
- Established Canada Mold Technology Inc.
- Established Nagase (Thailand) Co., Ltd.
- Established Nagase Science and Technology Foundation
- Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system

1990
- Established Sofix Corp.
- Set up the Nagase R&D Center in Kobe
- Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)

1992
- Established London branch office

1997
- Established Nagase Philippines Corp. and Shanghai Nagase Trading Co., Ltd.

1998
- Established P.T. Nagase Impor-Ekspor Indonesia

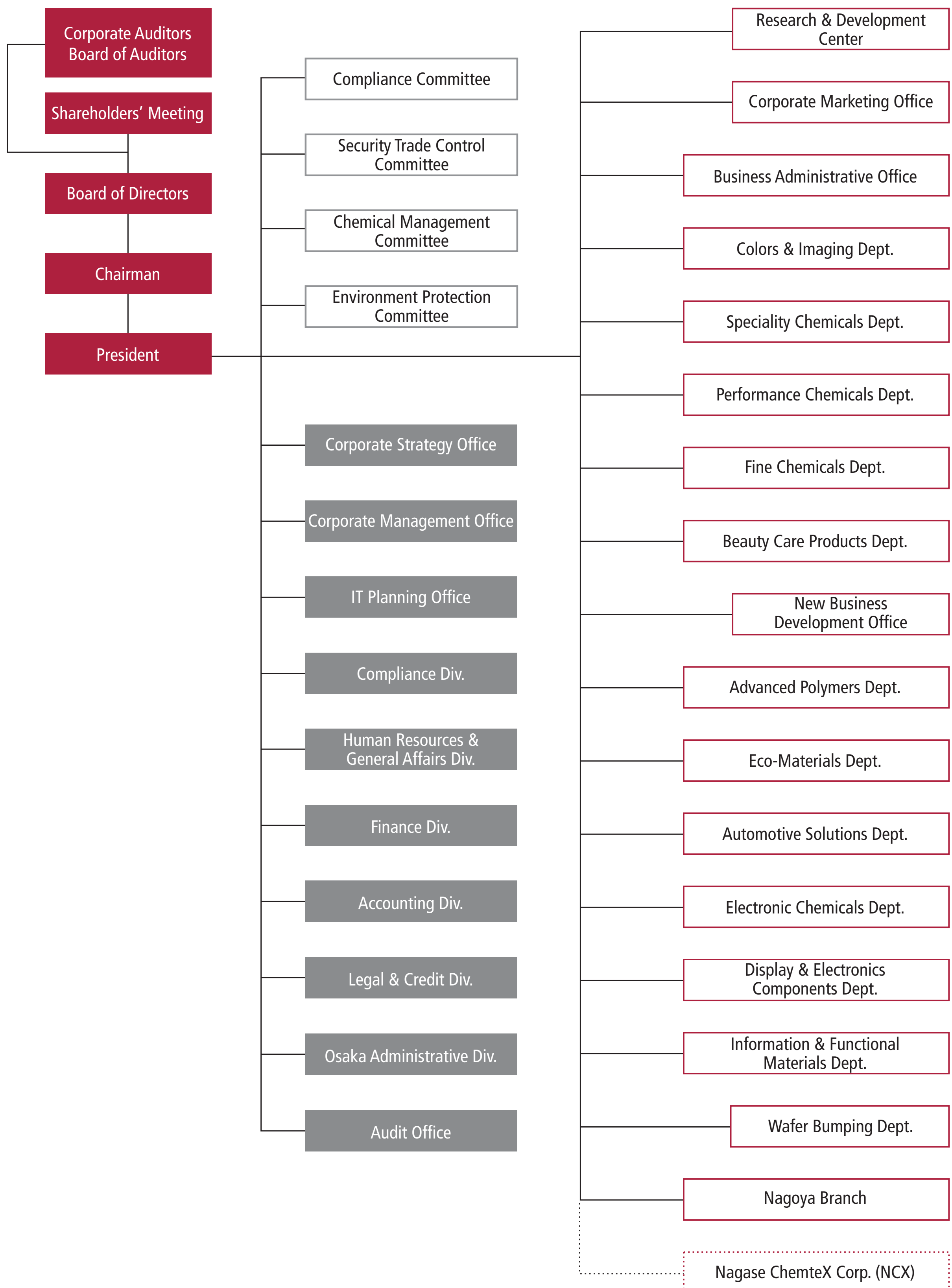
2001
- Closed the Seoul branch office, and established Nagase Korea Corp.
- Merged four production companies, and established Nagase ChemteX Corp.
- Established Nagase Finechem Singapore (Pte) Ltd.

