

2007
Annual Report

Originality
Drives **Sustained**
Growth

NAGASE

Profile

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

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. Since then, 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 and offices 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.

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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 ¥118.05=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2007. 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.

Management Philosophy

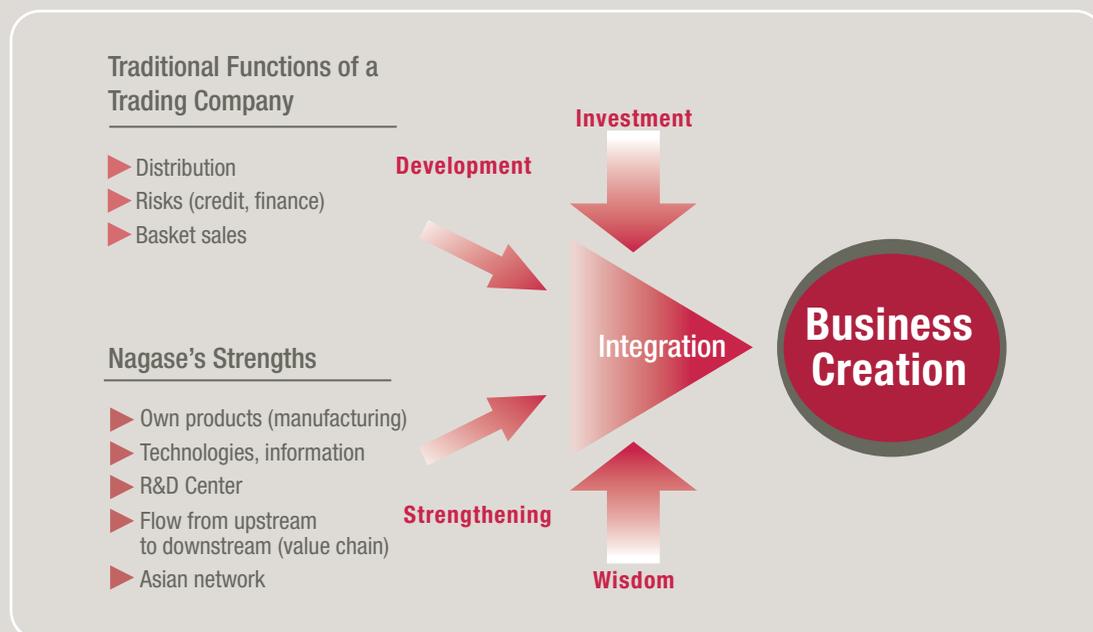
The Nagase Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees.

“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



Financial Highlights

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

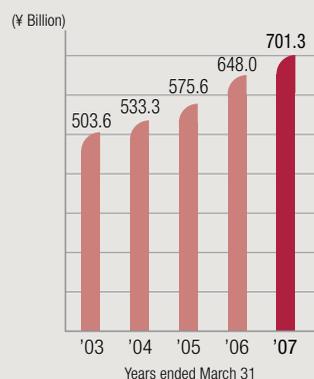
| | Millions of Yen | | Change | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|-----------|--------------|------------------------------------|
| | 2007 | 2006 | 2007/2006 | 2007 |
| For the Year: | | | | |
| Net Sales (Note 2) | ¥ 701,321 | ¥ 648,023 | 8.2% | \$5,940,881 |
| Chemicals | 247,094 | 222,282 | 11.2 | 2,093,136 |
| Plastics | 244,681 | 229,278 | 6.7 | 2,072,695 |
| Electronics | 150,796 | 132,086 | 14.2 | 1,277,397 |
| Life Sciences | 53,556 | 56,404 | (5.0) | 453,674 |
| Others | 5,191 | 7,972 | (34.9) | 43,977 |
| Gross Profit | 73,639 | 67,640 | 8.9 | 623,800 |
| Operating Income | 21,669 | 17,596 | 23.1 | 183,562 |
| Net Income | 13,567 | 12,892 | 5.2 | 114,927 |
| At the Year-End: | | | | |
| Total Assets | ¥ 422,859 | ¥ 396,773 | 6.6% | \$3,582,038 |
| Net Assets (Note 3) | 211,672 | 202,376 | 7.7 | 1,793,071 |
| Per Share Data: | | | | |
| Net Income (Basic) | ¥ 105.84 | ¥ 100.32 | 5.5% | \$ 0.89 |
| Net Assets | 1,597.27 | 1,535.70 | 4.0 | 13.53 |
| Cash Dividends | 18.00 | 15.00 | 20.0 | 0.15 |
| Ratios: | | | | |
| Net Worth Ratio | 48.5 | 49.6 | (1.1) points | |
| Operating Margin (Operating Income/Net Sales) | 3.1 | 2.7 | 0.4 | |
| Return on Equity (ROE) | 6.8 | 7.1 | (0.3) | |
| Return on Assets (ROA) | 3.3 | 3.5 | (0.2) | |

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118.05=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2007.

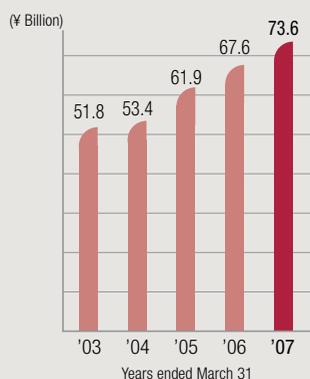
2. As of the fiscal year ended March 31, 2007, the fine chemicals business, formerly included in Chemicals, and the health care business, formerly included in Health Care and Others, have been moved to the newly created Life Sciences segment, and the business handling DVD players and other consumer products, formerly included in the Electronics segment, has been moved to the Others segment. Segment information for the fiscal year ended March 31, 2006 has been restated to reflect the new segment classifications.

3. Effective from the year ended March 31, 2007, the Company has adopted a new accounting standard for presentation of net assets in the balance sheet. The amount for the previous fiscal year has been restated to conform to the new standard.

Net Sales



Gross Profit

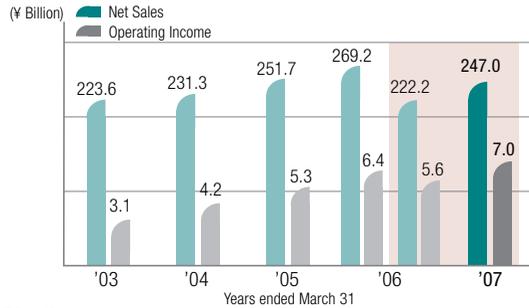


Operating Income/Operating Margin



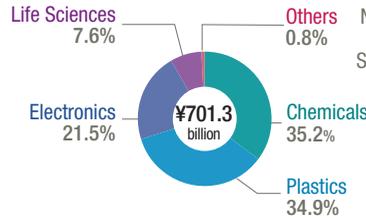
Segment Overview

Chemicals



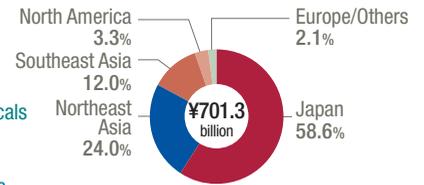
Net Sales by Business Segment

(Year ended March 31, 2007)

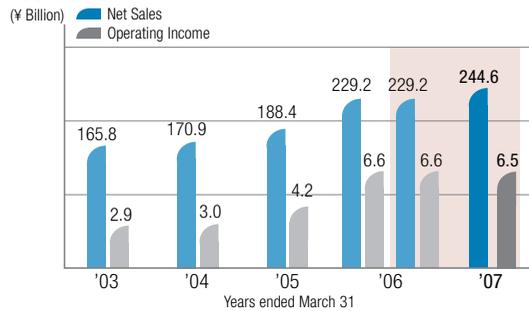


Net Sales by Region

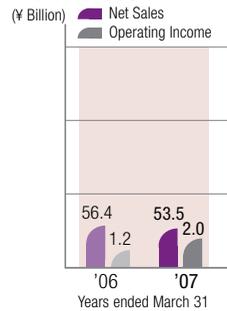
(Year ended March 31, 2007)



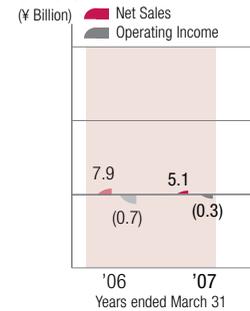
Plastics



Life Sciences



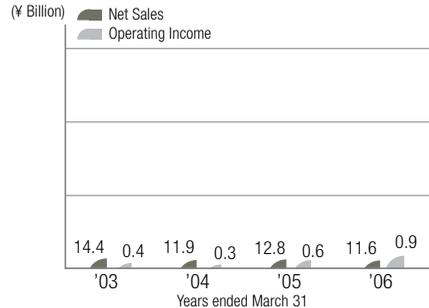
Others



Electronics

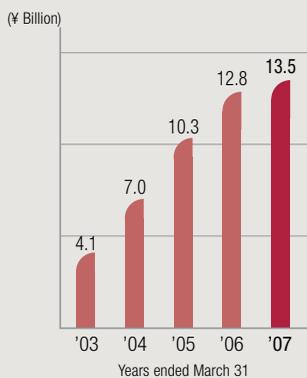


Health Care and Others

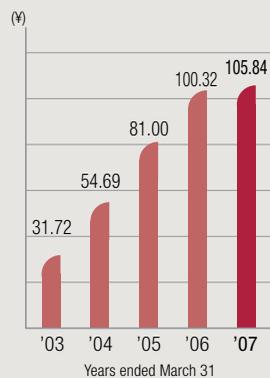


Note: As of the fiscal year ended March 31, 2007, the fine chemicals business, formerly included in Chemicals, and the health care business, formerly included in Health Care and Others, have been moved to the newly created Life Sciences segment, and the business handling DVD players and other consumer products, formerly included in the Electronics segment, has been moved to the Others segment. Segment information for the fiscal year ended March 31, 2006 has been restated to reflect the new segment classifications.

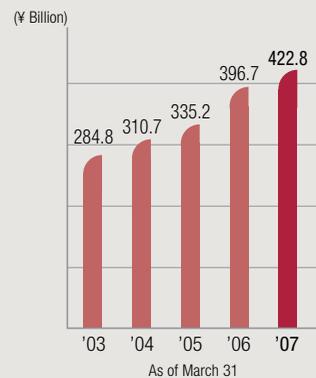
Net Income



Net Income per Share



Total Assets



Message from the Management



Hideo Nagase

Hiroshi Nagase

In fiscal 2006, the first year of the new medium-term management plan WIT2008, Nagase & Co., Ltd. exceeded business performance targets, and achieved its fifth consecutive year of record sales and profits. 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 Nagase Group will accelerate reinforcement of its corporate structure for sustainable growth while continuing to focus on creating high-value-added businesses as it grows and develops with its stakeholders.

Results for the Year Ended March 31, 2007

During fiscal 2006, the year ended March 31, 2007, the Japanese economy was steady due to expansion of capital investment and an increase in exports aided by a weaker yen. The global economy was solid, with no significant slowdowns, despite factors including a growing sense of uncertainty regarding the outlook for the U.S. economy.

The Nagase Group worked in unison to expand its business results under these conditions. As a result, domestic sales increased 5.7 percent compared with the previous fiscal year to ¥410.78 billion and overseas sales increased 11.9 percent to ¥290.53 billion, for total consolidated net sales of ¥701.32 billion, an increase of 8.2 percent.

As for profits, due to the increase in net sales and other factors including amortization of actuarial gains on pension fund investments that arose in the previous fiscal year, operating income increased 23.1 percent year-on-year to ¥21.66 billion. Net income increased only 5.2 percent to ¥13.56 billion due to factors including a large year-on-year decrease in gains on sales of property and equipment and investments in securities. Net income per share increased from ¥100.32 in the previous fiscal year to ¥105.84.

Nagase's basic policy is to generate steady dividends for shareholders. For the fiscal year ended March 31, 2007, Nagase decided to pay an ordinary year-end dividend of ¥8.50 per share and add a special dividend of ¥2.00 per share to commemorate the Company's 175th anniversary, for a total of ¥10.50 per share. Total dividends for the year, including the interim dividend, increased by ¥3.00 to ¥18.00 per share.

Increasing Shareholder Value

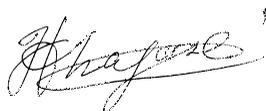
The Nagase Group has launched WIT2008 (W: Wisdom, I: Intelligence, T: Technology), a new medium-term management plan for the three years from April 2006. Based on the belief that now, when performance is good, is the best time to reinforce our corporate structure for continued long-term growth, we have designated WIT2008 as a period of reinforcing our corporate structure for sustainable growth by balancing offensive and defensive strategies while strengthening both. We have set numerical targets for fiscal 2008, the final year of WIT2008, of consolidated net sales of ¥770 billion and consolidated operating income of ¥24 billion. Business performance in the first year, however, has surpassed targets through steady deployment of offensive and defensive strategies. We will continue working with all speed to reinforce our corporate structure.

This year marks the 175th year since the foundation of the Nagase Group. Since its establishment, Nagase has consistently followed a management philosophy based on maintaining good and fair business practices. Looking forward, 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 2007

Hideo Nagase
Chairman



Hiroshi Nagase
President



Interview with President Hiroshi Nagase



President Hiroshi Nagase discusses Nagase Group initiatives during the year ended March 2007, which was the first year of the WIT2008 medium-term management plan, and strategies for future growth.

Nagase turned in another strong performance in the first year of WIT2008, generating sales and profit growth for the fifth consecutive year. What factors contributed to this performance, and what is your assessment of the progress of WIT2008?

In the fiscal year ended March 31, 2007, our overall business environment was favorable, with higher product prices accompanying the rise in crude oil prices, together with continued expansion of capital investment and an increase in exports due to the weakening yen. For several years, Nagase has been transforming from its role as a traditional, straightforward intermediary into a business model involving manufacturing, research and development as “a technology and intelligence oriented company that turns wisdom into business.” The increasing proportion of sales from original Nagase products and processing mainly from Nagase ChemteX Corp., the Nagase Group’s core manufacturer, was a key factor supporting our strong performance.

In my view, however, we have not reached the level I envisioned in terms of creating a more robust corporate structure for sustainable growth, the objective of WIT2008. In particular, while we have made various strategic moves for future growth by deepening our business portfolio strategy in the electronics and life sciences businesses and in overseas business, the plastics and chemicals businesses seem to be lagging in the speed and depth of their efforts. The rapid changes in the world are occurring faster than we are executing our measures, and this is an issue we need to focus on starting this fiscal year.

One of the “offensive” strategies of WIT2008 is investing aggressively in key business areas. Please discuss the Company’s progress and results in this endeavor.

Over the three years of WIT2008, we plan to make investments on the order of ¥30 billion, with a focus on our key business areas of electronics, life sciences, automotive and overseas business. Selected projects will include new investments and renewals of manufacturing facilities of Nagase Group manufacturers, and we will make sure that

these investments are consistent with our technology and market strategies. In the year ended March 2007, we invested aggressively in electronics and life sciences.

In **electronics**, we aggressively expanded our LCD-related components business. Nagase Electronics Technology Co., Ltd., a thin-glass processing joint venture for LCD glass panel units, which we established in Taiwan in November 2005, began full-scale operation during the past fiscal year, and we invested in additional facilities in anticipation of further expansion of production.

We were also active in developing our semiconductor backend processing business. We opened the Semiconductor Applications Development Center in the Kitakyushu Science and Research Park to promote development of elemental technologies. German subsidiary Pac Tech-Packaging Technologies GmbH, which we acquired in January 2006, established a subsidiary in Malaysia in December 2006 to strengthen its production of semiconductor manufacturing equipment and its wafer bumping services in Asia. Nagase's wafer bumping business had been struggling, but making PacTech a subsidiary enabled it to turn a profit in the past fiscal year and contribute to the performance of the electronics business. We are very optimistic about its future prospects.

In addition, we launched a recycling business, centered at Nagase ChemteX Corp. and Nagase CMS Technology Co., Ltd., that provides a full range of services from supply to reclamation of chemicals to both outside customers and Nagase Group companies. This business has received an excellent response from customers and other companies in the industry.

The **life sciences** business has been in a challenging phase during the last several years, but business improvement efforts, which included adjusting strategies and changing the product mix, are now yielding results. In the past fiscal year, sales in the life sciences business declined due to our withdrawal from the medical care business in the previous fiscal year. However, we have laid the foundation for future business expansion by promoting collaboration between Nagase ChemteX Corp. and the Fine Chemicals Department and enhancing the sense of unity in this business. At Nagase ChemteX Corp., we also constructed new facilities for commercial production of phospholipids, a functional ingredient in foods, and introduced a nanoparticle production facility. These additions will enable our life sciences business to respond to a wide range of customer needs, and make it a business with good future prospects. We also decided to further expand facilities for sterile preparations at Nagase Medicals Co., Ltd. The beauty care business, which handles cosmetics and health foods, has been on a slow downward trend in the last several years, with little prospect for significant growth in the door-to-door sales industry overall. However, in the past fiscal year, a new line of high-end cosmetic products developed in cooperation with the Nagase R&D Center was a hit. A top priority going forward will be increasing the number of sales representatives, the driving force of this business.

How is your progress in expanding the business base and restructuring for high profitability?

To expand our business base, we will leverage the relationships of trust the Nagase Group has cultivated with its many excellent suppliers and the Group's network of business sites, primarily in Asia. To further solidify our position, we are working to expand existing businesses, develop new businesses and add to our business sites. Nagase Philippines International Services Corp., which we established in December 2005 in the Philippines, began full-scale

operation in the past fiscal year. In Vietnam, our plastics coloring joint venture also commenced production and is expanding steadily. In addition, our sales companies in China obtained permission to conduct sales in renminbi under that country's new law. In India, we established a subsidiary in November 2006, and have set up operating bases in Mumbai and New Delhi.

Looking at the performance of overseas business in the past fiscal year, business in the ASEAN countries in general, and the plastics business in Thailand and Vietnam in particular, expanded strongly. Sales growth in this region outpaced that in Greater China. As a result, overseas sales accounted for 41 percent of total net sales.

In Japan, we are expanding into new businesses. We established the Nagase Application Workshop, which will offers suggestions on colors and evaluate and research material functions and effects, while also serving as a library with a database of the samples created. Here we will concentrate testing laboratories for fiber processing, coating materials and plastics in a single location, creating a structure that will help us offer ideas with greater added value.

To restructure for high profitability, we are developing original Nagase Group businesses led by our manufacturing companies and the Nagase R&D Center. In this way, we are working to improve profitability for the Group as a whole by increasing the proportion of high-value-added businesses. Earlier, I discussed the expansion of our electronics-related production, mainly at Nagase ChemteX Corp. In parallel with these activities, we are continuing to address underperforming businesses through restructuring and other measures. In the previous fiscal year, we decisively withdrew from the medical care business, and in the year ended March 31, 2007, we dissolved a Singapore-based subsidiary that offered analysis and design of energy-efficient facilities, and sold our business of direct-to-consumer sales of DVD movie software and other products.

What about Nagase's defensive strategies?

WIT2008 includes four defensive strategies: maintain a sound financial position; ensure thorough risk management; improve our consolidated management system; and enhance personnel quality and quantity. We are proud that

Overview of WIT2008 (Fiscal 2006 to Fiscal 2008)

Business Strategies

Become More Robust to Achieve Sustainable Growth



Quantitative Targets

| | Fiscal 2005 (Actual) | Fiscal 2006 (Actual) | Fiscal 2008 (Target) |
|------------------|-------------------------|-------------------------|-------------------------|
| Net Sales | ¥648.0 billion | ¥701.3 billion | ¥770.0 billion |
| Domestic Sales | ¥388.4 billion | ¥410.7 billion | ¥420.0 billion |
| Overseas Sales | ¥259.5 billion | ¥290.5 billion | ¥350.0 billion |
| Operating Income | ¥17.5 billion | ¥21.6 billion | ¥24.0 billion |

we have robust internal systems and structures that compare favorably with those of other companies. But more important in my view is that each Nagase Group company and employee shares and follows the fundamental spirit of maintaining good and fair business practices, as stated in our management philosophy.

● 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. To manage the operating assets of our overseas bases, we are promoting the development of an inventory management and operating structure that achieves a balance between meeting customer needs and minimizing stock requirements.

● Ensure Thorough Risk Management

The Nagase Group must further enhance its risk management system to comprehensively identify, understand and control the various types of risk that arise in conjunction with its business operations. Accordingly, to implement and enhance thorough legal management in all our business activities, we conducted reviews of our organizational structure, taking measures such as the establishment of the Compliance Division.

To improve our internal control system, we set up a dedicated office in January 2006 to prepare for the enactment of a new law requiring internal control systems for financial reporting. We also established the Internal Control Promotion Committee in February 2007, and began a project to conduct concrete inspections and verifications and maintain records.

● Improve Our Consolidated Management System

The Nagase Group is upgrading its existing Group management by stepping up its efforts to promote ties among subsidiaries, affiliates and departments in each business. These include promoting sharing of strategies and information and personnel exchanges. In addition, we are working to enhance the Group operating structure for sustainable growth by reviewing the functions of domestic and overseas Group companies and by promoting more efficient use of our business resources.

● Enhance Personnel Quality and Quantity

Nagase's most important asset is its people. We focus on hiring diverse personnel with a high level of professional expertise who are able to respond to the changes in our business structure and handle new businesses. In addition, we have established a Human Resource Development Team, which conducts a training program to ensure that employees of overseas subsidiaries and affiliates are able to contribute strongly to the Nagase Group's future growth. In these and other ways, Nagase is promoting human resource development at all levels, including at subsidiaries and affiliates.

What are your policies for fiscal 2007, the second year of WIT2008?

As I said at the beginning, I would like to further deepen our businesses with a little more focus on speed. To accomplish that, we need to restructure our organization to create a system for building new businesses and to promote greater inter-divisional cooperation and synergy between our manufacturing and trading company functions. While doing so, we will first increase the variety of business that we can acquire or otherwise invest in.

Overseas, we will expand our business further in the ASEAN region, with a focus on India and Vietnam. We are also concentrating on business in North America and Europe. Although our business in North America and Europe has a long history, it has not yet reached the point where the Nagase Group has a strong presence. Therefore, we intend to build Nagase-led businesses by acquiring manufacturing functions through mergers and acquisitions and other means to increase the Nagase Group's presence in those markets.

In Japan, we are now conducting full-fledged efforts with U.S. company NanoGram Corp., with which we formed a business tie-up. In addition to creating a foundation for the nanotechnology business, we will build a functional film business across the Company, centered on the newly established Sheet & Film Planning Office.

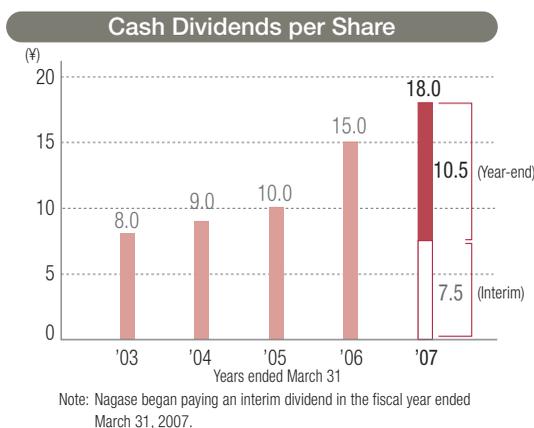
In closing, what is your message to shareholders and other investors?

This year is Nagase's 175th anniversary. I strongly believe that the major success factors behind Nagase's survival and development over this long period are the excellent customer and supplier network built up by our predecessors, our know-how as a "technology and intelligence oriented trading company," and, as I've said previously, adherence to our enduring philosophy of following good and fair business practices. Of course, our business has also been supported by advances in science. In commemoration of our 175th anniversary, the Nagase Science and Technology Foundation will sponsor a symposium that pays tribute to past scientific advances and looks ahead to future developments.

Our goal is to fulfill Nagase's unique business model of strategically deploying its accumulated technology to be "a technology and intelligence oriented company that turns wisdom into business." Above all, we will maintain good and fair business practices, and continue as a business group that operates with a focus on corporate social responsibility (CSR).

Our fundamental policy for shareholder returns is to maintain steady dividend payouts while working to enable returns linked to consolidated performance trends, taking into account the expected medium-to-long-term capital requirements to fund future growth. For the year ended March 31, 2007, we increased cash dividends by ¥3.00 per share from the previous fiscal year to ¥18.00 per share, and have now increased dividends for four consecutive years. By achieving the performance targets of WIT2008, we intend to continue to deliver a high level of shareholder returns.

The Nagase Group is committed to sustainable growth into the future as it raises its corporate value. We hope that shareholders and investors will also look forward to our success with a medium-term perspective, and continue to support our efforts.

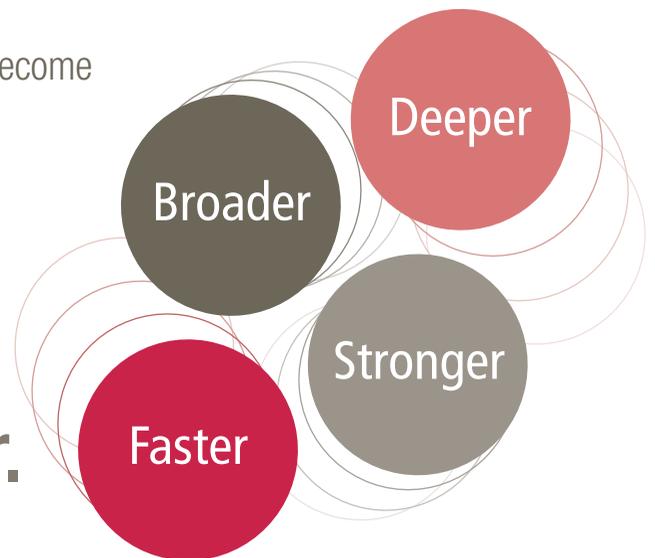


Originality Drives Sustained Growth

for the Nagase Group.

Our originality helps us become

**Deeper,
Broader,
Faster
and Stronger.**

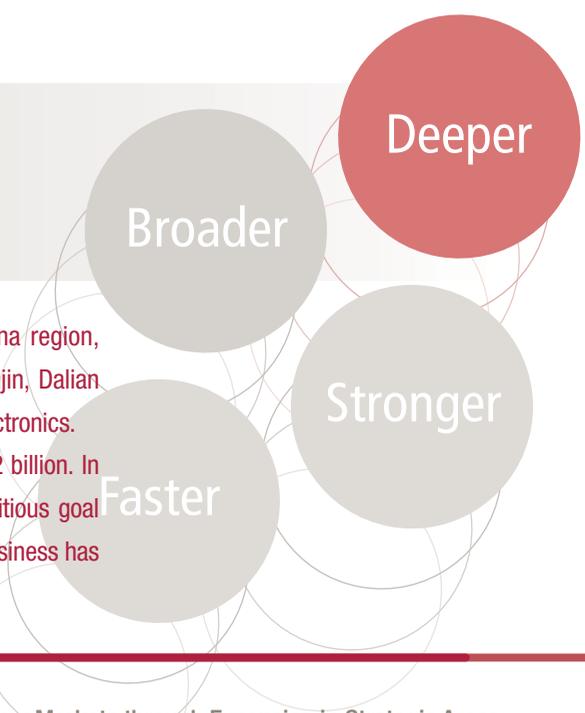


Originality Drives Sustained Growth

Deeper: China Business

The Nagase Group is expanding its business in the fast-growing Greater China region, which includes Hong Kong, Shenzhen, Guangzhou, Wuhan, Shanghai, Suzhou, Tianjin, Dalian and Taiwan. Our business in Greater China is primarily in chemicals, plastics and electronics.

