



WIN-WIN, WORLDWIDE

2008

Annual Report

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 for research and development of new products and technologies, as well as 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.

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.

Notes on Financial Data and Graphs

● All yen amounts presented in the text of 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 ¥100.19=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2008. 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.



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A Cautionary Note on Forward-looking Statements

This annual report contains statements regarding Nagase's corporate views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform shareholders of the views of Nagase's management

but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements.

FINANCIAL HIGHLIGHTS

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

Net sales of
¥764.7 billion

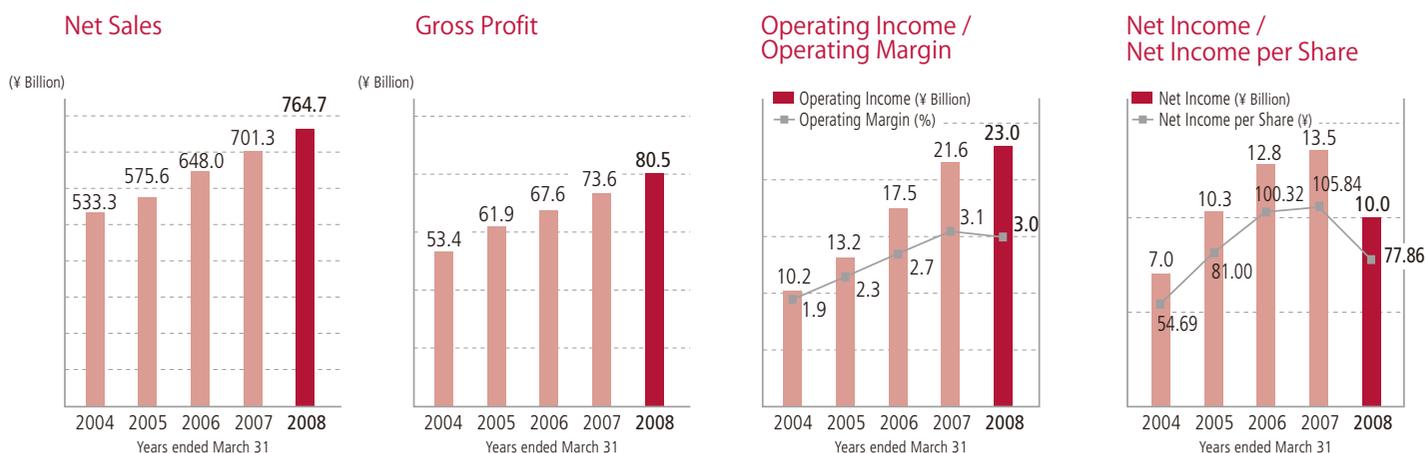
Operating income of
¥23.0 billion

	Millions of Yen			Change	Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	2008/2007	2008
For the Year:					
Net Sales (Note 2)	¥ 764,755	¥ 701,321	¥ 648,023	9.0%	\$7,633,047
Chemicals	267,836	247,094	222,282	8.4	2,673,281
Plastics	274,660	244,681	229,278	12.3	2,741,391
Electronics	163,833	150,796	132,086	8.6	1,635,223
Life Sciences	56,489	53,556	56,404	5.5	563,819
Others	1,934	5,191	7,972	(62.7)	19,303
Gross Profit	80,506	73,639	67,640	9.3	803,533
Operating Income	23,063	21,669	17,596	6.4	230,193
Net Income	10,005	13,567	12,892	(26.3)	99,860
At the Year-End:					
Total Assets	¥ 419,869	¥ 422,859	¥ 396,773	(0.7)%	\$4,190,728
Net Assets (Note 3)	208,377	211,672	196,620	(1.6)	2,079,818
Interest-Bearing Debt	33,342	20,491	24,834	62.7	332,777
Per Share Data:					
	Yen			Change	U.S. Dollars
Net Income (Basic)	¥ 77.86	¥ 105.84	¥ 100.32	(26.4)%	\$ 0.78
Net Assets	1,559.97	1,597.27	1,535.70	(2.3)	15.57
Cash Dividends	17.00	18.00	15.00	(5.6)	0.17
Ratios:					
	%			Change	
Net Worth Ratio	47.8	48.5	49.6	(0.7) points	
Operating Margin (Operating Income/Net Sales)	3.0	3.1	2.7	(0.1)	
Return on Equity (ROE)	4.9	6.8	7.1	(1.9)	
Return on Assets (ROA)	2.4	3.3	3.5	(0.9)	
Debt to Equity Ratio (Times)	0.17	0.10	0.13		

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥100.19=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2008.

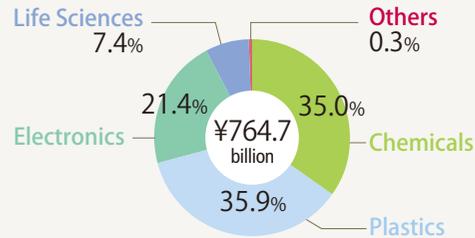
2. As of the fiscal year ended March 31, 2007, the fine chemicals business, formerly included in Chemicals, and the health care business, formerly included in Health Care and Others, have been moved to the newly created Life Sciences segment, and the business handling DVD players and other consumer products,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

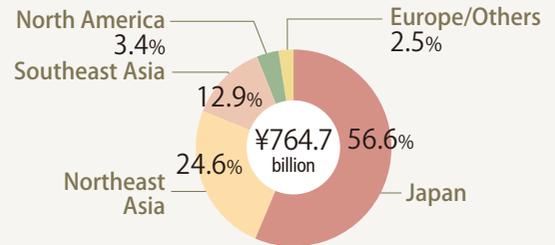


Segment Overview

Net Sales by Business Segment
(Year ended March 31, 2008)



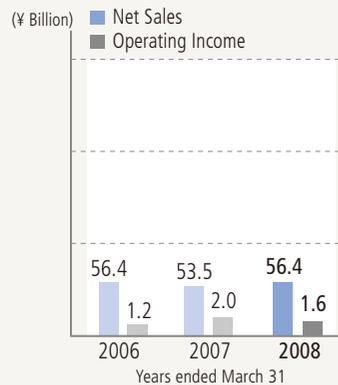
Net Sales by Region
(Year ended March 31, 2008)



Chemicals



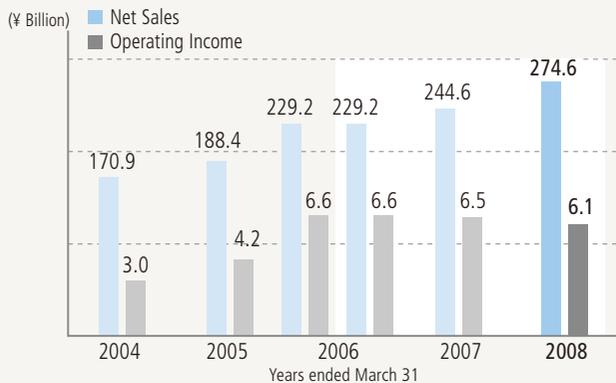
Life Sciences



Others



Plastics



Health Care and Others



Electronics



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.

MESSAGE FROM THE MANAGEMENT



Hideo Nagase

Hiroshi Nagase

In fiscal 2007, the halfway point of the medium-term management plan WIT2008, Nagase & Co., Ltd. achieved its sixth consecutive year of record sales and profits. The Nagase Group is driven by wisdom that adds experience to technology and intelligence for a unique presence that brings together trading company, R&D, manufacturing and processing functions. Nagase will continue creating high-added-value businesses to attain its WIT2008 objective of becoming more robust to achieve sustainable growth.

Results for the Year Ended March 31, 2008

The Japanese economy continued to expand gradually in fiscal 2007, the year ended March 31, 2008, supported by increased exports, but began slowing in the second half as a result of factors including weakness in capital investment and consumer spending. In the global economy, the effects of the subprime mortgage crisis in the United States and high crude oil prices are causing growing concern about an economic slowdown.

Under such conditions, the Nagase Group worked to expand its business results to meet the targets of the medium-term management plan WIT2008 (W: Wisdom, I: Intelligence, T: Technology). As a result, domestic sales increased 5.4 percent compared with the previous fiscal year to ¥432.81 billion, and overseas sales increased 14.3 percent to ¥331.94 billion, for total consolidated net sales of ¥764.75 billion, an increase of 9.0 percent.

Gross profit increased 9.3 percent to ¥80.50 billion due to the increase in net sales, but selling, general and administrative expenses increased, due primarily to amortization of actuarial loss in accounting for retirement benefits. Consequently, operating income increased by 6.4 percent to ¥23.06 billion, for the sixth consecutive year of growth. However, the voluntary recall of portable DVD players and other products sold by the Company resulted in an extraordinary loss of ¥6.48 billion, which caused net income to decrease 26.3 percent to ¥10.00 billion. Net income per share decreased from ¥105.84 in the previous fiscal year to ¥77.86.

Increasing Corporate Value

Nagase's basic policy on returning profits to shareholders 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 trends in consolidated performance. Nagase deploys internal capital resources effectively to strengthen future business activities and the Nagase Group's operating foundation.

Nagase elected to cancel the interim dividend in fiscal 2007, mainly due to the extraordinary loss mentioned earlier, but decided to pay a year-end dividend of ¥17.00 per share. In the previous fiscal year, Nagase paid a year-end dividend of ¥18.00 per share that included a ¥2.00 per share dividend to commemorate the Company's 175th anniversary.

The Nagase Group is vigorously moving forward with WIT2008 as a period for becoming more robust to achieve sustainable growth over the medium to long term. The measures we have implemented are yielding steady results, based on a strategic core of creating high-value-added businesses. Although we 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, due to personnel expenses that will result from the amortization of actuarial loss in retirement benefit accounting, an increase in depreciation and amortization due to new capital investment, and the effect of a stronger yen, we now forecast consolidated operating income of ¥21 billion. However, we plan to attain our WIT2008 objective of becoming more robust to achieve sustainable growth, and we will press forward in unison as a Group to formulate even higher targets for our next medium-term management plan.

The Nagase Group has consistently followed a management philosophy based on maintaining good and fair business practices since its foundation 176 years ago. Looking forward, Nagase's priority in raising corporate value and further increasing shareholder value is to meet 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.

We hope for your continued support and guidance.

July 2008



Chairman Hideo Nagase



President Hiroshi Nagase

INTERVIEW WITH PRESIDENT HIROSHI NAGASE



President
Hiroshi Nagase

Nagase is transforming into a corporate group that proposes new businesses and develops them together with customers, while generating synergy by adding manufacturing, processing and R&D functions and skillfully combining them with its trading company functions. Our catchphrase will be “preemptive direction change” in looking ahead to significant changes in our operating environment as we create an even more exciting presence.

What is your assessment of Nagase’s performance in fiscal 2007?

In the past year, demand was exceptionally strong, mainly in China, and overseas revenues grew. I feel that the progress we have made in promoting collaboration over the past several years is producing steady results, not only within the Company but throughout the Group, together with strengthening of manufacturing and processing functions. I believe the Group’s strategies are being validated. In addition, although the yen is strong now, it was weak in the first half, and we were able to transfer increases in raw material prices to product prices. These external factors also contributed to an increase in sales. However, I was very disappointed by the problems that led to the voluntary recall of portable DVD players in July 2007 and the resulting decrease in net income.

Please review your progress and results in fiscal 2007, as the halfway point of WIT2008. First, how have you progressed in expanding the business base?

In July 2007, we established the Nagase Application Workshop (NAW), which evaluates and researches material functions and effectiveness, while creating a database of samples and functioning as a library. By concentrating testing laboratories for fiber processing, coating materials and plastics in a single location, we will offer ideas with greater added value for customers and business partners. The workshop has received an excellent response in less than a year of operation, with demand for its functions and discovery of development themes increasing. We will continue to focus on generating steady results at NAW, as we expect it to be an extremely effective forum for showcasing the unique qualities of the Nagase Group.

In addition, we established the Sheet and Film Planning Office in April 2007 to effectively develop the film business

by combining the film-related operations of several departments and consolidating information across the organization. The office utilizes the variety of knowledge within the Group, and we expect to develop it into a very promising business.

Overseas, we worked to increase our presence in the ASEAN region with a variety of initiatives in fiscal 2007. First, we established ON Co-Labo Corporation in November 2007 as a 50-50 joint venture with OG CORPORATION that will handle our textile-related business in China. Our aim is to expand our presence in the rapidly growing textiles business in China by sharing local functions to combine Nagase's business, which is based on distribution for Japanese companies, with OG's manufacturing business. In Vietnam, second to China in rapid growth, we have obtained a license to establish a sales company and are preparing to set up a local subsidiary. The second plant of Dainichi Color (Vietnam) Co., Ltd., a plastic colorant manufacturing joint venture, began operations in April 2008. Demand for plastic compounds increased three-fold over the previous year as automotive and information equipment manufacturers successively advanced operations there and increased production, and the new factory makes it possible to immediately meet cus-

tomers requests for special compounds. Our policy will be to increase production in light of demand trends. In the Middle East, although our activities have so far been limited to our office in Dubai, we will consider strategies to expand operations based on Nagase's unique style of business using a large order we secured in the region as a foothold.

Development beyond our trading functions in Europe and North America has not proceeded as we had hoped. However, we are closely examining various options including mergers and acquisitions, and remain committed to developing the Nagase Group's original manufacturing and other functions in Japan and Asia.

What is the status of your active investment in key business areas?

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.



During fiscal 2007, in electronics, we decided to participate together with Nagase ChemteX Corp. in the “Manufacturing Complex for the 21st Century” of Sharp Corporation in Sakai City, Osaka. We will make a substantial investment of approximately ¥9.0 billion to construct a plant for manufacturing and recycling chemicals such as developer and stripping agents used in making large LCD panels. Completion is scheduled for fiscal 2009. We are very excited about this project, as Nagase will manage nearly all chemicals for the facility, representing a new way for us to structure business and significantly contribute to future growth. We see this as a sound business model that will generate synergy between the Nagase Group’s strengths in chemical manufacturing and management functions and Nagase’s long-held trading company functions. This business will be able to substantially reduce the use of chemicals, which makes it extremely important from the standpoint of environmental protection.

In addition, we established SN Tech Corporation as a joint venture with SACHEM Asia Co., Ltd. and Nagase ChemteX in January 2008. SN Tech will carry out recycling in Asia of raw materials for developer for semiconductors and LCD panels.

In life sciences, we invested approximately ¥0.6 billion in new facilities for the commercial production of phospho-

lipids at Nagase ChemteX’s Fukuchiyama Factory, which began operations in fall 2007. Business is growing steadily as we find more buyers. In the pharmaceutical business, we expanded facilities at Nagase Medicals Co., Ltd. for sterile production of gel medicines at a cost of about ¥0.8 billion. In addition, we acquired iGENE Therapeutics, Inc., a venture company with RNA interference technology to suppress the level of expression of particular genes. We will build high-value-added new drug discovery tools and services into a new drug discovery support business.

How is your progress in restructuring for high profitability?

We are working to increase the ratio of highly profitable businesses by building on Nagase’s originality, with its manufacturing companies, the Nagase R&D Center and NAW at the core. By increasing the ratio of high-value-added businesses, we will raise profitability of the Group overall. During fiscal 2007, we strengthened and expanded our nanotechnology business. The scale of the nanotechnology market is expected to reach ¥27 trillion by 2010, and the Nagase Group produces nanoparticles and develops and manufactures products with high market share and high profitability for the display and electronics fields such as masterbatch dispersion. In 2006 we

Overview of WIT2008 (Fiscal 2006 to Fiscal 2008)

Quantitative Targets

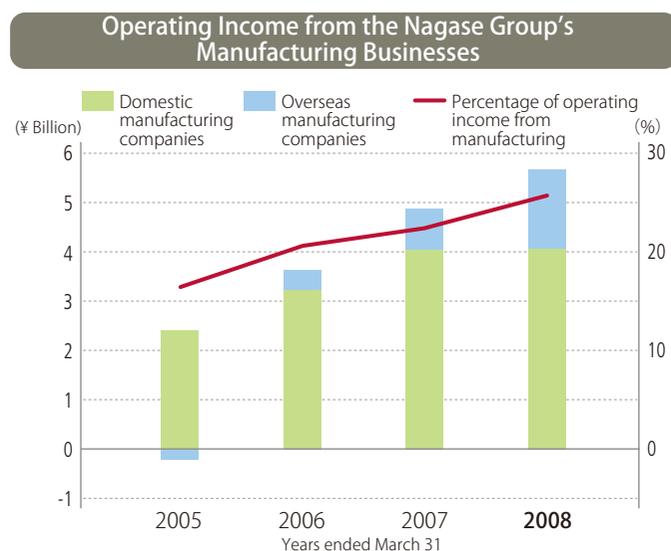
	Fiscal 2005 (Actual)	Fiscal 2006 (Actual)	Fiscal 2007 (Actual)	Fiscal 2008 (Target)
Net Sales	¥648.0 billion	¥701.3 billion	¥764.7 billion	¥770.0 billion
Domestic Sales	¥388.4 billion	¥410.7 billion	¥432.8 billion	¥439.0 billion
Overseas Sales	¥259.5 billion	¥290.5 billion	¥331.9 billion	¥331.0 billion
Operating Income	¥17.5 billion	¥21.6 billion	¥23.0 billion	¥21.0 billion

concluded a distribution agreement with NanoGram Corporation, a U.S. venture business with strong advantages in the nanotechnology field that develops and licenses core process technology. Nagase carries out technology introduction and product sales on behalf of NanoGram for customers in Japan. In fiscal 2007, we further strengthened our relationship through capital investment, while installing production equipment at Nagase ChemteX for nanoscale inorganic compounds with optical film and other applications, and acquiring nanoparticle production and application technology that we will combine with original Nagase products.

On the other hand, we carry out ongoing restructuring within the Group. We concentrated semiconductor backend processing and wafer bumping services at Pac Tech-Packaging Technologies GmbH, a subsidiary in Germany that we acquired in January 2006. In March 2008, we liquidated Alpha Bumping Technology Co., Ltd., which carried out contract processing for wafer bumping.

What progress have you made in efforts to maintain a sound financial position, improve the consolidated management system, ensure thorough risk management and enhance personnel quality and quantity, which WIT2008 specifies as the four key areas in strengthening administrative operations?

We continue to address all four areas. In particular, new risks that come with transforming business structure demand better risk response. We faced the recall of DVD players in fiscal 2007 and recognize the need for further quality control in the import and sales business. We have established the Quality and Environmental Control Office to accelerate the strengthening of our quality control structure for imported and Group company products. In order to further strengthen our internal control system, we reorganized the Compliance Committee into the Risk Management & Compliance Committee, and took steps to comprehensively identify, understand and control various risks. Nagase will establish and strengthen a risk management structure and a compliance structure that reflect not only legal compliance but also corporate ethics while adhering to our philosophy of following good and fair business practices.



Note: Financial figures for manufacturing subsidiaries are simplified totals.

What are your policies for fiscal 2008, the final year of WIT2008?

As you know, the economic situation is extremely uncertain, due in part to the subprime mortgage crisis, with forecasts growing that conditions will worsen. We expect a very difficult environment with the price of crude oil, raw materials and other resources likely to continue rising. Therefore, we will prioritize a more defensive stance and tighter management over sales expansion. While remaining committed to achieving the goals of WIT2008, we will concentrate on control of inventory and notes receivable and risk management. Over the long term, these measures will lead to sustainable growth



for the Nagase Group and reassure our shareholders.

At the same time, we will continue capital investment and structure building. We will restructure businesses and strengthen profitability in order to quickly improve return on equity (ROE), which remains below an acceptable level, while carrying out active investment necessary to strengthen our manufacturing and processing functions and build partnerships.

What direction will you take following the completion of the WIT2008 medium-term management plan?

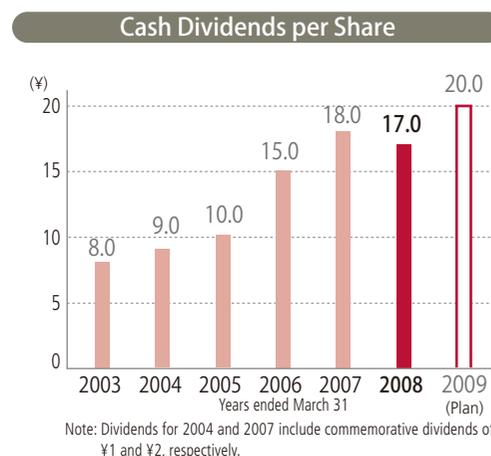
We are considering post-WIT2008 and aim to complete plans by fall 2008. Our key concept will be “Foresee major changes and alter direction preemptively.” A general atmosphere of increasing environmental awareness and greater attention to energy concerns on a global scale will defy conventional wisdom and bring rapid social changes. For example, one major task will be to restructure our businesses and group companies as required based on foresight regarding the recent rise in crude oil prices. Accordingly, from WIT21 through the current WIT2008, we have established the four key business areas of electronics, life sciences, automotive and overseas, but even if we continue operating in these fields, business expansion will require integration, realignment and development based on a completely different way of thinking for business expansion. The recycling business at the Sharp “Manufacturing Complex for the 21st Century” I mentioned earlier coincides with environmental changes as

a promising post-WIT2008 project. I think that an awareness of this key concept and way of thinking in all of Nagase’s businesses will lead to new opportunities.

In addition, we have already begun training and securing management personnel to promote diversity not only in terms of nationality, race and gender, but also in backgrounds and values. An important issue for us is to create an environment where such a diverse group can work well together. We intend to turn this creation of diverse, highly transparent workplaces, without the typical Japanese conformity, into a Nagase strength.