2002
- Established Nagase America Corp. and Nagase Plastics America Corp.
- Established Nagase ChemteX (Wuxi) Corp.
- Established a representative office in Hungary

2004
- Established Nagase International Electronics Ltd.

Organization

(As of April 1, 2006)



Major Consolidated Subsidiaries, Affiliates and Offices

(As of June 30, 2006)

Company name
①Description of business ②Paid-in capital ③Date of establishment ④Equity ownership (*indicates indirect investment)
■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2006)

JAPAN

Manufacturing

■ **Nagase ChemteX Corp.**
①Manufacture of epoxy resins, enzymes, industrial chemicals ②¥2,474 million ③1970 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2582 Fax: (81) 6-6535-2174

■ **Nagase Medicals Co., Ltd.**
①Manufacture of pharmaceuticals ②¥498 million ③1972 ④100.0%
4-323, Senzo, Itami-City, Hyogo
Tel: (81) 72-778-7501 Fax: (81) 72-778-7506

■ **Honshu Rheem Co., Ltd.**
①Manufacture and sale of fiber drums, import and sale of food processing machines and materials
②¥100 million ③1968 ④40.0%
8-11, Minami Hashimoto 4-chome, Sagamihara-City, Kanagawa
Tel: (81) 42-773-3111 Fax: (81) 42-774-4369

■ **Totaku Industries, Inc.**
①Manufacture and sale of plastic products
②¥270 million ③1952 ④77.08%
1-33, Mitsuya Minami 1-chome, Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6308-8300 Fax: (81) 6-6308-7020

■ **Gigatec Inc.**
①Design, manufacture and sale of high-frequency power amplifiers ②¥97 million ③1989 ④41.2%
625, Shimo Ooshimamachi, Takasaki-City, Gunma
Tel: (81) 27-343-1590 Fax: (81) 27-343-3365

eX · Grade Co., Ltd.
①Development, manufacture and sale of components for electronic equipment
②¥23 million ③2003 ④30.4%
5F, Daido-Showacho Dai2 Bldg., 1-30, Showacho 5-chome, Abeno-ku, Osaka-City, Osaka
Tel: (81) 6-6623-7633 Fax: (81) 6-6623-7638

■ **Toyo Beauty Supply Corporation**
①Contract manufacture of cosmetics
②¥40 million ③1964 ④40.0%
3-10, Nihonbashi-Hongokucho 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3241-1410 Fax: (81) 3-3270-6338

Nagase Filters Co., Ltd.
①Planning, production, processing, quality testing and sale of metal filters ②¥80 million ③2006 ④100.0%
4-9-6, Takaida Naka, Higashi Osaka-City, Osaka
Tel: (81) 6-6782-3324 Fax: (81) 6-6782-3304

Processing

■ **Kotobuki Kasei Corp.**
①Molding, processing and sale of plastic products
②¥20 million ③1972 ④57.5%
7-9, Satsukicho, Kanuma-City, Tochigi
Tel: (81) 289-72-0112 Fax: (81) 289-72-0114

■ **Setsunan Kasei Co., Ltd.**
①Coloring and sale of plastics ②¥125 million ③1966 ④100.0%
2-22, Takaida Nishi 5-chome, Higashi Osaka-City, Osaka
Tel: (81) 6-6783-5231 Fax: (81) 6-6783-5228

■ **Kyoraku Co., Ltd.**
①Manufacture, processing and sale of plastic products
②¥200 million ③1917 ④29.3%
Kawaramachi Chuo Bldg., 3-10, Kawaramachi 2-chome, Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6203-1301 Fax: (81) 6-6203-1309

■ **Alpha Bumping Technology Co., Ltd.**
①Contract processing for wafer bumping using Ni/Au electroless plating ②¥300 million ③2000 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3880 Fax: (81) 3-3665-3950

Servicing

Nagase Eco Plus Co., Ltd.
①Marketing, planning and administration of plastics processing ②¥50 million ③1994 ④100.0%
5F, Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3700 Fax: (81) 3-3665-3714

Design & Die Co., Ltd.
①Design, manufacture and sale of automotive components and plastic products
②¥50 million ③2002 ④51.0%
c/o Tatematsu Mold Industry, 27, Okuda Oosawacho, Inazawa-City, Aichi
Tel: (81) 587-32-6281 Fax: (81) 587-32-5392