Sales in this region for fiscal 2006 increased 8.6 percent year-on-year to ¥168.2 billion. In 2001, we set a five-year sales target of ¥150 billion. This was a remarkably ambitious goal given the scale of our business at the time, but the Nagase Group's Greater China business has grown at an impressive rate, backed by rapid economic growth in China.



Timely Expansion of Operating Sites

The Nagase Group's operations in Greater China as of March 31, 2007 consist of 8 sales companies, 10 branches and offices, 13 manufacturing companies and 3 service companies, with a total of more than 450 Group employees. Establishment and expansion of this network of operating bases and business infrastructure to keep pace with market expansion has supported our business growth.

At sales bases in the past fiscal year, we increased staff at sales companies in Guangzhou and Tianjin, and our sales companies in Taiwan and Shanghai opened representative offices in Taizhong and Ningbo. The opening of the Ningbo Representative Office had an immediate effect, and within a short period of time the office had to increase its staff. In Shenzhen, we reorganized our office and launched a new marketing company. We plan to enhance our personnel and functions to provide a wide range of customer-oriented services.

In manufacturing operations, a factory in Taipei that processes thin glass for LCDs came on line. This facility has prospered, gaining excellent evaluations and a high share from major manufacturers in Taiwan, an electronics powerhouse, and operated at full capacity in its first year.

Cultivating New Markets through Expansion in Strategic Areas

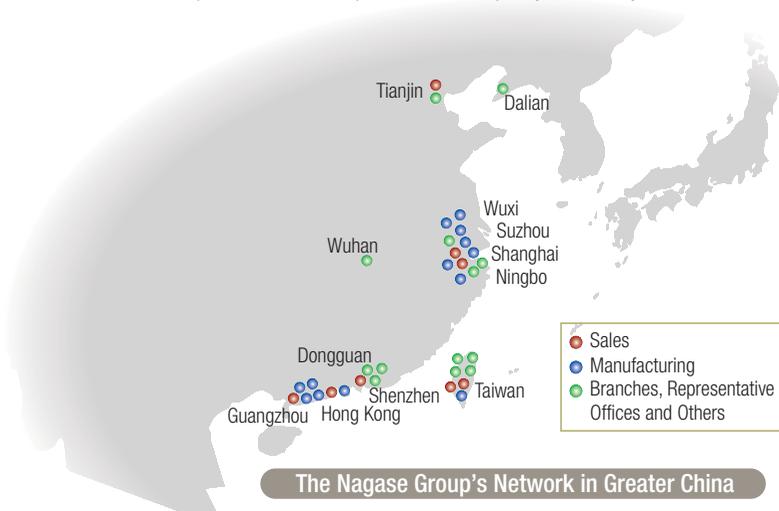
With a clear area development strategy, Nagase is deepening its presence in the Hong Kong, Taiwan and South China markets, the heart of the Greater China region, and growing its business in East China, which includes Shanghai, into its next cornerstone. We are also promoting business development in North China.

Hong Kong and South China is a mature yet still-growing region, and investment there continues to expand. Sales in the past fiscal year rose 30 percent due to growing business in the automotive and electronics sectors. Our chemical and plastic raw materials business for automobile manufacturers and assembly and processing business for electronics and amusement-related components showed particularly impressive growth.

Taiwan is increasingly important as a source of business from Taiwanese companies operating in mainland China. Therefore, we have assigned a Taiwanese representative to our subsidiaries in Shanghai and Guangzhou. In addition, our Taiwan subsidiary is considering establishing a new operating base in Fujian Province, where growth is expected.

East China is another region of expanding growth. In the past fiscal year, paint materials and chemicals and plastics for office automation equipment and home appliances sold strongly. Sales of electronic materials manufactured by Nagase Group companies also rose dramatically. The sphere of activity of our East China subsidiaries is centered on Shanghai, but has expanded to Suzhou, Wuxi, Hangzhou and Ningbo.

Our **North China** business, which is focused on Tianjin and Dalian, is still small but growing steadily. We have started exploring the possibility of a building materials business in Dalian. In addition, Nagase has begun sponsoring a student exchange program between Tsinghua University in Beijing and the Tokyo Institute of Technology. We intend to use the themes and network of contacts gained from this program not only in our China business but also in collecting information on politics, laws and marketing in China.

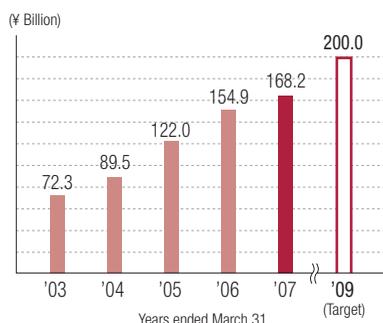


The Nagase Group's Network in Greater China

Nagase's Mission in Greater China

1. Expand business originating in Greater China
2. Develop the human resources able to do so
3. Create a system to support this effort

■ Net Sales in Greater China



Nagase ChemteX (Wuxi) Corp. manufactures epoxy resins.

Promoting Collaboration among Regions, Businesses and Functions

The Nagase Group is also promoting collaboration. We are aggressively expanding collaboration among different regions, business areas and functions. In the past fiscal year, we clarified the roles of top executives at each subsidiary for a higher level of collaboration among facilitators of regional Group companies and business leaders in chemical, plastic, electronics and other businesses in Greater China.

Collaboration within the Region and with ASEAN

We introduced promising products in each area and promoted interaction between subsidiaries in an effort to expand sales within and beyond the region. Many new ideas were generated as a result. In the plastics business, we have made significant achievements conducting business in mainland China through our Taiwan subsidiary, but we are now beginning to expand the chemical and electronics businesses using existing local subsidiaries. Moreover, our Shanghai subsidiary has accepted employees from our subsidiary in Korea, and is now pursuing Korean business that has shifted to mainland China.

Collaboration among the Chemicals, Plastics and Electronics Businesses

South China is a manufacturing mecca for amusement components and game machines. Our electronics operations have grown in tandem with the LED fabrication business, while our plastics operations have acquired a molded component business. Similarly, the business of resins used to make plastic products and the business of chemical raw materials and additives for resins are also achieving results from multiple points of collaboration.

Collaboration between Sales and Manufacturing Companies

A full-time unit at Shanghai Nagase Trading sells epoxy resins produced by Nagase ChemteX (Wuxi) Corp. This unit, as well as the sales teams of Nagase (Hong Kong) Ltd. and Tianjin Nagase International Trading Co., Ltd., have begun conducting sales covering all of Greater China. Nagase International Electronics Ltd. is enhancing its manufactur-

ing functions by expanding assembly and processing of LCD components, audio equipment and electronic components, while the sales unit of Nagase (Hong Kong) Ltd. provides solid support. Nagase Electronics Technology Co., Ltd. processes thin glass for LCDs, which are marketed and sold by the sales unit of Taiwan Nagase Co., Ltd. Nagase Precision Plastics Shanghai Co., Ltd. manufactures precision packaging components using vacuum forming machinery, and is strengthening collaboration including information exchange with Shanghai Nagase Trading Co., Ltd. and Shanghai Hua Chang Trading Co., Ltd. The effects of this collaboration contributed to a 40 percent year-on-year increase in sales of these three companies during the past fiscal year.

Strengthening Marketing of Group-Manufactured Products

Nagase also collaborates with other manufacturers in joint venture manufacturing businesses. Products from automotive spring manufacturers that have set up operations in an industrial site arranged by Nagase are marketed mainly by Guangzhou Nagase Trading Co., Ltd.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, the second year of WIT2008, we will step up our drive to achieve our sales target of ¥200 billion and work toward the mission we have set. We have set "collaboration" as the primary keyword for our activities, and we intend to shift to the next level, "integration."

Specifically, we will create an organization to promote businesses that are more integrated, businesses with functions that could not be realized without Nagase, and businesses in which Nagase plays a leading role. As a result, we will develop businesses with high profit margins. We will increase our participation in manufacturing, pursue development and expansion of manufacturing themes with the cooperation of business divisions, and promote expansion of business with companies based in Hong Kong, Taiwan and mainland China. Through these measures, we will further strengthen our operating infrastructure in China amid high economic growth leading up to the 2008 Beijing Olympics and the 2010 Shanghai World Expo.

Broader: ASEAN Business

Six subsidiaries in Singapore, Malaysia, Thailand, the Philippines, Indonesia and India, which was added during the past fiscal year, and representative offices in Hanoi and Ho Chi Minh City in Vietnam, conduct Nagase's ASEAN business, which is working to expand the market with a focus on plastics. During fiscal 2006, sales increased 22.0 percent due to expansion of the plastics business in Thailand and Vietnam and the startup of a masterbatch blend factory at a joint venture company. Nagase's business in this region grew even faster than in Greater China, with sales reaching ¥84.5 billion.

Faster

Broader

Deeper

Stronger

Expansion of ASEAN Business: Beyond China

The Nagase Group's operations in the ASEAN region as of March 31, 2007 consisted of 7 sales companies, 9 branches and offices, 9 manufacturing companies and 1 service companies. The strengths of our ASEAN business operations include 1) the ability to conclude business locally, backed by the Group network; 2) the presence of subsidiaries in each country, which allows them to determine needs directly from customers and link them to new businesses; and 3) deep ties with customers built up over many years.

One of the fundamental strategies of WIT2008 is to expand our network of sales bases in markets near China, such as India and Vietnam. Our business in these markets developed substantially in the past fiscal year.

In **India**, we opened our first ASEAN operating base, the Mumbai Representative Office, in 1964. In November 2006, we established a subsidiary there with locations in Mumbai and New Delhi, and began operations. The seeds of various new businesses are already starting to emerge in the automobile and other industries in India, and our subsidiary is increasing its staff.

In **Vietnam**, we established the Ho Chi Minh City Representative

Office in 1996 and the Hanoi Representative Office in 2002. In 2005, we established Dainichi Color (Vietnam) Co., Ltd., a plastic colorant manufacturing joint venture with Dainichiseika Color & Chemicals Mfg. Co., Ltd. This company began production in the past fiscal year, and sales grew steadily, centered on products for automobiles and hard disk drives.

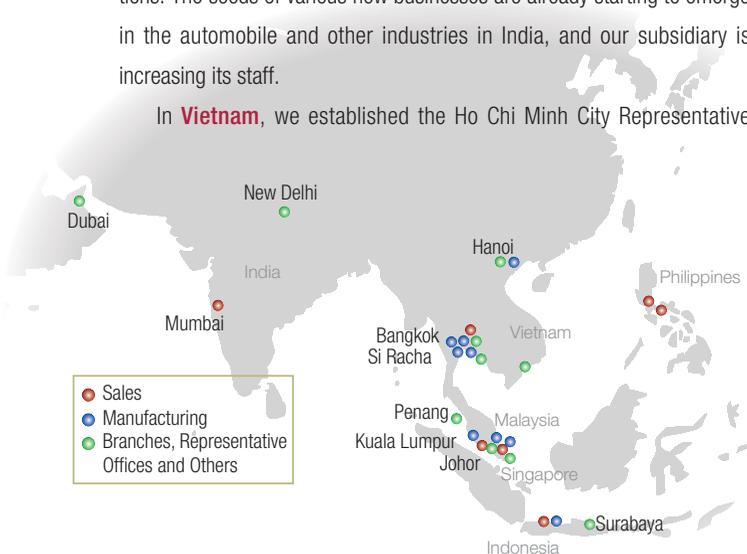
In **Singapore**, after establishing a subsidiary in 1975, we established Nagase FineChem Singapore (Pte) Ltd., a subsidiary that manufactures, recovers and recycles LCD chemicals, in 2001, and are expanding the electronics business.

Malaysia's abundant human resources and established infrastructure make it a suitable country for manufacturing. Nagase established a subsidiary in 1982 to conduct our business activities in Malaysia. In December 2006, Nagase subsidiary Pac Tech-Packaging Technologies GmbH established Pac Tech Asia Sdn. Bhd., in Penang, Malaysia to reinforce production of semiconductor manufacturing equipment and wafer bumping services in Asia. The new company is expected to become a central base in Southeast Asia, where both Nagase and Pac Tech have many customers, and contribute to increasing production and strengthening competitiveness.

In **Thailand**, subsidiary Nagase (Thailand) Co., Ltd. was established in 1989. In this country, which is steadily developing its economy, Nagase is expanding its plastics business with a focus on the automobile industry. Business in Thailand contributed substantially to overall results in ASEAN during the past fiscal year. Automotive Mold Technology Co., Ltd., which manufactures automotive molds and dies, is also growing smoothly.

In the **Philippines**, Nagase established a subsidiary in 1997. Nagase Philippines International Services Corp., which was established in 2005, began full-scale operation during the past fiscal year.

In **Indonesia**, Nagase established a subsidiary in 1998. Production and sales of automobile parts for Honda (UK) are expanding steadily.

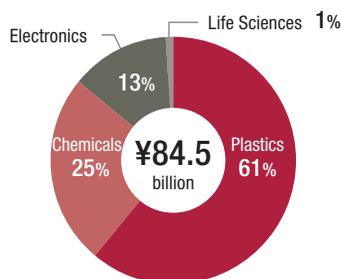


The Nagase Group's Network in the ASEAN Region

Net Sales in the ASEAN Region



Sales in the ASEAN Region by Business Segment (Year ended March 31, 2007)



Nagase FineChem Singapore (Pte) Ltd. recycles chemicals.

Integrating ASEAN Operations and Sharing Resources

Nagase views its operations in the ASEAN region, which extends across multiple countries, as a cohesive unit. Accordingly, we set up the Regional Business Center (RBC) to promote effective business development by enhancing sharing and unification of IT strategy, human resource development, risk management and other management functions. For example, in the launch of Dainichi Color (Vietnam) Co., Ltd., RBC staff were dispatched to assist in logistics-related matters, and in accounting systems. RBC sent people from Nagase Singapore and Nagase (Thailand) helping the company start up quickly. RBC also provided support for the introduction in the Philippines of an IT system developed by Nagase Singapore, and is performing follow-up functions such as updates, customization and report preparation.

In personnel development and enhancement, RBC cooperated with Nagase (Hong Kong) to create and implement a program to cultivate the next generation of managerial candidates among national staff. The contents of this program are different from ordinary management training because they include programs unique to Nagase, such as understanding the Nagase Group philosophy and vision and imparting it to subordinates, and network building aimed at promoting collaboration within the Nagase Group.

Strategic Initiatives in Fiscal 2007

Aiming for further growth in fiscal 2007, the second year of WIT2008, Nagase will actively market new products and services to existing customers by uncovering business opportunities through closer customer contact and offering original Nagase products and technologies, while strengthening local manufacturing. In Vietnam, Dainichi Color (Vietnam) will conduct more aggressive business development with a focus on automotive and hard disk drive related business, and prepare to establish a subsidiary. In Singapore, we will set a clear direction for the recycling business of Nagase FineChem Singapore. In addition, we plan to

take suitable personnel enhancement measures that include other operating bases.

We will also deal with underperforming businesses, decisively make concentrated investments in key businesses and regions, and map out a medium-term strategy for the ASEAN business. Currently, plastics make up over 60 percent of the sales of the ASEAN business, but we plan to increase the proportion of sales of chemicals and electronics while maintaining sales of plastics.

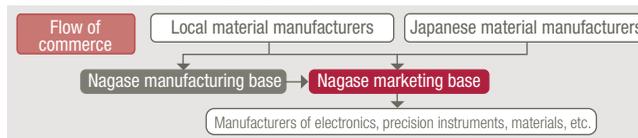
Plastics-Related Business



Chemicals-Related Business



Electronics-Related Business



Faster

Stronger

Broader

Deeper

Faster: Improving Distribution

In overseas businesses, Nagase is focusing on development of distribution systems and services. Key objectives are cutting costs and raising efficiency in the Nagase Group's business operations as well as improving distribution systems and services to reduce costs and increase efficiency for customers

Creating Distribution Systems that Help Customers Lower Costs and Raise Productivity

Nagase is taking measures to create distribution systems that respond to customer needs while supporting lower selling costs and efficient sales activities in our own business. We are overhauling the inventory and transport methods and delivery systems of our subsidiaries to create a more efficient distribution system and reduce selling expenses. The Greater China Management Office provides support including guidance on improving distribution in China, and shares the optimal distribution models used in other regions to apply them at subsidiaries in China.

For the paint materials and chemical materials Nagase supplies, key issues include safe storage of substances that require controlled temperatures or hazardous substances that require special handling, as well as enhancement of the distribution system to provide warehouses capable of speedy delivery to customers. Nagase has carefully conducted field surveys while building a logistics network that responds to requirements for just-in-time production among customers operating in China. Nagase has already completed distribution networks in Tianjin, Qingdao, Shanghai and Guangzhou, and plans further enhancement and expansion.

Nagase is licensed to handle hazardous substances in Shanghai and Tianjin, and is working to obtain a license in Guangzhou. In addition, with the acquisition of certification as a distributor by Nagase Marketing and Service (Shenzhen) Ltd., we will consider operations for new business development.

In the Philippines, we established logistics functions in the past fiscal year that enable high-frequency, small-lot delivery and meet customer requirements for just-in-time production control. In addition, we also provide bonded storage to support cost improvement.

Distribution-Related Customer Support Services

Weekly Full Container Service

In 2003, the Nagase Group began offering a "weekly full container service," a distribution support service for customers, as a proposal-based business, and demand has increased each year. By consolidating cargo for multiple customers into a single container for overseas shipping, this service lowers customers' distribution costs and reduces their export operations. At the same time, it gives the Nagase Group's overseas bases opportunities to discover and sell the products of these customers, thus contributing to expansion of sales and stronger relationships with customers.

Chemical Analysis Services at NCC Shanghai Techno Center

The services of NCC Shanghai Techno Center Co., Ltd. include conducting tests of dye toning and properties and analysis of chemical materials for customers exporting chemical products from China. Demand for these services is expanding. The laboratory obtains samples from the production site and analyzes them before they are shipped to Japan. Compared to analysis after arrival in Japan, this service prevents problems for customers in advance and enables them to respond in a timely manner to any issues that arise.



NCC Shanghai Techno Center is expanding its chemical analysis functions.

Stronger: Improved Risk Management and Administrative Controls

Stronger

Deeper

Broader

Faster

Nagase's global business is expanding rapidly with the growth of business in the Greater China and ASEAN regions, and overseas sales reached 41 percent of total net sales in fiscal 2006. This expansion is increasing the need for stronger risk management and operational management, including human resource development. Nagase is taking various measures in these areas to realize the defensive strategies in WIT2008.

The expansion of Nagase's global business has increased the issues that need to be addressed. In addition to risk management, including diligent collection of receivables and credit administration, stronger foreign exchange management focusing on the movements of various currencies, and proper response to evolving legal systems, we are also focusing on training the local employees and managers who support business operations.

Greater China

On April 1, 2007, Nagase established the Greater China Management Office (GCMO) to oversee operations in the region. The purposes of this office are to create a unified operating structure in the region, plan and promote regional business strategies, and enhance the business support systems and develop the human resources that are essential for realizing strategies. The GCMO is positioned at the center of our activities for all of Greater China. In this region, where Nagase's operations are becoming more sophisticated, diverse and localized, the GCMO will create a system for sharing and utilizing human resources, information and know-how on a regional scale, rather than for each operating base. It will provide cross-divisional business support in areas including planning of business strategies, legal and credit administration, distribution and compliance. In addition, the GCMO will consider various systems such as personnel systems that include personnel exchanges and reassignments, and plans to undertake personnel development and other common issues and themes.

In management guidance, we set numerical targets for management indicators and formulate the "Greater China Management Indicator." We view return on capital employed (ROCE) as the paramount indicator to strengthen promotion of cash flow-oriented management. In the area of administration, our efforts include strengthening our credit administration system, considering responses to new laws in China, providing guidance on distribution improvements, promoting a security trade control system and considering a core operational system (next-generation system). These efforts are already producing results. In December 2006, we used

legal measures to recover nearly 100 percent of the bad debts that arose in East China. However, we also intend to study debt collection measures unique to China.

With China's entry into the World Trade Organization (WTO), a law for official approval of commercial activities in foreign currencies within China was passed, and all of Nagase's subsidiaries in Greater China had received approval by March 2007.

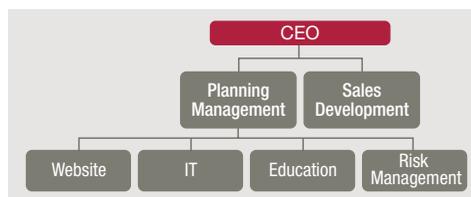
■ Organization of the Greater China Management Office



ASEAN Region

In the ASEAN region, the Regional Business Center (RBC) oversees operations in each country and region and fulfills support functions. The RBC flexibly lays out the support and collaboration systems necessary for business development at each site, and promotes sharing and effective use of specific functions and resources, including IT systems and personnel development, among all operating sites in the ASEAN region. In this way, the RBC supports smooth operations at each site. In fiscal 2007, the RBC will formulate an ASEAN business strategy and promote further enhancement and unification of management functions. In risk management, the RBC will instill thorough awareness of security trade control, and will work in cooperation with the GCMO to improve the credit administration system and make contract-related upgrades.

■ Organization of the Regional Business Center



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 and adopted the Board of Auditors system. The Company's current management framework consists of ten directors, including two independent directors from outside the Company; 21 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.

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 Corp. Neither they nor the two outside corporate auditors have any personal, capital or business relationship with, or any other interest in, the Company. Kao and Nagase have a vendor-supplier relationship with regard to chemicals, but all transaction terms are identical to those between Nagase and other business partners.

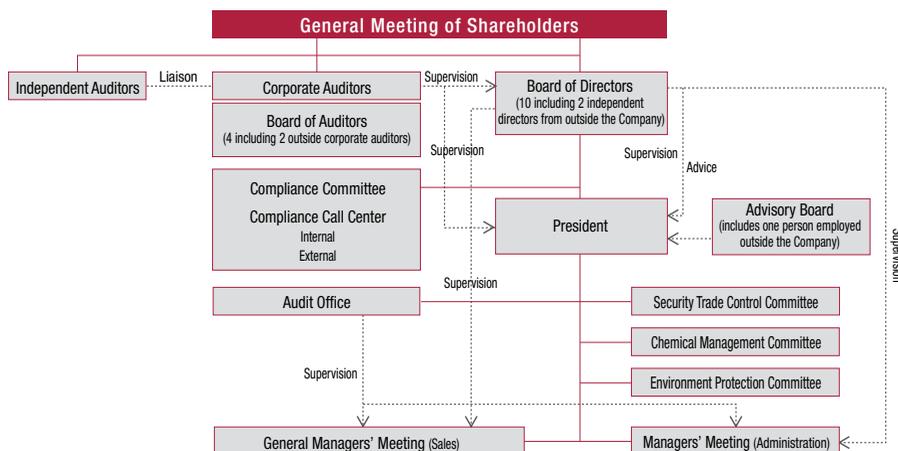
In addition to attending Board of Directors' meetings and other important meetings, corporate auditors closely monitor the execution of duties

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.

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.

Corporate Governance System



Compensation of Directors and Auditors

Total compensation paid to Company officers in fiscal 2006 was as follows.

| Title | Number | Compensation (¥ million) | Officer Compensation Limits by Resolution of Ordinary General Meeting of Shareholders |
|-------------------|--------|--------------------------|---|
| Director | 10 | ¥289 | Up to ¥360 million annually (per resolution on June 29, 1988) |
| Corporate Auditor | 4 | 53 | Up to ¥80 million annually (per resolution on June 28, 2006) |
| Total | 14 | ¥342 | |

- Notes: 1. The above compensation includes a total of ¥36 million paid to four outside directors and corporate auditors.
 2. The above total compensation does not include salary paid to directors holding concurrent positions as employees of the Company.
 3. The above total compensation includes directors' and corporate auditors' bonuses of ¥88 million expensed as accrued bonuses during fiscal 2006.
 4. In addition to the above, bonuses to directors and corporate auditors totaling ¥70 million were paid as appropriation from profit of the previous fiscal year.
 5. In addition to the above, rights to purchase new shares in the form of stock options totaling ¥11 million were issued as compensation to nine directors (including ¥1 million to one independent director), per resolutions of the 91st Ordinary General Meeting of Shareholders held on June 28, 2006 and the Board of Directors meeting held on July 31, 2006.

Compensation of Independent Auditors

| | (¥ million) |
|--|-------------|
| Total compensation paid to independent auditors by the Company and its consolidated subsidiaries in fiscal 2006. | ¥74 |
| Portion of the above paid by the Company and its consolidated subsidiaries for services rendered pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law. | 58 |
| Portion of the above paid by the Company for such services. | 49 |

Enhancing Internal Controls

● 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 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 organization 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.

The Company established the Internal Control Promotion Committee in February 2007 in preparation for making a report on the internal control system for financial reporting, the submission of which will become mandatory in fiscal 2008. The committee will work to achieve thorough internal controls through its executive bureau and four working groups.

● 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

Comments from our Independent Directors



Takuya Goto

Haruyuki Niimi

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

Utilizing my experience at corporations in various countries and in negotiating corporate alliances, I provide counsel and advice, particularly regarding Nagase's overseas expansion. In the area of compliance, I intend to offer recommendations from an objective, global perspective to ensure strict observance of laws and transparency in corporate management.

Takuya Goto, Chairman of the Board, Kao Corp.

Based on my experience in the chemical products industry, I give counsel and advice to Nagase's management from a manufacturer's point of view. I check operations from an independent standpoint outside the Company for a more effective corporate governance structure. I hope that expressing my opinions will contribute to ensuring necessary risk management, particularly as the Company goes beyond its commercial business and expands its production and processing functions.

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.

Basic Stance on Control of Financial and Business Policies

As Nagase is a listed company, we believe that, in principle, our shareholders make decisions through freely trading the Company's shares, and that the decision to accept or refuse a large-scale corporate acquisition, or large-scale purchase, should be left to the will of the individual shareholder. From this perspective, we also believe that the Company's duty is to increase corporate value, and that judging someone attempting to control its financial and business policies should not be left to the Company.

However, the value of the Company, which faithfully works to increase corporate value, may in certain cases be inaccurately represented in the market. We are concerned that there may be those who would take advantage of conditions resulting from a large-scale purchase of the Company's shares in pursuit of short-term profits, damaging corporate value and the common interests of the shareholders.

We believe that a large-scale purchaser that would damage corporate value or the common interests of the shareholders is inappropriate for determining the Company's financial and business policies.

Measures to Achieve Our Basic Policies

1. We will implement the offensive strategy of deepening our business portfolio strategy, in order to restructure for high profitability.
2. As our defensive strategy, we will strengthen our administrative operations by improving corporate governance including our consolidated management system, maintaining a sound financial position and ensuring thorough risk management.
3. Nagase's basic policy regarding dividends is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders, based on comprehensive consideration of medium-to-long-term demand for funds to meet future growth and consolidated business performance trends. Nagase intends to use internal funds effectively to enhance future business activities and its management base.

Preventing Acquisition of Control by an Inappropriate Large-scale Purchaser in Light of the Company's Policies

The decision to implement countermeasures to an attempted large-scale purchase of Company shares (Anti-takeover Defense Measures) in order to prevent control of decision-making regarding the Company's financial and business policies was made at the Board of Directors meeting held on May 28, 2007 and the Ordinary General Meeting of Shareholders held on June 27, 2007.

In the event of a large-scale purchase, to ensure and improve corporate value and the common interests of our shareholders, the Anti-takeover Defense Measures require the large-scale purchaser to provide advance information concerning the large-scale purchase. They also ensure time for information gathering and deliberation and define procedures including those for negotiation with a large-scale purchaser and the presentation of the Company management's plan or an alternative plan.