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

So far, society has viewed Nagase as a unique trading company. Over the past several years, Nagase has been creating synergy by adding manufacturing, processing and R&D functions and skillfully combining them with its trading company functions, while aiming to suggest and create new business with customers. Today, we are firmly facing in that direction. The businesses that the Nagase Group created and nurtured are coming to fruition, one after another. The Nagase Group will aim for a “preemptive direction change” and create an even more exciting presence. We hope that shareholders and investors will keep a medium-to-long-term perspective and continue to support our activities. I am confident we will meet everyone’s expectations.





Feature:

WIN-WIN, WORLDWIDE

Nagase continues to expand value-added businesses and grow by changing to a business structure that adds R&D, manufacturing and processing to its traditional trading company functions, and creating an innovative, original business model and developing it globally. Nagase's original business model provides value simultaneously to customers and business partners, and therefore to shareholders and society.

In this feature, we introduce Nagase's business activities and various functions that build win-win relationships with customers and business partners.

FEATURE 1: Nagase Application Workshop

Functions of Nagase Application Workshop

The Nagase Application Workshop (NAW), established in July 2007, provides a single location for us to work with business partners in evaluating and researching the functions and effects of materials and additives related to plastics, coating materials and fiber processing, as well as analyzing data and conducting experiments for application development. Nagase is developing an original business model by adding R&D, manufacturing and processing to its traditional trading company functions. NAW was created as a direct result of this process, and is a function unique to Nagase because it enables us to provide technical support as a trading company.

Nagase has provided services to users in a broad array of fields on a departmental and sector basis. With the establishment of NAW, we have created a system to fulfill customer requests by applying Nagase's resources across sectors.

The Benefits of NAW

We have incorporated NAW functions into sales programs, which helps customers and manufacturers to understand their benefits. We have received over 150 inquiries, including visits and consultations, since operation began in August 2007. About 70 of these inquiries resulted in transactions and business now in progress.

Users wishing to make trial products come to NAW when other manufacturers turn them away due to the limited quantity required, when they have concerns about leakage of information to other companies, or when they want to do test production using their proprietary technology. Many cases involve cooperation with suppliers in the technical evaluation of product applications or value for manufacturers.

We expect NAW to be central to the creation of many win-win results in which Nagase handles business derived from our contribution to customer solutions.



Masaya Kimura
Manager
Nagase Application Workshop
Nagase & Co., Ltd.

NAW's role is to respond in a straightforward manner to our customers' issues and to create the conditions in which they can apply our valuable technical information.

We are committed to solving customer issues and adding value to proposals. In addition, we involve other companies with the necessary capabilities to solve problems when our labs require assistance. I believe in demonstrating conclusions on schedule and addressing every theme in a straightforward manner, even when the results are not positive. NAW also gives Nagase sales representatives ready access to valuable technical information to solve customer issues.



MOLDING

The plastics laboratory carries out trial production of thermoplastics to respond to requests for new colors, added functionality and exploration of new textures.



PAINT/PRINTING

In testing dye dispersal, NAW carries out trial production of paints and printing substances that meet customer specifications.



DYEING

We use a variety of methods in enhancing and matching colors by utilizing knowledge accumulated from dyeing experiments.



We look forward to offering exact solutions for customer needs and discovering new product and material development possibilities.

Masao Takase
 Manager
 AETS, P&PI Commercial Div.
 Japan Specialty Chemicals Business
 Dow Corning Toray Co., Ltd.

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NAW covers a wide range of fields, from upstream to downstream, and has collected a wealth of data. Its value to our company lies in its ability to gather information in areas close to downstream users that we find challenging to obtain. Anticipating these superior information and analytic capabilities, we have asked NAW for a variety of data analyses related to our plastics and coating products. This project is helping us offer exact solutions for customer needs and, in the medium and long term, we look forward to discovering new products, new material development possibilities and new business opportunities.

FEATURE 2: Development of the High-Value-Added Phospholipid Business

Nagase's R&D Capabilities Create a High-Value-Added Phospholipid Business

Nagase has developed a unique phospholipid-converting enzyme that originated from actinomycetes. Among the many manufacturers of enzymes, Nagase is the leader in producing industrial enzymes using actinomycetes.

This newly-developed enzyme has proven successful in efficiently synthesizing naturally existing phospholipids using Nagase's original technology. Moreover, Nagase is utilizing its customer-oriented application development competence to create and launch a rich line-up of phospholipid products in the market. The value of selling these products has the potential to become many tens of times greater than simply selling enzymes. This is an example of how Nagase is succeeding in building the high-value-added business model it aims to achieve.

Operating Development and Production Facilities in Cooperation with Nagase ChemteX

The phospholipid business allows the Nagase Group to make full use of its strengths in R&D, manufacturing and marketing. Initially, the Nagase R&D Center, the Nagase ChemteX Product Development Center, and the Nagase ChemteX Technical Department collaborated in the development of the phospholipid-converting enzyme and the resulting phospholipid products. The collaboration resulted in quick mass production of these products and strengthened our technology capacities, thus building a powerful business foundation that other trading companies cannot achieve.

Nagase ChemteX is handling production. In January 2008, it began operating a newly constructed facility and orders have increased steadily. While supplying products according to customer orders, Nagase is also concentrating on sales of its own original products. These products will contribute to sales in the fiscal year ending March 31, 2009, and Nagase aims to be number one in the world in terms of price and quality.

Liu Xiaoli

Biochemical Product Division,
Enzyme Business Department
Product Development Section 1
Nagase ChemteX Corp.



In creating unique Nagase products by integrating enzyme and fine chemical technologies, we made sure to reflect customer requirements from the early development stage. That's a major reason why customers are so excited about these products.

The development of phospholipid products integrated enzyme and fine chemical technologies, and the technological ability to handle this kind of integration is one of Nagase's strengths. The Nagase R&D Center and Nagase ChemteX cooperated efficiently to develop multiple new products over a short span of seven years from initial theme setting. With manufacturing facilities now operating, the new business is up and running. In addition, Nagase used its competence in global information gathering to incorporate the needs of users from the early development phase. These needs are reflected in original products that customers have enthusiastically praised.



PRODUCTION EQUIPMENT

Nagase produces phospholipids with sophisticated, leading-edge production equipment that began operating in January 2008.



PROCESS CONTROL

An HACCP regime based on ISO9000 and ISO14000 standards governs process control for phospholipids used as food ingredients.



Customers trust Nagase because we provide high-quality, technologically advanced products at competitive prices, worldwide and with integrity.

Taku Fujimoto
 NCX Enzyme Team
 Bio Products Division
 Fine Chemicals Group
 Nagase & Co., Ltd.

Customers in Japan and overseas have enthusiastically praised the phospholipid products that Nagase has developed. From enzymes used in production to enzyme reaction technology and products, Nagase's original products solve customer problems and respond in a timely manner to current needs, and we are able to provide a large variety of phospholipids. Applications for our phospholipids range widely from ingredients for functional foods to materials for cosmetics. Safe, secure and in step with modern technological progress, our phospholipids are user-friendly and eco-friendly. The technology, quality and cost of our phospholipids, as well as Nagase's sincere global responsiveness, have earned the trust of customers. Nagase will continue to develop original technologies and materials from an international perspective.

WIN-WIN

FEATURE 3: Nagase and the Automotive Business in Guangzhou, China

Cooperating with Group Companies to Provide a Wide Variety of Products and Services

Nagase's involvement in the automotive business in Guangzhou, China centers on Guangzhou Nagase Trading Ltd., which is a wholly owned subsidiary of Nagase (Hong Kong) Ltd. We also operate in four joint ventures: two manufacturers of molded urethane products for automobiles, Guangzhou Kurabo Chemicals Co., Ltd. and Toyo Quality One Ningbo Co., Ltd; automotive spring manufacturer Tokai Spring Mfg. (Foshan) Co., Ltd.; and mold manufacturer Guangzhou GRG Lamko Mold Manufacturing Co., Ltd. In addition, Nagase cooperates with affiliate Dong Guan Kyoraku Plastics Co., Ltd., a molding company.

The automotive business accounts for 80 percent of Guangzhou Nagase's net sales. Moreover, 80 percent of this automotive business is with Japanese-affiliated companies, and the remaining 20 percent is with companies from China, Hong Kong and Taiwan. In addition to plastic raw materials, Guangzhou Nagase Trading Ltd. sells urethane raw materials and the manufactured products of business partners such as springs. The company also provides import substitution services for products and materials that are difficult to import. At the same time, Guangzhou Nagase Trading Ltd. executes its crucial function as a trading company by constantly managing the risks associated with inventory, repayment and other issues to maintain a stable transaction stream.

Nagase's Strengths in China's Automotive Business

Nagase's strengths in China are its expertise and ability to respond precisely to customer needs.

In recent years, as Japanese-affiliated car manufacturers have expanded the number of new models, Guangzhou Nagase's presence in products and materials requiring technological knowledge and logistics has contributed to business expansion.

Moreover, the needs of Japanese-affiliated automobile manufacturers that have entered the Chinese market have become diverse. Guangzhou Nagase's expertise and ability to respond to customer needs support its role in coordinating among directly and indirectly related parties. For example, the company's activities extend beyond helping with the selection of materials to include studying the localization of production of imported materials.

With these unique capabilities, Nagase has much to look forward to in working with customers to develop their businesses in the rapidly growing Chinese market. In the future, Nagase will use its strength to make progress that continuously contributes to China's society and economy.

Expanding business is proof that Nagase's comprehensive capabilities and expertise have earned the appreciation of its customers.



Daiji Matsuoka
General Manager
Guangzhou Nagase Trading Ltd.

Guangzhou Nagase's urethane business is growing substantially. Moreover, sales of plastic raw materials are growing because of the increasing array of automobile models, while Guangzhou Nagase handles the largest volume of plastic pellets in South China. These successes have resulted because the Nagase Group includes manufacturing companies in areas such as urethane and springs, and is therefore able to provide high-value-added services to customers. Our comprehensive capabilities and expertise have earned the appreciation of our customers. Looking forward, we project that the market will continue to expand. We will embrace a broad number of themes in responding precisely to customer needs to contribute to the growth of customer businesses while expanding our own sales.



**Nagase takes the perspective of manufacturers
in providing helpful information and services.
Customers appreciate that.**

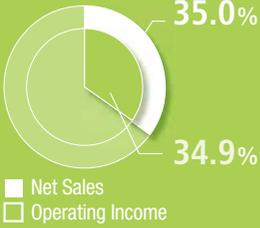
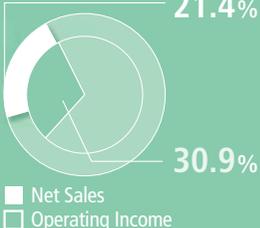
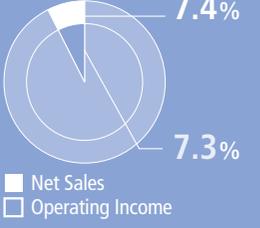
Toshiaki Sakaue
General Manager
Guangzhou Kurabo Chemicals Co., Ltd.

We manufacture automotive interior materials using urethane forms, and sell primarily to Japanese-affiliated automobile manufacturers in the Guangzhou area. Guangzhou Nagase supports the smooth operation of our business in ways such as providing raw materials and collecting local information. It is not simply a single company in the Nagase Group. It integrates manufacturing and trading capabilities, and we appreciate its ability to take both the perspective of a manufacturer and provide useful information and services. Moreover, Nagase has numerous bases in Asia, and we are confident that Nagase will be an excellent partner that can supply its extensive knowledge of the region as we expand in Asia. We look forward to expanding our business together with Nagase.

N-
WIN

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.

	Performance Highlights				Departments	Customer Segments
	¥ Billion					
	2008	2007	Change (%)			
Chemicals  <p>■ Net Sales □ Operating Income</p>	Net Sales	267.8	247.0	8.4	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
	Operating Income	7.9	7.0	13.1	Performance Chemicals Department	Paint and ink, resins, synthetic fiber, urethane foam, flame retardants, FRP, plasticizers, film
	Total Assets	133.0	135.9	(2.1)	Speciality Chemicals Department	Organic synthesis, surfactants
	Depreciation and Amortization	1.2	0.9	40.6		
	Capital Expenditures	2.2	1.5	48.0		
		Years ended March 31				
Plastics  <p>■ Net Sales □ Operating Income</p>	Net Sales	274.6	244.6	12.3	Advanced Polymers Department	Office automation equipment, electrical, electronics, consumer electronics
	Operating Income	6.1	6.5	(6.1)	Automotive Solutions Department	Automotive
	Total Assets	126.0	118.8	6.1	Eco-Materials & Products Department	Construction, building materials, housing, film sheet, electrical wire, amusement
	Depreciation and Amortization	1.0	0.9	7.8		
	Capital Expenditures	1.0	1.1	(12.7)		
		Years ended March 31				
Electronics  <p>■ Net Sales □ Operating Income</p>	Net Sales	163.8	150.7	8.6	Electronic Chemicals Department	Semiconductors, liquid crystal, electronics components, heavy electric machinery, automotive
	Operating Income	7.0	6.1	14.1	Information & Functional Materials Department	Semiconductors, liquid crystal, communications, imaging, batteries
	Total Assets	88.2	84.2	4.7	Display & Electronics Components Department	Displays, television and monitor assemblies, amusement, touch panels
	Depreciation and Amortization	1.9	1.4	33.3		
	Capital Expenditures	3.6	1.8	95.5		
		Years ended March 31				
Life Sciences  <p>■ Net Sales □ Operating Income</p>	Net Sales	56.4	53.5	5.5	Fine Chemicals Department	Pharmaceuticals, food/feed chemicals, agricultural chemicals, household products
	Operating Income	1.6	2.0	(16.6)	Beauty Care Products Department	General consumer market
	Total Assets	32.1	33.4	(3.7)		
	Depreciation and Amortization	0.6	0.6	4.5		
	Capital Expenditures	1.6	0.7	117.1		
		Years ended March 31				

Notes: 1. Net sales do not include intersegment sales. 2. Operating income is prior to eliminations.
3. Segment shares of net sales and operating income do not total 100 percent due to the exclusion of the Others segment.

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

Main Products and Services

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

Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, flame retardants, plastic additives, plasticizers, polymer filters

Petrochemical products, raw materials for household products, cosmetic ingredients, surfactants and surfactant raw materials, fluorochemicals, materials for silicones, electronics chemicals, Nagase ChemteX Corp. products

Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and dies

General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dies, software engineering, facility equipment

Resin materials, film sheet products, molded plastic products, construction products

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

Semiconductor packaging materials, insulating materials, fluoroplastic-related materials, precision abrasive materials, diagnostic agents, wireless communication modules and systems, surface defect inspection systems

Liquid crystal displays (LCDs), materials, manufacturing devices and optical films for LCDs and organic light-emitting diodes (LEDs), processed aluminum products, processed glass products

Pharmaceuticals (APIs, intermediates, raw materials, formulations, excipients), in vitro diagnostics (bulks, instruments & kits), hard disk-related materials, 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

Cosmetics, health foods, beauty foods

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 improving sales organization productivity and promotes four projects: electronics, daily goods, China, and process chemicals.

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 further develop globally and approach new technology related to electric vehicles and other next-generation vehicles.

The Eco-Materials & Products Department aims to expand business for products and parts, primarily engaged in resin materials and product sales in the functional film and sheet, electrical wire, amusement, packaging materials and other industries.

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. The department actively conducts resource conservation and recycling proposals in focusing on environmental concerns. 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 healthcare, 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.

Chemicals

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



Fiscal 2007 Strategies and Performance

In the second year of WIT2008, our activities were guided by four key measures: 1) further promote cooperation within the Company and step up efforts to raise awareness and create new business; 2) respond decisively to the new Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations enacted in the European Union, while supplying information and support for Japanese customers; 3) carry out investments including mergers and acquisitions that will allow Nagase to display its full potential; and 4) prepare for the chemical industry's so-called 2008 problem.

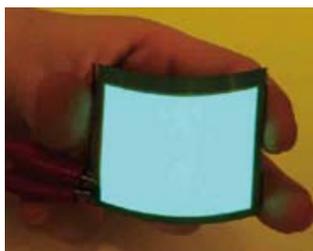
Sales in the Chemicals segment increased 8.4 percent year on year to ¥267.83 billion. This was mainly the result of an increase in domestic sales of Nagase Group products centered on LCD-related materials from Nagase ChemteX Corp., as well as an increase in sales of urethane and coating materials for the automotive industry and solid sales of performance chemicals including plastic materials and additives.

From left:
 Hiroshi Hanamoto Executive Officer; GM, Colors & Imaging Department
 Toshiro Yamaguchi Executive Officer; GM, Performance Chemicals Department, Osaka District
 Mitsuro Naba GM, Speciality Chemicals Department

Net Sales / Operating Income (¥ Billion)



Topics Growth of Denatron



Denatron

Fiscal 2007, sales of Denatron, an organic conductive product from Nagase ChemteX, grew 1.3 times compared with the previous fiscal year. Produced through separation processing, Denatron is highly evaluated for preventing static electricity in parts for LCD televisions. In addition, we are working with Nagase ChemteX and customers to develop high conductivity-grade products for films. Our aim is to use these products in touch panels and other transparent electrode film applications as an alternative to indium tin oxide (ITO), a resource that is becoming depleted.

Colors & Imaging Department

Fiscal 2007 Strategies and Results

In Japan, due to the effect of an adjustment period in the digital equipment market, sales of ink and toner materials for printers and copiers and functional color pigments for plasma displays and other applications remained at the previous fiscal year's levels. However, performance of the Nagase Group's organic conductive dispersing agents grew steadily. Overseas, game console-related products and thermal paper materials performed well, and the department overall reached its consolidated operating income target.

In fiscal 2007, we focused 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. As a further evolution of the previous Color Workshop, the Nagase Application Workshop (NAW), which began operating in July 2007, carried out joint development with customers. Response has been particularly good to Nagase's unique services for the coating, plastic molding, printing, fiber processing and other industries. In Saudi Arabia, we have begun preparation for a joint venture after obtaining trading rights to sell plastic additives there. In addition, Nagase is recognized by the market for its distributor functions following mergers and acquisitions by overseas manufacturers, and we increased the number of products that consolidate this function at Nagase.

Strategic Initiatives in Fiscal 2008

In the final year of WIT2008, we will continue to promote the three key objectives we set in the previous period, while aiming for business development closely tied with customers whose appreciation we will earn as a trusted partner.

Performance Chemicals Department

Fiscal 2007 Strategies and Results

Sales increased due in part to the effect of a substantial price increase that we carried out for petrochemical products following a rise in crude oil and naphtha prices. In addition, overall department sales and income rose with continued favorable economic conditions in China and the ASEAN region and brisk demand for urethane materials and coating materials primarily for the automotive industry and electronic materials industry.

In fiscal 2007, we focused on four objectives: strengthening the plastic raw materials business and expanding handling of downstream products; offering original Nagase products in the fields of plastic additives and coating materials that use NAW; building businesses where Nagase is the leader; and raising the quality of our organization by improving operational efficiency. In the materials

business, we began manufacturing-oriented development by merging the filter business, and carried out product development for downstream industries through collaboration with other departments and within the Group. The filter business for optical film applications and engineering plastics grew significantly as a result of our active attention to proposals in progress. We strengthened coverage of Japanese manufacturers operating in the brisk markets of China and the ASEAN region, resulting in increased exports to Japanese plants overseas and expanded business including local support. Overseas, we established a manufacturing company in Indonesia for urethane products used in automotive interiors, and deployed personnel to the ASEAN region to provide local service equal to or better than that in Japan.

Strategic Initiatives for Fiscal 2008

We will continue to promote our four objectives. By effectively utilizing NAW, we will maintain and expand our presence in the coating and ink, urethane, and plastics industries. We will further strengthen our structure as a manufacturer in the filter business to develop products and services that meet market needs.

Speciality Chemicals Department

Fiscal 2007 Strategies and Results

Sales and income increased significantly compared with the previous fiscal year, reaching over 110 percent of our original plan. This was due to a price increase in petrochemical products following a rise in crude oil and naphtha prices, and a substantial expansion of sales of Nagase ChemteX's performance products for electronics materials. Trade with Europe and the U.S. as well as China expanded, with growing imports from China utilizing Nagase's original analysis capabilities.

We promoted the department's basic strategies under WIT2008 of advancing our three core businesses of surfactants, organic synthesis and Nagase ChemteX, and promoting development of the four project areas of electronics, China, cosmetics and process chemicals. In our core businesses, we expanded sales of existing products and enhanced results for new products by conducting a thorough follow-up of major customers. Project development progressed steadily, and imports of products from China increased as Nagase earned a high evaluation from its customers for its original analysis capabilities.

Strategic Initiatives in Fiscal 2008

In fiscal 2008, the final year of WIT2008, we will continue steady expansion of our three core businesses to reach medium-term goals, in a changing operating environment of high crude oil prices, a stronger yen, and technological advances in electronics. Moreover, we will promote greater cooperation within the Group to strengthen development of our four project areas, and contribute to solve customer problems by fully utilizing Nagase's functions.

Plastics

WIT2008 Basic Strategies

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



Fiscal 2007 Strategies and Performance

In the second year of WIT2008, we worked to increase our added value to the Group by 1) clarifying our structure in the upstream and downstream plastics fields, 2) strengthening cooperative development with the Nagase Application Workshop (NAW), and 3) expanding the automotive business.

Sales in the Plastics segment increased 12.3 percent year-on-year to ¥274.66 billion, and operating income decreased 6.1 percent year-on-year to ¥6.13 billion. Sales to the automotive industry grew sharply, and overseas sales of products for precision equipment and electronic equipment applications also continued to expand, mainly in the ASEAN region. Despite decreases in sales of engineering plastics and components for optical applications, primarily to customers in Taiwan, and in sales of certain other domestic businesses, sales of the segment overall increased.