■ **Nagase Electronic Equipment Service Co., Ltd.**
①Manufacture, sale and maintenance of low-temperature vacuum equipment
②¥45 million ③1989 ④100.0%
5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6324-7626 Fax: (81) 6-6324-7680

■ **Nagase CMS Technology Co., Ltd.**
①Development, design, manufacture, sale and maintenance of CMS devices
②¥150 million ③2001 ④65.0%
4-9, Chigasaki Minami 3-chome, Tsuzuki-ku, Yokohama-City, Kanagawa
Tel: (81) 45-948-1072 Fax: (81) 45-948-1070

■ **Nagase Landauer, Ltd.**
①Radiation measuring services ②¥88 million ③1974 ④50.0%
11-6, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
Tel: (81) 3-3666-4300 Fax: (81) 3-3662-9518

■ **Nagase Logistics Co., Ltd.**
①Warehousing and distribution ②¥401 million ③1982 ④100.0%
4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-City, Hyogo
Tel: (81) 6-6427-8651 Fax: (81) 6-6427-8772

■ **Nagase General Service Co., Ltd.**
①Sale and lease of various goods, real estate administration ②¥20 million ③1983 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2131 Fax: (81) 6-6535-2124

■ **Nagase Information Development, Ltd.**
①Software development and maintenance
②¥30 million ③1987 ④100.0%
Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3231-3581 Fax: (81) 3-3231-3584

■ **Nippon Vopac Co., Ltd.**
①Warehousing, motor truck carrier business and freight transportation services ②¥404 million ③1966 ④19.9%
5-7, Kajicho 1-chome, Chiyoda-ku, Tokyo
Tel: (81) 3-3254-9571 Fax: (81) 3-3254-9566

■ **Nagase Trade Management Co., Ltd.**
①Business agent for foreign trade documentation
②¥20 million ③1996 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3125 Fax: (81) 3-3665-3286

Choko Co., Ltd.
①Insurance agency ②¥15 million ③1971 ④37.7%
11F, Toho Bldg., 1-13, Nishi Shinsaibashi 1-chome, Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6244-0125 Fax: (81) 6-6258-3385

■ **Sun Delta Corporation**
①Development of applications for plastics products and manufacture and sale of processed products
②¥490 million ③2005 ④50.0%
9F, Hibiya-Mitsui Bldg., 1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo
Tel: (81) 3-3507-2830 Fax: (81) 3-3507-2835

Sales

■ **Nagase Colors & Chemicals Co., Ltd.**
①Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision
②¥100 million ③1957 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2058 Fax: (81) 6-6535-2054

■ **Nagase Chemical Co., Ltd.**
①Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery
②¥60 million ③1995 ④100.0%
Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5640-7431 Fax: (81) 3-5640-0791

■ **Nishinihon Nagase Co., Ltd.**
①Sale of dyestuffs, auxiliaries, industrial chemicals and plastics ②¥60 million ③1969 ④100.0%
7F, Nichido Fukuoka Dai-2 Bldg., 1-3, Shimokawabatamachi, Hakata-ku, Fukuoka-City, Fukuoka
Tel: (81) 92-272-3661 Fax: (81) 92-272-3667

■ **Nagase Bio-Chemical Sales Co., Ltd.**
①Sale of enzymes and additives for food and feed
②¥30 million ③1987 ④87.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2318 Fax: (81) 6-6535-2531

Nagase Chemspec Co., Ltd.
①Sale and technological servicing of chemicals
②¥30 million ③1976 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3726 Fax: (81) 3-3665-3746

■ **Nagase Plastics & Co., Ltd.**
①Sale of raw materials for plastics and plastic products ②¥96 million ③1975 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6533-1181 Fax: (81) 6-6533-1189

■ **Nagase Elex Co., Ltd.**
①Sale of raw materials for plastics and plastic products ②¥20 million ③1979 ④100.0%
4F, Nihonbashi Tachibana Bldg., 6-11, Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3661-0821 Fax: (81) 3-3661-1560

■ **Hoei Sangyo Co., Ltd.**
①Sale of film materials, magnetic products, information imaging materials, etc. ②¥250 million
③1974 ④80.5%
Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3274-7880 Fax: (81) 3-3274-7882

■ **Nagase Barrel Finishing Systems Co., Ltd.**
①Sale of abrasives and grinding materials
②¥50 million ③1955 ④100.0%
3F, Osaka Anniks Bldg., 14-20, Itachibori 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6543-7721 Fax: (81) 6-6543-7710