Board of Directors, Corporate Auditors and Executive Officers

(As of June 27, 2007)



From left: Takuya Goto, Yoshizo Shibata, Haruyuki Niimi, Hideo Nagase, Kyoichi Zushi, Hiroshi Nagase, Eiji Asami, Makoto Tsuruoka, Kazuo Nagashima, Reiji Nagase

Board of Directors

| | | | |
|---|--|---|---|
| Representative Director and Chairman | Hideo Nagase | Director and Managing Executive Officer | Eiji Asami Chemicals Businesses; Colors & Imaging Department; Performance Chemicals Department; Speciality Chemicals Department; Information & Functional Materials Department; Nagase Application Workshop |
| 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; Corporate Marketing Office | Director and Executive Officer | Kazuo Nagashima Electronics Businesses; Electronic Chemicals Department; Display & Electronics Components Department; New Business Development Office |
| Representative Director and Managing Executive Officer | Makoto Tsuruoka Administrative Divisions; GM, Corporate Management Office; GM, Finance Division; GM, Accounting Division | Independent Director | Haruyuki Niimi (Representative Director and Chairman, Showa Shell Sekiyu K.K.) |
| Director and Managing Executive Officer | Reiji Nagase Plastics Businesses; Automotive Related Businesses; Advanced Polymers Department; Automotive Solutions Department; Eco-Materials & Products Department; Nagoya Branch | Independent Director | Takuya Goto (Chairman of the Board, Kao Corp.) |
| Director and Managing Executive Officer | Kyoichi Zushi Life Sciences Businesses; Fine Chemicals Department; Nagase R&D Center; Nagase ChemteX Corp.; IC Packaging Department | | |

Corporate Auditors

| | | | |
|----------------------------|------------------------|----------------------------|------------------------|
| Standing Corporate Auditor | Shunsuke Okabe | Standing Corporate Auditor | Tetsuwa Konishi |
| Standing Corporate Auditor | Hideo Yamashita | Corporate Auditor | Eisaku Kimura |

Executive Officers

| | | | |
|----------------------------|---|-------------------|---|
| Managing Executive Officer | Shingo Bamba GM, Information & Functional Materials Department; Sheet & Film Planning Office | Executive Officer | Osamu Morikiyo GM, Business Administrative Office |
| Managing Executive Officer | Koji Kuramitsu Audit Office; GM, Legal & Credit Division; GM, Compliance Division; GM, IT Planning Office | Executive Officer | Shunichi Kawashiri GM, Advanced Polymers Department |
| Executive Officer | Masamichi Kan GM, Nagoya Branch Office | Executive Officer | Kenichi Matsuki GM, Human Resources & General Affairs Division; GM, Osaka Administrative Division |
| Executive Officer | Osamu Kitaguchi CEO, China | Executive Officer | Hiroshi Hanamoto GM, Colors & Imaging Department |
| Executive Officer | Masuhiro Nojiri GM, Fine Chemicals Department | Executive Officer | Tomitaka Ito GM, Electronic Chemicals Department |
| Executive Officer | Masao Hidaka CEO, ASEAN Region/India | Executive Officer | Kazuo Mitsuhashi GM, Speciality Chemicals Department |
| Executive Officer | Toshiro Yamaguchi GM, Performance Chemicals Department | Executive Officer | Ryuji Mise GM, Beauty Care Products Department |

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 an environmental policy of giving full consideration to environmental issues in our business development, we aim to contribute to environmental preservation through expansion and creation of eco-businesses. Our various initiatives make the most of our strengths as a technology and intelligence oriented company.

● **ISO 14001** Nagase obtained ISO 14001 certification for its environmental management system in April 2000, and advises and supports affiliated companies in obtaining certification. Currently, five sales companies – Nagase Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Barrel Finishing Systems Co., Ltd. and Nishinohon Nagase Co., Ltd. – conduct activities together with Nagase at its certified business establishments.

Affiliated companies that obtained certification independently and conduct environmental activities include Nagase ChemteX Corp., Nagase Medicals Co., Ltd., Setsunan Kasei Co., Ltd., Nagase Electronic Equipment Service Co., Ltd., Hoei Sangyo Co., Ltd., Hoei Techno Service Co., Ltd., Totaku Industries, Inc. and Nagase CMS Technology Co., Ltd.



Chemical management system for recycling

● **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.

● **Resource Recycling Business Model** Established in 2001, Nagase FineChem Singapore (Pte) Ltd. contributes to minimizing environmental impact by recycling the chemicals produced through the manufacture of 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 Japan, South Korea, Taiwan, Singapore and throughout Asia to enhance the production, sale, recovery and recycling of chemicals used in LCD, semiconductor and electronic device manufacturing.

● **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.



Pluswood, a new environmentally friendly wood composite

● **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. The Nagase Group operates a “weekly full container service,” which facilitates distribution by consolidating the cargo of multiple customers into a single container for overseas shipping. This service lessens the burden of distribution for customers and contributes to preserving the environment 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 manufac-

turing process for the pharmaceutical intermediate (R)-3-Quinuclidinol to a single step by using a biocatalyst to induce microbial reduction.

● **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 also conduct activities to contribute to local communities.

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 establishment, 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 socioeconomic development by advancing science and technology by 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 296 research grants and 178 international exchange fellowships totaling approximately ¥780 million. (International exchange fellowships have been suspended as of fiscal 2004.)

To commemorate Nagase's 175th year of business, the Foundation will hold a symposium on the theme of science and technology for creating a prosperous society in September 2007. Through this symposium, it aims to contribute to social development by helping to build an information network between industry and academia.

Date: September 27-28, 2007

Speakers:

Keynote Lecturer: Ryoji Noyori, Nobel Laureate in Chemistry 2001

Keynote Lecturer: Masuo Aizawa, President, Tokyo Institute of Technology

Special Invited Speaker: Robert H. Grubbs, Nobel Laureate in Chemistry 2005

Special Invited Speaker: Shizuo Akira, Department of Host Defense, Research Institute for Microbial Diseases, Osaka University

And six others

Organizer: Nagase Science and Technology Foundation

Sponsors: Ministry of Education, Culture, Sports, Science and Technology; Ministry of Economy, Trade and Industry; Nagase & Co., Ltd.



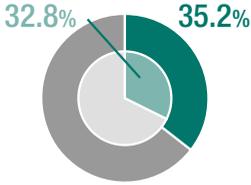
| Research Grants Provided in 2007 | | |
|---------------------------------------|---|---|
| Name | Position / Present Office | Subject Matter |
| Biochemistry | | |
| Michiko Kato-Murai | Assistant Professor / Graduate School of Agriculture, Kyoto University | Creation of functional enzymes based on catalytic antibodies produced in vitro and its application |
| Tetsuo Kobayashi | Professor / Graduate School of Bioagricultural Sciences, Nagoya University | Cellulolytic and xylanolytic systems governed by the transcriptional regulator AoXlnR |
| Shingo Saito | Associate Professor / Graduate School of Science and Engineering, Saitama University | Development of a simplified metallome analysis method |
| Hiroshi Takagi | Professor / Graduate School of Biological Sciences, Nara Institute of Science and Technology | Elucidation of anti-oxidant mechanism by the yeast novel acetyltransferase Mpr1 and construction of Mpr1 variants with improved function |
| Seiichi Taguchi | Professor / Graduate School of Engineering, Hokkaido University | Biopolyesters with Various Monomer Units Generated by Engineered Enzymes |
| Masayuki Hara | Professor / Graduate School of Science, Osaka Prefecture University | Studies on the methods to promote the neurite-outgrowth using a sheet of cultured cells |
| Organic Chemistry | | |
| Takashi Ooi | Professor / Graduate School of Engineering, Nagoya University | Development of Chiral Triaminoiminophosphorane with Hydrogen-bonding Capability and Their Applications to Asymmetric Synthesis |
| Fumitoshi Kakiuchi | Professor / Faculty of Science and Technology, Keio University | Development of New Synthetic Protocols of π -Conjugated Aromatic Compounds via Carbon-Hydrogen Bond Cleavage |
| Isao Kadota | Professor / Graduate School of Natural Science and Technology, Okayama University | Total Synthesis and Biological Study of Marine Polycyclic Ethers |
| Nobuaki Kambe | Professor / Graduate School of Engineering, Osaka University | Development of New Methodologies for the Synthesis of Insulated Molecular Wires Using Transition Metal Catalysts and for Build-upping Nanomolecular Devices |
| Tohru Nishinaga | Associate Professor / Graduate School of Science and Engineering, Tokyo Metropolitan University | Investigation of Interaction between Hole Injected Molecular Wires and Development of their Function |
| Biochemistry/Organic Chemistry | | |
| Kazuya Kikuchi | Professor / Graduate School of Engineering, Osaka University | Chemical Sensor Molecules Which Convert Biological Signal to Chemical Output |
| Kaori Sakurai | Associate Professor / Institute of Symbiotic Science and Technology, Tokyo University of Agriculture and Technology | Development of chemical probes that specifically recognize supramolecular glycolipids structures |
| Shiroh Futaki | Professor / Institute for Chemical Research, Kyoto University | Creation of artificial receptor channel systems as a novel sensor of external ligands |
| Shigeki Matsunaga | Professor / Graduate School of Agricultural and Life Sciences, The University of Tokyo | Modes of action of cytotoxic activity for beta-helix-forming peptides from a marine sponge |

Nagase at a Glance

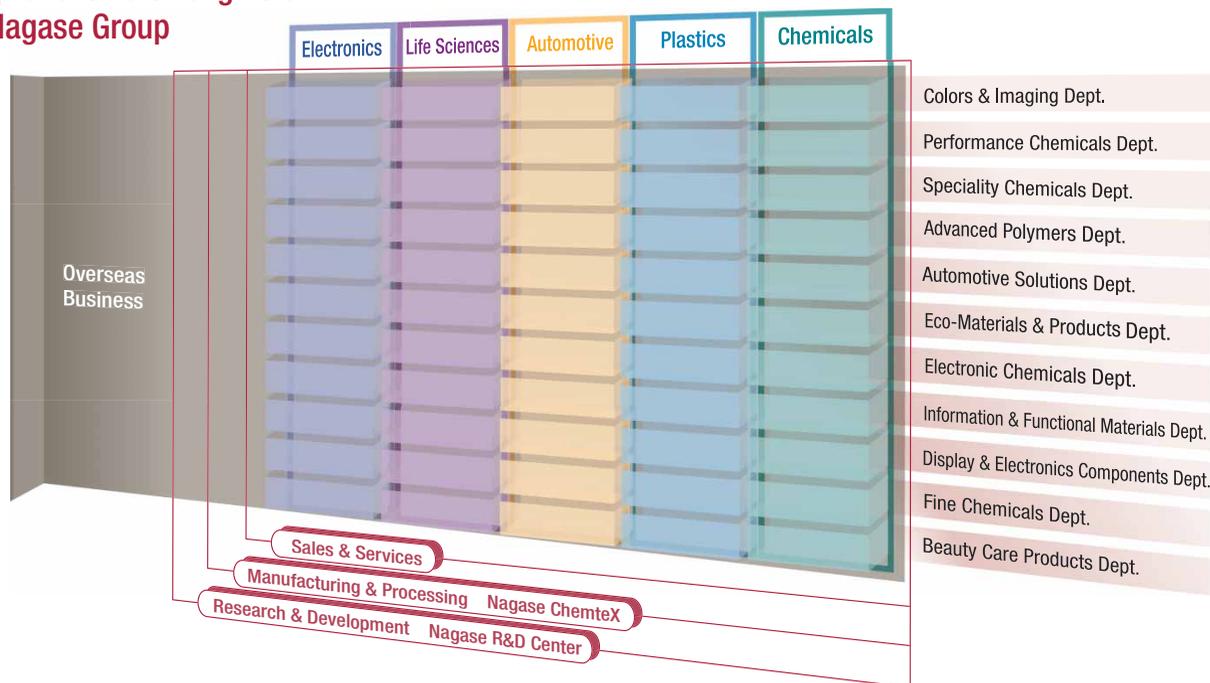
Based on its many years of experience in the chemicals and plastics businesses, the Nagase Group offers customers trading, marketing, R&D and manufacturing functions in its four strategic areas of electronics, life sciences, automotive and overseas operations.

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

| | Departments | Customer Segments | Main Products and Services |
|--|---|---|--|
| <div style="background-color: #006666; color: white; padding: 5px; text-align: center;">Chemicals</div>  <p>■ Net Sales ■ Operating Income</p> <p><small>Note: Net sales do not include intersegment sales. Operating income is prior to eliminations.</small></p> | 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, plastic 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 |

Comprehensive Strengths of the Nagase Group



Department Overview

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.

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 core businesses are coating materials, urethane, plastic additives, filters and commodities.

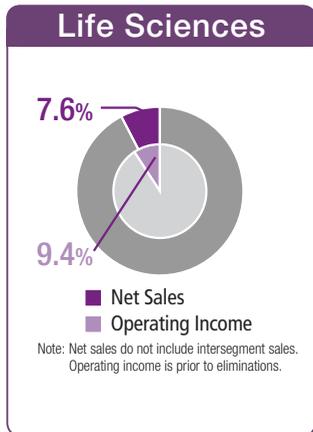
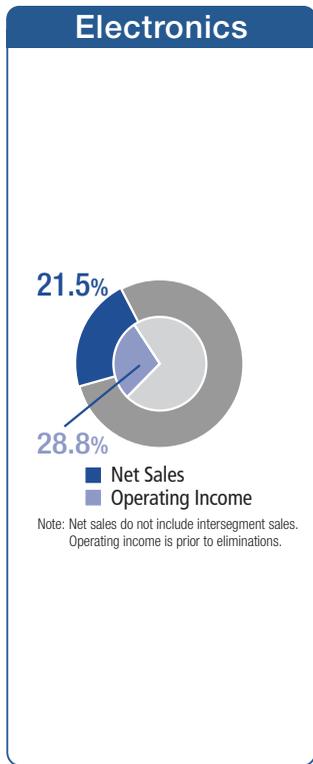
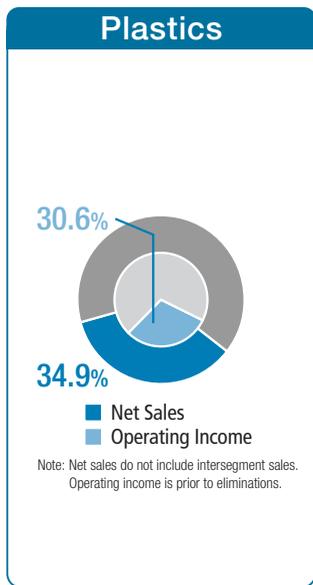
The Speciality Chemicals Department supplies a range of products, including raw materials for oil solutions, plating chemicals, personal care, surfactants, fluorochemicals and silicones, to industries involved in surfactants or organic synthesis products such as chemical intermediates. To add value to operations, the department focuses on the specific needs of customers, improving sales organization productivity and developing electronics chemicals.

Overview of Fiscal 2006 Results

Sales were solid in the pigments and textile processing industries. Due to inventory adjustments in the markets for display and digital print related products, however, overall departmental performance did not meet targets. Our original transparent conductive materials and dyestuffs and chemicals for thermal paper grew steadily on a global scale.

Results were strong in the globally growing economy, represented by economic growth in China and elsewhere in Asia. Activities focused on strengthening our business base expanded domestic performance, and export business to China and Southeast Asia grew due to proposals for supporting domestic customers' overseas expansion. We also handled more downstream and high-value-added products that meet new needs required of materials, focusing on LCDs and other thin display devices in the digital household appliance industry and the automotive industry. Profits were stable as improved market conditions due to price increases of raw materials such as crude oil contributed to increased sales.

Net sales surpassed targets by a wide margin as petrochemical feedstock prices increased in line with those for crude oil and naphtha. Operating income reached target due to strong sales of plating chemicals, surfactant raw materials, and exports to Asia in the surfactant business, which offset weak sales of certain high-value-added imported products in the organic synthesis business. For development projects in the cosmetics field, the delayed progress and interruption of individual themes caused weak sales. In the electronics field, however, progress was steady for development of Nagase ChemteX products, imports from China using Nagase's original analysis capabilities and process chemical exports to Asia.



| Departments | Customer Segments | Main Products and Services |
|--|--|---|
| Advanced Polymers Department | Office automation equipment, electrical, electronics, consumer electronics | Functional resins, general-purpose 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 & Products Department | Construction, building materials, housing, film sheet, electrical wire, amusement | Wood composite, resin materials, film sheet products, molded plastic products |
| 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, batteries | 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 and monitor assemblies, amusement, touch panels | Liquid crystal displays (LCDs), materials, manufacturing devices and optical films for LCDs and organic light-emitting diodes (LEDs), processed aluminum products, processed glass products |
| Fine Chemicals Department | Pharmaceuticals, food/feed chemicals, agricultural chemicals, household products | Pharmaceuticals (APIs, 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 |
| Beauty Care Products Department | General consumer market | Cosmetics, health foods, beauty foods |

Note: Segment shares of net sales and operating income do not total 100 percent due to exclusion of the Others segment.

Department Overview

The Advanced Polymers Department offers plastics and plastic processed goods, related auxiliaries, equipment and facilities for industries such as the office automation, electric and electronics, and appliance industries. 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 business expansion that extends over both domestic and overseas markets.

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 business with companies in the increasingly global automotive industry while growing its operations in Japan and overseas.

From fiscal 2006, the Eco-Materials & Products Department began handling the film sheet, electrical wire and amusement industries, in addition to its existing composite wood, resins for housing equipment and construction products. With sales activities based in Japan, the department is expanding business for products and components, in addition to its traditional policy of developing Nagase-driven business by providing environmentally friendly materials, products and systems. The department is also independently developing business centered on Nagase's own product, Pluswood, a new type of eco-friendly composite material made from wood and non-vinyl chloride thermoplastic. Other activities include creating new business opportunities through cooperation with other Group companies, promoting recycling and making use of natural materials such as polylactic acid in expanding business.

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 company and manufacturing capabilities.

The Information & Functional Materials Department meets market needs with original products such as Scantec, an imaging inspection system, and communications-related products such as parts for mobile phone base stations in the seven core businesses of imaging inspection, communications, polishing, chemical mechanical polishing (CMP), hard disk drives, encapsulants and fluorine. In addition, the department provides various materials used in semiconductor pre-processing and backend processing, and works to provide information and improve service based on thorough customer orientation and information collected on market needs. The department also responds to rapid technological advancement in its targeted industries by assembling detailed business models and promoting business development.

The Display & Electronics Components Department uses its network in Japan and overseas to handle optical films and other materials used in LCDs and the equipment used in their manufacturing process. In addition to its trading company capabilities, the department is aggressively developing an overseas processing business for optical films and glass, as well as new businesses such as LEDs and LED assemblies.

The Fine Chemicals Department provides a broad range of products and services related to health-care, food and habitat, such as 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.

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 and facial services using state-of-the-art skin analyzers.

Overview of Fiscal 2006 Results

Substantially higher fiscal 2005 prices for functional resins weakened, as some product prices dropped in fiscal 2006 and competition further intensified. The decrease in market prices led to a temporary loss of overseas orders for functional resins, particularly for optical applications, causing net sales and operating income to fall short of targets.

Increased production, particularly in the U.S.A., China and Southeast Asia, greatly contributed to results as overseas development of Japanese automakers accelerated. Domestically, performance in the Nagoya region grew significantly year-on-year due to continued strong conditions at Toyota-related component manufacturers. Sales were nearly on target as a result of securing orders in each region for automotive interior plastic molded products by expanding the department's product lineup. Operating income was less than planned due to staff increases and a low profit ratio in the die-related business.

The department solidified its position in the wood composite industry as sales of Pluswood doubled compared with the previous fiscal year due to its use in a series of large, well-known commercial projects. Escalating prices for imported wood and limited availability also boosted business. In the plastic materials business, sales remained strong as product prices rose. Successful new customer acquisition centered on general-purpose resins. In the products business, sales dropped from the previous fiscal year due to a strategic withdrawal from low-value-added products. As a result, net sales did not meet targets, although they increased substantially from the previous fiscal year.

As the public and private sectors made aggressive capital investments, sales of equipment and demand for epoxy grew. Steady growth of digital household appliance sales in the first half contributed to sales. As a result, overall net sales were basically on target and operating income exceeded the plan by a wide margin.

Sales of components for precision abrasives and related products used in silicon wafer processing grew considerably, supported by capacity expansion in the semiconductor silicon wafer industry and brisk demand. Computer hard disk sales also increased. Due to a strong market for encapsulants and other products used in semiconductor backend processing and growth in each of our seven core businesses, net sales and operating income surpassed targets by a wide margin.

In tandem with expansion of the television market in fiscal 2006, the department was obliged to lower prices more than 20 percent on an annual basis in order to keep pace with product price range penetration and due to share competition. The department reached its goals for small and medium-sized televisions through Nagase's business with customers of good standing that survived progressive mergers and acquisitions among LED manufacturers. Glass processing remained strong amid a clearer trend toward lower-profile and lighter mobile phones and mobile music players, and overseas business in this area started up without incident by taking advantage of market conditions. Sales of amusement-oriented products focused on LED assemblies were strong. Although sales of LCDs dropped due to a supply problem, derivative sales of processed metal products for electronic device frames were strong. Overall, net sales and operating income reached targets.

Accelerated realignment and integration continued in the pharmaceutical, foods and agricultural chemical industries. Net sales and operating income reached targets through steady performance in the pharmaceutical and biotechnology products businesses despite the need to respond to revisions in the Pharmaceutical Affairs Law and Food Sanitation Law. Net sales for the entire department increased over the previous fiscal year but did not reach their target due to lower demand and inventory adjustments in the agricultural chemicals business. Performance in other business areas covered for this business, and operating income increased well past targets.

The domestic cosmetics market was essentially flat in fiscal 2006. Although the downward trend in door-to-door sales continued, cosmetics sales increased slightly from the previous year, centered on new products. The domestic market for functional health products targeted by the Company has increased substantially over the last several years. A worsening image of these products, however, due to the circulation of inferior goods and a tightening of the Pharmaceutical Affairs Law caused sluggish sales, and overall sales decreased slightly. On the other hand, the department achieved its operating income targets due to an improved profit margin.

Chemicals

Eiji Asami

Director and Managing Executive Officer
Chemicals Businesses; Colors & Imaging Department; Performance
Chemicals Department; Speciality Chemicals Department; Information
& Functional Materials Department; Nagase Application Workshop

WIT2008 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



Achievements in Fiscal 2006

In fiscal 2006, the first year of WIT2008, we achieved our net sales and operating income targets by a wide margin backed by favorable economic conditions, particularly in automotive-related applications. Our business activities were guided by the four areas of expansion that make up our WIT2008 basic strategies. For the first strategy, core business expanded steadily centered on materials for the automotive and electronics industries under overall solid economic conditions. Particular causes of concern involve commodities, where consolidation among suppliers and loss of business due to discounting continue. We intend to revise functions and improve services to curb these trends while working toward a new business model. For the second, export business increased approximately 10 percent year-on-year. Eighty percent of this increase was in China and elsewhere in Asia, however, and our next issue is to expand operations in Europe and North America. Our third strategy of expanding business through cooperation within the Company is taking hold in the workplace. Although tangible results are still limited, we are strengthening a system linked to the results from the Nagase Application Workshop (NAW) established in July 2007. The NAW functions as a testing laboratory for plastics, an experimental laboratory for coatings and textile processing, and a library. Unlike the R&D Center, it has a close proximity to downstream business as a technology evaluation center, which we intend to make a

driving force behind Nagase's independent business development. In completing the fourth challenge, expanding new businesses that leverage Group functions, Nagase Chemical Co., Ltd. and Nagase (Europa) GmbH cooperated to provide sales, procurement and other services for Japanese companies expanding into Eastern Europe.

Strategic Initiatives in Fiscal 2007

We have set four policies for fiscal 2007. First, we will further promote cooperation within the Company and step up efforts to raise awareness and create new business. Second, Nagase will respond decisively to the new Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations enacted in the European Union in June 2007, while supplying information and support for Japanese customers. We have already begun support activities for REACH including explanatory meetings. Third, we will carry out investments including mergers and acquisitions regardless of region that will allow Nagase to display its full potential. Finally, we will prepare for the chemical industry's so-called 2008 problem caused by the simultaneous start of operation of large plants in the Middle East and China, which will have an enormous effect on Japanese chemical manufacturers. We will consider the potential changes in the Japanese petrochemical industry and their impact on Nagase's business, and place priority on developing Nagase Group countermeasures.

Colors & Imaging Department



Hiroshi Hanamoto

Executive Officer
GM, Colors & Imaging
Department

Achievements in Fiscal 2006

The Colors & Imaging Department, which handles color-related products such as pigments and dyestuffs, began a contract business for copier toner in fiscal 2006. This is a good example of a business model built to take advantage of the Nagase Group's competitive advantages, a basic strategy of WIT2008. The Group handles everything from raw material procurement to delivery management that takes production planning into account. Functional color pigments for plasma displays and red pigment for use in color filters maintained their leading shares in the global market. The department was deeply involved in the development of raw material procurement methods and new capital investment to upgrade its supply structure to respond to sharp changes in rapidly growing demand for flat panel materials.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will continue to focus on 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.

We will develop as a trusted business partner by further promoting activities of the Color Workshop at the Nagase Application Workshop, which began operating in July 2007, and carrying out joint development with customers.



Contracting business began for copier toner

Performance Chemicals Department



Toshiro Yamaguchi

Executive Officer
GM, Performance Chemicals
Department; Marketing, Osaka
District

Achievements in Fiscal 2006

Under our main WIT2008 theme of growth of overseas business through consolidation, we enhanced awareness of overseas linkages, realigned our domestic organization and reallocated human resources in order to restructure our business around the five core areas of coating materials, urethane, plastic additives, filters and commodity products. Responding to the acceleration of Japanese automakers' overseas production, we increased expatriate personnel in Guangzhou, China and Thailand to form the structure for providing a level of service that equals or betters that in Japan. In cooperation with other departments, Design & Die Co., Ltd., which designs car parts for the Nagase Group, and Shanghai Hua Chang Trading Co., Ltd., which sells plastics, we promoted our value chain strategy for interior and exterior car parts including plastic coatings as well as seat cushions. At the same time, we began initiatives in the North American markets of the U.S., Canada and Mexico, and India and Vietnam. Moreover, we established Nagase Filters Co., Ltd. as a new manufacturing subsidiary for polymer filters, which are seeing dynamic growth in demand due to the brisk market for LCD optical films. Nagase Filters rapidly contributed to results, strengthening the Company brand in manufacturing and sales.

Strategic Initiatives in Fiscal 2007

With "production" and "niche" as fiscal 2007 keywords, we will strengthen the plastic raw materials business and expand handling of downstream products while offering original Nagase products in the fields of plastic additives and raw materials for coating that come from utilizing the Nagase Application Workshop. We will also promote a paradigm shift by building businesses where Nagase is the leader through aggressive overseas and other investment, license acquisition, and alliances in order to respond to sudden changes in the business environment. We also aim to raise the quality of our organization by improving operational efficiency everywhere from sales to administrative positions to meet the various needs of our customers in a timely manner.