From left:

Kenji Asakura

Ichiro Wakabayashi

Yuji Deguchi

Kenji Nagafusa

GM, Automotive Solutions Department

GM, Advanced Polymers Department

GM, Pluswood Department

GM, Eco-Materials & Products Department

Net Sales / Operating Income

(¥ Billion)



Topics Cultivating the Vietnam Market



Dainichi Color (Vietnam) Co., Ltd.

Nagase obtained a subsidiary license in Vietnam in February 2008 for the sale of bonded inventory, bringing the number of subsidiaries the Company has there to three. In addition, Dainichi Color (Vietnam) Co., Ltd., a joint venture with Dainichiseika Color & Chemicals Mfg. Co., Ltd. for manufacturing plastic compounds, began operations in April. By synergizing our local subsidiaries that take full advantage of Nagase's competitive advantages with the plastic compounds factory, Nagase will expand business for Japanese companies advancing into Vietnam and Taiwanese companies accelerating their shift from China.

Advanced Polymers Department

Fiscal 2007 Strategies and Results

Sales and profits increased in the ASEAN region centered on Vietnam, and in the Hong Kong and Shanghai regions due to an increase in overseas production by Japanese manufacturers in the office automation, home appliances and electronics fields, and the segment reached its targets.

In fiscal 2007, we expanded business on a consolidated basis with overseas bases and Group companies. In particular, we worked to increase expansion by strengthening our sales structure for engineering plastics and enhancing strategic cooperation in the office automation industry. In Hanoi, a strategic region, we completed a plastics compound factory through a joint venture, upgraded the Hanoi office to a subsidiary and reinforced personnel. In addition to business with Japanese companies, we obtained business from companies from Taiwan transferring to Vietnam in response to a sense of urgency about overdependence on China. Moreover, we expanded our range of products into plastics, processed goods and other areas by utilizing our sales platform for engineering plastics.

Strategic Initiatives in Fiscal 2008

We will continue to promote business expansion on a consolidated basis. We will maintain compliance and follow laws regarding imports while raising operational efficiency. In Japan, we will focus on development themes adapted to customer needs by further promoting collaboration with NAW, Setsunan Kasei Co., Ltd., and other departments including the Performance Chemicals Department and the Colors & Imaging Department. Our sales activities will take advantage of Nagase's competitive advantage as we place priority on eco-plastics and eco-coatings and the plastics recycling business to meet demand for eco-friendly products.

Automotive Solutions Department

Fiscal 2007 Strategies and Results

In fiscal 2007, sales remained strong in Asia, including southern China and ASEAN countries such as Thailand. In addition, sales increased in the U.S. and Europe and recovered in Japan, leading to significant growth in sales for the department overall.

As a result of focusing on new development themes throughout the year, we began handling promising materials including green materials and super-engineering plastics.

Our joint venture in China making precision springs performed well due to market expansion. Although a feasibility study that we carried out for a plastic compounds and other production business in the U.S. led to no definitive outcome, we conducted ongoing consideration of our options in this area.

Strategic Initiatives in Fiscal 2008

We will concentrate on commercializing various new themes and formulate details for overseas production activities to expand busi-

nesses led by the Nagase Group. We plan to further strengthen our structure for providing information and services in Europe, the ASEAN region and China for major customers expanding overseas. In addition, we will carry out full-scale handling of electric vehicle parts and other products that go beyond our traditional lineup.

Eco-Materials & Products Department

Fiscal 2007 Strategies and Results

In fiscal 2007, implementation of the revised Building Standards Law in the housing and construction materials industries and the effect of stronger regulations in the amusement industry caused a decline in sales in these markets. However, we achieved sales in excess of targets due to the launch of environmentally friendly, non-bromine insulating film and steady sales of Eastman Chemical Company's PET resins. In the amusement industry, we successfully began overseas procurement of parts for game machines.

In addition to focused investment of resources in development of Sun Delta Corporation's functional films through a project manager system, we cooperated with other departments, which led to early product development and results.

Strategic Initiatives in Fiscal 2008

We will expand sales of flame retardant insulating film, continue product development for electronics applications, and prepare for overseas expansion. We will build the structure necessary to offer highly functional materials with insulation, breathability and other properties to the housing and construction industries. In addition, we will extend the business model we established in the amusement field with plastic molded products, secondary processing, and assembly to other business areas, and focus on Eastman Chemical's resin materials and other eco-friendly materials.

Pluswood Department

Sales of Pluswood, Nagase's synthetic wood material, continued to increase in fiscal 2007 with its use in large-scale, well-known buildings. Advertising that showed Pluswood's actual applications was successful, and internet-based inquiries about Pluswood increased 20 times over the previous year, as it rapidly gained industry recognition. In addition, repeat orders increased from major contractors.

The Pluswood Department, which has separated from the Eco-Materials & Products Department as of the fiscal year ending March 2009, handles OEM production of Pluswood, inventory control, and distribution functions. Through cooperation with Nagase Eco Plus Co., Ltd., a Nagase subsidiary in charge of sales, marketing, quality assurance and technical support, we will strengthen the foundation of the Pluswood business and aim to establish an original high-value-added business model.

Electronics

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.



Fiscal 2007 Strategies and Performance

In fiscal 2007, we focused on 1) strengthening expansion of semiconductor production equipment and our wafer bumping service in Asia, 2) strengthening sales of developer and stripping agents used in the semiconductor and LCD fields while actively developing chemical recycling systems for environmental preservation, and 3) cooperating more closely with business partners and Group companies to build a business model unique to Nagase.

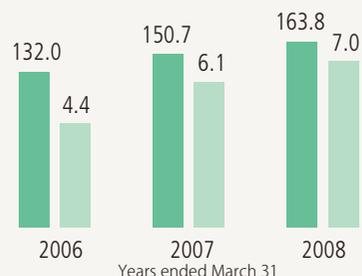
Sales increased 8.6 percent year on year to ¥163.83 billion, and operating income increased 14.1 percent to ¥7.03 billion. This was the result of expansion of the LCD-related parts business, and strong sales of chemicals used in the production of LCDs and other products and precision abrasive materials for semiconductors.

Note: Motonori Morizumi replaced Kazuhiro Osako as General Manager of the IC Packaging Department on August 1, 2008.

From left:
 Kohei Sato GM, Information & Functional Materials Department
 Shingo Bamba Director and Managing Executive Officer; GM, Display & Electronics Components Department
 Kazuhiro Osako GM, IC Packaging Department
 Tomitaka Ito Executive Officer; GM, Electronic Chemicals Department

Net Sales / Operating Income (¥ Billion)

■ Net Sales ■ Operating Income



Topics Establishment of New Plant



Nagase Group Chemical Plant
(Final completed conceptual image)

Nagase decided to construct a plant for manufacturing, supplying and recycling chemicals within Sharp Corporation's "Manufacturing Complex for the 21st Century" in Sakai City, Osaka, scheduled for completion in fiscal 2009. In addition to supplying developer, stripping agent and cleaning agents, the plant, which is currently under construction, will introduce the recycling technology of Nagase ChemteX Corp. in serving an on-site fabrication function for the comprehensive control and recycling of all related chemicals. We thus plan to contribute to a major reduction in chemical and raw material use as well as environmental preservation at this environmentally oriented plant.

By completing this framework, we will contribute to the continued development of the liquid crystal industry as the only company in the global chemical industry that handles all the functions of chemical manufacturing, recycling and process innovation.

Electronic Chemicals Department

Fiscal 2007 Strategies and Results

In fiscal 2007, sales of chemical supply and control equipment for photolithography used in front-end processing of LCDs and semiconductors decreased. However, sales of chemicals and formulated epoxy resins were strong, resulting in increased sales and profits. Sales increased for the department overall, especially due to the actual contribution to performance of sheet and non-conductive paste (NCP), a result of the chip bonding technology Nagase has developed over many years.

We are working to expand production of epoxy resins in Japan and China. In environmental initiatives, the stripping agent recycling plant we built within Nagase ChemteX began operations. In addition, we established SN Tech Corporation, a joint venture with SACHEM Inc. of the U.S. and Nagase ChemteX for recycling developer used in front-end liquid crystal processing, which we plan to expand in Taiwan and South Korea as well as Japan. Moreover, we decided to build a plant within Sharp Corporation's "Manufacturing Complex for the 21st Century," representing the culmination of the electronic chemicals business we have promoted over many years.

Strategic Initiatives in Fiscal 2008

In fiscal 2008, we will continue active overseas development, while focusing on sales expansion for heavy and light electrical applications and encapsulants in our core epoxy business. To enhance our business foundation, we will pursue development in the new fields of carbon fiber matrix for structural materials applications and windmill materials for wind power generation. In the chemicals business, we will utilize process know-how in materials and devices cultivated over many years to propose onsite and offsite resource conservation and recycling to customers in order to differentiate Nagase from its competitors and expand sales.

Information & Functional Materials Department

Fiscal 2007 Strategies and Results

In fiscal 2007, sales of precision abrasive materials used in silicon wafer processing and encapsulants used in post-processing of semiconductors were strong, and sales of substrates for hard disks also increased, resulting in a rise in sales and profits. Overseas development progressed steadily, contributing to performance.

We worked to strengthen the foundation of our core businesses by providing increasingly specialized technology and services and continuing thorough customer orientation. By concentrating on the launch of new businesses that display Nagase's comprehensive strengths through partnership and cooperation within the Group, we clarified the direction of new themes including batteries and semiconductor substrates. We launched a simplified inspection system

and worked to penetrate the market with existing inspection systems by utilizing sales routes within the Company.

Strategic Initiatives in Fiscal 2008

In the last year of the medium-term management plan WIT2008, we will forcefully promote new business, while building the foundation for the next three-year plan by creating an original business model to cultivate future core businesses. In peripheral areas of existing core businesses, we will carry out business discovery based on the keywords of "environment" and "energy." In our core businesses, we will establish a solid business foundation by continuing to pursue products and services that customers want.

Display & Electronics Components Department

Fiscal 2007 Strategies and Results

In fiscal 2007, we worked to strengthen sales of components, mainly optical films and manufacturing equipment, and to enhance our production and processing businesses. In China, thin glass processing progressed steadily at Nagase Electronics Technology Co., Ltd., which began full-scale operations, contributing to performance. In addition, Nagase International Electronics Ltd. expanded the metal processing and product inspection businesses launched there in 2006, and pressed forward with plans for new business. Moreover, new LED suppliers and LED assemblies as well as the touch panel-related business grew.

Strategic Initiatives in Fiscal 2008

We will continue strengthening component sales centered on optical films and manufacturing equipment, and expand production and processing functions. In particular, we will strengthen our support structure to minimize risk associated with overseas production and processing.

IC Packaging Department

The fourth base within the Pac-Tech Group for wafer bumping began operations in Malaysia in June 2008. While deepening our partnership with this base and expanding our customer base in Japan for wafer bumping services, we will strengthen our sales structure for flaxless soldering ball machines from Pac Tech-Packaging Technologies GmbH by strengthening our partnership with Nagase CMS Technology Co., Ltd.

At the applications development center in Kitakyushu, we began joint development of chip-on-chip (CoC) packaging that uses a 50 micrometer bump chip IC test element group (IC-TEG). During fiscal 2008, we plan to establish this elemental packaging technology and start trial mass production while developing Nagase's original 35 micrometer bump chip IC-TEG.

Life Sciences

WIT2008 Basic Strategies

Develop the life sciences business 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.



Fiscal 2007 Strategies and Performance

During fiscal 2007, we focused on generating profit on our investments to date in our phospholipid production facility that began operations in September 2007, and facilities for investigational drugs at Nagase Medicals that began operating in May 2007. Other ongoing active investments included the restructuring of Nagase ChemteX's Fukuchiyama Factory. Development themes focused on activities to realize globalization and business development in optimal regions.

Life Sciences sales in fiscal 2007 increased 5.5 percent year-on-year to ¥56.48 billion, and operating income decreased 16.6 percent to ¥1.66 billion. Sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly, but sales of pharmaceutical raw materials and intermediates in the fine chemicals business increased, resulting in solid overall growth in sales.

From left:

Ryuji Mise

Executive Officer; GM, Beauty Care Products Department

Masuhiko Nojiri

Executive Officer; GM, Fine Chemicals Department

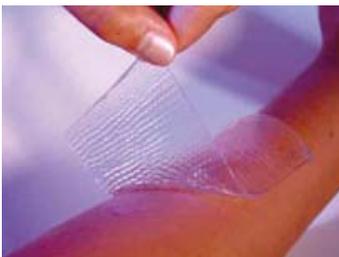
Net Sales / Operating Income

(¥ Billion)

■ Net Sales ■ Operating Income



Topics Medical Grade Silicone



Medical grade silicone

The medical grade silicone of Dow Corning Corporation is the only silicone in the world to be manufactured to meet critical Good Manufacturing Practices (cGMP) principles. Nagase's pharmaceutical regulatory affairs team collaborated in establishing a sales structure conforming to the Japanese Pharmaceutical Affairs Law, giving it a major advantage in expanding sales. Over 70 companies use this medical grade silicone, which has a wide variety of applications including as a dimethicone formulation in an ethical drug for deforming stomach gas, an active pharmaceutical ingredient (API) for an over-the-counter (OTC) digestive drug, an expient for ointments and other external medicines, and silicone fluids and elastomer parts for medical devices such as injection-related coatings and catheters. We expect increased sales from this promising product.

Fine Chemicals Department

Fiscal 2007 Strategies and Results

Operating conditions were severe in fiscal 2007, as restructuring accelerated in the pharmaceutical, food and agricultural chemicals industries, our business domain, while revisions to the Pharmaceutical Affairs Law and Food Sanitation Law necessitated a response. However, sales increased overall. Sales of fermentation products were flat, but domestic sales of pharmaceutical raw materials and intermediates were strong, in addition to growth in overseas sales, mainly in Europe.

Within the department, we reorganized and reallocated resources to strengthen the operating and management framework in our core businesses of pharmaceuticals, foods and chemicals. In addition, we invested aggressively in growth markets including functional food ingredients, and worked to steadily build the diagnostic agents business.

Strategic Initiatives in Fiscal 2008

In fiscal 2008, we will continue to expand our core businesses; create profitable new products and businesses; withdraw from underperforming businesses and reallocate resources; and promote investment in personnel, R&D and infrastructure. We will collaborate with the Nagase R&D Center and Nagase ChemteX Corp. to further expand commercial supply of phospholipids, which began in fiscal 2007. Moreover, we will utilize the RNAi technology we obtained with Nagase's fiscal 2007 acquisition of iGENE Therapeutics, Inc. to steadily expand the new drug discovery support business and build our business foundation.



Phospholipid manufacturing facilities
(Nagase ChemteX Corp., Fukuchiyama Factory)

Beauty Care Products Department

Fiscal 2007 Strategies and Results

In fiscal 2007, the environment was harsh with a flat domestic cosmetics market, a slight decrease in the health foods market and a continuing downward trend in door-to-door sales. Although some sales increased due to a renewal of main products, overall sales decreased slightly due to sluggish sales of existing cosmetics and health food products. However, operating income increased slightly due to cost reduction efforts.

In this ongoing uphill battle, through intensive efforts to promote BM Royal M1, an original health food with fermented Asian ginseng, we tripled last year's customer turnout at nationwide events to 20,000. In addition, sales of the product increased more than 30 percent compared with the previous fiscal year with significant response to our advertising slogan "M1 - Protecting heart and mind from stress," contributing to performance.

Strategic Initiatives in Fiscal 2008

We will continue to focus on our WIT2008 target of building an organization of 700 sales managers. New product launches will focus on our original rosemary ingredient in renewing our large-scale health food product Belmash. We will also consider overseas expansion in promoting new development for the department.



BM Royal M1, the first health food product to include M1 fermented Asian ginseng, offers fundamental health support for people with today's stressful lifestyles.

Nagoya Branch Office

Most Japanese domestic automakers and automobile parts 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 business. Almost 70 percent of our sales are related to automobiles. In non-automotive areas, we deal with major local companies in handling pharmaceuticals, cosmetics ingredients, coating materials and plastics.



Executive Officer
GM, Nagoya Branch
Office
Masamichi Kan

Fiscal 2007 Strategies and Results

Overall earnings of the Nagoya Branch Office in fiscal 2007 increased more than 10 percent compared with the previous fiscal year. Steady sales in the automotive field continued, while sales in non-automotive fields increased by almost 20 percent, resulting from our concentrated efforts to increase business with major local companies.

In the automotive field, a departmental reorganization clarified assignments in the areas of interior and exterior components and electric and mechanical components. Moreover, we concentrated on environmental impact, weight reduction, safety, energy and decoration in each area. As a result, we created many promising development themes to contribute to future business expansion.

Contract business focused on pharmaceutical formulations and functional health foods proceeded steadily through cooperative efforts inside and outside the Company.

Strategies in Fiscal 2008

We will raise the added value of the Nagoya Branch Office and further expand business in Japan and overseas for major local companies through cooperation with other departments and stronger utilization of our overseas network. While continuing to promote development of original Nagase products in ways such as contract manufacturing, we will work to develop LED assemblies for new fields through the Optical Device Unit, newly added to the Nagoya Branch Office, in continuing our change to a high-value-added business.



Overseas Operations

China Business

Nagase's operations in China consist of 8 sales companies, 9 branches and offices, 15 manufacturing companies and 4 service companies, with approximately 550 Group employees at sales and service companies and 2,400 at manufacturing companies. Business expansion is centered on chemicals, plastics and electronics.



Executive Officer
CEO, China
Osamu Kitaguchi

Fiscal 2007 Strategies and Results

In fiscal 2007, sales increased 11.9 percent year-on-year to ¥188.30 billion. In addition to significant growth in automotive-related business throughout the region, the main reasons for this advance were expansion of the plastics and chemicals businesses in the East China market and electronic device-related business in the Hong Kong and South China markets, and strong performance of LCD manufacturing-related business in Taiwan.

We strengthened customer service functions and built a distinctive follow-up system for particular customers at subsidiaries in China in order to respond to just-in-time delivery for customers and supplier needs for efficient shipping. The network of warehouses



we established to handle cargo that requires strict temperature control and hazardous materials made a major contribution to performance.

In April 2007, Nagase established the Greater China Management Office (GMOC) to promote cooperation with Group companies and unified operation. Combined with the Greater China Management Meeting established in 2006, the GMOC plays an important role in area management, and made a significant contribution to regional risk management in fiscal 2007 by building an internal control system and responding to new laws and regulations in China.

In addition, Nagase opened a representative office in Xiamen, Fujian in September 2007. We look forward to a central role for the office together with the activities of Taiwan teams at subsidiaries in Shanghai and Guangzhou in developing Taiwan-related business.

Strategies in Fiscal 2008

The China business is growing rapidly, and we plan to convert from swift expansion of volume to qualitative growth in fiscal 2008. Our specific focuses will be to 1) respond to laws and regulations and implement internal controls, 2) enhance cooperation and the support structure with Group companies, 3) clarify overall targets for Greater China, 4) further enhance and expand our distribution network, 5) deepen the production business, 6) concentrate on the automotive and housing businesses, and 7) develop business related to environmental protection and energy saving.

In base development, we will focus on the North China region including Tianjin and Dailian, and consider making the representative office in Amoy a subsidiary. Moreover, we will promote personnel development as a chief policy.

ASEAN Business

The ASEAN business consists of seven sales companies, nine branches and offices, nine manufacturing companies and one service company in seven countries. In addition to the traditional plastics business, the strengths we utilize in promoting business development in the chemicals, electronics and medical fields are 1) the ability to conclude business locally, backed by the broad 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.



Executive Officer
CEO, ASEAN
Region/India
Masao Hidaka

Fiscal 2007 Strategies and Results

Sales in fiscal 2007 increased 17.1 percent year-on-year to ¥99.04 billion. Performance was solid in plastics centered on automobiles, chemicals used in the semiconductor and LCD fields, and electronics including hard disk parts due to customer-oriented business development, leading to strong sales.

In fiscal 2007, we established footholds for new business in Singapore for the pharmaceutical business and in the Middle East for the chemical field. We increased capacity at the second plant of plastics manufacturer Dainichi Color (Vietnam) Co., Ltd., with a focus on expanding the automotive and PC businesses. In addition, special teams were launched to focus on development projects in Thailand and Malaysia. We enhanced personnel in Thailand, Vietnam and India, where expansion is forecast, and carried out active investment in key businesses and regions. We worked to fortify our business foundation with long-term inventory and debt recovery control, and to bolster compliance by strengthening export controls and internal control.

Strategies in Fiscal 2008

In fiscal 2008, the final year of WIT2008, we will continue area development in Vietnam, India and the Middle East. At the same

time, we will expand performance through 1) a switchover to added-value business by establishing a joint venture with a manufacturer and other means, 2) development of team-driven promotion of business that integrates chemicals, plastics and electronics, 3) focus on the medical field with the potential for high-added-value business, and 4) promotion of business unique to Nagase that utilizes its manufacturing function.



NAGASE CHEMTEX

Nagase ChemteX Corp. occupies the central role in Group manufacturing. Our development of a variety of products is driven by organic synthesis, formulation and fermentation technologies. While improving production technology and enhancing manufacturing, quality assurance, technical services and other functions, we develop and provide functional, high-value-added products in the electronics, life sciences and performance chemicals fields, based on solid relationships of trust with Nagase Group Customers.