Shinshu Nagase Denzai Co., Ltd.
①Sale of electronics components, raw materials for plastics and plastic products ②¥10 million
③1984 ④90.0%
1-21, Shinmeicho 4-chome, Okaya-City, Nagano
Tel: (81) 266-24-2772 Fax: (81) 266-24-3311

OnFine Co., Ltd.
①Manufacture and sale of electronics and fluorine and polysilane variants for use in materials
②¥10 million ③2002 ④25.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2585 Fax: (81) 6-6535-2174

■ **Nagase Beauty Care Co., Ltd.**
①Sale of cosmetics and health foods
②¥100 million ③1991 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3617 Fax: (81) 3-3665-3724

Company name
①Description of business ②Paid-in capital (thousands) ③Date of establishment ④Equity ownership (*indicates indirect investment)
■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2006)

ASIA

■ **Shanghai Nagase Trading Co., Ltd.**
①International trade and trade consulting
②RMB8,120 ③1997 ④100.0%
18F, Raffles City, No.268 Xizang Road Central, Shanghai, P.R. China 200001
Tel: 86-(21) 63403300 Fax: 86-(21) 63403883

■ **Shanghai Hua Chang Trading Co., Ltd.**
①Sale of resins and related products
②RMB19,864 ③1998 ④16.3%
Room 605, Aviation Center, 1600 Nanjing Road West, Shanghai, P.R. China 200040
Tel: 86-(21) 62481133 Fax: 86-(21) 62486533

■ **Nagase Precision Plastics Shanghai Co., Ltd.**
①Plastic tray molding
②RMB16,512 ③2001 ④94.0%
B-Block, 1F, 173 Meisheng Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai, P.R. China 200131
Tel: 86-(21) 58681661 Fax: 86-(21) 58681667

NCC Shanghai Techno Center Co., Ltd.
①Testing operations for paints and finishing processes
②RMB2,445 ③2002 ④0.0%*
6F, No.75 Bldg. No.1066 Qinzhou North Road Caohejing Hi-Tech Park, Shanghai, P.R. China 200233
Tel: 86-(21) 54261812 Fax: 86-(21) 54261811

Nagase CMS Technology (Shanghai) Co., Ltd.
①Construction and maintenance of chemical supply and management equipment
②US$200 ③2006 ④40.0%
Apollo Bldg 428 No.1440, Yan An Road Central, Shanghai P.R. China 200040
Tel: 86-(21) 6103-1662 Fax: 86-(21) 6103-1663

■ **Nagase ChemteX (Wuxi) Corp.**
①Manufacture and sale of adhesives and high-tech chemical products for electronics, technology service
②RMB28,970 ③2002 ④50.0%
B-B, Machinery & Electronics Industry Park, Wuxi National Hi-tech Industrial Development Zone, Jiangsu Province, P.R. China 21400
Tel: 86-(510) 5200052 Fax: 86-(510) 5200209

Company name
①Description of business ②Paid-in capital (thousands) ③Date of establishment ④Equity ownership (*indicates indirect investment)
■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2006)

Tianjin Nagase International Trading Co., Ltd.
①Import/export and marketing
②RMB2,482 ③2003 ④0.0%*
Room 2008, 20/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R. China 300051
Tel: 86-(22) 83191231 Fax: 86-(22) 83191122

Nagase Plastics Design and Die (Tianjin) Co., Ltd.
①Design of automotive components and plastic products ②RMB2,483 ③2003 ④50.0%
Room 1005, 10/F., The Exchange Office Tower,189 Nanjing Road, Heping District, Tianjin, P.R. China 300050
Tel: 86-(22) 83191234 Fax: 86-(22) 83191122

Guangzhou Nagase Trading Ltd.
①Import/export and marketing ②RMB1,655
③2002 ④0.0%*
Room 4201, CITIC Plaza Office Tower, 233 Tian He Bei Road, Guangzhou, P.R. China 510613
Tel: 86-(20) 38911101 Fax: 86-(20) 38911103

Guangzhou Nagase Trading Ltd.
Wuhan Branch Office
Room 1204, RuiTong Plaza B, No.847 Jianshe Avenue-Hankou, Wuhan 430015, China
Tel: 86-(27) 8548-7933 Fax: 86-(27) 8548-7953

Guangzhou Kurabo Chemicals Co., Ltd.
①Manufacture of molded urethane products for automobiles ②US$7,000 ③2001 ④20.0%
Jingquan 1st Rd., Yonghe Economic Zone, Guangzhou Economic & Technological Development Dist., Guangzhou City, Guangdong, China
Tel: 86-(20) 8297-0557 Fax: 86-(20) 8297-0551