Shifting to high-value-added business by adding production functions

Speciality Chemicals Department



Kazuo Mitsuhashi

Executive Officer
GM, Speciality Chemicals
Department

Achievements in Fiscal 2006

The department's basic strategies under WIT2008 are advancing our three core businesses of surfactants, organic synthesis and Nagase ChemteX Corp. (NCX), and promoting development of the four project areas of electronics, China, cosmetics and process chemicals. Our core businesses expanded steadily and secured stable profits in fiscal 2006, the first year of the plan. In particular, our NCX business moved forward with electronics development and future-oriented development including for nano-materials. In our four project areas, where we expect future profits, we concentrated on tar chemicals and fluorochemicals in China, and established a foothold in the OEM cosmetics business. Cooperation within the Group progressed both domestically and overseas, and we performed well in the electronics and consumer goods areas and in utilizing our analysis capabilities in China.

Strategic Initiatives in Fiscal 2007

Environmental changes affecting business will continue in fiscal 2007, including unstable crude oil prices, economic development in the BRICs countries of Brazil, Russia, India and China, and technological development in the electronics field. Under these conditions, we will continue to steadily expand our three core businesses and strengthen development in the four project areas to reach our WIT2008 goals.



Liquid crystals handled by the Speciality Chemicals Department

Topics

Established Nagase Filters Co., Ltd. to Strengthen Filter Business

Nagase acquired the filter production business of Kimura Mfg. Co., Ltd. and established Nagase Filters Co., Ltd., as a fully owned subsidiary to take over operations. Kimura Mfg., headquartered in Higashi Osaka, was Nagase's contractor for the OEM production of fine polymer filters (trademark: Dena Filter), indispensable in the production process for removing foreign matter during melt extrusion of resins. Nagase handled sales of Dena Filter and outsourced production to Kimura Mfg., which has advanced technology. To enhance the business, Nagase took over Kimura Mfg.'s facilities and staff, integrating production and sales. Demand in the filter business is driven by rapidly growing optical film manufacturers in the information technology field, and growth is projected to continue. Based on this new framework, Nagase plans to develop the business, including filter cleaning, to a scale of approximately ¥2 billion.



Polymer filter

Overview of Nagase Filters Co., Ltd.

Company Name: Nagase Filters Co., Ltd.
Established: June 7, 2006
Paid-in Capital: ¥80 million
Main Business: Planning, production and quality testing of metal filters
Representative: Kenichi Kurimoto,
Representative Director
Location: 4-9-6, Takaidanaka,
Higashiosaka, Osaka

Established Nagase Application Workshop

The Nagase Application Workshop began full-scale operations in July 2007. The workshop concentrates technological services for plastics, coatings (paints and inks) and fabric processing, which Nagase had previously offered separately by field, into a single location. It will also help Nagase develop a more efficient sales style for raw materials through joint materials development with end-users and pinpoint technological support. The library room within the facility will handle requests for new materials and processing methods from manufacturers' design, engineering and development departments. In addition to new materials, we plan to propose combinations of existing materials and processing methods.



Nagase Application Workshop

Plastics

Reiji Nagase

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

WIT2008 Basic Strategy

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



Achievements in Fiscal 2006

In fiscal 2006, the first year of WIT2008, we further expanded our business in China, and worked to get our operations there on track. We also expanded into India, Vietnam and Eastern Europe. Overall performance was solid due to increased overseas sales centered on the Asian region and domestic growth in sales to automotive-related industries.

In the eco-materials business, Pluswood, a core product developed by Nagase, was used as interior and exterior material in large-scale commercial facilities, exceeding its sales target at more than double the previous fiscal year's figures. Pluswood's recognition among design studios and developers increased significantly.

We launched a new functional film in fiscal 2006 from Sun Delta Corporation, a joint-venture company established with Asahi Kasei Corporation during the previous medium-term management plan WIT21. Overseas, operations began at Dainichi Color (Vietnam) Co., Ltd., a joint-venture resin manufacturer in Vietnam, and a subsidiary established in India has created various business opportunities in the automotive industry there. On the other hand, we experienced delays in achieving greater concentration on product development and production, and this will be a top priority for the future.

Strategic Initiatives in Fiscal 2007

The department aims to increase its added value to the Group in fiscal 2007 by clarifying its structure in the upstream and downstream plastics fields, strengthening cooperative development with the Nagase Application Workshop (NAW), and expanding the automotive business. In advanced polymers, we will work on new materials and enhance OEM and other production functions through our Going Upstream Strategy by cooperating with NAW, Setsunan Kasei Co., Ltd. and Dainichi Color (Vietnam) Co., Ltd. In eco-materials and products, we will work toward the profitability and adoption of Pluswood, which has expanded our operating base, under our Going Downstream Strategy. To do so, we will consolidate business into Nagase Eco Plus Co., Ltd. as a specialist group in the construction industry. Moreover, we will expand business for electronics and electronic parts beyond resins alone and into the broader region of chemicals, involving mold processing and parts assembly in the game console area.

In addition, we will strengthen our overseas framework in the automotive area, including Europe and North America, seeking out business opportunities for more than just resins in the department's main areas of interior and exterior components, functional components and lamps.

Advanced Polymers Department



Shunichi Kawashiri
Executive Officer
GM, Advanced Polymers
Department

Achievements in Fiscal 2006

In fiscal 2006 we strengthened the sales system for engineering plastics at offices in Greater China and the ASEAN region to prepare for expansion of our business base. Domestic and overseas sales offices addressed the office automation industry, in which Japanese companies stand out, through close cooperation and by building a structure for customer follow-up based on identical strategies. Additionally, we reinforced our efforts to expand our range of products such as materials for housings and internal components and films for the growing field of displays. We launched a joint venture for plastic colorants with Dainichiseika Color & Chemicals Mfg. Co., Ltd. in Hanoi, as industries look to Vietnam to hedge risks in China. By strengthening personnel in the Hanoi office and promoting market development, we formed the base of future business expansion.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, Nagase will continue to promote consolidated business expansion of overseas sales offices and the Group. Particularly overseas, we will aim for increased expansion through strengthening of our sales structure for engineering plastics and strategic cooperation in the office automation industry. Focusing on Hanoi, we will launch an engineering plastics business through our joint venture with Dainichiseika Color & Chemicals Mfg. and further strengthen the Hanoi office while obtaining transfer business from other countries in addition to Japan. This series of measures will expand our range of products into plastics, processed goods and other areas by utilizing our engineering plastics sales base.



Strengthening the Hanoi office

Automotive Solutions Department



Kenji Asakura
GM, Automotive Solutions
Department

Achievements in Fiscal 2006

Our basic strategies under WIT2008 are 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. Upgrading overseas bases led to significant performance increases in China and Southeast Asia, and we created a new business model in Japan and China based on our die design software engineering business which encompasses all processes from die development to sales of plastic materials.

Strategic Initiatives in Fiscal 2007

In fiscal 2007 we will expand our scope of business in Japan and overseas, pinpointing interior and exterior components, underhood or functional components and lighting components as three areas of activity. In interior and exterior components, the core of our department, we will continue to support our customers' overseas development by drawing on information and knowledge of plastic raw materials and products built up over many years, constructing a system to offer a variety of lightweight, environmentally conscious products. Forecasting increased use of engineering plastics in underhood applications, the department will collaborate with resin suppliers, increase its product lineup, and actively approach major customers' overseas bases in pursuing opportunities to utilize functions that Nagase can provide. In lighting, we will coordinate with other departments in the chemical and electronics segments and aim for a new product lineup to contribute to customer product development. Moreover, we will promote aggressive investment in manufacturing and technology discovery to construct a base for future development.



An automotive components manufacturer involved with coatings

Eco-Materials & Products Department



Yuji Deguchi
GM, Eco-Materials & Products Department

Achievements in Fiscal 2006

In fiscal 2006, the department promoted activities to build up business for Pluswood, which is being used in a series of major Japanese facilities and buildings as a result of finely tuned proposals to major facility owners, design studios and construction companies. Advertising that showed Pluswood’s actual applications was successful, and Internet-based inquiries about Pluswood increased ten times over the previous fiscal year. We also succeeded in expanding sales considerably for the range of associated products. In the resin business, we made investments for future expansion of our international procurement service (IPS), highly evaluated by customers, which makes use of Nagase’s network of overseas bases. In recycling, we explored practical themes for plant-based plastics.

Strategic Initiatives in Fiscal 2007

As of fiscal 2007, we changed the department’s name from Eco-Materials to Eco-Materials & Products as we aim to expand the scale of business. We will do this by expanding the components and products business in addition to traditional sales of resin materials in the film sheet, electrical wire, and amusement industries, responsibilities new to the department. In order to promote Pluswood in the construction industry, we will transfer sales and marketing for this business to Nagase Eco Plus Co., Ltd., a wholly owned subsidiary that will become a self-supporting company. We will concentrate resources to rapidly build the business and sharpen our focus on sales of strategic customer products to expand transaction size in promoting the functional film business, a major departmental theme.

In the amusement industry, we will venture into overseas procurement of parts and assembled parts, and electronic components supply in addition to our traditional parts supply, secondary processing and assembly businesses.



Pluswood, a composite material made from wood powder and non-vinyl chloride thermoplastic

Topics

Established a Subsidiary in the High-Potential Indian Market

Nagase established a subsidiary in India in November 2006. One of the BRICs countries, where growth is expected, India has recently gained attention for its rapid increase in business projects. Nagase has had a representative staff and office in Mumbai for over 40 years, and will prepare for high demand by making it a full-scale base. Moreover, we have established a base in New Delhi and will strive to develop sales activities in the brisk automotive-related market. As overseas operations are a priority area under WIT2008, we aim to further expand sales in Asia with this establishment of a subsidiary in India.



New Delhi office of the Indian subsidiary

Overview of Nagase India Private Limited

Company Name: Nagase India Private Ltd.
 CEO: Masao Hidaka
 Paid-in Capital: Rs. 100 million
 Established: November 24, 2006
 Start of Operations: February 1, 2007
 Location: 404, Vaibhav Chambers, BKC, Bandra East, Mumbai 400 051, India

Construction of New Dainichi Color (Vietnam) Plant

Dainichi Color (Vietnam) Co., Ltd., a joint venture with Dainichiseika Color & Chemicals Mfg. Co., Ltd., the largest manufacturer of pigments, began operating a resin compounding plant in July 2006, and has launched construction of a new plant with an investment of approximately ¥800 million. The facility is scheduled to begin operations in January 2008 with an annual production capacity of 600 tons of plastic colorants and 10,800 tons of plastic compounds. The company predicts demand for plastic compounds in Vietnam to expand rapidly, tripling over the next year from the current 30,000 tons per year as automotive and information equipment manufacturers successively advance operations there and increase production. The new factory will make it possible to immediately meet customer requests for special compounds. Our policy will be to increase production in light of demand.



Joint venture for plastic colorants in Vietnam

Electronics

Kazuo Nagashima

Director and Executive Officer
Electronics Businesses; Electronic Chemicals Department;
Display & Electronics Components Department;
New Business Development Office

WIT2008 Basic Strategies

- ① Combine the Nagase Group's information and wisdom and construct an original business plan to provide services and customer satisfaction and expand business.
- ② Expand operations and actively focus management resources on strengthening production in growing markets.
- ③ Work on the chemical recycling business in consideration of environmental protection.



Achievements in Fiscal 2006

In fiscal 2006, the first year of WIT2008, sales and income surpassed targets by a large margin due to expansion in the semiconductor and LCD-related businesses. Significant contributions to sales and income came from steady performance from Pac Tech-Packaging Technologies GmbH, a German semiconductor production equipment manufacturer acquired in 2006, and favorable sales of precision abrasive materials used in the semiconductor production process. To expand our semiconductor backend processing business, we opened the Semiconductor Applications Development Center in the Kitakyushu Science and Research Park in November 2006 to develop elemental technology for next-generation packaging. In display-related business we developed a wide range of processing operations, particularly in East Asia, substantially increasing business in the areas of processing for flat-panel glass, frames for electronic devices and optical films, and LED mounting for amusement electronic devices. Moreover, sales of digital terrestrial repeater station amplifiers at consolidated subsidiary Gigatec Inc. are progressing steadily as infrastructure upgrades move ahead in the communications field for the complete shift to digital television broadcasting in 2011. In the epoxy business, we are promoting an integrated production and sales strategy with Nagase ChemteX Corp., expanding production in Japan, North America, Europe and Asia. We are working to put production in China on a steady growth track and to reinforce sales manpower in

Europe and North America. Demand in chemicals-related businesses is increasing from the semiconductor and LCD production fields. Investment in all these emerging markets during fiscal 2006, as outlined in our basic strategy, is beginning to bear fruit.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will concentrate on three measures. First, we plan to strengthen expansion of semiconductor production equipment and our wafer bumping service in Asia by building a Pac Tech plant in Penang, Malaysia. During the fiscal year, we plan to launch a plating line for wafer processing at this plant and begin manufacturing of semiconductor production equipment. The current foray into Malaysia signifies the formation of a Japan-North America-Europe-Asia quadrilateral production network. Through this network, coupled with development support from the Semiconductor Applications Development Center in Japan, we will continue to make major gains in a rapidly changing semiconductor market. Second, we will focus on sales of developer and stripping agents used in the semiconductor and LCD fields while actively proposing chemical recycling systems for environmental preservation. Third, we will directly address customer desires, cooperate more closely with business partners and Group companies in Japan and overseas, and build a business model unique to Nagase.

Note: Kyoichi Zushi replaced Kazuo Nagashima as General Manager of the IC Packaging Department on June 1, 2007.

Electronic Chemicals Department



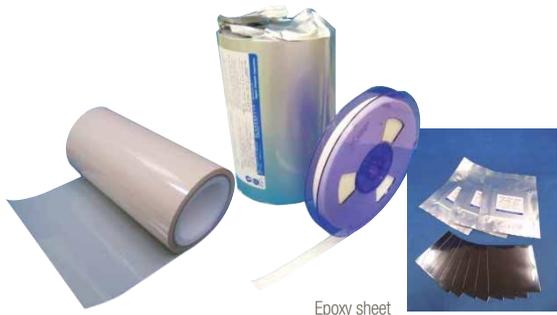
Tomitaka Ito
Executive Officer
GM, Electronic Chemicals
Department

Achievements in Fiscal 2006

In fiscal 2006, Nagase ChemteX Corp. formed the core of business expansion centered on developing original Nagase Group products. Nagase ChemteX increased production facilities for epoxy sheet, which sold well, and Nagase products became the de facto standard for insulation and encapsulant material in cellular phone parts. ChemteX (Wuxi) Corp., a manufacturer of formulated epoxy resins in China, expanded performance and cleared away the losses accumulated since its establishment. Also in China, we established Nagase CMS Technology (Shanghai) Co., Ltd. as a base for maintenance of Nagase equipment used in front-end semiconductor and liquid crystal production. In the area of photolithography chemicals, we accelerated new product development and began recycling operations for stripping agent and developer as part of efforts to strengthen the chemical recycling business.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, as a world supplier of epoxy we will build a quadrilateral framework encompassing Japan, the U.S., Europe and Asia. With Japan as a base for development and a market providing stable earnings, we will enhance our production bases in China and build it into a second source of revenue. "Environment" will be the keyword in providing customers with materials and facilities that enable energy conservation, resource conservation and recycling. In July 2007, we introduced a recycling plant and stripping agent facility at Nagase ChemteX to respond to increasing demand, and we will continue to work to conserve resources.



Epoxy sheet

Information & Functional Materials Department



Shingo Bamba
Managing Executive Officer
GM, Information & Functional
Materials Department; GM,
Sheet & Film Planning Office

Achievements in Fiscal 2006

In the first year of WIT2008, we focused management resources on our seven core businesses. In promoting our keywords of "partnership" and "cooperation" inside and outside the department, we displayed the comprehensive strengths of the Nagase Group as we worked to provide improved services and our proprietary information to meet increasingly complex customer needs. For our Scantec imaging inspection equipment, we introduced a new marking system and a high-speed model. Additionally, we succeeded in developing an inspection system for detecting thin streak imperfections during the coating process of optical and other functional films. Moreover, we started development of themes we can build into our next core businesses.

Strategic Initiatives in Fiscal 2007

In the second year of WIT2008, we will continue to further promote our basic strategy and work for new growth. We will also work to provide increasingly specialized services and continue thorough customer orientation in our seven core businesses. In addition, we will aggressively forge ahead to foster future core businesses based on differentiated business models focused on the areas of LEDs, batteries and semiconductor substrates. We will bring our independently developed streak inspection system to market and build up services that respond to market needs.



The Scantec series of imaging inspection equipment

Display & Electronics Components Department



Mitsuro Naba

GM, Display & Electronics
Components Department

Achievements in Fiscal 2006

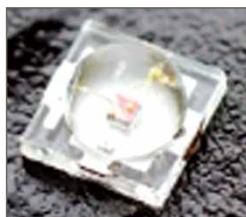
In fiscal 2006, we leveraged our network in Japan and overseas to strengthen our assembly and processing functions in addition to our traditional trading company capabilities of supplying optical films, manufacturing devices and other related components. Nagase Electronics Technology Co., Ltd., a thin glass processing company established in Taiwan, began full-scale operations in August 2006, and we made additional investments to strengthen processing capacity and respond to customer needs. We contributed to solving customer problems by launching metal processing and product inspection businesses at Nagase International Electronics Ltd. in China, adding to existing optical films processing and liquid crystal backend processing business. Moreover, we pursued the development of components and products for displays other than LCDs, such as organic electroluminescence (OEL), light-emitting diode (LED) and touch panel displays. Toshiba Matsushita Display Technology Co., Ltd., which we supply with optical film, recognized our outstanding abilities by presenting Nagase with its Best Supplier of the Year award for the third consecutive year.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will continue component sales centered on optical films and manufacturing equipment and enhance production and processing businesses. In particular, we will respond to customer needs by strengthening processing capacity and improving technological capabilities at Nagase Electronics Technology Co., Ltd., which has begun full-scale operations. Additionally, we will consider establishing a new base and respond to the rising need for ever thinner products.

Nagase International Electronics Ltd. in China will establish a new base to expand the metal processing and product inspection

businesses launched there in 2006, and press forward with plans for new business. We will work to expand the department's business base beyond liquid crystals by more actively pursuing component and product development for OEL, LED and touch panel displays.



Example of a mounted LED product

Topics

Semiconductor-Related Company Established in Malaysia

Pac Tech Asia Sdn. Bhd. was established in December 2006 through Nagase's subsidiary Pac Tech-Packaging Technologies GmbH. Based in Penang, Malaysia, this facility will manufacture semiconductor backend processing equipment and offer wafer bumping services. In its first stage, the company began sales and maintenance of laser soldering equipment. Ultimately, equipment previously imported from Germany for Asian customers will be able to be imported as parts, assembled at the facility and supplied throughout Asia. From fiscal 2007, the company will install a plating line for wafer bumping and establish facilities for an annual processing capacity of 600,000 eight-inch wafers. This new base in Malaysia signifies the formation of a Germany-Japan-North America-Asia quadrilateral structure, and we expect to expand business with the 50 percent capacity increase in our wafer bumping services.



Pac Tech Asia

Original Sheet Inspection Equipment for Functional Film

In March 2007, Nagase launched the NRW Series automatic sheet inspection equipment for functional film.

Demand is increasing significantly for quality stabilization and low cost in functional film for the rapidly expanding flat panel display, battery and automotive markets. The NRW Series is the solution for minimizing technological risk and labor and time costs that customers face, integrating the MRK50 multiple-head marking device, Scantec 7000 automatic optical inspection equipment that boasts high-level defect detection capability, and a film rolling machine into a single automatic sheet inspection unit. Incorporating a high-speed, high-resolution CCD camera makes it possible to detect lines, shade irregularities, minute foreign materials and numerous other defects that occur in functional film.

In addition, the NRW-1650, with a roll width of 1,650mm, is on permanent display in our showroom, and we are enhancing our system for responding to evaluation requests by sheet width.



Nagase's original NRW Series automatic sheet inspection equipment

Life Sciences

Kyoichi Zushi

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

WIT2008 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.



Achievements in Fiscal 2006

The Life Sciences segment, composed of the Fine Chemicals Department and the Beauty Care Products Department, continued to press forward in fiscal 2006 with its basic strategy under WIT2008. The Fine Chemicals Department continues to develop new business possibilities by generating synergy with the Nagase Group network, including Nagase ChemteX Corp., the Nagase R&D Center and Nagase Medicals Co., Ltd. In the phospholipid business, for example, Nagase ChemteX is investing approximately ¥600 million to build facilities for large-scale production of various phospholipids, developed using Nagase's original recombinant gene technology. In switching from sales of only enzymes to a business model of enzyme modified products, we are excited about business development and market potential that could increase several hundred-fold. Nagase Medicals, with an ¥800 million investment, began construction of facilities for sterile production of gel medicines.

In the Beauty Care Products Department, we continued to focus on training talented managers for sales staff and developing new products. New premium cosmetics made with rosemary enjoyed a favorable reception and contributed to performance.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will work to make our accumulated investments lead to results. The phospholipid production facility will gradually contribute to results in the second half after beginning operations in September, and the Nagase Medicals plant will begin contract production of pharmaceuticals upon its scheduled completion this year. In addition, we will continue to actively carry out investments such as restructuring Nagase ChemteX's Fukuchiyama Factory.

We will develop business with a global perspective and in the most appropriate regions, based on the themes collected by the Nagase Fine Chemicals sales team, which is stronger than other companies. For example, we will produce general-purpose products in China, India, Italy and Spain, and target global pharmaceutical manufacturers using Nagase Group capabilities in Europe and the Americas for direct sales of our original products, which we will produce in Asia to maximize Group synergy and develop business.

Fine Chemicals Department



Masuhiro Nojiri

Executive Officer
GM, Fine Chemicals Department

Achievements in Fiscal 2006

WIT2008 got off to a good start in its first year. Operating income surpassed our target as we carried out a strategy of strengthening our core businesses centered on pharmaceuticals, foods and chemicals; focusing on growing markets including functional food ingredients; and steadily growing the diagnostic agents business. We restructured our department to accelerate the expansion of the contract synthesis business and the agricultural and living environment business, thus building a foundation that will support the core of the Nagase Group's life sciences business in the future.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will expand our core businesses; create new businesses with high-margin products; withdraw from underperforming businesses and reallocate resources; and promote investment in personnel, research and development and infrastructure. For new business, we will develop our pharmaceuticals business under the themes of generics, biopharmaceuticals, new drug discovery and contract synthesis. We will narrow the focus of development in biotechnology-related business to enzymes, functional foods, agricultural materials and living environment materials. Additionally, we will commercialize original products by collaborating with the Nagase R&D Center and Nagase ChemteX Corp. Through the consolidated operations of Group companies such as Nagase ChemteX Corp., Nagase Medicals Co., Ltd, Nagase Bio-Chemical Sales Co., Ltd., Nagase America Corp. and Nagase (Europa) GmbH, we will develop activities as an integrated Group.



Use of fecal occult blood testing equipment is increasing at medical institutions in the U.S. and Southeast Asia.

Beauty Care Products Department



Ryuji Mise

Executive Officer
GM, Beauty Care Products
Department

Achievements in Fiscal 2006

Rosemarist N (suggested retail price ¥50,000), a premium skin cream that represents the culmination of Nagase's applications of rosemary, is enjoying a favorable reception since its launch in January 2006. Performance has surpassed expectations, contributing to increased cosmetics sales. In addition, we have established a practical application for a new health food ingredient developed at the Nagase R&D Center over the last several years, and plan to bring it to market following the next fiscal year.

Strategic Initiatives in Fiscal 2007

In fiscal 2007, we will continue our basic strategy of building an organization of 700 sales managers by fiscal 2008. The Beauty Care Products Department is structured so that sales managers foster sales staff into new managers. We cooperate with outside educational organizations in focusing on personnel training that involves managers and employees working in unison.

In cosmetics, we are planning sales of a new skin whitening lineup that uses extracts from seaweed and other oceanic plants. We will renew health foods by including a newly developed ingredient in our mainstay product BM ROYAL. Under the slogan of "vibrant, beautiful, young and healthy," we will develop this business, which turned 40 in fiscal 2006, into a 100-year endeavor.



Rosemarist N, an anti-aging skincare series made from rosemary

Nagoya Branch Office



Masamichi Kan

Executive Officer
GM, Nagoya Branch Office

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. We deal directly with major automakers 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 deal with major local companies in handling pharmaceuticals, cosmetics ingredients, coating materials and plastics. Our overseas business, centered on automotive products and materials, is increasing.

Achievements in Fiscal 2006 and Strategic Initiatives in Fiscal 2007

Overall earnings of the Nagoya Branch Office in fiscal 2006 increased more than 10 percent over the previous fiscal year, as strong automobile production supported steady growth of the automotive-related business and new non-automotive business development with major local companies progressed.

In the automotive field, as a result of expanding the use of plastics in electronic and mechanical components and promoting development in the interior parts and materials business, domestic sales grew considerably. In

overseas business, export sales increased as we focused on orders from businesses in this sector that have moved production facilities overseas. Additionally, the Nagoya Branch Office began to take a central role in addressing environment, safety and energy issues through the development of practical applications for new materials and battery technology. In non-automotive fields, sales increased substantially to customers where we made a concentrated investment of our strengths, although sales in some areas decreased year-on-year due to a drop in sales prices and stagnation in some market sectors. We also steadily worked to create a contract business for pharmaceutical formulations and functional health foods through the cooperative efforts of all our departments.

In fiscal 2007, the second year of WIT2008, we will promote basic strategies for reaching targets while carrying out activities to prepare for post-WIT2008. In the automotive field, this will involve accelerating business development activities in the fields of lightweight cars, environmental responsiveness and car batteries. In the non-automotive field, we will promote development of original Nagase products in ways such as contract manufacturing. To be more than a simple distribution channel of materials acquisition and sales, we will promote change to a high-value-added business structure.



Market development began for secondary batteries for vehicles.

IC Packaging Department



Kazuhiro Osako

GM, IC Packaging
Department

Overview of Business

Nagase inaugurated the current IC Packaging Department as the Wafer Bumping Department in April 2006 to expand semiconductor backend processing business. Utilizing the technology of Pac Tech-Packaging Technologies GmbH, a German semiconductor production equipment manufacturer Nagase acquired in January 2006, our mission is to increase our competitive advantage in equipment and materials in the semiconductor

backend processing business, conduct trial mass production of flip chip mounting and packaging, and strengthen sales of our product lineup by proposing total solutions. We changed our name to the IC Packaging Department to more strongly communicate this mission to customers.

Achievements in Fiscal 2006 and Strategic Initiatives in Fiscal 2007

At the Semiconductor Applications Development Center established in fiscal 2006, we aim to provide optimum solutions by conducting structural analysis and materials evaluation, and setting measures and processes to address various mounting and packaging issues of next-generation semicon-

ductors. We have already begun development of elemental technology for flip chip micro bonding. In addition, a Pac Tech demonstration machine at the Center capable of producing solder balls with diameters smaller than 100 micrometers has drawn many customer requests for test production.

The Nagase Group carries out wafer bumping in Japan, North America and Europe, and plans to establish a Pac Tech subsidiary in Penang, Malaysia in winter 2007 as a fourth center for processing. As semiconductor backend processing continues to move to Asia, the Group will provide comprehensive support in fostering this center into a flagship plant through Pac Tech and other overseas Group subsidiaries. Domestically, based on process development activities at the Semiconductor Applications Development Center, we will promote feasibility studies regarding the launch of an assembly house for trial mass production of flip chip mounting and packaging.



The Commercialization Support Center within the Semiconductor Applications Development Center



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

Kyoichi Zushi



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.

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 concentrate on developing and producing functional, high-value-added products in the three core business fields of electronics, life sciences and the environment while focusing management resources in three areas: strengthening research and development, aggressive capital expenditures and investment in human resources.