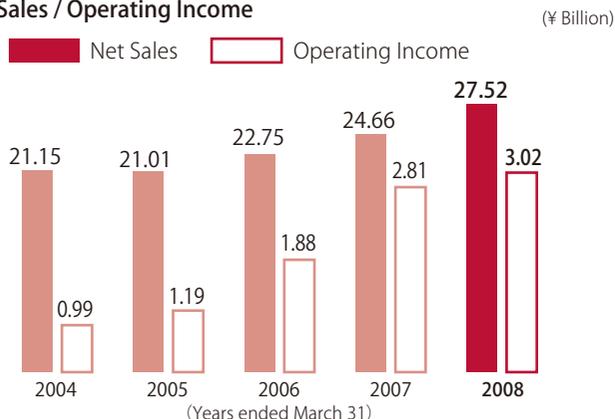
In addition, we carry out a commanding role in safety and hygiene, environmental activities and quality control as the leading manufacturer and processor within the Group.



Fiscal 2007 Performance

In fiscal 2007, sales increased 12 percent year on year to ¥27.52 billion, and operating income increased 8 percent to ¥3.02 billion. Although sales of products for Life Sciences and Electronics Chemicals were basically unchanged from the previous fiscal year, Functional Chemicals and Electronics & Structural Materials sales increased significantly. Operating income met the fiscal 2007 target as a result of enhanced capacity utilization, and manufacturing and sales initiatives for functional, high-value-added materials for the LCD and semiconductor industries, despite a worsening of the cost ratio due to a rise in raw material and fuel expenses.

Net Sales / Operating Income



Production Structure

In Japan, the Harima Plant produces a variety of electronics-related products and performance chemicals that incorporate accumulated organic and polymer synthesis technologies and resin formulation and compounding technologies. The Fukuchiyama Factory uses organic

synthesis technologies and fermentation technologies to produce life sciences-related products centered on pharmaceutical intermediates and enzymes.

Overseas, Nagase ChemteX (Wuxi) Corp., a joint venture with Nagase & Co., Ltd. manufactures formulated epoxy resins. Nagase FineChem Singapore (Pte) Ltd. and Nagase ChemteX Taiwan Branch manufacture electronics chemicals.

In fiscal 2007, we built a distillation tower for recycling and reinforced microelectronics-related facilities at the Harima Plant, and completed a new plant at the Fukuchiyama Factory to manufacture phospholipids. At overseas production bases, sales grew steadily at Nagase ChemteX (Wuxi), contributing to performance.

R&D Structure

Nagase ChemteX's research and development structure comprises product development teams within divisions as well as an R&D Division working company-wide. A staff of over 100 researchers, many of whom hold doctorates, increase the level of research and technology in the Nagase Group.

In the life sciences field, we dispatch research staff to the Nagase R&D Center to promote joint development of pharmaceutical intermediates and new enzymes with researchers there. The R&D Division within the Harima Plant plays a central role in promoting development in the electronics field. In addition, we are looking to the future by developing optoelectronics materials, organic-inorganic hybrid materials and environmentally conscious plastics. Our strength in selecting development themes comes from a keen understanding of customer needs gained through our sales department and the synergy created between our R&D and trading company functions.

In fiscal 2007, we introduced nanoparticle production facilities and began development in the nanotechnology field through our alliance with NanoGram Corporation in the U.S.

Business Overview of Fiscal 2007

Electronics & Structural Materials

The Electronics & Structural Materials business carries out product development based on high-level epoxy formulation technology and high-mix low-volume production.

Our electronics business continues to grow steadily. This business focuses on the fields of microelectronics and other electronic parts, and offers original functional, high-value-added products such as liquid semiconductor encapsulant (LSE), film sealant (epoxy sheet), and UV curable adhesives for image sensors and organic electroluminescence. During fiscal 2007, successful global expansion of epoxy sheet sales and growth of the LSE product lineup contributed to results.

In structural materials, based on previous results and experience with epoxy formulation technology, we provide a variety of industrial adhesives, as well as materials for master models and prototype production and matrix resins used in fiber-reinforced plastics for the automotive and wind power generation industries. In addition, sales for use in housing materials expanded and we are working to achieve rapid commercialization of a specialty thermoplastic resin.

Electronics Chemicals

The Electronics Chemicals Department handles a broad array of photolithography chemicals for the semiconductor and LCD industries. In fiscal 2007, domestic sales of LCD-related chemicals expanded. We reinforced facilities in response to increased demand in Japan for our core stripping agents, and began operations at a new recycling plant established as an environmental and resource conservation initiative. The industry holds the Nagase Group in high regard for the Reuse-Reduce-Recycle (3R) business that we promote in providing chemicals from supply and usage reduction to reuse. With recognition of these activities, the Group began construction of an onsite plant as the sole chemicals manufacturer within Sharp Corporation's "Manufacturing Complex for the 21st Century" in Sakai City, Osaka.

Functional Chemicals

We are steadily expanding sales of our core epichlorohydrin derivatives and other performance chemicals and ecochemicals such as chelating agents based on joint domestic and overseas marketing activities with Nagase.

In particular, we steadily grew business for our unique, high-value-added products of fluorene derivatives, our electroconductive polymer Denatron, and acrylic ester co-polymer as materials for LCDs and semi-conductors. Offering superior transparency, conductivity, heat resistance and adhesion, these products contribute to business expansion. Sales of liquid crystal intermediates grew significantly as we reinforced our production structure in response to increased demand. In addition, we focused on product development with epichlorohydrin derivatives to meet needs in the conductive materials field.

Life Sciences

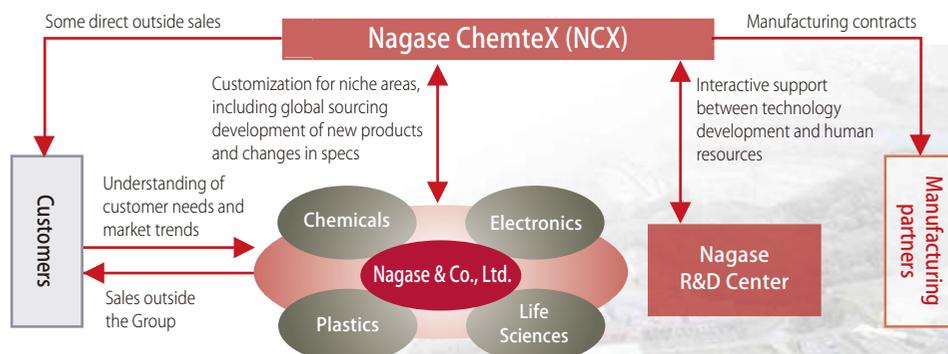
In the Life Sciences business, Nagase ChemteX specializes in two fields: pharmaceutical intermediates and enzymes.

The pharmaceutical intermediate business is primarily contract production, and we have been gaining dramatically increasing recognition from customers by concentrating in areas that make use of our specialized technologies and those of the Nagase R&D Center. As a result, we increased the capacity utilization ratio of cGMP-compliant production facilities at the Fukuchiyama Factory for investigational new drugs (INDs), low-volume drugs, pharmaceutical intermediates and other products. In addition, we promoted development of unnatural amino acids for pharmaceutical ingredients.

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 materials derived from enzyme reactions. Mass-production facilities using phospholipid-degrading enzymes for phospholipid manufacturing, our current main area of focus, began operations in September 2007.

Strategic Initiatives in Fiscal 2008

In fiscal 2008, the final year of WIT2008, we will continue to strengthen research and development and carry out aggressive capital expenditures and investment in human resources according to basic policies. While focusing on development and production of functional, high-value-added and differentiated products that target the electronics and life sciences fields, we will work to further strengthen our production foundation as a manufacturer and raise productivity.



The mission of the Nagase R&D Center is to develop a technology platform that backs up the Nagase Group's future businesses and to act as a driving force in businesses related to life sciences. The Center will continue to energetically offer and provide technological solutions with the aim of strategic involvement with the Group and business expansion based on high-level research and development capabilities.

In the life sciences field, the Nagase R&D Center collaborates on product commercialization with Nagase ChemteX, which has outstanding capabilities in process development and manufacturing technology compliant with good manufacturing practice (GMP) standards for pharmaceuticals, and excellent development strengths and production technologies for enzymes and fermentation related products. In the health food and cosmetics field, the Center develops new ingredients that match product concepts of the Beauty Care Products Department and provides products on time.

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 chiral compounding technologies (hybrid of biotechnology and organic chemistry methods) in elaborate multi-step processes
2. Biotechnology (microorganisms, enzymes)	<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 Achieve highly efficient protein production using recombinant microorganisms ③ Produce substances using enzymatic reaction technologies ④ Develop various chemicals using genetically modified microbes
3. Natural materials development and application 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. Drug discovery support technologies	<ul style="list-style-type: none"> ① Develop multi-color live cell imaging for drug and food evaluation ② Develop reagent kit screening for receptors in humans ③ Develop RNAi-related technologies (repression of lsequence specific gene)
5. Analysis and evaluation technologies	<ul style="list-style-type: none"> ① Analyze imported active pharmaceutical ingredients according to the Japanese Pharmacopeia in compliance with GMP standards and establish specifications

Achievements in Fiscal 2007

Process Development / Production Method Development and Commercialization of Unnatural Amino Acids

The Nagase R&D Center continued to speedily develop production methods for amino acids using Maruoka Catalyst™, a phase-transfer catalyst developed by Professor Keiji Maruoka of Kyoto University, and established numerous production methods for new amino acids. This raised Nagase's presence among domestic and overseas pharmaceutical companies as a supplier of unnatural amino acids.

Biotechnology

In addition to cultivation of overexpression technology for actinomycete proteins (enzymes), steady development and application research continued for new enzymes and products thereof. As a result, the Center transferred several development themes to Nagase ChemteX for manufacturing.

Health and Cosmetics Materials

The Center successfully developed M1 fermented Asian ginseng, an original functional health food ingredient. It contributed to sales substantially beyond plans through its inclusion in BM Royal M1, a core health food product launched by the Beauty Care Products Department.

Drug Discovery Support

The Center began deliberating commercialization opportunities based on results from cultivating research related to live cell imaging, a technology garnering attention in the post-genome era. Commercialization of reagent kit screening for receptors in humans began following successful screening of non-hormonal nucleic receptors in humans.

Analysis and Evaluation Technologies (Analysis of Generic Pharmaceuticals)

By implementing drug analysis according to the Pharmaceutical Affairs Law that went into effect in 2005, the Center responded to its customers' approval applications for new products and accumulated results in GMP inspections.



Strategic Initiatives in Fiscal 2008

The Nagase R&D Center will focus on the following themes to surpass the targets set in WIT2008.

1. Achieving Life Sciences Targets

- ① Accelerate development of production methods for unnatural amino acids for the pharmaceutical industry
- ② Transfer the manufacture of new actinomycete-derived enzymes in the biotechnology-related field to Nagase ChemteX
- ③ Evaluate functions of new materials (provide evidence) and propose product concepts in the cosmetics field
- ④ Develop and strengthen sales tools for drug discovery support
- ⑤ Refine and exploit standardization technology for analysis of generic pharmaceuticals in consideration of new products

2. Deepening the Technology Platform

Continue implementing technological development centered on biotechnology that will lead to the Nagase Group's future businesses

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 2007		Cumulative Total as of March 31, 2008	
	In Japan	Overseas	In Japan	Overseas
Patent applications filed	9	4	192	61
Patent rights established	1	0	29	11

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

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, we believe that quick decision-making and action, as well as active, transparent management, are vital. In addition, with the advance of globalization, Nagase is 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, at the foundation of a structure to ensure efficiency in the execution of directors' duties, is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervising the execution of operations. It holds a regular monthly meeting in addition to provisional meetings as necessary, reviews and formulates measures regarding important decisions and tracks business performance.

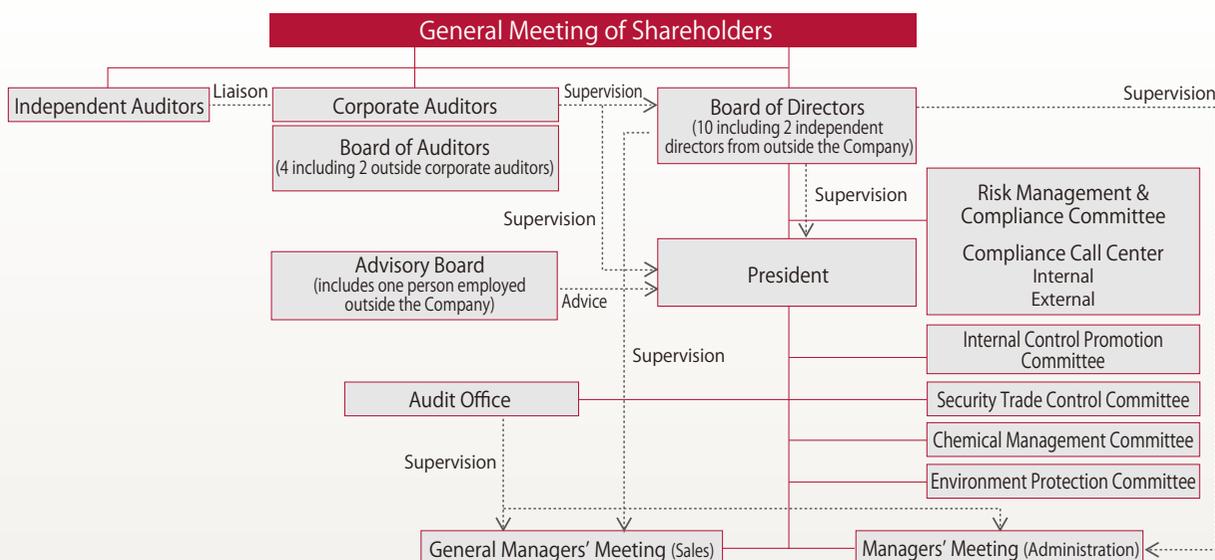
Under an executive officer system, the roles of executive officers, their responsibilities, and procedures within basic organizational regulations for operation and division of duties are based on decisions of the Board of Directors. Executive officers attend General Managers' Meetings, where they discuss sales and marketing issues, and Managers' Meetings, where they discuss administrative issues and establish concrete measures based on status reports received from each department.

Moreover, Nagase has 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.

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, based on audit policy and division of duties determined by the Board of Auditors, through surveys of Company operations and assets and management reports from subsidiaries, which they request on an as-needed basis. Monitoring and assignment of tasks are based on policies set at Board of Auditors' meetings.

The 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

Corporate Governance System



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 LLC 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 LLC conducts fair and impartial audits of the Company's accounts.

Note: As of July 1, 2008, Ernst & Young ShinNihon changed its name to Ernst & Young ShinNihon LLC.

Compensation of Directors and Auditors

Total compensation paid to Company officers in fiscal 2007 was as follows.

Title	Number	Compensation (¥ million)	Officer Compensation Limits by Resolution of Ordinary General Meeting of Shareholders
Director	10	¥241	Up to ¥360 million annually (per resolution on June 29, 1988)
Corporate Auditor	4	57	Up to ¥80 million annually (per resolution on June 28, 2006)
Total	14	¥298	

- Notes:
1. The above compensation includes a total of ¥36 million paid to four independent directors and outside corporate auditors.
 2. The above total compensation includes directors' and corporate auditors' bonuses of ¥59 million expensed as accrued bonuses during fiscal 2007.
 3. In addition to the above, ¥26 million was paid as salary to directors holding concurrent positions as employees of the Company.
 4. In addition to the above, rights to purchase new shares in the form of stock options totaling ¥5 million were issued as compensation to nine directors (including ¥0 million to one independent director), per resolutions of the 92nd Ordinary General Meeting of Shareholders held on June 27, 2007 and the Board of Directors meeting held on August 1, 2007.
 5. The amount scheduled to be paid to eight incumbent directors, excluding independent directors, per resolution of the 91st Ordinary General Meeting of Shareholders held on June 28, 2006 to abolish retirement benefits, is ¥648 million.
 6. The total of the amount paid to corporate auditors who retired as of the conclusion of the 92nd Ordinary General Meeting of Shareholders held on June 27, 2007 and the amount scheduled to be paid to three incumbent corporate auditors, per resolution of the 91st Ordinary General Meeting of Shareholders held on June 28, 2006 to abolish retirement benefits, is ¥24 million.

Compensation of Independent Auditors (¥ Million)

Compensation paid to independent auditors by the Company in fiscal 2007 for services rendered pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law.	¥51
Compensation other than the above paid to independent auditors by the Company for services rendered.	27
Total compensation paid to independent auditors by the Company and its consolidated subsidiaries in fiscal 2007.	92

Internal Control System and Risk Management System

The Company enhances the following systems to strengthen and thoroughly implement internal control and risk management.

(Resolutions of the Board of Directors meeting held on March 25, 2008)

◆ System to Ensure Compliance with the Law and Nagase's Articles of Incorporation in the Execution of Directors' Duties

Based on the management philosophy, "maintain good and fair business practices as a member of society," which Nagase has upheld for many years, the Company has established a basic policy and code of conduct for legal compliance and employs the services of outside professionals as necessary to prevent violations of the law or Nagase's Articles of Incorporation. Measures to strengthen the corporate governance system include a provision for a director who discovers a violation of the law or Nagase's Articles of Incorporation by another director to report immediately to the Board of Directors or corporate auditors.

◆ Storage and Control of Information Related to the Execution of Directors' Duties

Information related to the execution of directors' duties is recorded in documents or electronically, and stored according to internal regulations. Directors and corporate auditors can view these materials at any time.

◆ Risk Management System

The Company has established the Risk Management & Compliance Committee to integrate overall risk control, and put in place a structure that sets its functions and authority and clarifies its roles and responsibilities. Under the committee's leadership, department managers address risks in their particular areas by setting rules and guidelines, holding workshops and preparing and distributing manuals. To deal with additional risks that materialize, Nagase is also working to develop a system that designates the departments responsible for rapid response, ensures speedy and appropriate communications should an incident arise, and handles emergencies.

◆ Compliance System

To upgrade and maintain its compliance structure, the Company established the Risk Management & 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 Risk Management & Compliance Committee, which immediately reports to the Board of Auditors. In addition, the Company has introduced an internal reporting system where employees and others can report or discuss issues directly.

◆ System to Ensure Fairness in Business of the Nagase Group

The Company ensures fairness in business with Group companies through specific articles of operational standards, requiring Group companies to seek the approval of or notify the Company before making decisions and providing in principle for the dispatch of Company executives.

In creating clear targets based on the medium-term management plan and annual budget system, Nagase implements budget and performance control at the Company and Group companies. In order to increase the reliability of financial reporting, the Company documents, evaluates and improves its overall internal control system and the process for preparing financial statements, based on the Financial Instruments and Exchange Law.

◆ System to Ensure Effectiveness in Reports to Directors and Audits

The Company has upgraded the system for corporate auditors to understand the overall state of Company management on a steady basis by attending important meetings including Board of Directors' meetings and exchanging information, and viewing approval-process documents and reports. Moreover, directors report the following items to the corporate auditors or the Board of Auditors either individually or through the Board of Directors.

- Misconduct related to the execution of directors' duties, violations of the law or Nagase's Articles of Incorporation, compliance-related problems
- Matters that have the potential to significantly damage the Company
- Important items of disclosure
- Reporting of matters based on the internal reporting system, etc.

The president and the corporate auditors hold regular conferences to exchange opinions to recognize and understand the importance and usefulness of audits. In addition, to enable corporate auditors to carry out their duties efficiently and effectively, the Company has upgraded its system for close coordination and reciprocity between the corporate auditors and the independent auditors, the Audit Office and auditors of affiliated companies.

Policy Regarding a Large-scale Purchase of Company Shares

Nagase has introduced 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 based on resolutions of the Board of Directors meeting held on May 28, 2007 and the 92nd Ordinary General Meeting of Shareholders held on June 27, 2007.

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.

In the event these procedures are not followed, the Company may implement countermeasures based on the judgment of the Board of Directors including the allocation of share warrants without consideration. In principle, the Company will not implement countermeasures in the event the procedures are followed. However, the Company may implement countermeasures, including the allocation of share warrants without consideration, in the event that the large-scale purchase of Company shares is confirmed to be detrimental to maintaining or improving Nagase's corporate value or the common interests of the shareholders.

The Anti-takeover Defense Measures are effective until the conclusion of the Ordinary General Meeting of Shareholders in 2010. However, because the term of office of directors is one year, the Board of Directors will consider and discuss the continuance, discontinuation or modification of the Anti-takeover Defense Measures every year at the first Board of Directors meeting held following the conclusion of the Ordinary General Meeting of Shareholders.