NWP International Trading (Shen Zhen) Co., Ltd.
①Sale of plastic products in South China
②US$1,200 ③2004 ④0.0%*
No.201, Building 6C, International Commercial Center, 1001 Hong Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong, China
Tel: 86-(755) 83599372 Fax: 86-(755) 83580547

Toyo Quality One Ningbo Co., Ltd.
①Manufacture and sale of polyurethane
②US$3,770 ③1993 ④24.2%
No.302 Chengnan East Rd., Cicheng Town, Jiangbei Dist., Ningbo City, Zhejiang, China
Tel: 86-(574) 8757-0057 Fax: 86-(574) 8757-0885

Totaku Industries Suzhou Co., Ltd.
①Manufacture and sale of plastic products
②US$1,700 ③2005 ④0.0%*
9 Datong Road Export Processing Zone, Suzhou New & Hi-tech District, Suzhou, China
Tel: 86-(512) 6269-6006 Fax: 86-(512) 6269-6008

■ **Nagase (Hong Kong) Ltd.**
①Import/export, trade agency, market development, information collection ②HK$3,120 ③1971
④100.0%
Suite 3901 & 3912-14, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China
Tel: 852-23750000 Fax: 852-23772728

Nagase (Hong Kong) Ltd.,
Dalian Representative Office
21F, Senmao Bldg., No. 147 Zhongshan Road, Xigang District, Dalian, P.R. China 116011
Tel: 86-(411) 83704270 Fax: 86-(411) 83704272

Nagase (Hong Kong) Ltd.,
Guangzhou Representative Office
Room 2317, CITIC Plaza Office Tower, 233 Tian He Bei Road, Guangzhou, P.R. China 510613
Tel: 86-(20) 38911101 Fax: 86-(20) 38911103

Nagase (Hong Kong) Ltd.,
Tianjin Representative Office
Room 1005, 10/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R. China 300050
Tel: 86-(22) 83191231 Fax: 86-(22) 83191122

Nagase (Hong Koug) Ltd.,
Shenzhen Representative Office
Room 2501, China Resources Building, 5001 Shennan Dong Road, Shenzhen, 518001, P.R. China
Tel:86-(755) 33380088 Fax:86-(755) 33386999

■ **Nagase International Electronics Ltd.**
①Management of electronics-related manufacturing businesses in Japan and overseas
②HK$10,000 ③2004 ④80.0%
Suite 3901 & 3912-14, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China
Tel: 852-23762088 Fax: 852-23761666

■ **Nagase (Taiwan) Co., Ltd.**
①Import/export, trade agency, market development, information collection ②NT$45,000 ③1988
④100.0%
4F-1, 248, Sec.3, Nanking E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-(2) 27733668 Fax: 886-(2) 27737288

Nagase (Taiwan) Co., Ltd.
Taichun Liaison Office
12F-7, No.530, Yingcai Rd., West District, Taichung City 403, Taiwan R.O.C.
Tel: 886-(4) 2302-7200
Fax: 886-(4) 2302-7202

■ **Nagase Wahlee Plastics Corp.**
①Sale of plastics and related products ②NT$52,000
③1990 ④55.0%
9F Chuan Ta Bldg., No. 37, Sec. 3, Min Chuan East Road, Taipei, Taiwan, R.O.C.
Tel: 886-(2) 25062400 Fax: 886-(2) 25062401

Nagase Electronics Technology Co., Ltd.
①Equipment maintenance service and engineering
②NT$178,000 ③2005 ④60.0%
No.6 Yuanyuan St., Guanyin Township, Taoyuan County 328, Taiwan, R.O.C.
Tel: 886-(3) 416-0498 Fax: 886-(3) 438-9956

■ **Nagase Engineering Service Korea Co., Ltd.**
①Equipment maintenance service and engineering
②WON150,000 ③1997 ④100.0%
Anyang Trade Center No.925 1107 Bisan-Dong, Dongan-ku, Anyang City, Kyongki-do, Korea 431-050
Tel: 82-(31) 3890881 Fax: 82-(31) 3890884

■ **Nagase Korea Corp.**
①Retail sales ②WON700,000 ③2001 ④100.0%
18F, Daewoo Center, 5-541, Namdaemun-ro, Jung-gu, Seoul, Korea
Tel: 82-(2) 7348745 Fax: 82-(2) 7348747