Nagase ChemteX's sales and income both remained strong in fiscal 2006 due to good performance in the electronics business and the turn to profitability in our bio-chemicals business, which consists of pharmaceutical intermediates and enzymes. Operating income increased 50 percent from fiscal 2005 due to a decrease in depreciation and improved productivity at two domestic production bases.

PRODUCTION STRUCTURE

Productivity at Nagase ChemteX's two domestic production bases is increasing as a result of concentrating operations in the previous fiscal year that were formerly dispersed between them. The Harima Plant manufactures electronics and performance chemicals. The Fukuchiyama Factory uses biotechnology and organic synthesis technologies for life sciences-related manufacturing centered on pharmaceutical intermediates and enzymes.

Nagase ChemteX has overseas production bases in Singapore, China and Taiwan. Earnings were supported by good performance at Nagase FineChem Singapore (Pte) Ltd., which became profitable in fiscal 2005 and handles production and recycling of chemicals used in the electronics field, Nagase ChemteX (Wuxi) Corp., established through a joint venture with Nagase & Co. Ltd. to produce formulated epoxy resins, and the Nagase ChemteX Taiwan Branch.

R&D STRUCTURE

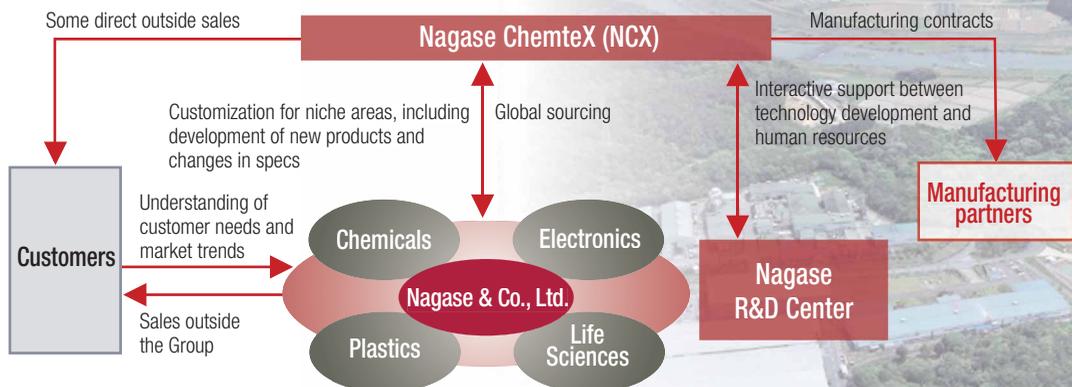
Nagase ChemteX's research and development structure comprises a staff of roughly 100 in departmental research divisions and teams working on company-wide R&D themes. In the life sciences field, we dispatch research and development staff to the Nagase R&D Center to conduct joint research in teams with researchers there. In the electronics field, the Harima Plant plays a central role in research and development. Looking ahead, we will prepare for business expansion by accelerating research and development based on our original epoxy resin.

We select our numerous development themes based on a keen understanding of customer needs gained through the synergies created between our R&D and trading company capabilities. Many of our researchers have obtained doctorates, increasing the level of research and technology in the Nagase Group.

● **Strategic Initiatives in Fiscal 2007** In fiscal 2007, our basic strategy of expanding business by specializing in functional, high-value-added products will remain unchanged. In addition, we will move to build a long-term business structure for post-WIT2008.

ELECTRONICS

Our electronics business continues to grow steadily. This business focuses on the fields of microelectronics, organic devices, semiconductors and electronic components, and offers original functional, high-value-added products such as liquid encapsulant for semiconductors,



film sealant (epoxy sheet), adhesives for organic devices for image sensors and other applications, and materials for organic electroluminescence. In fiscal 2006, joint global expansion of epoxy sheet with Nagase & Co., Ltd. contributed to business results. In addition, Nagase ChemteX and Nagase CMS Technology Co., Ltd. were at the center of initiating a total supply-to-recovery chemical recycling business initiated within the Nagase Group.

LIFE SCIENCES

In life sciences, Nagase ChemteX does business in two fields: pharmaceutical intermediates and enzymes. The pharmaceutical intermediate 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 new drugs (INDs), 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 enzyme modified products that employ our fermentation technologies. In the phospholipid business, where we are currently focused on bringing phospholipid-degrading enzymes to market, mass-production facilities are scheduled to begin operations in September 2007, contributing to performance in the second half of fiscal 2007.

The pharmaceuticals business, including the phospholipids business, will be part of a long-term grand design for the Fukuchiyama Factory.

PERFORMANCE CHEMICALS

Nagase ChemteX concentrates on high-value-added original products: liquid crystal intermediates, fluorene, polysilane and Denatron. Highly transparent and possessing excellent electrical properties, these 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 2006 due to growth in the large-screen LCD television and other markets. Productivity is increasing as a result of concentrating production of performance chemicals at the Harima Plant.

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. In addition, we are working to achieve rapid commercialization of a specialty thermoplastic resin.

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 Center plays a pivotal role in the Nagase Group's R&D activities aimed at its life sciences businesses not only by creating original new products and production methods but also by expanding and strengthening Nagase ChemteX's technology platform for pharmaceutical manufacturing, enzyme production, and fermentation.



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

| | |
|---|--|
| 1. Process development technologies | <ul style="list-style-type: none"> ① Develop production methods for unnatural amino acids using Maruoka Catalyst™ (asymmetric phase-transfer catalyst) and enzymes ② Develop production methods for chiral compounds, such as active pharmaceutical ingredients, intermediates thereof and liquid crystal components, using resolution and biotechnologies (microorganisms and enzymes) in elaborate multi-step processes. |
| 2. Enzyme development technologies | <ul style="list-style-type: none"> ① Identify new enzymes using a ready-to-use microorganism library; explore a ready-to-use microorganism library expanding steadily in its genetic diversity for new enzymes ② Develop new enzymes using recombinant microorganisms ③ Develop commercial-scale production methods for enzymes using genetic engineering technologies |
| 3. Natural materials development technologies | <ul style="list-style-type: none"> ① Identify and evaluate new ingredients for health foods and cosmetics ② Develop formulation methods for health foods and cosmetics |
| 4. Collaboration with Nagase ChemteX | <ul style="list-style-type: none"> ① Develop new production processes for pharmaceuticals ② Strengthen and expand the technology platform required to develop new enzymes |
| 5. Analysis and evaluation technologies | <ul style="list-style-type: none"> ① Analyze imported active pharmaceutical ingredients according to the Japanese Pharmacopoeia in compliance with good manufacturing practice (GMP) standards |

Achievements in Fiscal 2006

● Process Development

In collaboration with Nagase ChemteX, the Nagase R&D Center has achieved industrialization of the production methods for unnatural amino acids that it developed using Maruoka Catalyst™, a phase-transfer catalyst developed by Professor Keiji Maruoka of Kyoto University in fiscal 2005, thereby expanding their potential as a resource for drug discovery. In fiscal 2006, success in collaborative development of scalable production methods for a new line of unnatural amino acids added to our achievements, particularly among multinational pharmaceutical companies. Unnatural amino acids are those which do not exist in proteins, such as α, α -disubstituted ones. In particular, α, α -disubstituted amino acids have remained less industrially available so far. Hence, their production methods established at Nagase using Maruoka Catalyst™ should open new avenues for their applications in the pharmaceutical industry, such as building blocks for chiral drug substances and in peptide drugs.

● Enzyme Development

New enzymes with unique properties were identified and developmental work aimed at their industrialization commenced in collaboration with Nagase ChemteX.

● Drug Discovery Support

New reagent kits to detect and quantify substances that interact with human hormonal receptors were developed using recombinant yeast cells and launched to the market. The live-cell-visualization system was developed that

allows selected proteins to be monitored for their movement and localization in living cells under the fluorescence microscope for a prolonged period of time. This observation technology helps pinpoint the mechanism of action of anti-tumor agents.

● Health and Cosmetics Materials

Investigation into rosemary was conducted further for the mechanism of its biological defense and anti-aging to strengthen rosemary-associated Nagase's brand image in the industry. Such basic effort culminated in the fiscal 2006 launch of a rosemary-based line of new products including Rosemarist N, a premium anti-aging skin cream, which achieved record-high sales.

Policies for Fiscal 2007

To meet the targets of WIT2008 set for the life sciences businesses, the Nagase R&D Center will involve itself in developing the Group's new products and manufacturing methods, thereby giving positive impact on the relevant businesses. As in fiscal 2006, major developmental effort will be made on four the following themes: (1) process development for unnatural amino acids using Maruoka Catalyst™; (2) process development for pharmaceutical active ingredients and intermediates thereof; (3) development of new enzymes using genetic engineering; and (4) development of functional foods and cosmetics ingredients based on natural products. All these business-oriented developmental activities will be conducted in unison with related departments and in parallel, reformation of the existing technology platform will also be tackled to support the future of the Group's consolidated life sciences businesses. To complement development in house and increase its efficiency, the initiative will be taken in pursuing collaboration with universities and other research institutes outside the Nagase Group. The R&D achievements will be disclosed actively through presentation and publication to enhance the interactive relationship with related academic organizations and industries and thereby to expand business opportunities.

Management and Use of Intellectual Property

The Nagase R&D Center cooperates closely with the Intellectual Property Department of the Legal & Credit Division from the stage of theme selection to filing for patent application to strategically establish Nagase's competitive edge by turning R&D results into intellectual property rights.

Patent Applications Filed and Patents Acquired

| | During Fiscal 2006 | | Cumulative Total as of March 31, 2007 | |
|---------------------------|--------------------|----------|---------------------------------------|----------|
| | In Japan | Overseas | In Japan | Overseas |
| Patent applications filed | 11 | 10 | 217 | 109 |
| Patent rights established | 3 | 1 | 18 | 35 |

Note: The number of patent applications filed includes patent rights granted.

Six-year Summary

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

| | (Millions of Yen) | | | | | | Thousands of U.S. Dollars (Note 1) |
|--|-------------------|-----------|-----------|-----------|-----------|-----------|---------------------------------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2007 |
| For the Year: | | | | | | | |
| Net Sales | ¥ 701,321 | ¥ 648,023 | ¥ 575,636 | ¥ 533,301 | ¥ 503,688 | ¥ 490,583 | \$5,940,881 |
| Gross Profit | 73,639 | 67,640 | 61,960 | 53,494 | 51,899 | 46,976 | 623,800 |
| Operating Income..... | 21,669 | 17,596 | 13,256 | 10,244 | 8,433 | 1,673 | 183,562 |
| Net Income (Loss) | 13,567 | 12,892 | 10,384 | 7,010 | 4,186 | (2,097) | 114,927 |
| At the Year-End: | | | | | | | |
| Total Assets | ¥ 422,859 | ¥ 396,773 | ¥ 335,290 | ¥ 310,793 | ¥ 284,800 | ¥ 300,073 | \$3,582,038 |
| Net Assets* | 211,672 | 202,376 | 171,937 | 160,407 | 145,017 | 147,918 | 1,793,071 |
| Interest-Bearing Debt | 20,491 | 24,834 | 14,019 | 16,417 | 16,578 | 16,677 | 173,584 |
| (Yen) | | | | | | | |
| Per Share Date: | | | | | | | |
| Net Income (Loss) (Basic).... | ¥ 105.84 | ¥ 100.32 | ¥ 81.00 | ¥ 54.69 | ¥ 31.72 | ¥ (15.39) | \$ 0.89 |
| Net Assets | 1,597.27 | 1,535.70 | 1,311.37 | 1,227.82 | 1,107.54 | 1,082.15 | 13.53 |
| Cash Dividends | 18.00 | 15.00 | 10.00 | 9.00 | 8.00 | 8.00 | 0.15 |
| (%) | | | | | | | |
| Ratios: | | | | | | | |
| Ratio of Gross Profit to Sales | 10.5 | 10.4 | 10.8 | 10.0 | 10.3 | 9.6 | |
| Total Asset Turnover (Times)... | 1.7 | 1.8 | 1.8 | 1.8 | 1.7 | 1.5 | |
| Return on Assets (ROA)..... | 3.3 | 3.5 | 3.2 | 2.4 | 1.4 | (0.6) | |
| Return on Equity (ROE)..... | 6.8 | 7.1 | 6.4 | 4.7 | 2.9 | (1.4) | |
| Net Worth Ratio | 48.5 | 49.6 | 49.8 | 50.3 | 49.5 | 48.0 | |
| Interest Coverage Ratio (Times) | 26.9 | 30.5 | 31.0 | 25.7 | 22.9 | 5.8 | |
| Debt to Equity Ratio (Times).... | 0.10 | 0.13 | 0.08 | 0.11 | 0.12 | 0.14 | |
| Number of Employees..... | 3,865 | 3,504 | 3,203 | 2,884 | 2,790 | 2,718 | |

* Effective from the year ended March 31, 2007, the Company has adopted a new accounting standard for presentation of net assets in the balance sheet. Amounts for previous fiscal years have been restated to conform to the new standard.

Management's Discussion and Analysis of Operations and Finances

The Nagase Group and Its Businesses

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 97 related companies, consisting of 69 subsidiaries and 28 affiliates. The scope of consolidation includes 47 subsidiaries and 10 affiliates accounted for by the equity method.

Seven companies were added to the scope of consolidation in the fiscal year ended March 31, 2007 because they had become increasingly material to consolidated results. The seven companies are Pac Tech-Packaging Technologies GmbH, Pac Tech-Packaging Technologies USA Inc., Nagase Philippines International Services Corp., Guangzhou Nagase Trading Ltd., Nagase Chemspec Co., Ltd., NCK Ltd. and Hoei Techno Service Co., Ltd.

The Nagase Group removed 22 companies including Nagase Eco Plus Co., Ltd. from the scope of consolidation during the fiscal year ended March 31, 2007. Their total assets, net sales, net income and retained earnings had no material effect on the consolidated financial statements.

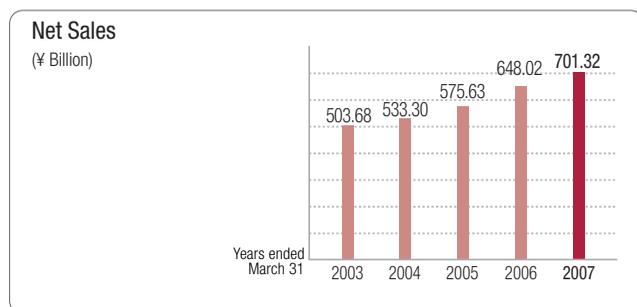
Overview of Results

Net Sales

During the fiscal year ended March 31, 2007, the Japanese economy was firm due to factors including growth in capital investment and increased exports as a result of the depreciation of the yen. The global economy was generally robust, as rising concern about the future health of the U.S. economy did little to blunt growth.

In these conditions, the Nagase Group worked to expand sales and profits, and sales increased both in Japan and overseas. Consolidated net sales increased 8.2 percent, or ¥53.29 billion, year-on-year to ¥701.32 billion.

Domestic sales increased 5.7 percent, or ¥22.31 billion, year-on-year to ¥410.78 billion as a result of strong sales of LCD and semiconductor products in the Electronics business and solid sales in the Chemicals business. Overseas sales increased 11.9 percent, or ¥30.97 billion, year-on-year to ¥290.53 billion. In ASEAN, sales in the Plastics business grew in Thailand and Vietnam, while in the Greater China region, sales in the Plastics and Electronics businesses remained solid.



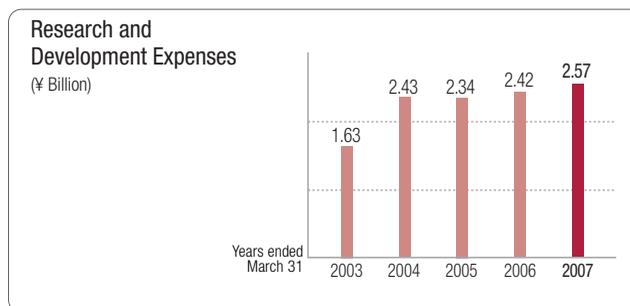
Gross Profit and Selling, General and Administrative Expenses

Cost of sales increased 8.1 percent, or ¥47.29 billion, year-on-year to ¥627.68 billion. Reflecting the increase in sales, gross profit increased 8.9 percent, or ¥5.99 billion, to ¥73.63 billion. As a result, the ratio of gross profit to net sales increased 0.1 percentage points to 10.5 percent.

Selling, general and administrative (SG&A) expenses increased 3.9 percent, or ¥1.92 billion, year-on-year to ¥51.97 billion, even though the Nagase Group credited an actuarial gain on pension plan assets that occurred in the previous fiscal year to income. The ratio of SG&A expenses to net sales decreased 0.3 percentage points to 7.4 percent.

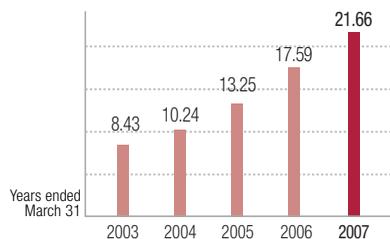
Research and Development Expenses

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 that emphasize user needs and conducts applied research. Main research and development themes include technologies related to biotechnology fields that make effective use of organic synthesis, microorganisms and enzymes in development of pharmaceutical manufacturing techniques, and technologies for isolation and biological assay of natural products. The Nagase R&D Center also collaborates with Nagase ChemteX Corp., a major manufacturing subsidiary. The Nagase Group's customers hold in high regard the Nagase R&D Center's ability to develop such technologies as chiral synthesis technology to produce unnatural amino acids; the development of new enzymes ranging from isolation to production and application; and the development of cosmetics and health foods using natural ingredients. 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 fiscal year ended March 31, 2007, research and development expenses totaled ¥2.57 billion, compared to ¥2.42 billion in the previous fiscal year.

Operating Income (¥ Billion)



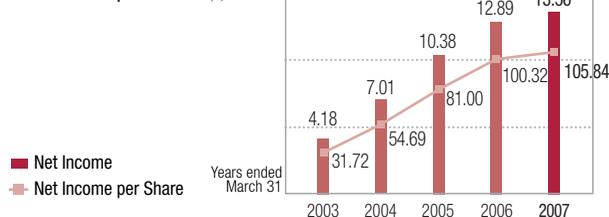
Operating Income, Net Other Income and Net Income

Operating income increased 23.1 percent, or ¥4.07 billion, year-on-year to ¥21.66 billion as a result of the above. The operating margin increased 0.4 percentage points to 3.1 percent.

Net other income decreased 52.3 percent, or ¥1.56 billion, to ¥1.42 billion. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, decreased from 30.5 times to 26.9 times. Gain on sales of investments in securities decreased to ¥0.27 billion from ¥1.19 billion in the previous fiscal year. Gain on sales of property and equipment decreased to ¥0.07 billion from ¥1.09 billion in the previous fiscal year.

As a result, income before income taxes and minority interests increased 12.2 percent, or ¥2.51 billion, year-on-year to ¥23.09 billion. As a result, net income increased 5.2 percent, or ¥0.67 billion, from ¥12.89 billion for the previous fiscal year to ¥13.56 billion. Net income per share increased to ¥105.84 from ¥100.32 in the previous fiscal year.

Net Income (¥ Billion) / Net Income per Share (¥)



Results by Business Segment

Reclassification of Business Segments

In the fiscal year ended March 31, 2007, the Nagase Group reclassified the former four business segments of Chemicals, Plastics, Electronics, and Health Care and Others into the five segments of Chemicals, Plastics, Electronics, Life Sciences and Others. This reclassification took effect on 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 grouped together in the Life Sciences segment to enhance the linkage between them. Moreover, the business handling DVD players and other products, formerly included in Electronics, has been moved to the Others segment because unlike other businesses in the Electronics segment, it serves general consumers.

Data from prior years has been restated to reflect the reclassification of business segments.

Chemicals

| | (¥ Billion) | | |
|-------------------------------|-------------|--------|------------|
| | 2007 | 2006 | Change (%) |
| Net Sales | 247.09 | 222.28 | 11.2 |
| Operating Income | 7.01 | 5.65 | 24.0 |
| Assets | 135.91 | 115.46 | 17.7 |
| Depreciation and Amortization | 0.90 | 0.94 | (4.0) |
| Capital Expenditures | 1.55 | 1.23 | 25.9 |

Segment sales increased 11.2 percent, or ¥24.81 billion, year-on-year to ¥247.09 billion. Segment operating income increased 24.0 percent, or ¥1.35 billion, year-on-year to ¥7.01 billion. Sales were strong overall, with increased sales of products for final applications in automobile-related fields and growth in sales of general-purpose chemical products due to factors such as improved conditions in the markets for materials.

Overall results were robust in the performance chemicals business, which covers a relatively large portion of the upstream areas of the Chemicals segment. Sales of urethane and paint materials and other products for the automotive industry increased as a result of Nagase's emphasis on this business. Sales of plastic additives increased in Japan and overseas, and sales of general-purpose chemicals also increased.

Overall sales increased slightly in the colors and imaging products business, which includes pigments, dyes and other businesses related to color. Sales of ink and toner materials for printers and copiers were flat. However, sales of products including performance additives for flat-panel displays and conductive polymers increased. Sales of dyestuffs were flat in core overseas markets.

The speciality chemicals business handles a wide range of organic products including surfactants used as raw materials for detergents, cosmetics and other household toiletries; industrial oil solutions; silicones; and fluorinated products. Overall sales were strong, centered on epoxy compounds and other products made by Nagase ChemteX Corp., the core of the Nagase Group's manufacturing operations.

Plastics

| | (¥ Billion) | | |
|-------------------------------|-------------|--------|------------|
| | 2007 | 2006 | Change (%) |
| Net Sales | 244.68 | 229.27 | 6.7 |
| Operating Income | 6.53 | 6.67 | (2.1) |
| Assets | 118.80 | 112.10 | 6.0 |
| Depreciation and Amortization | 0.96 | 0.96 | 0.6 |
| Capital Expenditures | 1.18 | 0.84 | 41.0 |

Segment sales increased 6.7 percent, or ¥15.40 billion, year-on-year to ¥244.68 billion, with increased overseas sales, primarily in Asia, and growth in domestic sales, centered on the automotive industry. Operating income decreased 2.1 percent, or ¥0.14 billion, year-on-year to ¥6.53 billion.

Sales of plastics for precision equipment applications such as printers and copiers were strong, centered on Southeast Asia. Sales of engineering plastics

for CD, DVD and other media applications decreased in Greater China, including Hong Kong and Taiwan.

Sales to the automotive industry expanded in Asia, primarily in southern China. Sales in North America were flat, but sales of plastics and components were strong in Japan, which contributed to an overall increase in sales.

Sales of building materials and housing equipment expanded overall. Sales of original Nagase Group products using wood composite materials rose, while sales of other construction materials and plastics increased slightly.

Sales to the domestic packaging materials industry increased for applications such as cosmetics containers, although sales of household-use packaging materials declined. Sales also decreased in the electronic component assembly business, which is part of the plastics-related products business.

Among Nagase Group manufacturing companies in Japan, sales were flat at Totaku Industries, Inc., which manufactures various types of flexible hose and pipes for industrial applications and household appliances, and at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging. Sales decreased marginally at Setsunan Kasei Co., Ltd., which handles plastic coloring and compounding.

Electronics

| | (¥ Billion) | | |
|-------------------------------|-------------|--------|------------|
| | 2007 | 2006 | Change (%) |
| Net Sales | 150.79 | 132.08 | 14.2 |
| Operating Income | 6.16 | 4.46 | 38.1 |
| Assets | 84.26 | 78.92 | 6.8 |
| Depreciation and Amortization | 1.46 | 1.10 | 31.7 |
| Capital Expenditures | 1.88 | 1.71 | 9.7 |

Segment sales increased 14.2 percent, or ¥18.71 billion, year-on-year to ¥150.79 billion as a result of overall expansion in the LCD-related business and growth in sales of precision abrasive materials for products including semiconductors. Operating income increased 38.1 percent, or ¥1.70 billion, to ¥6.16 billion.

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

In the LCD-related business, including products for backend processing of LCDs, sales of liquid crystal modules decreased substantially year-on-year, and sales of optical films decreased slightly. However, overall sales were about the same as in the previous fiscal year due to significant growth in offshoot businesses such as LCD components and aluminum housing materials for electronic equipment.

Sales of precision abrasives used in semiconductor-related silicon wafer processing increased substantially, and sales of substrates for hard disk drives also rose. Sales of encapsulants and other products used in semiconductor backend processing were also solid, which contributed to strong overall sales growth.

Sales of surface inspection systems and other communications and imaging products manufactured by the Nagase Group were essentially unchanged.

Life Sciences

| | (¥ Billion) | | |
|-------------------------------|-------------|-------|------------|
| | 2007 | 2006 | Change (%) |
| Net Sales | 53.55 | 56.40 | (5.0) |
| Operating Income | 2.00 | 1.26 | 58.5 |
| Assets | 33.41 | 33.89 | (1.4) |
| Depreciation and Amortization | 0.63 | 0.38 | 66.5 |
| Capital Expenditures | 0.76 | 0.60 | 27.1 |

Segment sales decreased 5.0 percent, or ¥2.84 billion, year-on-year to ¥53.55 billion. Operating income increased 58.5 percent, or ¥0.73 billion, to ¥2.00 billion. The fine chemicals business was flat year-on-year, and sales in the beauty care products business decreased slightly. Sales in the medical care products business decreased in reflection of extensive restructuring, including withdrawal from some businesses in the previous fiscal year.

Sales in the fine chemicals business were flat. Sales of pharmaceutical intermediates decreased, while sales of enzymes and diagnostics increased.

Sales decreased slightly in the beauty care business, which includes cosmetics and health foods. Sales of new products related to cosmetics increased slightly. Sales of health food-related products were flat.

Others

Segment sales decreased 34.9 percent, or ¥2.78 billion, year-on-year to ¥5.19 billion. Operating loss totaled ¥0.35 billion. Direct sales of DVD movie software and other products to consumers has been transferred to the Others segment.

Results by Geographical Segment

Reclassification of Geographical Segments

In the fiscal year ended March 31, 2007, the Nagase Group reclassified the former four geographic segments of Japan, Asia, North America and Others into the five geographical segments of Japan, Northeast Asia, Southeast Asia, North America and Europe to better reflect operational management and policies. Data from prior years has been restated to reflect the reclassification of geographical segments.

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.

Japan

Sales in Japan increased 3.2 percent, or ¥14.75 billion, year-on-year to ¥480.64 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, electronic component and material processing sales increased in the Electronics business. Operating income in Japan increased 21.9 percent, or ¥2.59 billion, year-on-year to ¥14.44 billion.

Northeast Asia

Sales in Northeast Asia increased 25.4 percent, or ¥23.31 billion, year-on-year to ¥115.13 billion. Sales in the Chemicals and Electronics businesses expanded, particularly in southern China. Operating income in Northeast Asia increased 10.6 percent, or ¥0.37 billion, year-on-year to ¥3.96 billion.

Southeast Asia

Sales in Southeast Asia increased 16.5 percent, or ¥10.11 billion, year-on-year to ¥71.51 billion. Sales of engineering plastics in Thailand increased. Operating income in Southeast Asia increased 23.7 percent, or ¥0.49 billion, year-on-year to ¥2.56 billion.

North America

Sales in North America increased 11.5 percent, or ¥2.23 billion, year-on-year to ¥21.72 billion. Sales in the Chemicals business were strong. Operating income in North America totaled ¥0.16 billion, compared to an operating loss of ¥0.02 billion for the previous fiscal year.