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

(As of July 1, 2008)



Front row from left: Makoto Tsuruoka, Hideo Nagase, Hiroshi Nagase, Kyoichi Zushi
Back row from left: Shingo Bamba, Kazuo Nagashima, Reiji Nagase, Eiji Asami, Haruyuki Niimi, Takuya Goto

BOARD OF DIRECTORS

Representative Director and Chairman	Hideo Nagase	Director and Managing Executive Officer	Eiji Asami Performance Chemicals Department; Automotive Solutions Department; Information & Functional Materials Department; Nagoya Branch; Nagase Application Workshop
Representative Director and President	Hiroshi Nagase		
Representative Director and Managing Executive Officer	Makoto Tsuruoka Administrative Divisions; GM, Finance Division; GM, Accounting Division	Director and Managing Executive Officer	Shingo Bamba Speciality Chemicals Department; Eco-Materials & Products Department; Sheet & Film Planning Office; GM, Display & Electronics Components Department
Representative Director and Managing Executive Officer	Kyoichi Zushi Overall Sales Group; Business Administrative Office; Corporate Marketing Office; Nagase R&D Center	Director and Executive Officer	Kazuo Nagashima Fine Chemicals Department; Beauty Care Products Department; IC Packaging Department
Director and Managing Executive Officer	Reiji Nagase Colors & Imaging Department; Advanced Polymers Department; Electronic Chemicals Department; Pluswood Department	Independent Director	Haruyuki Niimi (Representative Director and Chairman, Showa Shell Sekiyu K.K.)
		Independent Director	Takuya Goto (Adviser to Kao Corporation)

CORPORATE AUDITORS

Standing Corporate Auditor	Shunsuke Okabe	Standing Corporate Auditor	Tetsuwa Konishi
Standing Corporate Auditor	Hideo Yamashita	Corporate Auditor	Toshio Takano

EXECUTIVE OFFICERS

Managing Executive Officer	Mitsukuni Mori President, Nagase ChemteX Corp.	Executive Officer	Kenichi Matsuki GM, Human Resources & General Affairs Division; GM, Legal & Credit Division; GM, Osaka Administrative Division
Executive Officer	Masamichi Kan GM, Nagoya Branch Office		
Executive Officer	Osamu Kitaguchi CEO, China	Executive Officer	Hiroshi Hanamoto GM, Colors & Imaging Department
Executive Officer	Masuhiko 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 Nagase ChemteX Corp.
Executive Officer	Toshiro Yamaguchi GM, Performance Chemicals Department, Osaka District	Executive Officer	Ryuji Mise GM, Beauty Care Products Department
Executive Officer	Shunichi Kawashiri Audit Office; Corporate Management Office; GM, Compliance Division	Executive Officer	Masanori Shimizu Corporate Marketing Office
		Executive Officer	Mitsuaki Ito Business Administrative Office; GM, IT Planning Office

CORPORATE SOCIAL RESPONSIBILITY

The Nagase Group is a member of 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. Nagase concentrates not only on business growth but also on CSR-oriented operations with active contributions to society in the areas of environmental preservation, responsibilities as a good corporate citizen and development of scientific technology.

Environmental Protection Measures

Under our environmental policy, we make the most of our strengths as a technology and intelligence oriented company in promoting environmentally conscious business development and eco-businesses. We carry out initiatives to establish harmony with the environment.

◆ Environmental Management Structure

Nagase's environmental activities have been enhanced every year since the establishment of its Environmental Protection Committee in 1999. The committee conducts activities throughout the Group by establishing environmental control officers and sub-committees, environmental preservation managers to consolidate activities at the departmental level, and eco-leaders in promotional roles.

Since Nagase obtained ISO 14001 certification for its environmental management system in April 2000, the Environmental Protection Committee has offered advice and support while expanding the range of certification. Currently, five sales companies - Nagase Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd. and Nishinihon Nagase Co., Ltd. - conduct activities together with Nagase at its certified business establishments. Affiliated companies conducting environmental activities that have obtained certification independently 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., Nagase CMS Technology Co., Ltd. and Nagase Logistics Co., Ltd.



An internal audit in progress

◆ Environmental Management Activities

Each department carries out environmental management activities based on the five targets of Nagase's implementation plan: 1) thoroughly implement compliance with environmental laws and regulations; 2) expand and create eco-businesses; 3) respond to and prepare for the prevention and occurrence of pollution from business activities, and critical situations; 4) enhance internal operation of environmental management activities; and 5) adapt risk reduction and operation improvements to the Company's business.

Environmental Policy

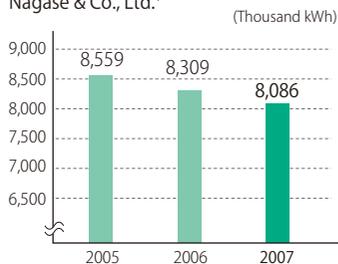
- ① **Comply with all environmental laws, regulations and other rules**
We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.
- ② **Develop businesses that give full consideration to environmental issues**
We will conduct our business activities in full awareness of the need to preserve the ecosystem and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and economic feasibility.
- ③ **Fulfill our responsibilities as a good corporate citizen**
As a good corporate citizen we will work together with public institutions, industry, and local communities to promote environmental conservation measures that are suitable for the Nagase Group.
- ④ **Establish and continually improve an environmental management system**
We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continuously make improvements to this system by setting concrete goals and working to fulfill them.
- ⑤ **Disclose and make the relevant parties fully aware of our Environmental Policy**
We will disclose the Policy to the public and make all who work for Nagase Group fully aware of its contents.

◆ Reducing Environmental Impact

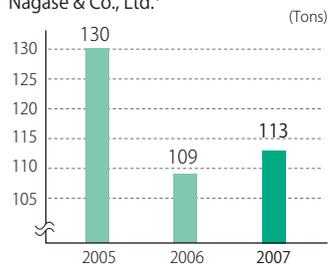
Nagase works to reduce environmental impact. In our central trading company function, we work to reduce power and fossil fuel consumption, the use of copy paper and water resources and waste. We reduced power consumption by 5.5 percent over the last three years through efforts that include using high efficiency lighting and introducing energy-saving air conditioning systems, carefully controlling temperature settings and operation time, and having security personnel check that lights are turned off during their rounds. We achieved a 12.8 percent reduction in general waste over the last three years' through separation of trash for collection and recycling activities.

In addition, efforts at Nagase ChemteX and Nagase Medicals, which handle manufacturing and processing for the Nagase Group, to reduce overall greenhouse gas emissions and industrial waste emissions include energy-saving activities and fuel switching.

Power Consumption at Nagase & Co., Ltd.¹



General Waste Emissions at Nagase & Co., Ltd.¹



◆ Initiatives to Strengthen Environmental Protection in Fiscal 2008

Fiscal 2008 is the beginning of the Kyoto Protocol commitment period and the beginning of a new environmental era for the Nagase Group. We will reaffirm the importance of global environmental protection by promoting education within the Company based on our participation in Team Minus 6% since April 2008.²

Notes: 1. At main offices in Japan (including spaces rented to Group companies)
2. Team Minus 6%, based on the Kyoto Protocol, is a national campaign promoted by the Ministry of the Environment to reduce greenhouse gas emissions in Japan by 6 percent compared with the benchmark year. There were approximately 22,000 participating organizations as of June 30, 2008.

Team Minus 6% Initiatives

	Reduce CO ₂	Reduce Environmental Impact	Expand to Group Companies
Company	<ol style="list-style-type: none"> Communicate energy-saving activities within the Company Internal reduction initiatives <ul style="list-style-type: none"> Update lighting fixtures Operate air conditioning efficiently Consider new energy facilities Streamline IT equipment such as servers Create/analyze database <ul style="list-style-type: none"> Analyze efficiency improvement (ESCO, etc.) Understand and analyze transport volume by energy-saving methods <ul style="list-style-type: none"> Use new system to understand transport volume 	<ol style="list-style-type: none"> Waste <ul style="list-style-type: none"> Separate waste for collection and disposal Raise recycling efficiency Water conservation <ul style="list-style-type: none"> Install automatic faucets with sensors Green procurement (stationery, office equipment, etc.) <ul style="list-style-type: none"> Consolidate purchasing routes Paper conservation <ul style="list-style-type: none"> Systemize Continue measurement of usage 	<ol style="list-style-type: none"> Prepare to formulate environmental report for the Group Maintain information exchange on setting targets Strengthen environmental protection activities based on Team Minus 6% activities
Employees	<ol style="list-style-type: none"> Strengthen implementation of energy-saving activities <ul style="list-style-type: none"> Turn off lights during lunch hour Adjust room temperature Promote turning off PCs 	<ul style="list-style-type: none"> Implement thorough trash separation Promote use of non-disposable chopsticks and cups Green procurement Recycling Continue using both sides of office paper 	



Environmental Education

- | | | |
|--|---|--|
| <ol style="list-style-type: none"> Education by level <ul style="list-style-type: none"> Environmental preservation managers / eco-leaders Internal auditors | <ol style="list-style-type: none"> General environmental education for employees <ul style="list-style-type: none"> Release monthly environmental education materials (environmental topics) | <ul style="list-style-type: none"> Implement e-learning for young employees (180 new employees between 2004 and 2008) Recommend ecological certification |
|--|---|--|

◆ Environmentally Friendly Products, Services and Business Activities

Nagase's Original Eco-Business

Electronic Chemicals Business

Nagase currently manufactures and sells a chemical management system (CMS) to control the concentration of chemicals used in the manufacture of semiconductors and LCDs in order to make the process more stable. It also reuses chemicals. 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. Established in

2001, Nagase FineChem Singapore (Pte) Ltd. recycles 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.

Thus recognized for its technology, know-how and performance, the Nagase Group has decided to build a plant within Sharp Corporation's "Manufacturing Complex for the 21st Century" to manufacture, supply and recycle chemicals. The new plant will recycle developer, stripping agents and other chemicals by introducing chem-

ical management devices and the recycling technology of Nagase ChemteX. Concentrating the accumulated technology of the Nagase Group at this recycling-oriented plant will enable major reductions in the use of chemicals and raw materials and make a significant environmental contribution.

In addition, Nagase has established SN Tech Corporation, a joint venture between SACHEM Asia and Nagase ChemteX to recycle tetramethylammonium hydroxide (TMAH), a raw material for developer used in semiconductor and LCD manufacturing. We will jointly promote the TMAH recycling business in Asia by combining the Mobius System™ environmental protection technology of SACHEM Inc., parent company of SACHEM Asia, with the chemical control system technology of the Nagase Group cultivated over many years as an LCD panel manufacturer.



Completed conceptual image of Sharp's "Manufacturing Complex for the 21st Century"

Chemical management system for recycling

Non-bromine Business

Environmental policies such as the Restriction of Hazardous Substances Directive (RoHS) in Europe have promoted the development of environmentally friendly household electronics that are lighter and thinner, causing subsequent demand for parts with superior heat resistance and flame retardant properties. Under these condi-

tions, we established Sun Delta Corporation as a joint venture with ASAHI KASEI CHEMICALS CORPORATION to develop business utilizing their research and development strengths and Nagase's market search strengths and sales channels. Sun Delta has developed SunMorfee V, the world's highest standard flame retardant polycarbonate insulating sheet. SunMorfee V contains no brominated flame retardant agents, which are an environmental concern. The sheet is being used in LCDs by household electronics manufacturers and sales are expanding throughout Asia.



SunMorfee V

Pluswood, a 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. We steadily penetrated the market since the launch of Pluswood, which is the world's first wood-plastic composite with over 51 percent of its weight consisting of powder made from chipped wood waste.



Pluswood, a new environmentally friendly wood composite

Service to Reduce 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.

In August 2008 we began operating the Nagase Energy Calculation Online System (NECO System), which we developed in March 2008 to automatically calculate domestic cargo transport volume by using distribution receipt data from our new sales control system. In addition to finding annual cargo transport volume, the system enables us to calculate and reduce CO2 emissions through analysis that optimizes transport routes.

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 through research currently underway to reduce a manufacturing process of multi-step chemical reactions for the pharmaceutical intermediate (R)-3-Quinuclidinol to a single step by using a biocatalyst with the capacity for microbial reduction.

In addition, Nagase was contracted by the New Energy and Industrial Technology Development Organization (NEDO) in 2007 to begin research and development for the procurement and commercialization of a new cellulose to improve the enzymic saccharification efficiency of cellulose biomass. Introducing enzymic saccharification into the production process for fuel grade ethanol from cellulose biomass requires a reduction in enzymic volume. Hence, this research involves selecting highly active cellulose and raising cellulose response efficiency. If successful, the results will contribute to fuel grade ethanol production and global resource conservation.

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

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 through the advance of science and technology by assisting research and development and supporting international

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>

exchange in fields including biochemistry and organic chemistry. Contributions include research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures. To date, the Foundation has awarded a cumulative 311 research grants and 178 international exchange fellowships totaling approximately ¥820 million. (International exchange fellowships were suspended in fiscal 2004.)

To commemorate Nagase's 175th year of business, the Foundation held a symposium on the theme of science and technology for creating a prosperous society in September 2007.



Research Grants Provided in 2008

Name	Position/Present Office	Subject Matter
Biochemistry		
Masayuki Azuma	Professor/Graduate School of Engineering, Osaka City University	Analysis of lipid modification of protein independent of energy compounds
Hidenori Ichijo	Professor/Graduate School of Pharmaceutical Sciences, The University of Tokyo	Mechanisms and physiological roles of osmosensing
Hiroshi Uyama	Professor/Graduate School of Engineering, Osaka University	Development of High-performance Immobilized Enzyme for Preparation of Biodiesel
Michihiko Kataoka	Associate Professor/Graduate School of Agriculture, Kyoto University	Development of useful compound production processes using bioreduction system
Yoshiteru Hashimoto	Assistant Professor/Graduate School of Life and Environmental Sciences, The University of Tsukuba	Biochemical analysis of the nitrile hydratase formation
Toshinobu Fujiwara	Associate Professor/Graduate School of Engineering, Kobe University	Utilization of mammalian selenocysteine insertion mechanism on production of novel artificial proteins
Organic Chemistry		
Hirokazu Urabe	Professor/Graduate School of Bioscience and Biotechnology, Tokyo Institute of Technology	Manipulation of Biomolecules Based on New Amino-derived Leaving Groups
Toshiyuki Kan	Professor/School of Pharmaceutical Sciences, University of Shizuoka	Synthesis of biologically active natural products toward analysis of its function
Hironao Sajiki	Professor/Faculty of Pharmaceutical Sciences, Gifu Pharmaceutical University	Development of the Hydrogenation of Aromatic Nuclei Using Heterogeneous Catalyst Designed to Evolve a Synthetic Method of Functional Materials
Mamoru Tobisu	Designated Lecturer/Graduate School of Engineering, Osaka University	Development of New Catalytic Reactions Involving the Cleavage of Unreactive Bonds
Shigeru Yamago	Professor/Institute for Chemical Research, Kyoto University	Development of metallations of heavier group 15 heteroatom compounds and their applications
Biochemistry/Organic Chemistry		
Hirokazu Arimoto	Professor/Graduate School of Life Sciences, Tohoku University	Cytoprotective mechanism of endogenous nitronucleoside
Kazushi Kinbara	Associate Professor/School of Engineering, The University of Tokyo	Development of molecular tools for controlling assembly of biomolecules
Norio Shibata	Associate Professor/Department of Frontier Materials, Nagoya Institute of Technology	Design and Synthesis of Teflon-coated Pthalocyanines and Their Applications in Photodynamic Therapy for Cancer
Noriaki Minakawa	Associate Professor/Graduate School of Pharmaceutical Sciences, Hokkaido University	Development of artificial DNA device possessing persistent RNAi activity

SIX-YEAR SUMMARY

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

	(Millions of Yen)						Thousands of U.S. Dollars (Note 1)
	2008	2007	2006	2005	2004	2003	2008
For the Year:							
Net Sales	¥ 764,755	¥ 701,321	¥ 648,023	¥ 575,636	¥ 533,301	¥ 503,688	\$7,633,047
Gross Profit	80,506	73,639	67,640	61,960	53,494	51,899	803,533
Operating Income.....	23,063	21,669	17,596	13,256	10,244	8,433	230,193
Net Income	10,005	13,567	12,892	10,384	7,010	4,186	99,860
At the Year-End:							
Total Assets	¥ 419,869	¥ 422,859	¥ 396,773	¥ 335,290	¥ 310,793	¥ 284,800	\$4,190,728
Net Assets (Note 2)	208,377	211,672	202,376	171,937	160,407	145,017	2,079,818
Interest-Bearing Debt	33,342	20,491	24,834	14,019	16,417	16,578	332,777
(Yen)							
Per Share Date:							
Net Income (Basic)	¥ 77.86	¥ 105.84	¥ 100.32	¥ 81.00	¥ 54.69	¥ 31.72	\$ 0.78
Net Assets	1,559.97	1,597.27	1,535.70	1,311.37	1,227.82	1,107.54	15.57
Cash Dividends	17.00	18.00	15.00	10.00	9.00	8.00	0.17
(%)							
Ratios:							
Ratio of Gross Profit to Net Sales.....	10.5	10.5	10.4	10.8	10.0	10.3	
Total Asset Turnover (Times)	1.8	1.7	1.8	1.8	1.8	1.7	
Return on Assets (ROA).....	2.4	3.3	3.5	3.2	2.4	1.4	
Return on Equity (ROE)	4.9	6.8	7.1	6.4	4.7	2.9	
Net Worth Ratio	47.8	48.5	49.6	49.8	50.3	49.5	
Interest Coverage Ratio (Times).....	23.2	26.9	30.5	31.0	25.7	22.9	
Debt to Equity Ratio (Times)	0.17	0.10	0.13	0.08	0.11	0.12	
Number of Employees	4,335	3,865	3,504	3,203	2,884	2,790	

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥100.19=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2008.

2. 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.

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 103 related companies, consisting of 70 subsidiaries and 33 affiliates. The scope of consolidation includes 51 subsidiaries, and 11 affiliates are accounted for by the equity method.

Five companies were added to the scope of consolidation in the fiscal year ended March 31, 2008 because they had become increasingly material to consolidated results. The five companies are Tianjin Nagase International Trading Co., Ltd., NWP International Trading (Shenzhen) Co., Ltd., Totaku Industries Suzhou Co., Ltd., Nagase Electronics Technology Co., Ltd. and Nagase Eco Plus Co., Ltd.

During the fiscal year ended March 31, 2008, the Nagase Group removed Alpha Bumping Technology Co., Ltd. from the scope of consolidation due to its liquidation in February 2008. The Nagase Group also removed 19 other companies, including Nagase Filter Co., Ltd., from the scope of consolidation during the fiscal year ended March 31, 2008. The total assets, net sales, net income and retained earnings of these companies had no material effect on the consolidated financial statements.

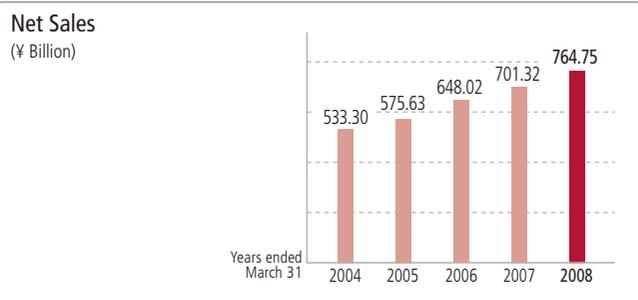
Overview of Results

Net Sales

During the fiscal year ended March 31, 2008, the Japanese economy continued to expand moderately, supported by increased exports. However, economic growth slowed because capital investment and personal consumption weakened. Concerns about the deceleration of the global economy increased due to the impact of the U.S. subprime mortgage crisis and the high price of crude oil.

In these conditions, the Nagase Group worked to improve its performance, and sales increased both in Japan and overseas. Consolidated net sales increased 9.0 percent, or ¥63.43 billion, year-on-year to ¥764.75 billion.

Domestic sales increased 5.4 percent, or ¥22.02 billion, year-on-year to ¥432.81 billion, supported by strong sales of products, including those that the Nagase Group manufactures, in the Chemicals business, and solid sales in the Plastics business. Overseas sales increased 14.3 percent, or ¥41.40 billion, year-on-year to ¥331.94 billion. In the ASEAN region, sales in the plastics business increased in Thailand and Vietnam, while in the Greater China region, sales in the Plastics and Electronics businesses were solid.



Gross Profit and Selling, General and Administrative Expenses

Cost of sales increased 9.0 percent, or ¥56.56 billion, year-on-year to ¥684.24 billion. Reflecting the increase in net sales, gross profit increased 9.3 percent, or ¥6.86 billion, year-on-year to ¥80.50 billion. The ratio of gross profit to net sales was 10.5 percent, unchanged year-on-year.

Selling, general and administrative (SG&A) expenses increased 10.5 percent, or ¥5.47 billion, year-on-year to ¥57.44 billion, due to factors including amortization of actuarial loss in accounting for retirement benefits. The ratio of SG&A expenses to net sales increased 0.1 percentage point to 7.5 percent.

Research and Development Expenses

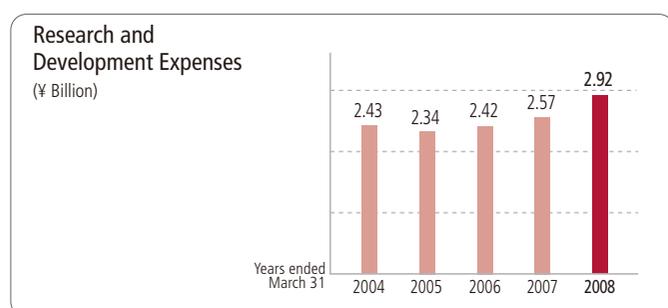
The Nagase Group integrates its comprehensive strengths to engage in research and development with the objective of developing new technologies and products and disseminating technological information, based on its marketing activities, in order to create new businesses.

The Nagase R&D Center is currently conducting research with an emphasis on providing users with technological solutions. Main research themes include process development for pharmaceuticals and pharmaceutical intermediates in the organic chemicals sector; the development of enzyme and enzyme reaction products that make use of microorganisms in the biotechnology sector; and the discovery and evaluation of the pharmacological activity of natural materials and ingredients in the cosmetics and health foods sector. The Nagase R&D Center also collaborates extensively with Nagase ChemteX Corp., a major manufacturing subsidiary, in areas ranging from the development to manufacturing of new products. The Nagase Group's intellectual property includes chiral synthesis technology to produce unnatural amino acids; the development of new enzymes ranging from isolation to production and application; and applications for cosmetics and health foods using natural ingredients. In these and other sectors, the Nagase Group has applied for numerous patents for its inventions, and customers hold the Nagase Group's technological capabilities in high regard.

Through these R&D activities, the Nagase R&D Center contributes to growth and increased earnings in the Life Sciences business.

Moreover, the Nagase Application Workshop (NAW) began full-scale operations in July 2007. This organization consolidates in one place the formerly discrete technology services that the Nagase Group had been providing to customers in plastics, coatings and textile processing. Looking forward, NAW will energetically provide even more precise services and conduct joint development with customers that manufacture end-use products.