■ **Nagase (Thailand) Co., Ltd.**
①Import/export, trade agency, market development, information collection ②BAHT87,000 ③1989
④100.0%
14F, Ramaland Bldg., 952 Rama IV Road, Khwaeng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand
Tel: 66-(2) 6327000 Fax: 66-(2) 6327111

Sanko Gosei Technology (Thailand) Ltd.
①Manufacture of automobile components
②BAHT370,000 ③1997 ④40.0%
376 Moo 4 Suksawat Rd., Soi 36, Bangpakok, Rasburana, Bangkok 10140, Thailand
Tel: 66-(2) 4277008 Fax: 66-(2) 4274923

Automotive Mold Technology, Co., Ltd.
①Manufacture of automotive molds and dies
②BAHT280,000 ③2000 ④32.1%
Amata City Industrial Estate 7/117 Moo 4, Mabyangporn Pluakdaeng, Rayong 21140, Thailand
Tel: 66-(038) 956151 Fax: 66-(038) 956155

■ **Nagase (Malaysia) Sdn. Bhd.**
①Import/export, trade agency, market development, information collection ②RM1,500 ③1981
④51.0%
Suite 16.01, Level 16, Menara IGB Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia
Tel: 60-(3) 22832366 Fax: 60-(3) 22822933

Nagase (Malaysia) Sdn. Bhd., Johor Bahru Office
Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi, Jalan Kuning, 80400, Johor Bahru, Malaysia
Tel: 60-(7) 3336088 Fax: 60-(7) 3339088

Nagase (Malaysia) Sdn. Bhd., Penang Office
1-5-14&15, 5F, Krystal Point Corporate Park, Jalan Tun, Dr. Awang, 11900 Sungai Nibong, Penang, Malaysia
Tel: 60-(4) 6430628 Fax: 60-(4) 6432490

■ **Nagase Singapore (Pte) Ltd.**
①Import/export, trade agency, market development, information collection ②US$1,738 ③1975 ④100.0%
300 Beach Road, #39-00 The Concourse, Singapore 199555
Tel: 65-63980088 Fax: 65-63980227

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

■ **Nagase FineChem Singapore (Pte) Ltd.**
①Manufacture and recycling of chemical agents for liquid crystals ②S$14,000 ③2001 ④60.0%
9 Tuas View Lane 637569, Singapore
Tel: 65-68989289 Fax: 65-68985313

Chang Fong Overseas Enterprises (Pte) Ltd.
①Sale of chemical products ②S$1,000 ③1980 ④85.0%
31 Gul Circle, Jurong Industrial Estate, Singapore 629569
Tel: 65-68623801 Fax: 65-68622655

Nagase & Co., Ltd., Hanoi Representative Office
Unit 807, Hanoi Tung Shing Square 2 Ngo Quyen Hoan Kiem Dist., Hanoi, Vietnam
Tel: 84-(4) 9350110 Fax: 84-(4) 9350108

Nagase Singapore (Pte) Ltd., Vietnam Representative Office
Room 1809, Sun Wah Tower, 115 Nguyen Hue Boulevard, Dist. 1, HCMC, Vietnam
Tel: 84-(8) 8219166 Fax: 84-(8) 8219139

■ **P.T. Nagase Impor-Ekspor Indonesia**
①Import/export sales and import/export consulting ②US$500 ③1998 ④90.0%
Wisma Kyoei Prince, 21F Jl. Jend.Sudirman Kav.3 Jakarta 10220, Indonesia
Tel: 62-(21) 57900391 Fax: 62-(21) 57900392

■ **Nagase Philippines Corp.**
①Import/export and retail ②PHP45,839 ③1997 ④100.0%
18-B Trafalgar Plaza H.V. Dela Costa Street, Salcedo Village, 1227 Makati City, Philippines
Tel: 63-(2) 7502935 Fax: 63-(2) 8118296

Nagase Philippines International Services Corporation
①Sale of raw materials ②PHP40,000 ③2005 ④100.0%
Building 3, 123-125 Technology Avenue Phase 4, LTI Binan, Laguna, Philippines
Tel: 63-(4) 95440678 Fax: 63-(4) 95440679

Nagase & Co., Ltd., Mumbai Liaison Office
404, Vaibhav Chambers, Bandra-Kurla Complex (BKC), Bandra East, Mumbai 400 051, India
Tel:91-(22) 26591337 Fax: 91-(22) 26591408