Europe & Others

Sales in Europe & Others increased 30.6 percent, or ¥2.87 billion, year-on-year to ¥12.29 billion, reflecting the addition of Pac Tech-Packaging Technologies GmbH, a company involved in semiconductor backend processing in the Electronics business, to the scope of consolidation. Operating income in Europe & Others increased 294.8 percent, or ¥0.33 billion, year-on-year to ¥0.45 billion.

Profit Sharing Policy

Dividend Policy

Nagase's basic policy is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders. The Company pays dividends after taking into overall consideration projected capital requirements for future growth over the medium and long term and consolidated performance. Nagase deploys internal capital resources effectively to strengthen future business activities and the Nagase Group's operating foundation.

Based on this policy, Nagase increased cash dividends for the fiscal year ended March 31, 2007 to ¥18.00 per share from ¥15.00 per share for the previous fiscal year. The increase included a ¥2.00 dividend commemorating the 175th anniversary of Nagase's establishment. As a result, the dividend payout ratio increased to 29.7 percent from 25.0 percent for the previous fiscal year. In addition, Nagase amended its Articles of Incorporation at the Ordinary General Meeting of Shareholders 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.

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, 2007, 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, 2007 decreased 4.4 percent, or ¥1.01 billion, from a year earlier to ¥21.91 billion.

Operating activities provided cash of ¥10.85 billion, reflecting net income totaling ¥13.56 billion. Investing activities, including purchases of property and equipment and purchases and sales of investments in securities, used cash of ¥5.20 billion. Financing activities used cash of ¥8.42 billion for issues including repayment of commercial paper and dividend payments.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥10.85 billion; in the previous fiscal year, operating activities used net cash of ¥2.34 billion. An increase in net income to ¥13.56 billion contributed to the year-on-year change, as did changes in working capital, principally an increase in notes and accounts payable. These factors were offset by a decrease in accrued income taxes.

Net Cash Used in Investing Activities

Net cash used in investing activities increased ¥1.39 billion compared with the previous fiscal year to ¥5.20 billion. Purchases of property and equipment totaled ¥3.01 billion. Purchases of investments in securities totaled ¥1.37 billion.

Net Cash Used in Financing Activities

Financing activities used net cash of ¥8.42 billion. In the previous fiscal year, financing activities provided net cash of ¥9.33 billion. Primary factors were repayment of commercial paper totaling ¥5.00 billion and cash dividends paid totaling ¥3.16 billion, reflecting the introduction of an interim dividend system in the year ended March 2007, in addition to payment of dividends for the previous fiscal year.

Cash Flow Summary

| | (¥ Billion) | | |
|---|-------------|--------|--------|
| | 2007 | 2006 | 2005 |
| Net Cash Provided by (Used in) Operating Activities | 10.85 | (2.34) | 1.71 |
| Net Cash Used in Investing Activities | (5.20) | (3.80) | (1.41) |
| Net Cash (Used in) Provided by Financing Activities | (8.42) | 9.33 | (5.11) |

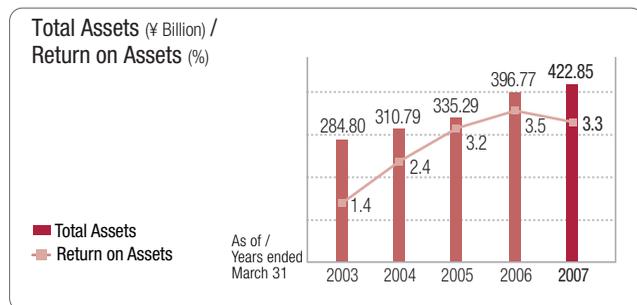
Assets

Total assets as of March 31, 2007 increased 6.6 percent, or ¥26.08 billion, from a year earlier to ¥422.85 billion.

Current assets increased 9.5 percent, or ¥25.32 billion, to ¥291.62 billion. Primary factors included a ¥23.53 billion increase in notes and accounts

receivable because net sales increased and the fiscal year ended on a bank holiday. Inventories also increased ¥3.10 billion.

Property, plant and equipment increased 3.3 percent, or ¥1.01 billion, to ¥31.83 billion as the Nagase Group invested in facilities at manufacturing subsidiaries.



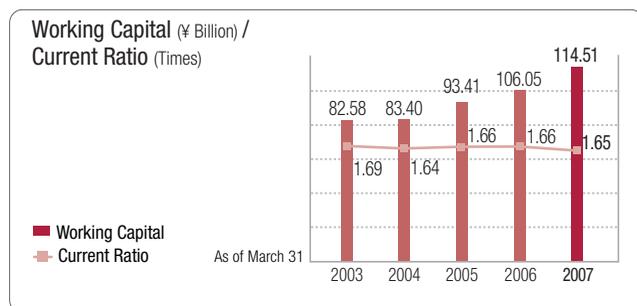
Liabilities

Total liabilities as of March 31, 2007 increased 8.6 percent, or ¥16.79 billion, from a year earlier to ¥211.18 billion.

Current liabilities increased 10.5 percent, or ¥16.86 billion, to ¥177.11 billion. Notes and accounts payable increased ¥22.65 billion from a year earlier as a result of an increase in the amount of goods purchased.

Working capital increased to ¥114.51 billion from ¥106.05 billion a year earlier. The current ratio was 1.65 times, compared to 1.66 times a year earlier.

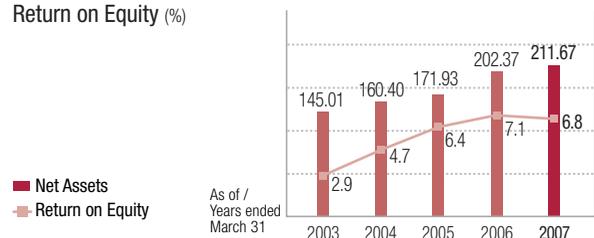
Long-term liabilities decreased 0.2 percent, or ¥0.07 billion, to ¥34.07 billion, primarily because of a decrease of ¥1.70 billion in deferred income taxes as a result of a decrease in net unrealized holding gain on securities.



Net Assets

Net assets including minority interests increased 4.6 percent, or ¥9.29 billion, from a year earlier to ¥211.67 billion. While net unrealized holding gain on securities decreased ¥4.15 billion from a year earlier, retained earnings increased ¥11.04 billion from a year earlier to ¥156.74 billion, reflecting higher net income for the year. As a result, the ratio of net assets to total assets decreased 0.9 percentage points to 50.1 percent from 51.0 percent a year earlier.

Net Assets (¥ Billion) / Return on Equity (%)



Investment in Plant and Equipment

Investment in plant and equipment for the year ended March 31, 2007 centered on manufacturing facilities for chemicals and electronic components and totaled ¥4.25 billion.

In the Chemicals segment, investment in plant and equipment totaled ¥1.01 billion and included production equipment at manufacturing subsidiaries for industrial chemicals. In the Plastics segment, investment in plant and equipment totaled ¥0.90 billion and included plastic molding and production equipment at Nagase and its manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥1.46 billion and included production equipment for electronic components and related products at Nagase and its manufacturing subsidiaries. In the Life Sciences segment, investment in plant and equipment totaled ¥0.63 billion and included investment in buildings and production equipment at manufacturing subsidiaries. In the Others segment, investment in plant and equipment totaled ¥0.23 billion. The Nagase Group used both internal and external capital resources to fund capital expenditures.

Outlook for the Year Ending March 31, 2008

In the year ending March 31, 2008, the second 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. Market demand is forecast to expand in each of these four areas, and Nagase believes it 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, 2008 is as follows.

| | ¥ Million (Announced on April 27, 2007) | | | |
|--|---|------------------|-----------------|------------|
| | Net Sales | Operating Income | Ordinary Income | Net Income |
| Year ending March 31, 2008 (Projected) | 752,000 | 21,900 | 23,600 | 14,100 |
| Year ended March 31, 2007 (Actual) | 701,321 | 21,669 | 23,231 | 13,567 |
| Projected YOY increase | 7.2% | 1.1% | 1.6% | 3.9% |

Note: On July 19, 2007, projected net income for the year ending March 31, 2008 was revised downward 47.7 percent to ¥7,100 million.

Operating and Other Risks

The Nagase Group is engaged in trading, marketing, research and development, manufacturing and processing, and conducts global business activities in the five segments of Chemicals, Plastics, Electronics, Life Sciences and Others. The following presents an overview of major operating and other risks to which the Nagase Group's businesses are subject by their nature and that exert or could exert a significant influence on investor decisions.

Forward-looking statements are Nagase Group estimates as of March 31, 2007.

(1) Overall Operating Risk

The Nagase Group conducts a wide spectrum of operations in the fields of Chemicals, Plastics, Electronics and Life Sciences from its base in chemicals. The chemical industry both in Japan and internationally is subject to significant volatility that could impact the Group's performance and financial position.

(2) Product Market Conditions

The Nagase Group is extensively involved in the chemicals, plastics and other businesses that deal in petrochemicals manufactured from naphtha.

Raw material market conditions and the balance of supply and demand are key factors determining market conditions for each product. Changes in these conditions could impact the Group's performance and financial position.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import and export transactions and non-trade business 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 could 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 could therefore impact the consolidated financial statements upon translation of the accounts of these corporations into Japanese yen.

(4) Risks Involved in Operating Overseas

A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in China, Southeast Asia, Europe and North America. 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 could impact the Group's performance and financial position.

(5) 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 could impact the Group's performance and financial position. Moreover, a drop in stock prices that reduces return on pension plan assets could impact the Group's profitability by increasing retirement benefit costs.

(6) Counterparty Credit Risk

The Nagase Group is exposed to credit risk because it extends credit to counterparties in a diverse array of transactions in Japan and overseas. As a matter of policy, the Nagase Group moves to preclude credit risk with risk hedges such as guarantees and collateral in correlation with the financial condition of counterparties. However, the Nagase Group cannot be absolutely certain that it has avoided credit risk. Deterioration of the financial condition or bankruptcy of counterparties could impact the Group's performance and financial position.

(7) Risk of New Investments

The Nagase Group's businesses are based on 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 strategic acquisitions. 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 could impact the Group's performance and financial position.

(8) 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 could impact the Group's performance and financial position.

(9) 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 and with laws related to chemical product management in China, Europe, North America and elsewhere. Contravention of these regulatory systems would result in restrictions on business activities, and therefore could impact the Group's performance and financial position.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2007 | 2006 | 2007 |
| Current assets: | | | |
| Cash and cash equivalents..... | ¥ 21,919 | ¥ 22,936 | \$ 185,676 |
| Time deposits..... | 3 | 603 | 32 |
| Notes and accounts receivable (Note 17): | | | |
| Unconsolidated subsidiaries and affiliates | 1,696 | 2,558 | 14,367 |
| Trade..... | 216,368 | 192,150 | 1,832,852 |
| Other | 1,557 | 1,273 | 13,195 |
| Less allowance for doubtful receivables | (1,468) | (1,365) | (12,436) |
| | 218,153 | 194,617 | 1,847,978 |
| Inventories..... | 43,372 | 40,268 | 367,407 |
| Deferred income taxes (Note 8) | 3,055 | 3,529 | 25,883 |
| Other current assets..... | 5,121 | 4,344 | 43,382 |
| Total current assets..... | 291,626 | 266,299 | 2,470,360 |
| Property, plant and equipment: | | | |
| Land (Note 6) | 9,437 | 9,448 | 79,943 |
| Buildings and structures | 30,163 | 30,026 | 255,516 |
| Machinery and equipment | 37,269 | 33,975 | 315,710 |
| Construction in progress | 736 | 98 | 6,237 |
| | 77,607 | 73,548 | 657,407 |
| Less accumulated depreciation | (45,772) | (42,729) | (387,738) |
| Property, plant and equipment, net | 31,834 | 30,819 | 269,669 |
| Investments and other assets: | | | |
| Investments in securities (Notes 4 and 6): | | | |
| Unconsolidated subsidiaries and affiliates | 11,857 | 11,875 | 100,444 |
| Other | 77,332 | 83,434 | 655,083 |
| | 89,190 | 95,310 | 755,528 |
| Long-term loans receivable | 118 | 42 | 1,000 |
| Deferred income taxes (Note 8) | 757 | 712 | 6,414 |
| Other assets..... | 9,671 | 4,101 | 81,930 |
| Less allowance for doubtful accounts..... | (338) | (512) | (2,864) |
| Total investments and other assets | 99,399 | 99,654 | 842,008 |
| Total assets | ¥422,859 | ¥396,773 | \$3,582,038 |

See notes to consolidated financial statements.

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2007 | 2006 | 2007 |
| Current liabilities: | | | |
| Short-term loans (Note 5) | ¥ 13,948 | ¥ 13,650 | \$ 118,156 |
| Commercial paper..... | — | 5,000 | — |
| Current portion of long-term debt (Note 5)..... | 259 | 660 | 2,195 |
| Notes and accounts payable (Note 17): | | | |
| Unconsolidated subsidiaries and affiliates | 2,007 | 1,468 | 17,007 |
| Trade..... | 139,453 | 117,341 | 1,181,309 |
| | 141,461 | 118,810 | 1,198,316 |
| Accrued income taxes (Note 8) | 3,954 | 3,955 | 33,496 |
| Deferred income taxes (Note 8) | 0 | — | 0 |
| Accrued expenses | 3,818 | 6,407 | 32,347 |
| Accrued bonuses for employees | 3,067 | — | 25,985 |
| Accrued bonuses for directors and corporate auditors | 197 | — | 1,673 |
| Other current liabilities | 10,407 | 11,762 | 88,159 |
| Total current liabilities | 177,114 | 160,247 | 1,500,331 |
| Long-term liabilities: | | | |
| Long-term debt (Note 5)..... | 6,284 | 5,523 | 53,233 |
| Deferred income taxes (Note 8) | 19,790 | 21,497 | 167,643 |
| Accrued retirement benefits for employees (Note 7)..... | 6,851 | 5,902 | 58,037 |
| Accrued retirement benefits for officers | 263 | 933 | 2,233 |
| Other liabilities | 883 | 291 | 7,487 |
| Total long-term liabilities | 34,073 | 34,149 | 288,635 |
| Contingent liabilities (Note 14) | | | |
| Net Assets: | | | |
| Shareholders' equity (Note 9): | | | |
| Common stock: | | | |
| Authorized — 346,980,000 shares | | | |
| Issued — 138,408,285 shares..... | 9,699 | 9,699 | 82,166 |
| Capital surplus | 9,926 | 9,725 | 84,083 |
| Retained earnings | 156,749 | 145,709 | 1,327,820 |
| Treasury stock | (5,413) | (5,604) | (45,854) |
| Total shareholders' equity | 170,961 | 159,529 | 1,448,216 |
| Valuation and translation adjustments: | | | |
| Net unrealized holding gain on securities..... | 32,348 | 36,504 | 274,023 |
| Unrealized gain or loss on deferred hedge..... | 0 | — | 1 |
| Translation adjustments..... | 1,772 | 586 | 15,018 |
| Total valuation and translation adjustments..... | 34,120 | 37,090 | 289,042 |
| Stock acquisition rights | 123 | — | 1,045 |
| Minority interests | 6,465 | 5,755 | 54,767 |
| Total net assets | 211,672 | 202,376 | 1,793,071 |
| Total liabilities and net assets..... | ¥422,859 | ¥396,773 | \$3,582,038 |

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2007 | 2006 | 2007 |
| Net sales (Note 16) | ¥701,321 | ¥648,023 | \$5,940,881 |
| Cost of sales (Note 12) | 627,681 | 580,383 | 5,317,080 |
| Gross profit..... | 73,639 | 67,640 | 623,800 |
| Selling, general and administrative expenses (Note 12) | 51,970 | 50,043 | 440,238 |
| Operating income (Note 16) | 21,669 | 17,596 | 183,562 |
| Other income (expenses): | | | |
| Interest and dividend income..... | 1,490 | 1,543 | 12,623 |
| Interest expense..... | (860) | (628) | (7,289) |
| Equity in earnings of affiliates..... | 519 | 120 | 4,397 |
| Gain on sales of investments in securities..... | 275 | 1,190 | 2,330 |
| Loss on devaluation of investments in securities..... | (48) | (92) | (406) |
| Gain on sales of property and equipment | 74 | 1,091 | 628 |
| Loss on disposal of property and equipment..... | (137) | (261) | (1,167) |
| Loss on impairment of fixed assets..... | (80) | — | (684) |
| Other, net..... | 194 | 24 | 1,648 |
| Income before income taxes and minority interests | 23,095 | 20,583 | 195,642 |
| Income taxes (Note 8): | | | |
| Current..... | 7,219 | 6,787 | 61,157 |
| Deferred..... | 1,520 | (58) | 12,877 |
| Income before minority interests | 14,355 | 13,854 | 121,607 |
| Minority interests..... | 788 | 962 | 6,679 |
| Net income | ¥ 13,567 | ¥ 12,892 | \$ 114,927 |

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

| | Millions of yen | | | | | | | | | | | |
|--|----------------------------------|---------------|-----------------|-------------------|-----------------|----------------------------|---|---|-------------------------|--------------------------|--------------------|------------------|
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Unrealized gain or loss on deferred hedge | Translation adjustments | Stock acquisition rights | Minority interests | Total net assets |
| Balance at March 31, 2005 | 138,408,285 | ¥9,699 | ¥9,648 | ¥134,778 | ¥(5,908) | ¥148,218 | ¥20,431 | ¥— | ¥(1,558) | ¥— | ¥4,844 | ¥171,937 |
| Net income for the year | — | — | — | 12,892 | — | 12,892 | — | — | — | — | — | 12,892 |
| Gain on sales of treasury stock | — | — | 76 | — | — | 76 | — | — | — | — | — | 76 |
| Increase in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | — | 79 | — | 79 | — | — | — | — | — | 79 |
| Decrease in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | — | (393) | — | (393) | — | — | — | — | — | (393) |
| Decrease in retained earnings resulting from inclusion of companies accounted for by the equity method | — | — | — | (6) | — | (6) | — | — | — | — | — | (6) |
| Decrease in retained earnings resulting from exclusion of companies accounted for by the equity method | — | — | — | (287) | — | (287) | — | — | — | — | — | (287) |
| Cash dividends | — | — | — | (1,274) | — | (1,274) | — | — | — | — | — | (1,274) |
| Bonuses to officers | — | — | — | (80) | — | (80) | — | — | — | — | — | (80) |
| Acquisition of treasury stock | — | — | — | — | (48) | (48) | — | — | — | — | — | (48) |
| Disposition of treasury stock | — | — | — | — | 352 | 352 | — | — | — | — | — | 352 |
| Other | — | — | — | — | — | 0 | 16,072 | — | 2,144 | — | 910 | 19,127 |
| Balance at March 31, 2006 | 138,408,285 | 9,699 | 9,725 | 145,709 | (5,604) | 159,529 | 36,504 | — | 586 | — | 5,755 | 202,376 |
| Net income for the year | — | — | — | 13,567 | — | 13,567 | — | — | — | — | — | 13,567 |
| Gain on sales of treasury stock | — | — | 200 | — | — | 200 | — | — | — | — | — | 200 |
| Increase in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | — | 374 | — | 374 | — | — | — | — | — | 374 |
| Decrease in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | — | (128) | — | (128) | — | — | — | — | — | (128) |
| Increase in retained earnings resulting from inclusion of companies accounted for by the equity method | — | — | — | 189 | — | 189 | — | — | — | — | — | 189 |
| Cash dividends (Note) | — | — | — | (1,920) | — | (1,920) | — | — | — | — | — | (1,920) |
| Cash dividends | — | — | — | (962) | — | (962) | — | — | — | — | — | (962) |
| Bonuses to officers (Note) | — | — | — | (80) | — | (80) | — | — | — | — | — | (80) |
| Acquisition of treasury stock | — | — | — | — | (51) | (51) | — | — | — | — | — | (51) |
| Disposition of treasury stock | — | — | — | — | 242 | 242 | — | — | — | — | — | 242 |
| Other | — | — | — | — | — | — | (4,156) | 0 | 1,186 | 123 | 709 | (2,136) |
| Balance at March 31, 2007 | 138,408,285 | ¥9,699 | ¥9,926 | ¥156,749 | ¥(5,413) | ¥170,961 | ¥32,348 | ¥0 | ¥1,772 | ¥123 | ¥6,465 | ¥211,672 |

Note: Item for distribution of income at the General Meeting of Shareholders held on June 28, 2006.

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | | |
|--|------------------------------------|-----------------|--------------------|-------------------|----------------------------|---|---|-------------------------|--------------------------|--------------------|--------------------|--|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Unrealized gain or loss on deferred hedge | Translation adjustments | Stock acquisition rights | Minority interests | Total net assets | |
| Balance at March 31, 2006 | \$82,166 | \$82,383 | \$1,234,299 | \$(47,472) | \$1,351,376 | \$309,230 | \$— | \$4,965 | \$— | \$48,756 | \$1,714,328 | |
| Net income for the year | — | — | 114,927 | — | 114,927 | — | — | — | — | — | 114,927 | |
| Gain on sales of treasury stock | — | 1,699 | — | — | 1,699 | — | — | — | — | — | 1,699 | |
| Increase in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | 3,173 | — | 3,173 | — | — | — | — | — | 3,173 | |
| Decrease in retained earnings resulting from inclusion of consolidated subsidiaries | — | — | (1,087) | — | (1,087) | — | — | — | — | — | (1,087) | |
| Increase in retained earnings resulting from inclusion of companies accounted for by the equity method | — | — | 1,607 | — | 1,607 | — | — | — | — | — | 1,607 | |
| Cash dividends (Note) | — | — | (16,266) | — | (16,266) | — | — | — | — | — | (16,266) | |
| Cash dividends | — | — | (8,150) | — | (8,150) | — | — | — | — | — | (8,150) | |
| Bonuses to officers (Note) | — | — | (683) | — | (683) | — | — | — | — | — | (683) | |
| Acquisition of treasury stock | — | — | — | (437) | (437) | — | — | — | — | — | (437) | |
| Disposition of treasury stock | — | — | — | 2,056 | 2,056 | — | — | — | — | — | 2,056 | |
| Other | — | — | — | — | — | (35,206) | 1 | 10,053 | 1,045 | 6,010 | 18,096 | |
| Balance at March 31, 2007 | \$82,166 | \$84,083 | \$1,327,820 | \$(45,854) | \$1,448,216 | \$274,023 | \$1 | \$15,018 | \$1,045 | \$54,767 | \$1,793,071 | |

Note: Item for distribution of income at the General Meeting of Shareholders held on June 28, 2006.

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|---------------------------------------|
| | 2007 | 2006 | 2007 |
| Operating activities: | | | |
| Income before income taxes and minority interests..... | ¥ 23,095 | ¥ 20,583 | \$ 195,642 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization..... | 4,110 | 3,528 | 34,819 |
| Impairment loss on fixed assets..... | 80 | — | 684 |
| Provision for (reversal of) retirement benefits, net of payments..... | 915 | (1,534) | 7,752 |
| Interest and dividend income..... | (1,490) | (1,543) | (12,623) |
| Interest expense..... | 860 | 628 | 7,289 |
| Exchange gain, net..... | (27) | (51) | (233) |
| Gain on sales of property and equipment..... | (20) | (1,056) | (170) |
| Gain on sales of investments in securities..... | (275) | (1,180) | (2,330) |
| Loss on devaluation of investments in securities..... | 48 | 92 | 406 |
| Changes in operating assets and liabilities: | | | |
| Notes and accounts receivable..... | (21,618) | (21,991) | (183,130) |
| Prepaid pension expense..... | (3,464) | — | (29,345) |
| Inventories..... | (2,322) | (4,300) | (19,673) |
| Notes and accounts payable..... | 21,720 | 8,164 | 183,990 |
| Other, net..... | (4,272) | 1,721 | (36,192) |
| Subtotal..... | 17,340 | 3,060 | 146,887 |
| Interest and dividends received..... | 1,738 | 1,737 | 14,730 |
| Interest paid..... | (863) | (615) | (7,314) |
| Income taxes paid..... | (7,359) | (6,524) | (62,346) |
| Net cash provided by (used in) operating activities..... | 10,855 | (2,341) | 91,956 |
| Investing activities: | | | |
| Purchases of property and equipment..... | (3,016) | (3,689) | (25,553) |
| Proceeds from sales of property and equipment..... | 180 | 1,141 | 1,527 |
| Purchases of investments in securities..... | (1,373) | (2,104) | (11,638) |
| Proceeds from sales of investments in securities..... | 399 | 2,565 | 3,386 |
| Increase in short-term loans receivable, net..... | (100) | (56) | (849) |
| Other, net..... | (1,292) | (1,666) | (10,952) |
| Net cash used in investing activities..... | (5,203) | (3,809) | (44,080) |
| Financing activities: | | | |
| (Decrease) increase in short-term loans, net..... | (909) | 2,894 | (7,700) |
| (Decrease) increase in commercial paper..... | (5,000) | 5,000 | (42,354) |
| Proceeds from long-term debt..... | 258 | 2,500 | 2,187 |
| Cash dividends paid..... | (3,161) | (1,443) | (26,778) |
| Other, net..... | 391 | 378 | 3,318 |
| Net cash (used in) provided by financing activities..... | (8,420) | 9,330 | (71,326) |
| Effect of exchange rate changes on cash and cash equivalents..... | 962 | 1,989 | 8,149 |
| Net (decrease) increase in cash and cash equivalents..... | (1,806) | 5,168 | (15,302) |
| Cash and cash equivalents at beginning of the year..... | 22,936 | 17,215 | 194,291 |
| Increase in cash and cash equivalents arising from inclusion of consolidated subsidiaries..... | 789 | 551 | 6,687 |
| Cash and cash equivalents at end of the year..... | ¥ 21,919 | ¥ 22,936 | \$ 185,676 |

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2007

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 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.

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

The previously reported consolidated statement of cash flows for the year ended March 31, 2006 has been restated to conform to the presentation and disclosure of the consolidated statement of cash flows for the year ended March 31, 2007 and, in addition, certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2006 to the 2007 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥118.05 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2007. 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, 2007 and 2006 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 (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 that 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 differs from the year-end date of the Company. As a result, adjustments have been made for any significant intercompany transactions that 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.

(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 or 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 net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates 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 net assets in the accompanying consolidated financial statements.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(d) Inventories

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

(e) Investments in Securities

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 net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

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

(f) 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.

(g) 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.

(h) Goodwill

Goodwill and negative goodwill are amortized over mainly five years on a straight-line basis. When immaterial, goodwill and negative goodwill are charged to income as incurred.

(i) 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.

(j) Allowance for Doubtful Receivables

The Company and its subsidiaries provide allowances for doubtful receivables based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

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

(l) Accrued Bonuses for Employees

Accrued bonuses for employees are provided based on estimated bonuses to be paid to employees which are charged to income in the current year.

Previously, employee bonuses were treated as a fixed obligation. Effective the year ended March 31, 2007, they are recorded as accrued bonuses for employees because they no longer meet the conditions of a fixed obligation with the introduction of performance-linked bonuses.

(m) Accrued Bonuses for Directors and Corporate Auditors

Accrued bonuses for directors and corporate auditors are provided at an estimate of the amount to be paid in the following year which has been allocated to the current fiscal year.

(n) 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 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 charged to income in the year in which such cost is recognized for financial reporting purposes.

Up to the date of the annual general meeting of the shareholders held in June 2006, the Company and one consolidated subsidiary had retirement benefit plans for payments to directors and corporate auditors ("officers") which were stated at 100 percent of the estimated amount calculated in accordance with the internal rules. However, the Company and the consolidated subsidiary abolished the retirement plans for these officers at the annual general meeting referred to above. As a result, the outstanding balance of ¥690 million (\$5,844 thousand) accrued in the retirement benefit plans for officers up to the date of the annual general meeting has been reclassified as "long-term liabilities – other liabilities" in the consolidated balance sheet at March 31, 2007.