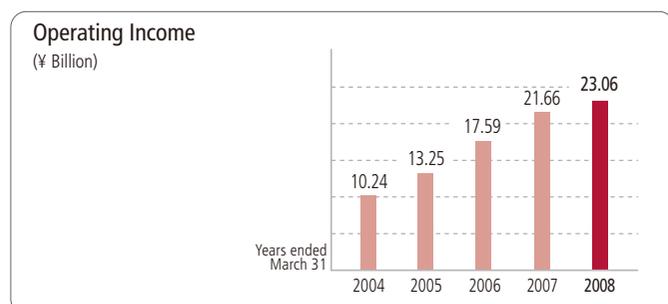
For the year ended March 31, 2008, research and development expenses increased to ¥2.92 billion from ¥2.57 billion for the previous fiscal year.



Operating Income, Net Other Expenses and Net Income

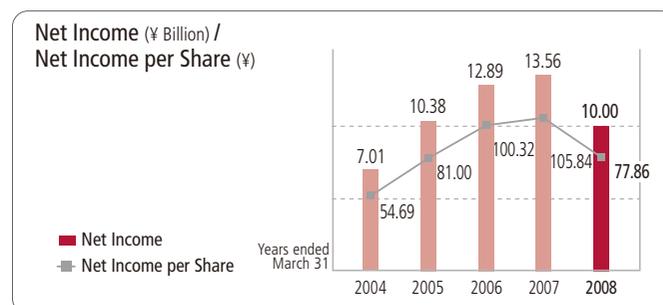
As a result of the above, operating income increased 6.4 percent, or ¥1.39 billion, year-on-year to ¥23.06 billion. The operating income margin decreased 0.1 percentage point to 3.0 percent.

Net other expenses totaled ¥2.79 billion, compared to net other income



of ¥1.42 billion for the previous fiscal year. The primary factor in the year-on-year change was loss on voluntary recall of goods totaling ¥6.48 billion in connection with a voluntary recall of portable DVD players the Company had been selling. Interest and dividend income increased because of factors including dividends on investments in affiliates. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, decreased to 23.2 times from 26.9 times for the previous fiscal year. Gain on sales of investments in securities increased to ¥2.63 billion from ¥0.27 billion for the previous fiscal year.

Income before income taxes and minority interests decreased 12.3 percent, or ¥2.83 billion, year-on-year to ¥20.26 billion. As a result, net income decreased 26.3 percent, or ¥3.56 billion, to ¥10.00 billion from ¥13.56 billion for the previous fiscal year. Net income per share decreased to ¥77.86 from ¥105.84 for the previous fiscal year.



Results by Business Segment

Chemicals

	(¥ Billion)		
	2008	2007	Change (%)
Net Sales	267.83	247.09	8.4
Operating Income	7.93	7.01	13.1
Total Assets	133.05	135.91	(2.1)
Depreciation and Amortization	1.26	0.90	40.6
Capital Expenditures	2.29	1.55	48.0

Segment sales increased 8.4 percent, or ¥20.74 billion, year-on-year to ¥267.83 billion. Segment operating income increased 13.1 percent, or ¥0.92 billion, year-on-year to ¥7.93 billion. Sales were strong overall, with increased domestic sales of products manufactured by the Nagase Group and higher overseas sales, primarily in the South China region.

Overall results were robust in the performance chemicals business, which covers relatively upstream areas within the Chemicals segment. Sales of plastic raw materials and additives were strong, and sales of urethane and coating materials and other products for the automotive industry increased as a result of the Nagase Group's emphasis on this business.

Overall sales were essentially unchanged year-on-year in the colors and imaging products business, which handles pigments, dyestuffs and other products related to color. Sales of ink and toner materials for printers, copiers and other office equipment increased slightly. However, sales of products including functional color pigments for plasma displays and conductive polymers were flat. Sales of dyestuffs, including overseas sales, were also unchanged from the previous year.

The specialty 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 fluoro-

chemicals. Overall sales were robust, with particularly strong growth in sales at Nagase ChemteX Corp., the core of the Nagase Group's manufacturing operations, centered on products for LCD-related applications.

Plastics

	(¥ Billion)		
	2008	2007	Change (%)
Net Sales	274.66	244.68	12.3
Operating Income	6.13	6.53	(6.1)
Total Assets	126.04	118.80	6.1
Depreciation and Amortization	1.04	0.96	7.8
Capital Expenditures	1.03	1.18	(12.7)

Segment sales increased 12.3 percent, or ¥29.97 billion, year-on-year to ¥274.66 billion. Segment operating income decreased 6.1 percent, or ¥0.39 billion, year-on-year to ¥6.13 billion. Overall sales were strong despite lower sales of engineering plastics and materials for optical applications, primarily to customers in Taiwan, and decreased sales in some businesses in Japan. Automotive application-related sales increased substantially, and overseas sales related to applications such as precision equipment and electronic equipment continued to expand, centered on the ASEAN region.

Sales of plastics for precision equipment and electronic equipment applications such as printers and copiers increased overall. Overseas, sales increased in the ASEAN region and the Hong Kong and Shanghai areas. However, sales of engineering plastics for CDs, DVDs and other media applications and materials for LCD applications decreased, primarily in Taiwan.

Sales to the automotive industry increased strongly overall. In Asia, sales remained strong in the South China region as well as in Thailand and other ASEAN countries. Sales increased in North America and Europe and recovered in Japan.

In the building materials and housing equipment business, although sales of original Nagase Group products using wood composite materials and related products increased, sales of general-use building materials decreased due in part to the impact of the revised Building Standards Law. In addition, sales to the packaging materials industry were flat, and sales decreased in the electronic component assembly business, which is one of the Nagase Group's downstream plastics-related product businesses.

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

Electronics

	(¥ Billion)		
	2008	2007	Change (%)
Net Sales	163.83	150.79	8.6
Operating Income	7.03	6.16	14.1
Total Assets	88.26	84.26	4.7
Depreciation and Amortization	1.94	1.46	33.3
Capital Expenditures	3.68	1.88	95.5

Segment sales increased 8.6 percent, or ¥13.03 billion, year-on-year to ¥163.83 billion. Segment operating income increased 14.1 percent, or ¥0.86 billion, year-on-year to ¥7.03 billion. Sales were strong overall. Equipment sales decreased, but sales expanded in the LCD components business. Moreover, sales of chemicals used in LCD production and precision abrasive materials for semiconductors and other applications were robust.

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

In the LCD business, including products for back-end processing of LCDs, sales of liquid crystal modules decreased, but overall sales were steady because of substantial growth in sales of offshoot businesses such as LCD component processing and aluminum housing materials for electronic equipment. Sales of optical films also rose.

Sales of precision abrasives used in semiconductor-related silicon wafer processing and sales of encapsulants and other products used in semiconductor back-end processing were strong. Sales of substrates for hard disks also rose.

Life Sciences

	(¥ Billion)		
	2008	2007	Change (%)
Net Sales	56.48	53.55	5.5
Operating Income	1.66	2.00	(16.6)
Total Assets	32.17	33.41	(3.7)
Depreciation and Amortization	0.66	0.63	4.5
Capital Expenditures	1.67	0.76	117.1

Segment sales increased 5.5 percent, or ¥2.93 billion, year-on-year to ¥56.48 billion. Segment operating income decreased 16.6 percent, or ¥0.33 billion, year-on-year to ¥1.66 billion. Overall sales were firm. While sales in the beauty care products business, which handles sales of cosmetics and health foods, decreased slightly, sales of materials for pharmaceutical products and intermediates increased.

Overall sales in the fine chemicals business increased. Sales of fermentation products were flat, but domestic sales of pharmaceutical raw materials and intermediates were strong. In addition, overseas sales increased, mainly in Europe.

Sales decreased slightly in the beauty care business, which includes cosmetics and health foods. Sales of certain core products that were renewed increased, but sales of existing cosmetics and health food products weakened.

Others

Segment sales decreased 62.7 percent, or ¥3.25 billion, year-on-year to ¥1.93 billion. Segment operating loss totaled ¥0.04 billion. In the second half of the previous fiscal year, the Nagase Group transferred its business that handles direct sales of DVD movie software and other consumer products. In addition, the voluntary recall of portable DVD players and other products impacted results.

Results by Geographical Segment

Japan

Sales in Japan increased 3.4 percent, or ¥16.55 billion, year-on-year to ¥497.19 billion. Factors included higher sales of Nagase ChemteX products in the Chemicals business, increased automotive-related sales in the Plastics business and growth in LCD-related applications in the Electronics business. Operating income in Japan decreased 6.4 percent, or ¥0.92 billion, year-on-year to ¥13.51 billion due to the impact of amortization of actuarial loss in accounting for retirement benefits.

Northeast Asia

Sales in Northeast Asia increased 25.3 percent, or ¥29.14 billion, year-on-year to ¥144.28 billion. Sales of the component and material processing business within the Electronics business increased, centered on the South China region. Operating income in Northeast Asia increased 35.5 percent, or ¥1.40 billion, year-on-year to ¥5.36 billion.

Southeast Asia

Sales in Southeast Asia increased 19.5 percent, or ¥13.94 billion, year-on-year to ¥85.46 billion. Factors included increased sales of engineering plastics in Thailand. Operating income in Southeast Asia increased 17.6 percent, or ¥0.45 billion, year-on-year to ¥3.01 billion.

North America

Sales in North America increased 6.8 percent, or ¥1.48 billion, year-on-year to ¥23.20 billion. Sales were strong in the Chemicals business and in the Plastics business. Operating income in North America increased 83.4 percent, or ¥0.14 billion, year-on-year to ¥0.30 billion.

Europe & Others

Sales in Europe & Others increased 18.8 percent, or ¥2.30 billion, year-on-year to ¥14.60 billion. Sales increased in the Life Sciences business and in the Chemicals business. Operating income in Europe & Others increased 82.3 percent, or ¥0.37 billion, year-on-year to ¥0.82 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 employs internal capital resources effectively to strengthen future business activities and the Nagase Group's operating foundation.

Based on this policy, Nagase decreased cash dividends for the fiscal year ended March 31, 2008 to ¥17.00 per share from ¥18.00 per share for the previous fiscal year. Nagase omitted the interim dividend due to factors including the non-recurring loss in connection with the voluntary recall of portable DVD players and other products, and paid ¥17.00 per share as the year-end dividend. The consolidated payout ratio increased to 21.8 percent from 17.0 percent for the previous fiscal year.

Stock Option System

In the fiscal year ended March 31, 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, 2008, 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, 2008 increased 7.1 percent, or ¥1.56 billion, from a year earlier to ¥23.48 billion.

Although income before income taxes and minority interests totaled ¥20.26 billion, operating activities used net cash of ¥2.58 billion because of factors including income tax payments and an increase in working capital. In addition, despite proceeds from sales of investments in securities, investing activities used net cash of ¥7.00 billion because of factors including purchases of property and equipment and purchases of intangible fixed assets. Financing activities provided net cash of ¥10.73 billion despite payment of dividends because short- and long-term debt increased.

Net Cash Used in Operating Activities

Net cash used in operating activities was ¥2.58 billion. In the previous fiscal year, operating activities provided net cash of ¥10.85 billion. Although income before income taxes and minority interests totaled ¥20.26 billion, notes and accounts receivable increased ¥13.10 billion, notes and accounts payable decreased ¥5.87 billion and income taxes paid totaled ¥7.67 billion.

Net Cash Used in Investing Activities

Net cash used in investing activities increased ¥1.80 billion compared with the previous fiscal year to ¥7.00 billion. While proceeds from sales of investments in securities totaled ¥4.46 billion, purchases of property and equipment totaled ¥7.31 billion and purchases of intangible fixed assets totaled ¥1.62 billion.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was ¥10.73 billion. In the previous fiscal year, financing activities used net cash of ¥8.42 billion. While cash dividends paid totaled ¥1.55 billion, increase in short-term loans, net was ¥6.26 billion and proceeds from long-term debt totaled ¥5.93 billion.

Cash Flow Summary

	(¥ Billion)		
	2008	2007	2006
Net Cash (Used in) Provided by Operating Activities	(2.58)	10.85	(2.34)
Net Cash Used in Investing Activities	(7.00)	(5.20)	(3.80)
Net Cash Provided by (Used in) Financing Activities	10.73	(8.42)	9.33

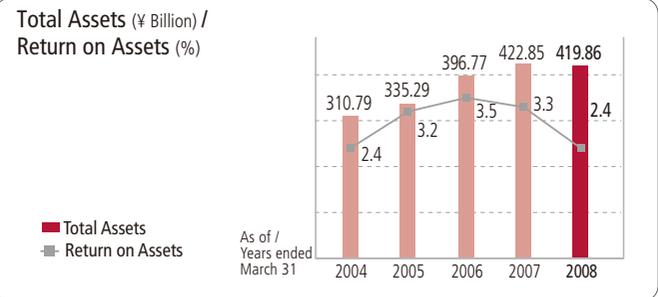
Assets

Total assets as of March 31, 2008 decreased 0.7 percent, or ¥2.99 billion, from a year earlier to ¥419.86 billion.

Current assets increased 6.2 percent, or ¥17.98 billion, from a year earlier to ¥309.61 billion. Primary factors included an increase of ¥13.78 billion in trade notes and accounts receivable and notes and accounts receivable of unconsolidated subsidiaries and affiliates due to the increase in net sales.

Property, plant and equipment increased 12.6 percent, or ¥4.00 billion, from a year earlier to ¥35.83 billion primarily because of an increase in machinery and equipment as the Nagase Group invested in facilities at manufacturing subsidiaries.

Investments and other assets decreased 25.1 percent, or ¥24.98 billion, from a year earlier to ¥74.41 billion. This was primarily the result of a decrease in the carrying value of investments in securities due to lower stock prices compared to a year earlier, as well as the sale of investments in securities.



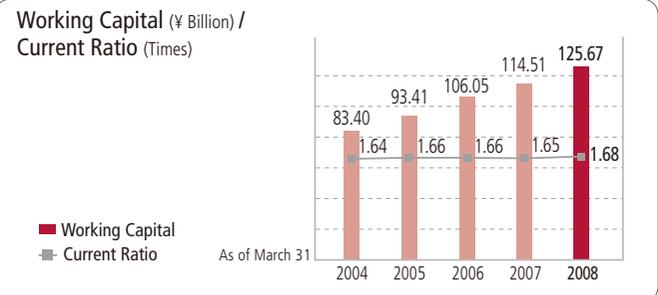
Liabilities

Total liabilities as of March 31, 2008 increased 0.1 percent, or ¥0.30 billion, from a year earlier to ¥211.49 billion.

Current liabilities increased 3.9 percent, or ¥6.82 billion, from a year earlier to ¥183.93 billion. While notes and accounts payable decreased ¥6.59 billion, factors in the overall increase included an increase in short-term loans of ¥7.20 billion and an increase in the current portion of long-term debt of ¥2.93 billion.

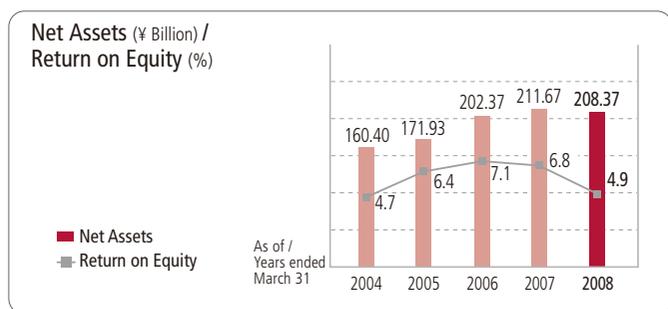
Working capital increased to ¥125.67 billion from ¥114.51 billion a year earlier. The current ratio increased to 1.68 times from 1.65 times a year earlier.

Long-term liabilities decreased 19.1 percent, or ¥6.51 billion, from a year earlier to ¥27.55 billion, primarily because of a ¥9.03 billion reduction in deferred income taxes due largely to the decrease in net unrealized holding gain on securities resulting from a decline in share prices.



Net Assets

Net assets including minority interests decreased 1.6 percent, or ¥3.29 billion, from a year earlier to ¥208.37 billion. Retained earnings increased ¥8.91 billion from a year earlier due to net income for the fiscal year, but net unrealized holding gain on securities decreased ¥13.73 billion from a year earlier to ¥18.61 billion. As a result of the above, the ratio of net assets to total assets decreased 0.7 percentage points to 47.8 percent from 48.5 percent a year earlier.



Investment in Plant and Equipment

Investment in plant and equipment for the year ended March 31, 2008 centered on manufacturing facilities for manufacturing subsidiaries and totaled ¥8.09 billion.

In the Chemicals segment, investment in plant and equipment totaled ¥1.93 billion and included production facilities for industrial chemicals at manufacturing subsidiaries. In the Plastics segment, investment in plant and equipment totaled ¥0.86 billion and included plastic molding and production facilities at Nagase and manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥3.25 billion and included buildings and manufacturing facilities at Nagase and manufacturing subsidiaries. In the Life Sciences segment, investment in plant and equipment totaled ¥1.58 billion and included manufacturing facilities at manufacturing subsidiaries. In the Others segment, investment in plant and equipment totaled ¥0.45 billion. The Nagase Group used both internal and external capital resources to fund capital expenditures.

Outlook for the Year Ending March 31, 2009

The economic outlook for the year ending March 31, 2009 is for weaker growth in the global economy, with the impact of rising raw material prices, the deceleration of the U.S. economy and exchange rate volatility.

The Nagase Group will complete WIT2008, its three-year medium-term management plan begun in April 2006, during the year ending March 31, 2009. Initial targets for the final year of the plan were consolidated net sales of ¥770 billion and consolidated operating income of ¥24 billion. The Nagase Group expects to surpass its net sales target through means such as expanding sales of original Group products. However, the Nagase Group does not expect to meet its target for operating income due to factors including the increase in personnel expenses that will result from the amortization of actuarial loss in retirement benefit accounting, increased depreciation expenses due to new capital investments, and the impact of the appreciation of the yen.

Based on the above, the outlook for the Nagase Group's performance for the year ending March 31, 2009 is as follows. These performance projections are based on an exchange rate of ¥100 = US\$1.00.

(¥ Million) (Announced on April 30, 2008)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2009 (Projected)	770,000	21,000	22,000	13,000
Year ended March 31, 2008 (Actual)	764,755	23,063	24,823	10,005
Increase (decrease)	0.7%	(8.9)%	(11.4)%	29.9%

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 Science 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, 2008.

(1) Overall Operating Risk

The Nagase Group conducts a wide spectrum of operations in the segments 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 busi-

nesses. 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, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current assets:			
Cash and cash equivalents.....	¥ 23,486	¥ 21,919	\$ 234,415
Time deposits.....	3	3	30
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates.....	1,847	1,696	18,435
Trade.....	229,998	216,368	2,295,618
Other.....	2,644	1,557	26,390
Less allowance for doubtful receivables.....	(1,964)	(1,468)	(19,603)
	232,526	218,153	2,320,850
Inventories.....	42,946	43,372	428,646
Deferred income taxes (Note 8).....	4,620	3,055	46,112
Other current assets.....	6,030	5,121	60,186
Total current assets.....	309,615	291,626	3,090,278
Property, plant and equipment:			
Land (Note 6).....	10,517	9,437	104,971
Buildings and structures.....	31,905	30,163	318,445
Machinery and equipment.....	40,938	37,269	408,604
Construction in progress.....	2,080	736	20,761
	85,440	77,607	852,780
Less accumulated depreciation.....	(49,602)	(45,772)	(495,079)
Property, plant and equipment, net.....	35,837	31,834	357,690
Investments and other assets:			
Investments in securities (Notes 4 and 6):			
Unconsolidated subsidiaries and affiliates.....	12,638	11,857	126,140
Other.....	51,081	77,401	509,831
	63,719	89,259	635,982
Long-term loans receivable.....	102	118	1,018
Deferred income taxes (Note 8).....	836	757	8,344
Other assets.....	10,086	9,602	100,669
Less allowance for doubtful accounts.....	(329)	(338)	(3,284)
Total investments and other assets.....	74,416	99,399	742,749
Total assets.....	¥419,869	¥422,859	\$4,190,728

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Current liabilities:			
Short-term loans (Note 5)	¥ 21,153	¥ 13,948	\$ 211,129
Current portion of long-term debt (Note 5)	3,195	259	31,889
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	2,381	2,007	23,765
Trade	132,483	139,453	1,322,318
	134,864	141,461	1,346,082
Accrued income taxes (Note 8)	4,288	3,954	42,799
Deferred income taxes (Note 8)	50	0	499
Accrued expenses	4,178	3,818	41,701
Accrued bonuses for employees	2,881	3,067	28,755
Accrued bonuses for directors	169	197	1,687
Provision for voluntary recall of goods	572	—	5,709
Other current liabilities	12,583	10,407	125,591
Total current liabilities	183,937	177,114	1,835,882
Long-term liabilities:			
Long-term debt (Note 5)	8,993	6,284	89,759
Deferred income taxes (Note 8)	10,759	19,790	107,386
Accrued retirement benefits for employees (Note 7)	6,691	6,851	66,783
Other liabilities	1,110	1,147	11,079
Total long-term liabilities	27,554	34,073	275,017
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	96,806
Capital surplus	10,017	9,926	99,980
Retained earnings (Note 17)	165,664	156,749	1,653,498
Treasury stock (Note 10)	(5,342)	(5,413)	(53,319)
Total shareholders' equity	180,039	170,961	1,796,976
Valuation, foreign currency and other adjustments			
Net unrealized holding gain on securities	18,613	32,348	185,777
Deferred hedge gain or loss	(20)	0	(200)
Translation adjustments	1,922	1,772	19,184
Total valuation and translation adjustments	20,515	34,121	204,761
Stock acquisition rights	183	123	1,827
Minority interest	7,639	6,465	76,245
Total net assets	208,377	211,672	2,079,818
Total liabilities and net assets	¥419,869	¥422,859	\$4,190,728