NORTH AMERICA

■ **Sofix Corp.**
①Manufacture and sale of color formers ②US$20,000 ③1990 ④49.0%
2800 Riverport Road, Chattanooga, TN 37406-1721, U.S.A.
Tel: 1-(423) 6243500 Fax: 1-(423) 6243587

■ **Canada Mold Technology Inc.**
①Manufacture, sale and maintenance of metal molds ②C$5,000 ③1989 ④53.0%
1075 Ridgeway Road, Woodstock, Ontario, Canada N4V 1E3
Tel: 1-(519) 4210711 Fax: 1-(519) 4210706

Design and Die USA Inc.
①Design of automotive components and plastic products/die sales ②US$200 ③2002 ④25.0%
Crystal Glen Office Center, Suite 356, 39555 Orchard Hills Place, Novi, MI 48375, U.S.A.
Tel: 1-(248) 3740490 Fax: 1-(248) 3740497

■ **Nagase America Corp.**
①Import/export, trade agency, market development, information collection ②US$3,500 ③1971 ④100.0%

New York Headquarters
546 5th Avenue 16F, New York, NY 10036-5000, U.S.A.
Tel: 1-(212) 7031340 Fax: 1-(212) 3980687

Michigan Branch
Crystal Glen Office Center, Suite 356, 39555 Orchard Hills Place, Novi, MI 48375, U.S.A.
Tel:1-(248) 3740490 Fax:1-(248) 3740497

California Branch
2880 Lakeside Drive, Suite 116, Santa Clara, CA 95054, U.S.A.
Tel:1-(408) 5679728 Fax:1-(408) 5679729

Pac Tech USA-Packaging Technologies Inc.
①Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment
②US$3,772 ③2001 ④0.0%*
328 Martin Avenue, Santa Clara, CA 95050, U.S.A.
Tel:1-(408) 5881925 Fax:1-(408) 5881927

EUROPE

Nagase & Co., Ltd., London Branch
Room No. 402-403, Regent's Place, 338 Euston Road, London NW1 3BT, U.K.
Tel: 44-(870) 3517200 Fax: 44-(207) 5436926

■ **Nagase (Europa) GmbH**
①Import/export, trade agency, market development, information collection ②€700 ③1980 ④100.0%
Immermannstrasse 65c 40210 Dusseldorf, Germany
Tel: 49-(211) 866200 Fax: 49-(211) 3237068

Nagase (Europa) GmbH, Hungary Representative Office
MADACH TRADE CENTER BT, H-1075 Budapest, Madach I. ut 13-14. Hungary
Tel: 36-(1) 2681705 Fax: 36-(1) 2681706

Pac Tech-Packaging Technologies GmbH
①Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment
②€187.9 ③1995 ④59.9%
Am Schlangenhorst 15-17 D-14641 Nauen, Germany
Tel: 49-(332) 1449513 Fax: 49-(332) 1449522

Investor Information

(As of March 31, 2006)