(o) 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.

(p) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(q) Appropriations 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 15.)

3. CHANGES IN ACCOUNTING POLICY**(a) Presentation of Net Assets in the Balance Sheet**

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005). The amount corresponding to conventional shareholders' equity is ¥205,083 million (\$1,737,257 thousand).

(b) Share-Based Compensation

Effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Share-Based Payment" (ASBJ Statement No. 8 issued on December 27, 2005) and "Implementation Guidance on Accounting Standard for Share-Based Payment" (ASBJ Guidance No. 11, final revision on May 31, 2006). As a result of the adoption of this accounting standard, operating income and income before income taxes and minority interests decreased by ¥123 million (\$1,045 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year. The effect on segment information is presented in Note 16 to the consolidated financial statements, Segment Information.

(c) Accrued Bonuses for Directors and Corporate Auditors

Effective the year ended March 31, 2007, the Company and consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). Under this standard, bonuses for directors and corporate auditors are expensed as incurred and recorded in selling, general and administrative expenses, which would have been recorded as a deduction from retained earnings in the previous year. As a result of the adoption of this accounting standard, operating income and income before income taxes and minority interests decreased by ¥197 million (\$1,673 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year. The effect on segment information is presented in Note 16 to the consolidated financial statements, Segment Information.

4. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2007 and 2006 are summarized as follows:

| | Millions of yen | | | | | | | |
|----------------------------|-----------------|-----------------------|-----------------------|-----------------------------------|---------|-----------------------|-----------------------|-----------------------------------|
| | 2007 | | | | 2006 | | | |
| | Cost | Gross unrealized gain | Gross unrealized loss | Book value (estimated fair value) | Cost | Gross unrealized gain | Gross unrealized loss | Book value (estimated fair value) |
| Market value determinable: | | | | | | | | |
| Stock..... | ¥19,966 | ¥54,728 | ¥(40) | ¥74,654 | ¥19,010 | ¥61,728 | ¥(3) | ¥80,735 |
| Government bonds..... | 14 | | (0) | 14 | 14 | — | (0) | 14 |
| Total..... | ¥19,981 | ¥54,728 | ¥(40) | ¥74,669 | ¥19,024 | ¥61,728 | ¥(3) | ¥80,749 |

| | Thousands of U.S. dollars | | | |
|----------------------------|---------------------------|-----------------------|-----------------------|-----------------------------------|
| | 2007 | | | |
| | Cost | Gross unrealized gain | Gross unrealized loss | Book value (estimated fair value) |
| Market value determinable: | | | | |
| Stock..... | \$169,138 | \$463,604 | \$(344) | \$632,399 |
| Government bonds..... | 122 | — | (1) | 121 |
| Total | \$169,261 | \$463,304 | \$(346) | \$632,520 |

(b) Securities whose market value was not determinable were classified as other securities at March 31, 2007 and 2006 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| | Carrying value | Carrying value | Carrying value |
| Market value not determinable: | | | |
| Equity securities | ¥2,663 | ¥2,657 | \$22,560 |
| Bonds and debentures | 0 | 26 | 2 |
| Total | ¥2,663 | ¥2,684 | \$22,563 |

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2007 and 2006 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| | Carrying value | Carrying value | Carrying value |
| Proceeds from sales | ¥330 | ¥2,496 | \$2,800 |
| Gain on sales | 263 | 1,190 | 2,253 |
| Loss on sales..... | — | 6 | — |

(d) The redemption schedule at March 31, 2007 and 2006 for securities which have maturity dates classified as other securities is as follows:

| | Millions of yen | | | | | | | |
|--|-----------------|----------------------------|------------------------------|---------------|---------------|----------------------------|------------------------------|---------------|
| | 2007 | | | | 2006 | | | |
| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years |
| Other securities which have maturity dates | | | | | | | | |
| Government bonds..... | ¥0 | ¥4 | ¥10 | ¥— | ¥— | ¥4 | ¥10 | ¥— |
| Bonds and debentures | — | — | — | — | ¥26 | — | — | — |
| Total..... | ¥0 | ¥4 | ¥10 | ¥— | ¥26 | ¥4 | ¥10 | ¥— |

| | Thousands of U.S. dollars | | | |
|--|---------------------------|----------------------------|------------------------------|---------------|
| | 2007 | | | |
| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years |
| Other securities which have maturity dates | | | | |
| Government bonds..... | \$0 | \$33 | \$84 | \$— |
| Bonds and debentures | — | — | — | — |
| Total | \$0 | \$33 | \$84 | \$— |

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2007 and 2006 principally represented notes and loans in the form of deeds at average annual interest rates of 4.19% and 4.40% per annum, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| | Carrying value | Carrying value | Carrying value |
| Unsecured loans from banks and insurance companies, payable in yen, due through 2018, at rates from 0.62% to 7.50% | ¥6,543 | ¥6,183 | \$55,428 |
| Less current portion | (259) | (660) | (2,195) |
| Total | ¥6,284 | ¥5,523 | \$53,233 |

Notes to Consolidated Financial Statements

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2008 | ¥ 259 | \$ 2,195 |
| 2009 | 3,105 | 26,308 |
| 2010 | 2,767 | 23,444 |
| 2011 | 73 | 619 |
| 2012 and after..... | 337 | 2,861 |
| | ¥6,543 | \$55,428 |

6. PLEDGED ASSETS

At March 31, 2007, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------------------------|
| Land | ¥ 671 | \$ 5,689 |
| Investments in securities | 3,614 | 30,615 |
| Total | ¥4,285 | \$36,305 |

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, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2007 | 2006 | 2007 |
| Retirement benefit obligation..... | ¥(21,990) | ¥(21,829) | \$(186,278) |
| Plan assets at fair value | 18,552 | 17,907 | 157,157 |
| Unfunded retirement benefit obligation..... | (3,437) | (3,921) | (29,121) |
| Unrecognized actuarial loss (gain) | 50 | (1,981) | 429 |
| Net retirement benefit obligation..... | (3,387) | (5,902) | (28,692) |
| Prepaid pension expense..... | (3,464) | — | (29,345) |
| Accrued retirement benefits recognized in the consolidated balance sheets ... | ¥ (6,851) | ¥ (5,902) | \$ (58,037) |

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2007 and 2006 are outlined as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-------|---------------------------|
| | 2007 | 2006 | 2007 |
| Service cost..... | ¥ 929 | ¥ 937 | \$ 7,876 |
| Interest cost | 473 | 483 | 4,007 |
| Expected return on plan assets..... | (644) | (349) | (5,455) |
| Amortization of actuarial gain | (1,782) | (468) | (15,103) |
| Contributions to defined contribution pension plans | 46 | 42 | 397 |
| Retirement benefit expenses..... | ¥ (977) | ¥ 645 | \$ (8,277) |

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2007 and 2006 were as follows:

| | 2007 | 2006 |
|--|-------------|-------------|
| Discount rate..... | 2.5% | 2.5% |
| Expected rates of return on plan assets..... | Mainly 4.0% | Mainly 2.5% |

8. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries (companies) 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, 2007 and 2006.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2007 and 2006 differ from the statutory tax rate for the following reasons:

| | 2007 | 2006 |
|--|-------|-------|
| Statutory tax rate | 40.7% | 40.7% |
| Effect of: | | |
| Expenses not deductible for income tax purposes | 3.2 | 2.0 |
| Dividends and other income deductible for income tax purposes | (3.0) | (4.5) |
| Net adjustment resulting from elimination of dividend income upon consolidation..... | 5.1 | 4.5 |
| Different tax rates applied to income of overseas subsidiaries..... | (5.0) | (4.9) |
| Tax credit | (2.6) | (2.4) |
| Other, net..... | (0.6) | (2.7) |
| Effective tax rates | 37.8% | 32.7% |

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, 2007 and 2006 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|------------------------------|
| | 2007 | 2006 | 2007 |
| Deferred tax assets: | | | |
| Unrealized gain on inventories | ¥ 413 | ¥ 400 | \$ 3,502 |
| Allowance for doubtful receivables | 482 | 536 | 4,083 |
| Investments in securities | 2,575 | 2,443 | 21,819 |
| Accrued bonuses for employees | 1,252 | — | 10,606 |
| Accrued retirement benefits for employees | 1,595 | 2,660 | 13,517 |
| Other | 2,418 | 4,091 | 20,489 |
| Gross deferred tax assets | 8,737 | 10,132 | 74,019 |
| Valuation allowance..... | (766) | (376) | (6,489) |
| Total deferred tax assets | 7,971 | 9,756 | 67,529 |
| Deferred tax liabilities: | | | |
| Revaluation of land | (371) | (371) | (3,149) |
| Deferred capital gain on property | (1,296) | (1,319) | (10,978) |
| Special reserve for depreciation..... | (12) | (27) | (103) |
| Net unrealized holding gain on securities | (22,247) | (25,109) | (188,461) |
| Other | (21) | (183) | (183) |
| Total deferred tax liabilities | (23,949) | (27,012) | (202,876) |
| Net deferred tax liabilities | ¥(15,977) | ¥(17,256) | \$(135,346) |

9. SHAREHOLDERS' EQUITY

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2007 amounted to ¥2,424 million (\$20,533 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

10. TREASURY STOCK

Movements in treasury stock during the year ended March 31, 2007 are summarized as follows:

| | Number of shares | | | |
|----------------------|------------------|----------|----------|----------------|
| | 2007 | | | |
| | March 31, 2006 | Increase | Decrease | March 31, 2007 |
| Treasury stock | 10,426,874 | 35,112 | 449,555 | 10,012,431 |

11. SHARE-BASED COMPENSATION

At March 31, 2007, the Company had five stock option plans: the 2002, 2003, 2004, 2005 and 2006 stock option plans.

The 2002 stock option plan (the 2002 plan) was approved by shareholders of the Company on June 27, 2002. The 2002 plan provided for granting options to purchase 260,000 shares of common stock to directors, executive officers, certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥565 (\$4.76) per share at March 31, 2007. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2004 and are scheduled to expire on July 31, 2007.

The 2003 stock option plan (the 2003 plan) was approved by shareholders of the Company on June 27, 2003. The 2003 plan provided for granting options to purchase 764,000 shares of common stock to directors, corporate auditors, executive officers, certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥657 (\$5.56) per share at March 31, 2007. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2005 and are scheduled to expire on July 31, 2008.

The 2004 stock option plan (the 2004 plan) was approved by shareholders of the Company on June 29, 2004. The 2004 plan provided for granting options to purchase 759,000 shares of common stock to directors, corporate auditors, executive officers, certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,023 (\$8.66) per share at March 31, 2007. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2006 and are scheduled to expire on July 31, 2009.

The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 28, 2005. The 2005 plan provided for granting options to purchase 762,000 shares of common stock to directors, corporate auditors, executive officers, certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,169 (\$9.90) per share at March 31, 2007. This exercise price is subject to adjustment in certain cases which include stock splits. The options become exercisable on August 1, 2007 and are scheduled to expire on July 31, 2010.

The 2006 stock option plan (the 2006 plan) was approved by shareholders of the Company on June 28, 2006. The 2006 plan provided for granting options to purchase 781,000 shares of common stock to directors, executive officers, technology officers, certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,510 (\$12.79) per share at March 31, 2007. This exercise price is subject to adjustment in certain cases which include stock splits. The options become exercisable on August 1, 2008 and are scheduled to expire on July 31, 2011.

Information regarding the Company's stock option plans is as follows:

| | The 2002 plan | The 2003 plan | The 2004 plan | The 2005 plan | The 2006 plan |
|--|---------------|---------------|---------------|---------------|---------------|
| Number of shares: | | | | | |
| Outstanding at April 1, 2006..... | 7,000 | 138,000 | 759,000 | 762,000 | — |
| Granted..... | — | — | — | — | 781,000 |
| Cancelled..... | — | 2,000 | 2,000 | — | — |
| Expired..... | 3,000 | 43,000 | 402,000 | — | — |
| Outstanding at March 31, 2007..... | 4,000 | 93,000 | 355,000 | 762,000 | 781,000 |
| | | | (In yen) | | |
| Weighted average price when exercised..... | ¥1,603 | ¥1,526 | ¥1,425 | — | — |

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2007 and 2006 totaled ¥2,571 million (\$21,785 thousand) and ¥2,428 million, respectively.

13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2007 and 2006, which would have been reflected in the balance sheets if the finance leases other than those that 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 | | | | | | |
|--|-------------------|--------------------------|------------------------------------|----------------|-------------------|--------------------------|----------------|
| | 2007 | | | | 2006 | | |
| | Acquisition costs | Accumulated depreciation | Loss on impairment of fixed assets | Net book value | Acquisition costs | Accumulated depreciation | Net book value |
| Machinery, equipment and vehicles..... | ¥216 | ¥114 | ¥51 | ¥ 51 | ¥259 | ¥181 | ¥ 77 |
| Furniture and fixtures..... | 300 | 200 | — | 99 | 393 | 256 | 137 |
| Total..... | ¥517 | ¥314 | ¥51 | ¥150 | ¥652 | ¥437 | ¥215 |

| | Thousands of U.S. dollars | | | |
|--|---------------------------|--------------------------|------------------------------------|----------------|
| | 2007 | | | |
| | Acquisition costs | Accumulated depreciation | Loss on impairment of fixed assets | Net book value |
| Machinery, equipment and vehicles..... | \$1,837 | \$ 966 | \$437 | \$ 432 |
| Furniture and fixtures..... | 2,545 | 1,701 | — | 844 |
| Total..... | \$4,382 | \$2,667 | \$437 | \$1,277 |

The related lease payments, depreciation and interest expenses related to finance leases accounted for as operating lease for the years ended March 31, 2007 and 2006 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
| | 2007 | 2006 | 2007 |
| Lease payments | ¥128 | ¥306 | \$1,087 |
| Depreciation expense | 114 | 281 | 973 |
| Interest expense | 10 | 18 | 90 |
| Loss on impairment of fixed assets | 51 | — | 437 |

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, 2007 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 |
|-----------------------|-----------------|---------------------------|
| 2008 | ¥ 81 | \$ 691 |
| 2009 and after | 154 | 1,304 |
| Total | ¥235 | \$1,996 |

14. CONTINGENT LIABILITIES

At March 31, 2007, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥502 million (\$4,257 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥72 million (\$615 thousand).

In addition, at March 31, 2007, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥703 million (\$5,962 thousand).

15. AMOUNTS PER SHARE

| | Yen | | U.S. dollars |
|---|----------|----------|--------------|
| | 2007 | 2006 | 2007 |
| Net income: | | | |
| Basic | ¥ 105.84 | ¥ 100.32 | \$ 0.89 |
| Diluted..... | 105.51 | 100.04 | 0.89 |
| Net assets | 1,597.27 | 1,535.70 | 13.53 |
| Cash dividends applicable to the year | 18.00 | 15.00 | 0.15 |

Basic net income per share has been computed based on the net income available to the 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 net income available 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.

Notes to Consolidated Financial Statements

The financial data for the computation of basic net income per share and diluted net income per share based on the above standard for the years ended March 31, 2007 and 2006 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Net income | ¥13,567 | ¥12,892 | \$114,927 |
| Deductions from net income: | | | |
| Bonuses to directors and corporate auditors | — | 79 | — |
| Adjusted net income available to shareholders of common stock..... | ¥13,567 | ¥12,812 | \$114,927 |
| Weighted-average number of shares | 128,177,941 | 127,703,315 | |
| Effect of dilutive securities | 403,905 | 360,749 | |

16. SEGMENT INFORMATION

Effective the year ended March 31, 2007, the Company changed the presentation of segment information to reflect the change in segment of internal control. The Company now presents information for five segments: Chemicals, which includes coating materials, coloring materials, monomers, urethane raw materials, resin additives, dyes, organic fine chemicals, speciality chemicals, agricultural and ecological materials; Plastics, which includes synthetic resin, synthetic rubber and building materials, and shaped processed goods; Electronics, which includes semiconductor wafer processing, semiconductor assembly processing, and LCD components; Life Sciences, which includes fine chemicals, medical devices, cosmetics, health food and health care services; and Others, which includes communications devices and other electronic devices for consumer markets. The fine chemicals business within the Chemicals segment had become increasingly related to the former Healthcare and Others segment. The Company therefore combined these businesses to create the Life Sciences segment. Moreover, DVD players and other businesses serving individual consumers differed from conventional operations within the Electronics segment, and have been combined within the Others segment. Data for prior fiscal years have been restated to reflect the change in presentation.

The business and geographical segments of the Company and the consolidated subsidiaries for the years ended March 31, 2007 and 2006 are outlined as follows:

| | Millions of yen | | | | | | Eliminations or corporate | Consolidated sales |
|----------------------------------|---------------------------|----------|-------------|---------------|---------|----------|---------------------------|--------------------|
| | Year ended March 31, 2007 | | | | | | | |
| | Chemicals | Plastics | Electronics | Life Sciences | Others | Total | | |
| Sales to customers..... | ¥247,094 | ¥244,681 | ¥150,796 | ¥53,556 | ¥ 5,191 | ¥701,321 | ¥ — | ¥701,321 |
| Intersegment sales | 25 | 140 | 186 | 22 | 4,686 | 5,062 | (5,062) | — |
| Net sales | 247,120 | 244,822 | 150,983 | 53,578 | 9,878 | 706,383 | (5,062) | 701,321 |
| Operating expenses | 240,104 | 238,287 | 144,821 | 51,575 | 10,237 | 685,026 | (5,374) | 679,651 |
| Operating income (loss) ... | ¥ 7,015 | ¥ 6,535 | ¥ 6,161 | ¥ 2,002 | ¥ (358) | ¥ 21,356 | ¥ 312 | ¥ 21,669 |
| Total assets..... | ¥135,919 | ¥118,800 | ¥ 84,262 | ¥33,413 | ¥ 7,448 | ¥379,843 | ¥43,015 | ¥422,859 |
| Depreciation and amortization... | 902 | 966 | 1,460 | 636 | 144 | 4,110 | — | 4,110 |
| Capital expenditures..... | 1,552 | 1,187 | 1,884 | 769 | 320 | 5,713 | — | 5,713 |

| | Millions of yen | | | | | | Eliminations or corporate | Consolidated sales |
|----------------------------------|---------------------------|----------|-------------|---------------|---------|----------|---------------------------|--------------------|
| | Year ended March 31, 2006 | | | | | | | |
| | Chemicals | Plastics | Electronics | Life Sciences | Others | Total | | |
| Sales to customers..... | ¥222,282 | ¥229,278 | ¥132,086 | ¥56,404 | ¥ 7,972 | ¥648,023 | ¥ — | ¥648,023 |
| Intersegment sales | 9 | 134 | 177 | 20 | 5,324 | 5,666 | (5,666) | — |
| Net sales | 222,291 | 229,412 | 132,264 | 56,424 | 13,296 | 653,689 | (5,666) | 648,023 |
| Operating expenses | 216,633 | 222,735 | 127,803 | 55,160 | 14,059 | 636,392 | (5,965) | 630,427 |
| Operating income (loss) ... | ¥ 5,658 | ¥ 6,677 | ¥ 4,460 | ¥ 1,263 | ¥ (762) | ¥ 17,297 | ¥ 299 | ¥ 17,596 |
| Total assets..... | ¥115,462 | ¥112,106 | ¥ 78,920 | ¥33,891 | ¥ 6,688 | ¥347,069 | ¥49,704 | ¥396,773 |
| Depreciation and amortization... | 940 | 960 | 1,109 | 382 | 135 | 3,528 | — | 3,528 |
| Capital expenditures..... | 1,233 | 842 | 1,717 | 605 | 379 | 4,777 | (7) | 4,769 |

| | Thousands of U.S. dollars | | | | | | | |
|-----------------------------------|---------------------------|-------------|-------------|---------------|------------|-------------|---------------------------|--------------------|
| | Year ended March 31, 2007 | | | | | | | |
| | Chemicals | Plastics | Electronics | Life Sciences | Others | Total | Eliminations or corporate | Consolidated sales |
| Sales to customers..... | \$2,093,136 | \$2,072,695 | \$1,277,397 | \$453,674 | \$43,977 | \$5,940,881 | \$ — | \$5,940,881 |
| Intersegment sales | 217 | 1,193 | 1,582 | 188 | 39,701 | 42,882 | (42,882) | — |
| Net sales | 2,093,353 | 2,073,889 | 1,278,979 | 453,862 | 83,678 | 5,983,764 | (42,882) | 5,940,881 |
| Operating expenses | 2,033,922 | 2,018,527 | 1,226,783 | 436,896 | 86,719 | 5,802,849 | (45,530) | 5,757,319 |
| Operating income (loss) ... | \$ 59,431 | \$ 55,361 | \$ 52,195 | \$ 16,966 | \$ (3,040) | \$ 180,914 | \$ 2,648 | \$ 183,562 |
| Total assets..... | \$1,151,369 | \$1,006,355 | \$ 713,782 | \$283,047 | \$63,096 | \$3,217,651 | \$364,387 | \$3,582,038 |
| Depreciation and amortization ... | 7,642 | 8,184 | 12,370 | 5,394 | 1,227 | 34,819 | — | 34,819 |
| Capital expenditures..... | 13,148 | 10,055 | 15,962 | 6,518 | 2,711 | 48,397 | — | 48,397 |

As discussed in Note 3(c), effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). As a result of the adoption of this accounting standard, operating expenses for the year ended March 31, 2007 increased by ¥44 million (\$372 thousand) in the Chemicals segment, by ¥51 million (\$437 thousand) in the Plastics segment, by ¥57 million (\$483 thousand) in the Electronics segment, by ¥26 million (\$221 thousand) in the Life Sciences segment, and by ¥18 million (\$156 thousand) in the Others segment as compared with the amounts which would have been recorded under the method applied in the previous year.

As discussed in Note 3(b), effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Share-Based Payment" (ASBJ Statement No. 8 issued on December 27, 2005) and "Implementation Guidance on Accounting Standard for Share-Based Payment" (ASBJ Guidance No. 11, final revision on May 31, 2006). As a result of the adoption of this accounting standard, operating expenses for the year ended March 31, 2007 increased by ¥39 million (\$336 thousand) in the Chemicals segment, by ¥34 million (\$288 thousand) in the Plastics segment, by ¥31 million (\$266 thousand) in the Electronics segment, by ¥13 million (\$118 thousand) in the Life Sciences segment, and by ¥4 million (\$37 thousand) in the Others segment as compared with the amounts which would have been recorded under the method applied in the previous year.

| | Millions of yen | | | | | | | |
|--------------------------|---------------------------|----------------|----------------|---------------|-----------------|----------|---------------------------|--------------------|
| | Year ended March 31, 2007 | | | | | | | |
| | Japan | Northeast Asia | Southeast Asia | North America | Europe & Others | Total | Eliminations or corporate | Consolidated sales |
| Sales to customers..... | ¥480,645 | ¥115,139 | ¥71,515 | ¥21,723 | ¥12,298 | ¥701,321 | ¥ — | ¥701,321 |
| Intersegment sales | 70,524 | 10,818 | 3,578 | 1,846 | 2,039 | 88,807 | (88,807) | — |
| Net sales | 551,169 | 125,957 | 75,093 | 23,569 | 14,337 | 790,128 | (88,807) | 701,321 |
| Operating expenses | 536,727 | 121,996 | 72,528 | 23,402 | 13,882 | 768,537 | (88,886) | 679,651 |
| Operating income | ¥ 14,442 | ¥ 3,960 | ¥ 2,564 | ¥ 167 | ¥ 454 | ¥ 21,590 | ¥ 79 | ¥ 21,669 |
| Total assets..... | ¥316,934 | ¥ 44,192 | ¥27,643 | ¥ 6,522 | ¥ 5,936 | ¥401,228 | ¥ 21,630 | ¥422,859 |

| Year ended March 31, 2006 | Millions of yen | | | | | | | |
|-----------------------------|---------------------------|----------------|----------------|---------------|-----------------|----------|---------------------------|--------------------|
| | Year ended March 31, 2006 | | | | | | | |
| | Japan | Northeast Asia | Southeast Asia | North America | Europe & Others | Total | Eliminations or corporate | Consolidated sales |
| Sales to customers..... | ¥465,888 | ¥91,826 | ¥61,403 | ¥19,485 | ¥ 9,419 | ¥648,023 | ¥ — | ¥648,023 |
| Intersegment sales | 60,425 | 7,472 | 3,156 | 1,763 | 2,110 | 74,928 | (74,928) | — |
| Net sales | 526,313 | 99,299 | 64,559 | 21,249 | 11,530 | 722,952 | (74,928) | 648,023 |
| Operating expenses | 514,465 | 95,717 | 62,486 | 21,271 | 11,414 | 705,356 | (74,929) | 630,427 |
| Operating income (loss) ... | ¥ 11,847 | ¥ 3,581 | ¥ 2,073 | ¥ (22) | ¥ 115 | ¥ 17,595 | ¥ 1 | ¥ 17,596 |
| Total assets..... | ¥293,599 | ¥38,285 | ¥24,749 | ¥ 6,254 | ¥ 2,909 | ¥365,798 | ¥ 30,974 | ¥396,773 |

Notes to Consolidated Financial Statements

| Year ended March 31, 2007 | Thousands of U.S. dollars | | | | | | | Eliminations or corporate | Consolidated sales |
|---------------------------|---------------------------|-------------------|-------------------|------------------|--------------------|-------------|------------|------------------------------|-----------------------|
| | Year ended March 31, 2007 | | | | | | | | |
| | Japan | Northeast Asia | Southeast Asia | North America | Europe & Others | Total | | | |
| Sales to customers..... | \$4,071,537 | \$ 975,344 | \$605,804 | \$184,015 | \$104,178 | \$5,940,881 | \$ — | \$5,940,881 | |
| Intersegment sales | 597,412 | 91,641 | 30,311 | 15,644 | 17,272 | 752,283 | (752,283) | — | |
| Net sales | 4,668,950 | 1,066,985 | 636,116 | 199,660 | 121,451 | 6,693,164 | (752,283) | 5,940,881 | |
| Operating expenses | 4,546,609 | 1,033,433 | 614,389 | 198,238 | 117,600 | 6,510,271 | (752,952) | 5,757,319 | |
| Operating income..... | \$ 122,341 | \$ 33,551 | \$ 21,726 | \$ 1,422 | \$ 3,850 | \$ 182,892 | \$ 669 | \$ 183,562 | |
| Total assets..... | \$2,684,747 | \$ 374,350 | \$234,168 | \$ 55,253 | \$ 50,285 | \$3,398,804 | \$ 183,234 | \$3,582,038 | |

As discussed in Note 3(c), effective the year ended March 31, 2007 the Company adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4 issued on November 29, 2005). As a result of the adoption this accounting standard, operating expenses for the year ended March 31, 2007 increased by ¥197 million (\$1,673 thousand) in the Japan segment as compared with the amounts which would have been recorded under the method applied in the previous year.