CONSOLIDATED STATEMENTS OF INCOME

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net sales (Note 16)	¥764,755	¥701,321	\$7,633,047
Cost of sales (Note 12)	684,248	627,681	6,829,504
Gross profit	80,506	73,639	803,533
Selling, general and administrative expenses (Note 12)	57,443	51,970	573,341
Operating income (Note 16).....	23,063	21,669	230,193
Other income (expenses):			
Interest and dividend income.....	1,538	1,490	15,351
Interest expense.....	(1,060)	(860)	(10,580)
Equity in earnings of affiliates.....	437	519	4,362
Gain on sales of investments in securities	2,635	275	26,300
Loss on devaluation of investments in securities	(61)	(48)	(609)
Gain on sales of property and equipment	9	74	90
Loss on disposal of property and equipment	(111)	(137)	(1,108)
Impairment loss on fixed assets.....	(229)	(80)	(2,286)
Loss on voluntary recall of goods.....	(6,480)	—	(64,677)
Other, net.....	523	194	5,220
Income before income taxes and minority interests	20,264	23,095	202,256
Income taxes (Note 8):			
Current.....	7,987	7,219	79,719
Deferred	1,111	1,520	11,089
Income before minority interests	11,165	14,355	111,438
Minority interests.....	1,159	788	11,568
Net income	¥ 10,005	¥ 13,567	\$ 99,860

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Number of shares of common stock	Millions of yen										
		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	138,408,285	¥9,699	¥ 9,725	¥145,709	¥(5,604)	¥159,530	¥ 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 for 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
Net income for the year	—	—	—	10,005	—	10,005	—	—	—	—	—	10,005
Gain on sales of treasury stock	—	—	91	—	—	91	—	—	—	—	—	91
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	219	—	219	—	—	—	—	—	219
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	(7)	—	(7)	—	—	—	—	—	(7)
Increase in retained earnings resulting from inclusion of companies accounted for by the equity method	—	—	—	45	—	45	—	—	—	—	—	45
Cash dividends	—	—	—	(1,348)	—	(1,348)	—	—	—	—	—	(1,348)
Bonuses for officers	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	(32)	(32)	—	—	—	—	—	(32)
Disposition of treasury stock	—	—	—	—	103	103	—	—	—	—	—	103
Other	—	—	—	—	—	—	(13,735)	(20)	149	59	1,174	(12,371)
Balance at March 31, 2008	138,408,285	¥9,699	¥10,017	¥165,664	¥(5,342)	¥180,039	¥ 18,613	¥(20)	¥ 1,922	¥183	¥7,639	¥208,377

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, 2007	\$96,806	\$99,072	\$1,564,517	\$(54,027)	\$1,706,368	\$ 322,867	\$ 0	\$17,686	\$1,228	\$64,527	\$2,112,705
Net income for the year	—	—	99,860	—	99,860	—	—	—	—	—	99,860
Gain on sales of treasury stock	—	908	—	—	908	—	—	—	—	—	908
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	2,186	—	2,186	—	—	—	—	—	2,186
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	(70)	—	(70)	—	—	—	—	—	(69)
Increase in retained earnings resulting from inclusion of companies accounted for by the equity method	—	—	449	—	449	—	—	—	—	—	449
Cash dividends	—	—	(13,454)	—	(13,454)	—	—	—	—	—	(13,454)
Bonuses for officers	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	(319)	(319)	—	—	—	—	—	(319)
Disposition of treasury stock	—	—	—	1,028	1,028	—	—	—	—	—	1,028
Other	—	—	—	—	—	(137,090)	(200)	1,487	589	11,717	(123,475)
Balance at March 31, 2008	\$96,806	\$99,980	\$1,653,498	\$(53,319)	\$1,796,976	\$ 185,777	\$ (200)	\$19,184	\$1,827	\$76,245	\$2,079,818

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Operating activities:			
Income before income taxes and minority interests	¥ 20,264	¥ 23,095	\$ 202,256
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,131	4,110	51,213
Impairment loss on fixed assets	229	80	2,286
(Reversal of) provision for retirement benefits, net of payments	(168)	915	(1,677)
Interest and dividend income	(1,538)	(1,490)	(15,351)
Interest expense	1,060	860	10,580
Exchange gain, net	344	(27)	3,433
Loss (gain) on sales of property and equipment	1	(20)	10
Gain on sales of investments in securities	(2,324)	(275)	(23,196)
Loss on devaluation of investments in securities	61	48	609
Changes in operating assets and liabilities			
Notes and accounts receivable	(13,106)	(21,618)	(130,811)
Prepaid pension expense	(81)	(3,464)	(808)
Inventories	259	(2,322)	2,585
Notes and accounts payable	(5,871)	21,720	(58,599)
Increase in provision for voluntary recall of goods	572	—	5,709
Other, net	(572)	(4,272)	(5,709)
Subtotal	4,260	17,340	42,519
Interest and dividends received	1,887	1,738	18,834
Interest paid	(1,058)	(863)	(10,560)
Income taxes paid	(7,677)	(7,359)	(76,624)
Net cash (used in) provided by operating activities	(2,586)	10,855	(25,811)
Investing activities:			
Purchases of property and equipment	(7,311)	(3,016)	(72,971)
Proceeds from sales of property and equipment	44	180	439
Purchases of investments in securities	(2,150)	(1,373)	(21,459)
Proceeds from sales of investments in securities	4,466	399	44,575
Purchases of investments in capitals	(401)	(59)	(4,002)
Increase in short-term loans receivable, net	(15)	(100)	(150)
Purchases of intangible fixed assets	(1,622)	(907)	(16,189)
Other, net	(19)	(326)	(190)
Net cash used in investing activities	(7,009)	(5,203)	(69,957)
Financing activities:			
Increase (decrease) in short-term loans, net	6,260	(909)	62,481
Decrease in commercial paper	—	(5,000)	—
Proceeds from long-term debt	5,933	258	59,217
Cash dividends paid	(1,551)	(3,161)	(15,481)
Other, net	96	391	958
Net cash provided by (used in) financing activities	10,738	(8,420)	107,176
Effect of exchange rate changes on cash and cash equivalents	(28)	962	(279)
Net increase (decrease) in cash and cash equivalents	1,114	(1,806)	11,119
Cash and cash equivalents at beginning of the year	21,919	22,936	218,774
Increase in cash and cash equivalents arising from			
inclusion of consolidated subsidiaries	452	789	4,511
Cash and cash equivalents at end of the year	¥ 23,486	¥ 21,919	\$ 234,415

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2008

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 Financial Instruments 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.

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 ¥100.19 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2008. 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 Financial Instruments and Exchange Law of Japan, amounts of less than one million yen for the years ended March 31, 2008 and 2007 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2008 and 2007 (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 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.

In accordance with an amendment to the Corporation Tax Law, property, plant and equipment acquired before April 1, 2007 that have reached the 5 percent residual value under the former method are depreciated on a straight-line basis over five years starting from when the former depreciable limit was reached. As a result, ordinary income and income before income taxes and minority interests both decreased by ¥176 million (\$1,757 thousand) from the amounts that would have been recorded using the previous method.

Note 16 provides additional information concerning the effect of this change on segment results.

(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

Accrued bonuses for directors are provided based on estimated bonuses to be paid to directors and corporate auditors and are charged to income in the current 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 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) Provision for Voluntary Recall of Goods

The Company has made provision for voluntary recall expenses for certain goods at an estimated amount based on the progress of the recall and associated expenses including storage, shipping and communication cost incurred during the period from initial customer notification up to March 31, 2008.

In July 2007, the Company began a voluntary recall of portable DVD players and other similar goods with LCD screens. The reason for the recall was that, in rare cases, the frames of the LCDs of the portable DVD players became overheated, resulting in product deformation, emissions of smoke and an increase in the risk of fire.

As a result of a careful analysis of the status of the recall, actual expenses incurred during the period from initial customer notification up to March 31, 2008, and projected costs in consideration of issues including the life cycle of the DVD players, "Loss on voluntary recall of goods" included in "Other expenses" amounted to ¥6,480 million (\$64,677 thousand) for the fiscal year ended March 31, 2008.

For the supplemental information, in preparing its semiannual consolidated financial statements for the six months ended September 30, 2007, the Company conservatively charged the maximum estimated cost of the recall to income as a non-recurring item entitled "Voluntary recall expense of goods" amounting to ¥14,305 million (\$142,779 thousand) included in "Other expenses" in the semiannual consolidated financial statements for the six months then ended.

(p) 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 non-performance 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.

(q) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(r) 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 17.)

3. CHANGES IN ACCOUNTING POLICY

(a) Depreciation

Effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated domestic subsidiaries have changed their method of depreciation for property, plant and equipment acquired after April 1, 2007. As a result of this change, operating income, ordinary income, and income before income taxes decreased by ¥188 million (\$1,876 thousand), respectively, from the amounts that would have been recorded using the previous method.

Note 16 provides additional information concerning the effect of this change on segment results.

(b) 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.

(c) 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 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.

(d) Accrued Bonuses for Directors

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 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 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, 2008 and 2007 are summarized as follows:

	Millions of yen							
	2008				2007			
	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	¥19,728	¥29,481	¥(148)	¥49,061	¥19,966	¥54,728	¥(40)	¥74,654
Government bonds	14	—	—	14	14	—	(0)	14
Total	¥19,743	¥29,481	¥(148)	¥49,076	¥19,981	¥54,728	¥(40)	¥74,669

	Thousands of U.S. dollars			
	2008			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Stock	\$196,906	\$294,251	\$(1,477)	\$489,680
Government bonds	140	—	—	140
Total	\$197,056	\$294,251	\$(1,477)	\$489,830

(b) Securities for which market value was not determinable were classified as other securities at March 31, 2008 and 2007 and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities	¥2,003	¥2,663	\$19,992
Bonds and debentures	0	0	0
Total	¥2,003	¥2,663	\$19,992

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Proceeds from sales	¥4,472	¥330
Gain on sales	2,635	263	26,300
Loss on sales	310	—	3,094

(d) The redemption schedule at March 31, 2008 and 2007 for securities which have maturity dates classified as other securities is as follows:

	Millions of yen							
	2008				2007			
	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	¥—	¥0	¥4	¥10	¥—
Bonds and debentures	—	—	—	—	—	—	—	—
Total	¥0	¥4	¥10	¥—	¥0	¥4	¥10	¥—

	Thousands of U.S. dollars			
	2008			
	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	\$40	\$100	\$—
Bonds and debentures	—	—	—	—
Total	\$0	\$40	\$100	\$—

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2008 and 2007 principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 4.58% and 4.19% per annum, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured loans from banks and insurance companies, payable in yen and euro, due through 2018, at rates from 0.62% to 7.50%	¥12,188	¥6,543	\$ 121,649
Less current portion	(3,195)	(259)	(31,889)
	¥ 8,993	¥6,284	\$ 89,759

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 3,195	\$ 31,889
2010	2,783	27,777
2011	194	1,936
2012	87	868
2013 and after	5,928	59,168
	¥12,188	\$121,649

6. PLEDGED ASSETS

At March 31, 2008, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 671	\$ 6,697
Investments in securities	2,554	25,492
Total	¥3,226	\$32,199

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. 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, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥(22,058)	¥(21,990)	\$(220,162)
Plan assets at fair value	16,741	18,552	167,093
Unfunded retirement benefit obligation	(5,317)	(3,437)	(53,069)
Unrecognized actuarial loss	2,170	50	21,659
Net retirement benefit obligation	(3,146)	(3,387)	(31,400)
Prepaid pension expense	(3,545)	(3,464)	(35,383)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ (6,691)	¥ (6,851)	\$ (66,783)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥1,069	¥ 929	\$10,670
Interest cost	475	473	4,741
Expected return on plan assets	(667)	(644)	(6,657)
Amortization of actuarial gain	105	(1,782)	1,048
Contributions to defined contribution pension plans	46	46	459
Retirement benefit expenses	¥1,030	¥ (977)	\$10,280

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	Mainly 2.5%	2.5%
Expected rates of return on plan assets	Mainly 4.0%	Mainly 4.0%

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, 2008 and 2007.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 and 2007 differ from the statutory tax rate for the following reasons:

	2008	2007
Statutory tax rate	40.7%	40.7%
Effect of:		
Expenses not deductible for income tax purposes	3.3	3.2
Dividends and other income deductible for income tax purposes	(4.0)	(3.0)
Net adjustment resulting from elimination of dividend income upon consolidation	6.5	5.1
Different tax rates applied to income of overseas subsidiaries	(6.9)	(5.0)
Tax credit	(3.5)	(2.6)
Valuation allowance	(6.6)	(0.6)
Other, net	15.4	—
Effective tax rates	44.9%	37.8%

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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Unrealized gain on inventories	¥ 427	¥ 413	\$ 4,262
Allowance for doubtful receivables	687	482	6,857
Investments in securities	3,233	2,575	32,269
Accrued bonuses for employees	1,159	1,252	11,568
Accrued retirement benefits for employees	1,529	1,595	15,261
Loss on voluntary recall of goods	1,801	—	17,976
Other	2,218	2,418	22,138
Gross deferred tax assets	11,057	8,737	110,360
Valuation allowance	(3,878)	(766)	(38,706)
Total deferred tax assets	¥ 7,178	¥ 7,971	\$ 71,644
Deferred tax liabilities:			
Revaluation of land	¥ (384)	¥ (371)	\$ (3,833)
Deferred capital gain on property	(1,255)	(1,296)	(12,526)
Special reserve for depreciation	—	(12)	—
Net unrealized holding gain on securities	(10,529)	(22,247)	(105,090)
Other	(361)	(21)	(3,603)
Total deferred tax liabilities	(12,531)	(23,949)	(125,072)
Net deferred tax liabilities	¥ (5,352)	¥ (15,977)	\$ (53,419)

9. SHAREHOLDERS' EQUITY

The new Corporation Law of Japan (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, 2008 amounted to ¥2,424 million (\$24,194 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, 2008 are summarized as follows:

	Number of shares			
	2008			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock	10,012,431	22,429	189,926	9,844,934
	2007			
	March 31, 2006	Increase	Decrease	March 31, 2008
Treasury stock	10,426,874	35,112	449,555	10,012,431

11. SHARE-BASED COMPENSATION

At March 31, 2008, the Company had five stock option plans: the 2003, 2004, 2005, 2006 and 2007 stock option plans.

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 (\$6.56) per share at March 31, 2008. 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 (\$10.21) per share at March 31, 2008. 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 (\$11.67) per share at March 31, 2008. 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 (\$15.07) per share at March 31, 2008. 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.

The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 27, 2007. The 2007 plan provided for granting options to purchase 419,000 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 ¥1,647 (\$16.44) per share at March 31, 2008. This exercise price is subject to adjustment in certain cases which include stock splits. The options become exercisable on August 1, 2009 and are scheduled to expire on July 31, 2012.

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

	The 2003 plan	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan
Number of shares:					
Outstanding at April 1, 2006.....	138,000	759,000	762,000	—	—
Granted.....	—	—	—	781,000	—
Expired.....	2,000	2,000	—	—	—
Exercised.....	43,000	402,000	—	—	—
Outstanding at April 1, 2007.....	93,000	355,000	762,000	781,000	—
Granted.....	—	—	—	—	419,000
Expired.....	—	—	3,000	—	—
Exercised.....	21,000	117,000	46,000	—	—
Outstanding at March 31, 2008.....	72,000	238,000	713,000	781,000	419,000
(In yen)					
Weighted average stock price when exercised.....	¥1,435	¥1,516	¥1,393	—	—
Fair value of options as of the grant date.....	—	—	—	¥158	¥143
(In U.S. dollars)					
Weighted average stock price when exercised.....	\$14.32	\$15.13	\$13.90	—	—
Fair value of options as of the grant date.....	—	—	—	\$1.58	¥1.43

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, 2008 and 2007 totaled ¥2,927 million (\$29,214 thousand) and ¥2,571 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, 2008 and 2007, 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							
	2008				2007			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles.....	¥138	¥ 59	¥43	¥ 36	¥216	¥114	¥51	¥ 51
Furniture and fixtures..	174	107	—	66	300	200	—	99
Software.....	48	10	—	38	—	—	—	—
Total	¥361	¥177	¥43	¥141	¥517	¥314	¥51	¥150

	Thousands of U.S. dollars			
	2008			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles.....	\$1,377	\$ 589	\$429	\$ 359
Furniture and fixtures..	1,737	1,068	—	659
Software.....	479	100	—	379
Total	\$3,603	\$1,767	\$429	\$1,407

The related lease payments, depreciation and interest expenses related to finance leases accounted for as operating lease for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease payments.....	¥94	¥128	\$938
Reversal of impairment loss.....	8	—	80
Depreciation expense.....	80	114	798
Interest expense.....	9	10	90
Loss on impairment of fixed assets.....	—	51	—

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, 2008 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
2009.....	¥ 60	\$ 599
2010 and after.....	131	1,308
Total.....	¥192	\$1,916

14. CONTINGENT LIABILITIES

At March 31, 2008, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥130 million (\$1,298 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥126 million (\$1,258 thousand).

In addition, at March 31, 2008, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥473 million (\$4,721 thousand).

15. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2008	2007	2008
Net income:			
Basic.....	¥ 77.86	¥ 105.84	\$ 0.78
Diluted.....	77.79	105.51	0.78
Net assets.....	1,559.97	1,597.27	15.57
Cash dividends applicable to the year.....	17.00	18.00	0.17

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.

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, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net income	¥10,005	¥13,567	\$99,860
Adjusted net income available to shareholders of common stock	¥10,005	¥13,567	\$99,860
	Number of shares		
Weighted-average number of shares	128,515,225	128,177,941	
Effect of dilutive securities	107,611	403,905	

16. SEGMENT INFORMATION

The Company presents information for five segments: Chemicals, which includes coloring materials, information recording products, chemicals for paper manufacturing, petrochemical products, compounding materials, pigments, coatings, additives for paints and inks, and materials for cosmetics and toiletries; Plastics, which includes thermoplastics, thermoset resins, synthetic rubber, inorganic materials, auxiliaries, plastic products, and plastic related equipment, devices and dies; Electronics, which includes liquid crystal display and semiconductor processing materials and equipment, large-scale-integration assembly materials and equipment, precision cleaning agents for electronics, communications devices, low-temperature vacuum equipment, optical inspection equipment, and functional epoxy resins; Life Sciences, which includes materials for pharmaceuticals and agrichemicals, research products, diagnostic agents, fermentation products, biotechnology-related products, radiation-measuring services, cosmetics, health foods and beauty foods; and Others, which includes logistics services, information processing services and professional services.

The business and geographical segments of the Company and the consolidated subsidiaries for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen							
	Year ended March 31, 2008							
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥267,836	¥274,660	¥163,833	¥56,489	¥1,934	¥764,755	¥ —	¥764,755
Intersegment sales	45	195	159	22	4,957	5,380	(5,380)	—
Net sales	267,881	274,856	163,992	56,512	6,892	770,135	(5,380)	764,755
Operating expenses	259,943	268,718	156,960	54,842	6,934	747,398	(5,707)	741,691
Operating income (loss) ...	¥ 7,938	¥ 6,138	¥ 7,031	¥ 1,669	¥ (41)	¥ 22,736	¥ 326	¥ 23,063
Total assets	¥133,053	¥126,049	¥ 88,262	¥32,172	¥5,324	¥384,862	¥35,007	¥419,869
Depreciation and amortization ...	1,268	1,041	1,946	665	209	5,131	—	5,131
Capital expenditures	2,297	1,036	3,684	1,670	1,196	9,885	—	9,885

	Millions of yen							
	Year ended March 31, 2007							
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated sales
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

	Thousands of U.S. dollars								
	Year ended March 31, 2008							Eliminations or corporate	Consolidated sales
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total			
Sales to customers	\$2,673,281	\$2,741,391	\$1,635,223	\$563,819	\$19,303	\$7,633,047	\$ —	\$7,633,047	
Intersegment sales	449	1,946	1,587	220	49,476	53,698	(53,698)	—	
Net sales	2,673,730	2,743,348	1,636,810	564,048	68,789	7,686,745	(53,698)	7,633,047	
Operating expenses	2,594,500	2,682,084	1,566,623	547,380	69,209	7,459,806	(56,962)	7,402,845	
Operating income (loss)	\$ 79,229	\$ 61,264	\$ 70,177	\$ 16,658	\$ (409)	\$ 226,929	\$ 3,254	\$ 230,193	
Total assets	\$1,328,007	\$1,258,100	\$ 880,946	\$321,110	\$53,139	\$3,841,321	\$349,406	\$4,190,728	
Depreciation and amortization....	12,656	10,390	19,423	6,637	2,086	51,213	—	51,213	
Capital expenditures	22,926	10,340	36,770	16,668	11,937	98,663	—	98,663	

As discussed in Note 3(a), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated domestic subsidiaries have changed their method of depreciation for property, plant and equipment acquired after April 1, 2007. As a result of the change, operating expenses for the year ended March 31, 2008 increased by ¥36 million (\$359 thousand) in the Chemicals segment, by ¥53 million (\$529 thousand) in the Plastics segment, by ¥62 million (\$619 thousand) in the Electronics segment, by ¥27 million (\$269 thousand) in the Life Sciences segment, and by ¥8 million (\$80 thousand) in the Others segment as compared with the amounts which would have been recorded under the method applied in the previous year. Operating income or loss in each segment decreased or increased, respectively, by a corresponding amount.