Stock Listings: First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

Ticker Code: 8012

Authorized Number of Shares: 346,980,000
Issued Number of Shares: 138,408,285

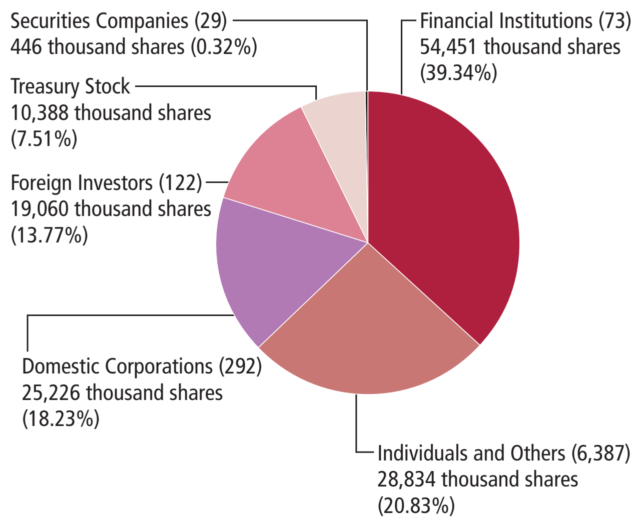
Number of Shareholders: 6,904

Principal Shareholders

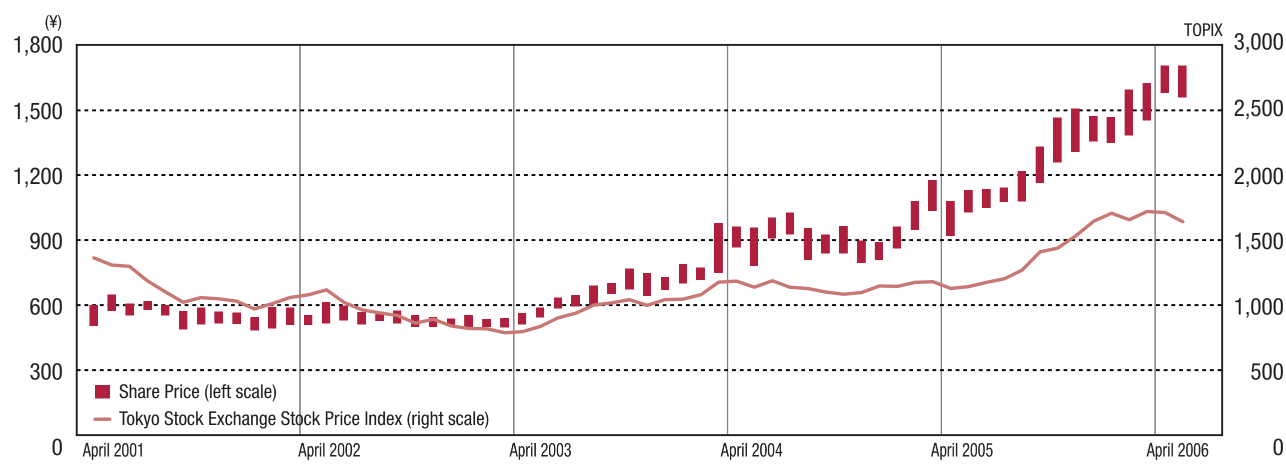
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Master Trust Bank of Japan, Ltd.	9,852	7.12
Japan Trustee Services Bank, Ltd.	9,173	6.63
The Sumitomo Trust & Banking Co., Ltd.	6,131	4.43
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,165	3.01
Nippon Life Insurance Company	3,984	2.88
Reiko Nagase	3,522	2.54
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.13
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,825	2.04
Nagase Shunzo Co., Ltd.	2,749	1.99

Note: In addition to the above, the Company holds 10,388 thousand shares of treasury stock without voting rights.

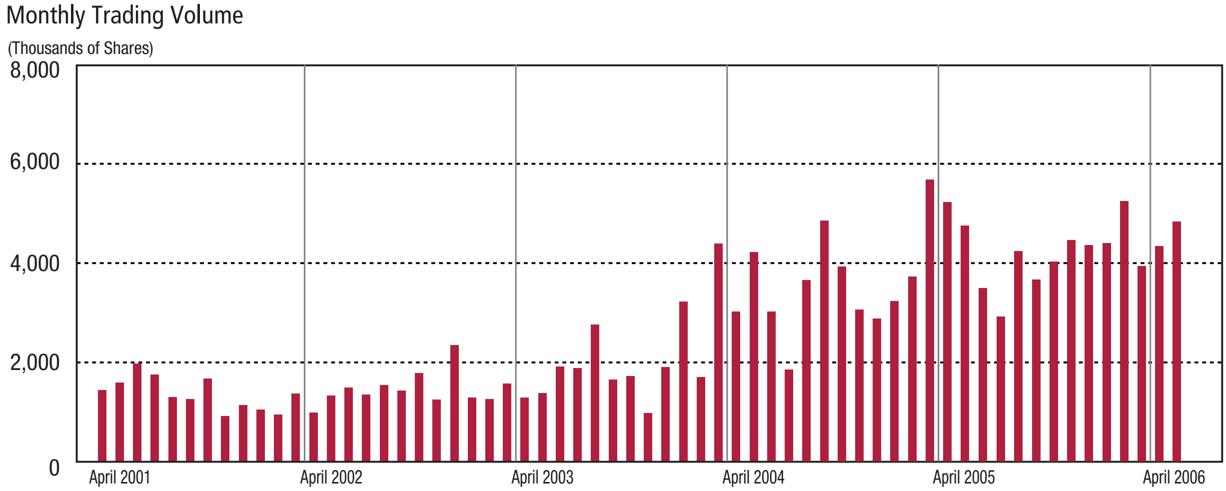
Composition of Shareholders



Monthly Share Price Range of Nagase



Monthly Trading Volume



NAGASE & CO., LTD.

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Tel: (81) 6-6535-2114

Tokyo Head Office:
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355, Japan
Tel: (81) 3-3665-3021

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3-14-18, Marunouchi, Naka-ku, Nagoya City 460-8560, Japan
Tel: (81) 52-963-5615

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

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