As discussed in Note 3(b), effective the year ended March 31, 2007, the Company adopted "Accounting Standard for Share-Based Payment" (ASBJ Statement No. 8 issued on December 27, 2005) and "Implementation Guidance on Accounting Standard for Share-Based Payment" (ASBJ Guidance No. 11, final revision on May 31, 2006). As a result of the adoption this accounting standard, operating expenses for the year ended March 31, 2007 increased by ¥123 million (\$1,045 thousand) in the Japan segment as compared with the amounts which would have been recorded under the method applied in the previous year.

| | Millions of yen | | | | |
|--|---------------------------|----------------|---------------|-----------------|----------|
| | Year ended March 31, 2007 | | | | |
| | Northeast Asia | Southeast Asia | North America | Europe & Others | Total |
| Overseas sales | ¥168,274 | ¥84,594 | ¥22,947 | ¥14,715 | ¥290,532 |
| Consolidated net sales | | | | | ¥701,321 |
| Overseas sales as a percentage of consolidated net sales ... | 24.0% | 12.0% | 3.3% | 2.1% | 41.4% |

| Year ended March 31, 2006 | Millions of yen | | | | |
|--|---------------------------|----------------|---------------|-----------------|----------|
| | Year ended March 31, 2006 | | | | |
| | Northeast Asia | Southeast Asia | North America | Europe & Others | Total |
| Overseas sales | ¥154,919 | ¥69,353 | ¥20,537 | ¥14,742 | ¥259,553 |
| Consolidated net sales | | | | | ¥648,023 |
| Overseas sales as a percentage of consolidated net sales ... | 23.9% | 10.7% | 3.2% | 2.3% | 40.1% |

| | Thousands of U.S. dollars | | | | |
|------------------------------|---------------------------|----------------|---------------|-----------------|-------------|
| | Year ended March 31, 2007 | | | | |
| | Northeast Asia | Southeast Asia | North America | Europe & Others | Total |
| Overseas sales | \$1,425,452 | \$716,602 | \$194,392 | \$124,651 | \$2,461,098 |
| Consolidated net sales | | | | | \$5,940,881 |

17. EFFECT OF BANK HOLIDAY ON MARCH 31, 2007

As the balance sheet date as of March 31, 2007 fell on a bank holiday, the following notes receivable, trade and notes payable, trade with due dates of March 31, 2007 were included in the respective balances and were settled on the next business day.

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------------|-----------------|------------------------------|
| Notes receivable, trade | ¥3,073 | \$26,037 |
| Notes payable, trade..... | 1,157 | 9,808 |

18. 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, 2007, was approved at a meeting of the shareholders held on June 27, 2007:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|------------------------------|
| Cash dividends (¥10.50=U.S. \$0.09 per share) | ¥1,348 | \$11,423 |

Report of Independent Auditors



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, 2007 and 2006, and the related consolidated statements of income, changes in net assets, 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, 2007 and 2006, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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.

A handwritten signature in cursive script that reads 'Ernst & Young ShinNihon'.

Osaka, Japan
June 27, 2007

Company Information

(As of March 31, 2007)

About Nagase & Co., Ltd.

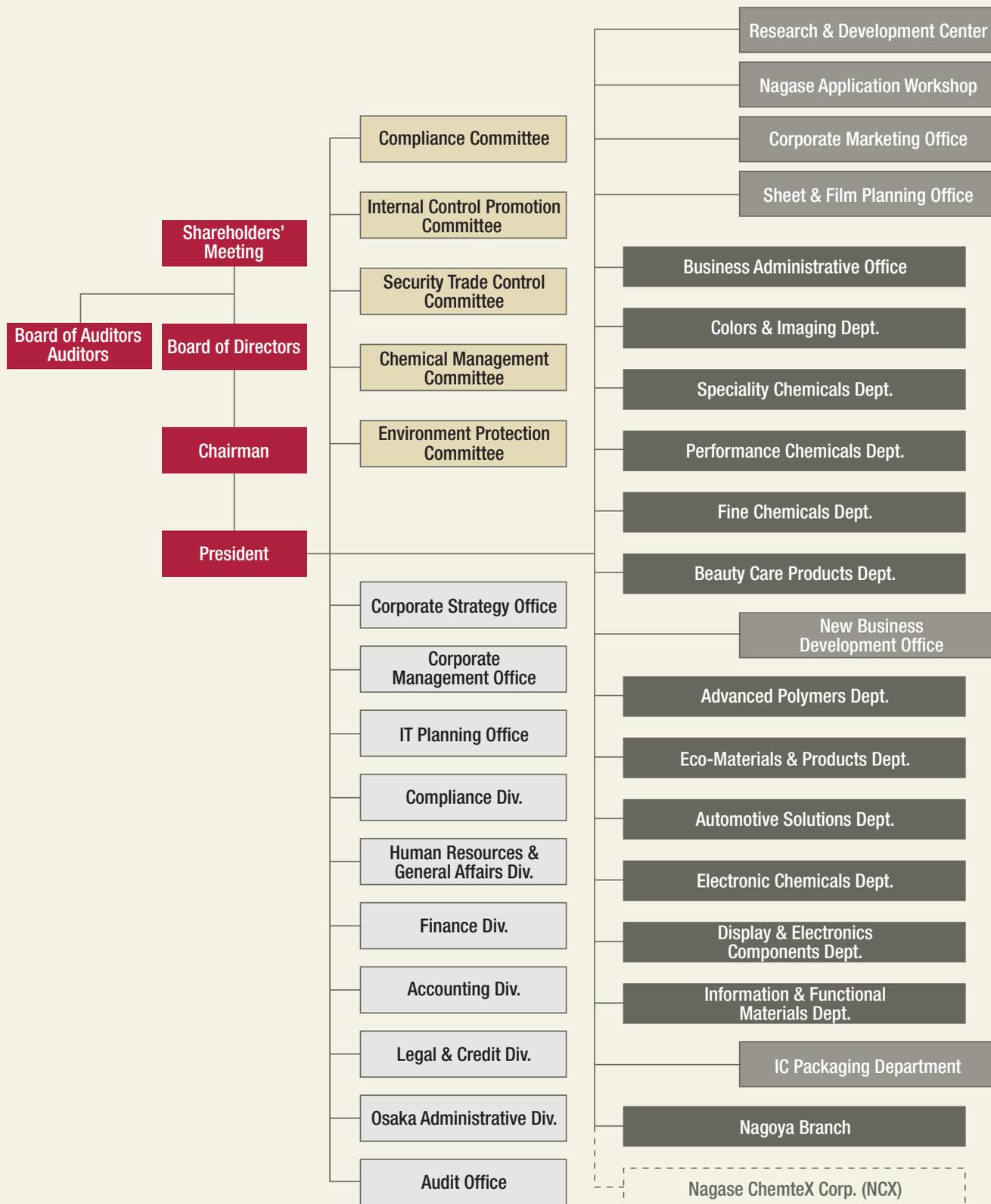
| | |
|----------------------|--|
| Company Name: | Nagase & Co., Ltd. |
| Founded: | June 18, 1832 |
| Established: | December 9, 1917 |
| Paid-in Capital: | ¥9,699,714,135 |
| Number of Employees: | 907 (Consolidated: 3,865) |
| Main Business: | Import/export and domestic sales of dyestuffs, chemicals, 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 | 1988 | ▪ Established Nagase California Corp. and Nagase (Taiwan) Co., Ltd. |
| | ▪ Sales of dyestuffs, starches and funori seaweed | 1989 | ▪ Established Canada Mold Technology Inc. |
| 1893 | ▪ Established Osaka branch office | | ▪ Established Nagase (Thailand) Co., Ltd. |
| 1898 | ▪ Head office switched to Osaka, branch office to Kyoto | | ▪ Established Nagase Science and Technology Foundation |
| 1900 | ▪ Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.) | | ▪ Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system |
| 1911 | ▪ Established Tokyo branch office | 1990 | ▪ Established Sofix Corp. |
| 1917 | ▪ Inaugurated as Nagase Shoten Company with capital of ¥3 million | | ▪ Set up the Nagase R&D Center in Kobe |
| 1923 | ▪ Established business ties with Eastman Kodak Co. of the United States | | ▪ Established joint venture Nagase Wahlee Plastics Corp. (Taiwan) |
| 1930 | ▪ Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States | 1992 | ▪ Established London branch office |
| 1940 | ▪ Established Nagoya branch office | 1997 | ▪ Established Nagase Philippines Corp. |
| 1943 | ▪ Company name changed to Nagase & Co., Ltd. | | ▪ Established Shanghai Nagase Trading Co., Ltd. and Nagase Engineering Service Korea Co., Ltd. |
| 1964 | ▪ Listed Company shares on the Osaka Securities Exchange | 1998 | ▪ Established P.T. Nagase Impor-Ekspor Indonesia |
| 1968 | ▪ Concluded an exclusive distributorship agreement with General Electric Co. of the United States | | ▪ Established Shanghai Hua Chang Trading Co., Ltd. |
| 1970 | ▪ Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd. | 2001 | ▪ Closed the Seoul branch office, and established Nagase Korea Corp. |
| | ▪ Listed Company shares on the Tokyo Stock Exchange | | ▪ Merged four production companies, and established Nagase ChemteX Corp. |
| 1971 | ▪ Established Nagase (Hong Kong) Ltd. and Nagase America Corp. | | ▪ Established Nagase Finechem Singapore (Pte) Ltd. |
| | ▪ Established Engineering Plastics, Ltd. (now GE Plastics Japan Ltd.) jointly with General Electric Co. | 2002 | ▪ Established Nagase Precision Plastics Shanghai Co., Ltd. |
| 1974 | ▪ Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States | | ▪ Established Nagase ChemteX (Wuxi) Corp. |
| 1975 | ▪ Established Nagase Singapore (Pte) Ltd. | | ▪ Established a representative office in Hanoi, Vietnam |
| 1980 | ▪ Established Nagase (Europa) GmbH and Chang Fong Overseas Enterprises (Pte) Ltd. | | ▪ Established Guangzhou Nagase Trading Ltd. |
| 1982 | ▪ Established Nagase (Malaysia) Sdn. Bhd. | 2004 | ▪ Established Nagase International Electronics Ltd. |
| 1985 | ▪ Established Seoul branch office | 2005 | ▪ Established Nagase Philippines International Services Corp. |
| | | 2006 | ▪ Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH |
| | | | ▪ Established Nagase India Private Ltd. |

Organization

(As of April 1, 2007)



Major Consolidated Subsidiaries, Affiliates and Offices

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, 2007)

JAPAN

Manufacturing

■ Nagase ChemteX Corp.

①Manufacture of epoxy resins, enzymes, industrial chemicals ②¥2,474 million ③1970 ④100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2582 Fax: (81) 6-6535-2174

■ 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

■ 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

■ Toyo Beauty Supply Corp.

①Contract manufacture of cosmetics ②¥40 million ③1964 ④40.0%
3-10, Nihonbashi-Hongokuchō 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3241-1410 Fax: (81) 3-3270-6338

■ Nagase Medicals Co., Ltd.

①Manufacture of pharmaceuticals ②¥498 million ③1972 ④100%
4-323, Senzo, Itami-City, Hyogo
Tel: (81) 72-778-7501 Fax: (81) 72-778-7506

■ Totaku Industries, Inc.

①Manufacture and sale of plastic products ②¥270 million ③1952 ④77.1%
1-33, Mitsuya Minami 1-chome, Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6308-8300 Fax: (81) 6-6308-7020

eX·Grade Co., Ltd.

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

Nagase Filters Co., Ltd.

①Planning, production, processing, quality testing and sale of metal filters ②¥80 million ③2006 ④100%
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%
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%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3880 Fax: (81) 3-3665-3950

Servicing

■ 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 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 Information Development, Ltd.

①Software development and maintenance ②¥30 million ③1987 ④100%
Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3231-3581 Fax: (81) 3-3231-3584

■ 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

■ NCK Ltd.

①Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers ②¥10 million ③1985 ④0.0%*
236, Nakai, Tatsuno-cho, Tatsuno-City, Hyogo
Tel: (81) 791-63-4842 Fax: (81) 791-63-4913

■ Nagase Electronic Equipment Service Co., Ltd.

①Manufacture, sale and maintenance of low-temperature vacuum equipment ②¥45 million ③1989 ④100%
5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6324-7626 Fax: (81) 6-6324-7680

■ Nagase Logistics Co., Ltd.

①Warehousing and distribution ②¥401 million ③1982 ④100%
4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-City, Hyogo
Tel: (81) 6-6427-8651 Fax: (81) 6-6427-8772

■ 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

■ Sun Delta Corp.

①Development of applications for plastic 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

■ 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 General Service Co., Ltd.

①Sale and lease of various goods, real estate administration ②¥20 million ③1983 ④100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2131 Fax: (81) 6-6535-2124

■ Nagase Trade Management Co., Ltd.

①Business agent for foreign trade documentation ②¥20 million ③1996 ④100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3125 Fax: (81) 3-3665-3286

■ Hoei Techno Service Co., Ltd.

①Duplication and processing of computer software, warehousing and distribution ②¥50 million ③1991 ④0.0%*
2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3274-7875 Fax: (81) 3-3274-7884

Sales

■ Nagase Colors & Chemicals Co., Ltd.

①Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision
②¥100 million ③1957 ④100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2058 Fax: (81) 6-6535-2054

■ 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 Elex Co., Ltd.

①Sale of raw materials for plastics and plastic products ②¥20 million ③1979 ④100%
4F, Nihonbashi Tachibana Bldg., 6-11,
Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3661-0821 Fax: (81) 3-3661-1560

Shinshu Nagase Denzai Co., Ltd.

①Sale of electronics components, raw materials for plastics and plastic products ②¥10 million
③1984 ④100%
1-21, Shinmeicho 4-chome, Okaya-City, Nagano
Tel: (81) 266-24-2772 Fax: (81) 266-24-3311

Nagase Eco Plus Co., Ltd.

①Development and sale of Pluswood composite wood material ②¥310 million ③1994 ④100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3700 Fax: (81) 3-3665-3714

■ Nagase Chemical Co., Ltd.

①Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery
②¥60 million ③1995 ④100%
Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5640-7431 Fax: (81) 3-5640-0791

■ Nagase Chemspec Co., Ltd.

①Sale and technological servicing of chemicals
②¥30 million ③1976 ④100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3726 Fax: (81) 3-3665-3746

■ 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

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

■ Nishinohon Nagase Co., Ltd.

①Sale of dyestuffs, auxiliaries, industrial chemicals and plastics ②¥60 million ③1969 ④100%
7F, Nichido Fukuoka Dai-2 Bldg., 1-3,
Shimokawabata-machi, Hakata-ku, Fukuoka-City, Fukuoka
Tel: (81) 92-272-3661 Fax: (81) 92-272-3667

■ Nagase Plastics Co., Ltd.

①Sale of raw materials for plastics and plastic products ②¥96 million ③1975 ④100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6533-1181 Fax: (81) 6-6533-1189

■ Nagase Barrel Finishing Systems Co., Ltd.

①Sale of abrasives and grinding materials
②¥50 million ③1955 ④100%
3F, Osaka Anniks Bldg., 14-20, Itachibori 1-chome,
Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6543-7721 Fax: (81) 6-6543-7710

■ Nagase Beauty Care Co., Ltd.

①Sale of cosmetics and health foods
②¥100 million ③1991 ④100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3617 Fax: (81) 3-3665-3724

ASIA

■ Shanghai Nagase Trading Co., Ltd.

①International trade and trade consulting
②RMB8,120 thousand ③1997 ④100%
18F, Raffles City, No.268 Xizang Road Central,
Shanghai, P.R. China 200001
Tel: 86-(21) 63403300 Fax: 86-(21) 63403883

NCC Shanghai Techno Center Co., Ltd.

①Testing operations for paints and finishing processes
②RMB2,445 thousand 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

Tianjin Nagase International Trading Co., Ltd.

①Import/export and marketing
②RMB2,482 thousand 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

■ Shanghai Hua Chang Trading Co., Ltd.

①Sale of resins and related products
②RMB19,864 thousand 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 CMS Technology (Shanghai) Co., Ltd.

①Construction and maintenance of chemical supply and management equipment
②US\$200 thousand 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 Plastic Design and Die (Tianjin) Co., Ltd.

①Design of automotive components and plastic products
②RMB2,483 thousand ③2003 ④41.7%
Rm G, 7/F, A1 Tianjin University's Technology Zone,
No. 80, The 4th Avenue, TEDA District Tianjin,
P.R. China 300457
Tel: 86-(22) 83191234 Fax: 86-(22) 83191122

■ Nagase Precision Plastics Shanghai Co., Ltd.

①Plastic tray molding
②RMB16,512 thousand 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

■ Nagase ChemteX (Wuxi) Corp.

①Plastic Manufacture and sale of adhesives and high-tech chemical products for electronics, technology service
②RMB28,970 thousand 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

③Date of establishment ④Equity ownership (*indicates indirect investment)

■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2007)

■ Guangzhou Nagase Trading Ltd.

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

Wuhan Branch Office

Room 1204, RuiTong Plaza B, No.847
Jianshe Avenue-Hankou, Wuhan 430015, P.R. China
Tel: 86-(27) 8548-7933 Fax: 86-(27) 8548-7953

■ Nagase Marketing and Service (Shenzhen) Ltd.

①Contract customer services ②HK\$1,000 thousand
③2006 ④0.0%*

Room 2501-02, China Resources Building, 5001 Shennan Dong Road, Shenzhen 518001, P.R. China
Tel: 86-(755) 3338-6603 Fax: 86-(755) 3338-6620

■ Nagase (Hong Kong) Ltd.

①Import/export, trade agency, market development, information collection ②HK\$3,120 thousand
③1971 ④100%

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

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

Tianjin Representative Office

Room 2008, 20/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R. China 300050

Tel: 86-(22) 83191231 Fax: 86-(22) 83191122

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 (Thailand) Co., Ltd.

①Import/export, trade agency, market development, information collection ②BAHT87,000 thousand
③1989 ④100%
14F, Ramaland Bldg., 952 Rama IV Road, Khwaeng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand
Tel: 66-(2) 6327000 Fax: 66-(2) 6327111

■ Nagase (Malaysia) Sdn. Bhd.

①Import/export, trade agency, market development, information collection ②RM1,500 thousand
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

■ Guangzhou Kurabo Chemicals Co., Ltd.

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

■ Toyo Quality One Ningbo Co., Ltd.

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

■ Nagase International Electronics Ltd.

①Management of electronics-related manufacturing businesses in Japan and overseas
②HK\$10,000 thousand 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 Wahlee Plastics Corp.

①Sale of plastics and related products
②NT\$100,000 thousand 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 Engineering Service Korea Co., Ltd.

①Equipment maintenance service and engineering
②WON150,000 thousand ③1997 ④100%
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

■ Sanko Gosei Technology (Thailand) Ltd.

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

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

■ NWP International Trading (Shenzhen) Co., Ltd.

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

■ Totaku Industries Suzhou Co., Ltd.

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

■ Nagase (Taiwan) Co., Ltd.

①Import/export, trade agency, market development, information collection ②NT\$45,000 thousand
③1988 ④100%
16F-1, 248, Sec.3, Nanking E. Rd., Taipei, Taiwan, R.O.C.
Tel: 886-(2) 27733668 Fax: 886-(2) 27737288
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 Electronics Technology Co., Ltd.

①Chemical etching of liquid crystal glass panel units
②NT\$178,000 thousand 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 Korea Corp.

①Wholesale sales ②WON700,000 thousand
③2001 ④100%
The Seoul Shinmun Daily & Press Center Bldg. 10F #25, 1-Ga, Taepyung-ro, Chung-ku, Seoul, Korea
Tel: 82-(2) 7348745 Fax: 82-(2) 7348747ATOK Direct

■ Automotive Mold Technology, Co., Ltd.

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

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

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, 2007)

■ Nagase Singapore (Pte) Ltd.

①Import/export, trade agency, market development, information collection ②US\$1,738 thousand
③1975 ④100%
300 Beach Road, #39-00 The Concourse,
Singapore 199555
Tel: 65-63980088 Fax: 65-63980227

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

Vietnam Representative Office

Unit 1201, Sun Wah Tower, 115 Nguyen Hue
Boulevard, Dist. 1, HCMC, Vietnam
Tel: 84-(8) 8219166 Fax: 84-(8) 8219139

■ Nagase FineChem Singapore (Pte) Ltd.

①Manufacture and recycling of chemical agents for
liquid crystals ②S\$14,000 thousand ③2001
④60.0%
9 Tuas View Lane 637569, Singapore
Tel: 65-68989289 Fax: 65-68985313

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

Chang Fong Overseas Enterprises (Pte) Ltd.

①Sale of chemical products ②S\$1,000 thousand
③1980 ④100%
31 Gul Circle, Jurong Industrial Estate,
Singapore 629569
Tel: 65-68623801 Fax: 65-68622655

■ P.T. Nagase Impor-Ekspor Indonesia

①Import/export sales and import/export consulting
②US\$500 thousand 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 ②US\$1,501 thousand
③1997 ④100%
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 Corp.

①Sale of raw materials ②US\$732 thousand
③2005 ④100%
Building 3, 123-125 Technology Avenue Phase 4,
LTI Binan, Laguna, Philippines
Tel: 63-(4) 95440678 Fax: 63-(4) 95440679

Nagase India Private Ltd.

①Import/export, trade agency, market development,
information collection ②IRS100,000 thousand
③2006 ④99.0%
404, Vaibhav Chambers, Bandra-Kurla Complex
(BKC), Bandra East, Mumbai 400 051, India
Tel: 91-(22) 26591337 Fax: 91-(22) 26591408
New Delhi Branch
625-627, 6th Floor, West Block, Meridien Commercial
Tower, New Delhi-110 001, India
Tel: 91-(11) 23716931 Fax: 91-(11) 23320632

NORTH AMERICA

■ Sofix Corp.

①Manufacture and sale of color formers
②US\$20,000 thousand 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 thousand 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 thousand 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 thousand
③1971 ④100%
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 thousand 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 thousand ③1980
④100%
Immermannstrasse 65c 40210 Dusseldorf, Germany
Tel: 49-(211) 8662000 Fax: 49-(211) 3237068
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 thousand 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, 2007)

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

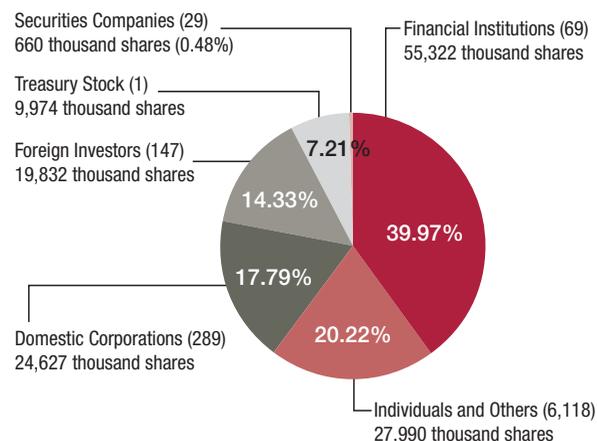
Number of Shareholders: 6,653

Principal Shareholders

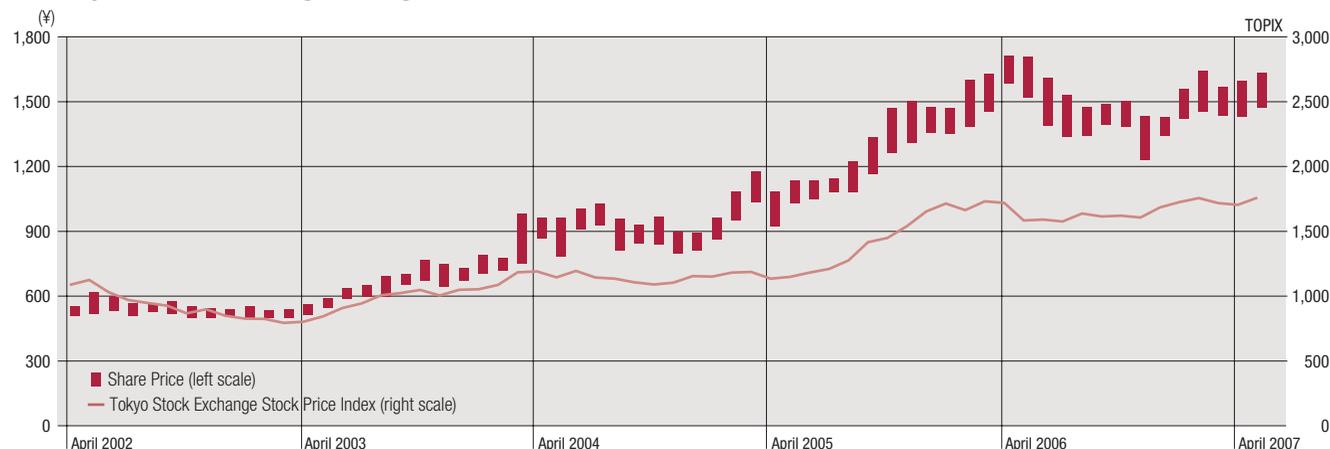
| Name | Number of Shares Held (Thousands) | Percentage of Total Shares Outstanding (%) |
|--|-----------------------------------|--|
| The Master Trust Bank of Japan, Ltd. | 10,379 | 7.50 |
| Japan Trustee Services Bank, Ltd. | 10,250 | 7.41 |
| The Sumitomo Trust & Banking Co., Ltd. | 6,150 | 4.44 |
| Sumitomo Mitsui Banking Corporation | 4,377 | 3.16 |
| Hiroshi Nagase | 4,178 | 3.02 |
| 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. | 2,699 | 1.95 |

Note: In addition to the above, the Company holds 9,974 thousand shares (7.21%) of treasury stock without voting rights.

Composition of Shareholders

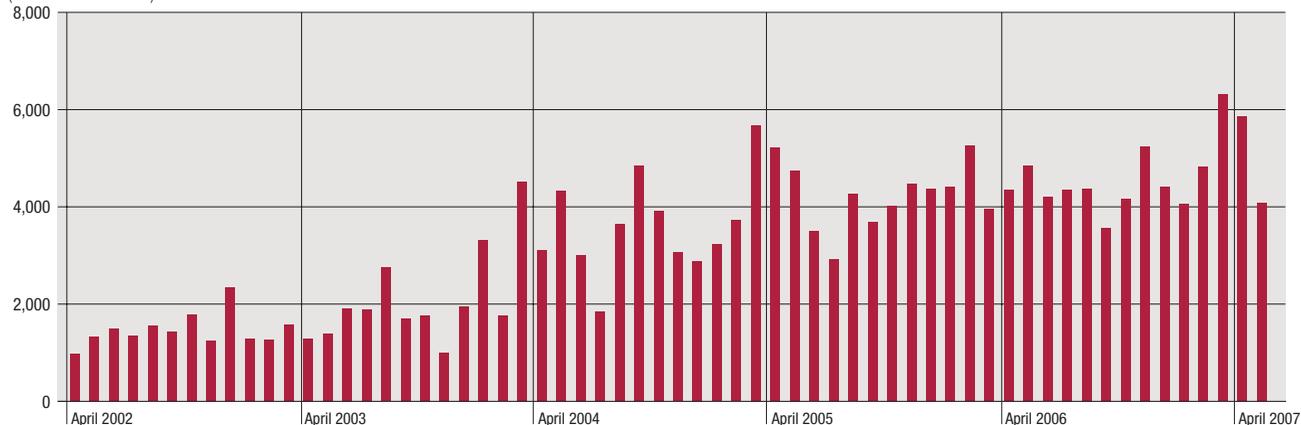


Monthly Share Price Range of Nagase



Monthly Trading Volume

(Thousands of Shares)





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

Osaka Head Office:

1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668, Japan

Tel: (81) 6-6535-2114

Tokyo Head Office:

5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355, Japan

Tel: (81) 3-3665-3021

Nagoya Branch Office:

3-14-18, Marunouchi, Naka-ku, Nagoya City 460-8560, Japan

Tel: (81) 52-963-5615