In addition, as discussed in Note 2(f), pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated domestic subsidiaries depreciate the difference between 5% of the acquisition cost of property, plant and equipment acquired on or before March 31, 2007 and the carrying amount of the subject assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of the subject assets reaches 5% of the acquisition price using the pre-amendment depreciation method. As a result of the change, operating expenses for the year ended March 31, 2008 increased by ¥50 million (\$499 thousand) in the Chemicals segment, by ¥40 million (\$399 thousand) in the Plastics segment, by ¥57 million (\$569 thousand) in the Electronics segment, by ¥23 million (\$230 thousand) in the Life Sciences segment, and by ¥4 million (\$40 thousand) in the Others segment as compared with the amounts which would have been recorded under the method applied in the previous year. Operating income or loss in each segment decreased or increased, respectively, by a corresponding amount.

As discussed in Note 3(d), 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 in the Chemicals segment, by ¥51 million in the Plastics segment, by ¥57 million in the Electronics segment, by ¥26 million in the Life Sciences segment, and by ¥18 million 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(c), 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 in the Chemicals segment, by ¥34 million in the Plastics segment, by ¥31 million in the Electronics segment, by ¥13 million in the Life Sciences segment, and by ¥4 million 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, 2008							Eliminations or corporate	Consolidated sales
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total			
Sales to customers	¥497,196	¥144,282	¥85,464	¥23,205	¥14,605	¥764,755	¥ —	¥764,755	
Intersegment sales	80,519	15,261	3,165	1,836	3,317	104,099	(104,099)	—	
Net sales	577,715	159,543	88,629	25,042	17,922	868,854	(104,099)	764,755	
Operating expenses	564,198	154,175	85,613	24,734	17,094	845,815	(104,123)	741,691	
Operating income	¥ 13,517	¥ 5,368	¥ 3,016	¥ 307	¥ 828	¥ 23,039	¥ 23	¥ 23,063	
Total assets	¥306,308	¥ 57,211	¥30,405	¥ 6,151	¥ 8,118	¥408,195	¥ 11,674	¥419,869	

	Millions of yen								
	Year ended March 31, 2007							Eliminations or corporate	Consolidated sales
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total			
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	

	Thousands of U.S. dollars							
	Year ended March 31, 2008							
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	\$4,962,531	\$1,440,084	\$853,019	\$231,610	\$145,773	\$7,633,047	\$ —	\$7,633,047
Intersegment sales	803,663	152,321	31,590	18,325	33,107	1,039,016	(1,039,016)	—
Net sales	5,766,194	1,592,404	884,609	249,945	178,880	8,672,063	(1,039,016)	7,633,047
Operating expenses	5,631,281	1,538,826	854,506	246,871	170,616	8,442,110	(1,039,255)	7,402,845
Operating income	\$ 134,914	\$ 53,578	\$ 30,103	\$ 3,064	\$ 8,264	\$ 229,953	\$ 230	\$ 230,193
Total assets	\$3,057,271	\$ 571,025	\$303,473	\$ 61,393	\$ 81,026	\$4,074,209	\$ 116,519	\$4,190,728

As discussed in Note 3(a), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated domestic subsidiaries have changed their method of depreciation for property, plant and equipment acquired after April 1, 2007. As a result of the change, operating expenses for the year ended March 31, 2008 increased by ¥188 million (\$1,876 thousand) in the Japan segment as compared with the amount which would have been recorded under the method applied in the previous year. Operating income decreased by a corresponding amount.

In addition, as discussed in Note 2(f), pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated domestic subsidiaries depreciate the difference between 5% of the acquisition cost of property, plant and equipment acquired on or before March 31, 2007 and the carrying amount of the subject assets uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of the subject assets reaches 5% of the acquisition price using the pre-amendment depreciation method. As a result of the change, operating expenses for the year ended March 31, 2008 increased by ¥176 million (\$1,757 million) in the Japan segment as compared with the amounts which would have been recorded under the method applied in the previous year. Operating income decreased by a corresponding amount.

As discussed in Note 3(d), 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 ¥197 million 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 of this accounting standard, operating expenses for the year ended March 31, 2007 increased by ¥123 million 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, 2008				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	¥188,305	¥99,041	¥25,686	¥18,908	¥331,942
Consolidated net sales					¥764,755
Overseas sales as a percentage of consolidated net sales...	24.6%	12.9%	3.4%	2.5%	43.4%

	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%

	Thousands of U.S. dollars				
	Year ended March 31, 2008				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	\$1,879,479	\$988,532	\$256,373	\$188,721	\$3,313,125
Consolidated net sales					\$7,633,047

17. 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, 2008, was approved at a meeting of the shareholders held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥17.00=U.S. \$0.17 per share).....	¥2,186	\$21,819



**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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

Osaka, Japan
June 13, 2008

COMPANY INFORMATION

(As of March 31, 2008)

About Nagase & Co., Ltd.

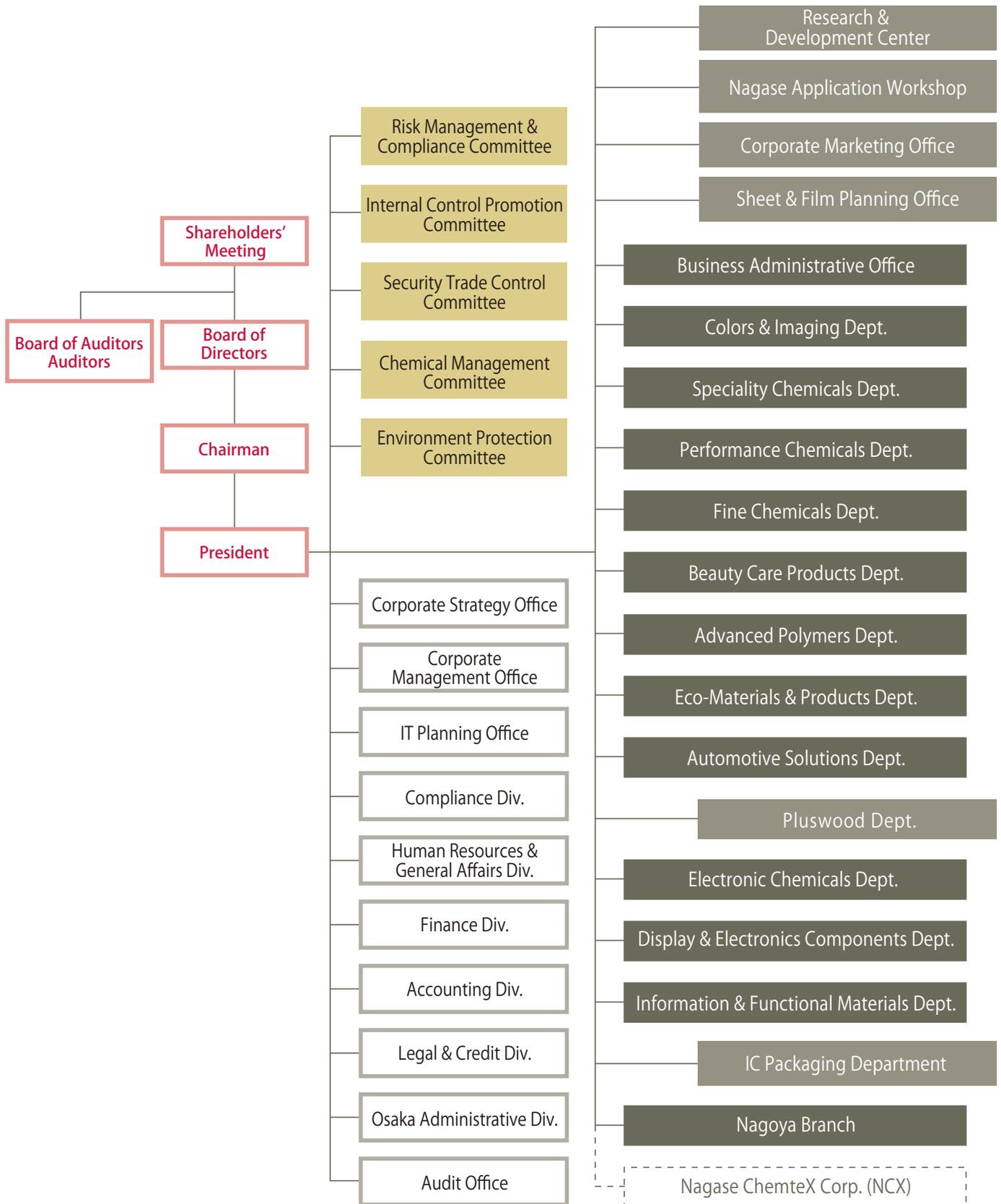
Company Name:	Nagase & Co., Ltd.
Founded:	June 18, 1832
Established:	December 9, 1917
Paid-in Capital:	¥9,699 million
Number of Employees:	920 (Consolidated: 4,335)
Main Business:	Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health 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 Nagase Application Workshop: 2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730

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 |
| | | | ▪ Established joint venture Nagase Wahlee Plastics Corp. (Taiwan) |
| 1923 | ▪ Established business ties with Eastman Kodak Co. of the United States | 1992 | ▪ Established London branch office |
| | | 1997 | ▪ Established Nagase Philippines Corp. |
| 1930 | ▪ Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States | | ▪ Established Shanghai Nagase Trading Co., Ltd. and Nagase Engineering Service Korea Co., Ltd. |
| 1940 | ▪ Established Nagoya branch office | 1998 | ▪ Established P.T. Nagase Impor-Ekspor Indonesia |
| 1943 | ▪ Company name changed to Nagase & Co., Ltd. | | ▪ Established Shanghai Hua Chang Trading Co., Ltd. |
| 1964 | ▪ Listed Company shares on the Osaka Securities Exchange | 2001 | ▪ Closed the Seoul branch office, and established Nagase Korea Corp. |
| 1968 | ▪ Concluded an exclusive distributorship agreement with General Electric Co. of the United States | | ▪ Merged four production companies, and established Nagase ChemteX Corp. |
| 1970 | ▪ Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd. | | ▪ Established Nagase Finechem Singapore (Pte) Ltd. |
| | ▪ Listed Company shares on the Tokyo Stock Exchange | | ▪ Established Nagase Precision Plastics Shanghai Co., Ltd. |
| 1971 | ▪ Established Nagase (Hong Kong) Ltd. and Nagase America Corp. | 2002 | ▪ Established Nagase ChemteX (Wuxi) Corp. |
| | ▪ Established Engineering Plastics, Ltd. (now GE Plastics Japan Ltd.) jointly with General Electric Co. | | ▪ Established a representative office in Hanoi, Vietnam |
| | | | ▪ Established Guangzhou Nagase Trading Ltd. |
| 1974 | ▪ Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States | 2004 | ▪ Established Nagase International Electronics Ltd. |
| 1975 | ▪ Established Nagase Singapore (Pte) Ltd. | 2005 | ▪ Established Nagase Philippines International Services Corp. |
| 1980 | ▪ Established Nagase (Europa) GmbH and Chang Fong Overseas Enterprises (Pte) Ltd. | 2006 | ▪ Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH |
| | | | ▪ Established Nagase India Private Ltd. |
| 1982 | ▪ Established Nagase (Malaysia) Sdn. Bhd. | 2007 | ▪ Established Nagase Application Workshop |
| 1985 | ▪ Established Seoul branch office | | |

ORGANIZATION

(As of April 1, 2008)



MAJOR CONSOLIDATED SUBSIDIARIES, AFFILIATES AND OFFICES

Company name

① Description of business ② Paid-in capital ③ Date of establishment ④ Equity ownership (*indicates indirect investment)

■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2008)

JAPAN

Manufacturing

■ Nagase ChemteX Corp.

① Manufacture of epoxy resins, enzymes, industrial chemicals ② ¥2,474 million ③ 1970 ④ 100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2582 Fax: (81) 6-6535-2174

■ Honsu Rheem Co., Ltd.

① Manufacture and sale of fiber drums, import and sale of food processing machines and materials ② ¥100 million ③ 1968 ④ 40.0%
8-11, Minami Hashimoto 4-chome, Sagamihara-City, Kanagawa
Tel: (81) 42-773-3111 Fax: (81) 42-774-4369

■ Gigatec Inc.

① Design, manufacture and sale of high-frequency power amplifiers ② ¥97 million ③ 1989 ④ 41.2%
625, Shimo Ooshimamachi, Takasaki-City, Gunma
Tel: (81) 27-343-1590 Fax: (81) 27-343-3365

■ Toyo Beauty Supply Corp.

① Contract manufacture of cosmetics ② ¥40 million ③ 1964 ④ 40.0%
3-10, Nihonbashi-Hongokuchō 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3241-1410 Fax: (81) 3-3270-6338

■ Nagase Medicals Co., Ltd.

① Manufacture of pharmaceuticals ② ¥498 million ③ 1972 ④ 100%
4-323, Senzo, Itami-City, Hyogo
Tel: (81) 72-778-7501 Fax: (81) 72-778-7506

■ Totaku Industries, Inc.

① Manufacture and sale of plastic products ② ¥270 million ③ 1952 ④ 77.1%
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.

① Development, manufacture and sale of components for electronic equipment ② ¥23 million ③ 2003 ④ 30.4%
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.

① Planning, production, processing, quality testing and sale of metal filters ② ¥80 million ③ 2006 ④ 100%
4-9-6, Takaida Naka, Higashi Osaka-City, Osaka
Tel: (81) 6-6782-3324 Fax: (81) 6-6782-3304

■ Sun Delta Corporation

① Development of applications for plastic products and manufacture and sale of processed products ② ¥490 million ③ 2005 ④ 50.0%
5F, Jimbocho Mitsui Bldg., 1-105, Kanda-Jinbocho, Chiyoda-ku, Tokyo
Tel: (81) 3-3296-3210 Fax: (81) 3-3296-3489

■ SN Tech Corporation

① Manufacture of developer, recycling business ② ¥250 million ③ 2008 ④ 35.0%
6-27, Mizuhai 5-chome, Higashi Osaka-City, Osaka
Tel: (81) 6-6268-0145 Fax: (81) 6-6268-0181

Processing

■ Kotobuki Kasei Corp.

① Molding, processing and sale of plastic products ② ¥20 million ③ 1972 ④ 57.5%
7-9, Satsukicho, Kanuma-City, Tochigi
Tel: (81) 289-72-0112 Fax: (81) 289-72-0114

■ Setsunan Kasei Co., Ltd.

① Coloring and sale of plastics ② ¥125 million ③ 1966 ④ 100%
2-22, Takaida Nishi 5-chome, Higashi Osaka-City, Osaka
Tel: (81) 6-6783-5231 Fax: (81) 6-6783-5228

■ Kyoraku Co., Ltd.

① Manufacture, processing and sale of plastic products ② ¥200 million ③ 1917 ④ 29.3%
Kawaramachi Chuo Bldg., 3-10, Kawaramachi 2-chome, Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6203-1301 Fax: (81) 6-6203-1309

Servicing

■ Design & Die Co., Ltd.

① Design, manufacture and sale of automotive components and plastic products ② ¥50 million ③ 2002 ④ 51.0%
c/o Tatematsu Mold Industry, 27, Okuda Oosawacho, Inazawa-City, Aichi
Tel: (81) 587-32-6281 Fax: (81) 587-32-5392

■ NCK Ltd.

① Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers ② ¥10 million ③ 1985 ④ 0.0%*
236, Nakai, Tatsuno-cho, Tatsuno-City, Hyogo
Tel: (81) 791-63-4842 Fax: (81) 791-63-4913

■ Nagase CMS Technology Co., Ltd.

① Development, design, manufacture, sale and maintenance of CMS devices ② ¥150 million ③ 2001 ④ 65.0%
4-9, Chigasaki Minami 3-chome, Tsuzuki-ku, Yokohama-City, Kanagawa
Tel: (81) 45-948-1072 Fax: (81) 45-948-1070

■ Nagase Landauer, Ltd.

① Radiation measuring services ② ¥88 million ③ 1974 ④ 50.0%
11-6, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
Tel: (81) 3-3666-4300 Fax: (81) 3-3662-9518

■ Nagase Electronic Equipment Service Co., Ltd.

① Manufacture, sale and maintenance of low-temperature vacuum equipment ② ¥45 million ③ 1989 ④ 100%
5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6324-7626 Fax: (81) 6-6324-7680

■ Nagase General Service Co., Ltd.

① Sale and lease of various goods, real estate administration ② ¥20 million ③ 1983 ④ 100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2131 Fax: (81) 6-6535-2124

■ Nagase Information Development, Ltd.

① Software development and maintenance ② ¥30 million ③ 1987 ④ 100%
5F, Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3231-3581 Fax: (81) 3-3231-3584

■ Nagase Logistics Co., Ltd.

① Warehousing and distribution ② ¥401 million ③ 1982 ④ 100%
4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-City, Hyogo
Tel: (81) 6-6427-8651 Fax: (81) 6-6427-8772

■ Nagase Trade Management Co., Ltd.

① Business agent for foreign trade documentation ② ¥20 million ③ 1996 ④ 100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3125 Fax: (81) 3-3665-3286

■ Choko Co., Ltd.

① Insurance agency ② ¥15 million ③ 1971 ④ 37.7%
11F, Toho Bldg., 1-13, Nishi Shinsaibashi 1-chome, Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6244-0125 Fax: (81) 6-6258-3385

■ Nippon Vopac Co., Ltd.

① Warehousing, motor truck carrier business and freight transportation services ② ¥404 million ③ 1966 ④ 19.9%
5-7, Kajicho 1-chome, Chiyoda-ku, Tokyo
Tel: (81) 3-3254-9571 Fax: (81) 3-3254-9566

■ Hoei Techno Service Co., Ltd.

① Duplication and processing of computer software, warehousing and distribution ② ¥50 million ③ 1991 ④ 0.0%*
2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3274-7875 Fax: (81) 3-3274-7884

Company name

① Description of business ② Paid-in capital (Foreign currency: Thousands) ③ Date of establishment ④ Equity ownership (*indicates indirect investment)

■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2008)

Servicing

ON Co-Labo Corporation

① Promotion and handling of overseas textile related business ② ¥70 million ③ 2007 ④ 50.0%
1-43, Miyahara 4-chome, Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6395-1918 Fax: (81) 6-6395-1555

iGENE Therapeutics, Inc.

① Research and development of bioreagents based on RNAi technology, contract development, manufacturing, importing and exporting, sales and technological guidance
② ¥26 million ③ 2003 ④ 100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3143 Fax: (81) 3-3665-3324

Sales

■ Nagase Colors & Chemicals Co., Ltd.

① Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision
② ¥100 million ③ 1957 ④ 100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2058 Fax: (81) 6-6535-2054

■ Nagase Chemical Co., Ltd.

① Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery
② ¥60 million ③ 1995 ④ 100%
6F, Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5640-7431 Fax: (81) 3-5640-0791

■ Nishinohon Nagase Co., Ltd.

① Sale of dyestuffs, auxiliaries, industrial chemicals and plastics ② ¥60 million ③ 1969 ④ 100%
6F, Hakata Tokyo Kaijo Nichido Bldg., 1-3, Shimokawabata-machi, Hakata-ku, Fukuoka-City, Fukuoka
Tel: (81) 92-272-3661 Fax: (81) 92-272-3667

■ Nagase Bio-Chemical Sales Co., Ltd.

① Sale of enzymes and additives for food and feed
② ¥30 million ③ 1987 ④ 87.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2318 Fax: (81) 6-6535-2531

■ Nagase Chemspec Co., Ltd.

① Sale and technological servicing of chemicals
② ¥30 million ③ 1976 ④ 100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3726 Fax: (81) 3-3665-3746

■ Nagase Plastics Co., Ltd.

① Sale of raw materials for plastics and plastic products ② ¥96 million ③ 1975 ④ 100%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6533-1181 Fax: (81) 6-6533-1189

■ Nagase Elex Co., Ltd.

① Sale of raw materials for plastics and plastic products ② ¥20 million ③ 1979 ④ 100%
4F, Nihonbashi Tachibana Bldg., 6-11, Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3661-0821 Fax: (81) 3-3661-1560

■ Hoei Sangyo Co., Ltd.

① Sale of film materials, magnetic products, information imaging materials, etc. ② ¥250 million ③ 1974 ④ 80.5%
Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3274-7880 Fax: (81) 3-3274-7882

■ Nagase Abrasive Materials Co., Ltd.

① Sale of abrasives and grinding materials ② ¥50 million ③ 1955 ④ 100%
3F, Osaka Anniks Bldg., 14-20, Itachibori 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6543-7721 Fax: (81) 6-6543-7710

Shinshu Nagase Denzai Co., Ltd.

① Sale of electronics components, raw materials for plastics and plastic products ② ¥10 million ③ 1984 ④ 100%
1-4-16, Akabane, Okaya-City, Nagano
Tel: (81) 266-24-2772 Fax: (81) 266-24-3311

OnFine Co., Ltd.

① Manufacture and sale of electronics and fluorine and polysilane variants for use in materials ② ¥10 million ③ 2002 ④ 25.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2585 Fax: (81) 6-6535-2174

■ Nagase Beauty Care Co., Ltd.

① Sale of cosmetics and health foods ② ¥100 million ③ 1991 ④ 100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3617 Fax: (81) 3-3665-3724

Nagase Eco Plus Co., Ltd.

① Development and sale of Pluswood composite wood material ② ¥310 million ③ 1994 ④ 100%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3700 Fax: (81) 3-3665-3714

ASIA

■ Shanghai Nagase Trading Co., Ltd.

① International trade and trade consulting ② RMB8,120 ③ 1997 ④ 100%
18F, Raffles City, No.268 Xizang Road Central, Shanghai, P.R.China 200001
Tel: 86-(21)63403300 Fax: 86-(21)63403883

■ Tianjin Nagase International Trading Co., Ltd.

① Import/export and marketing ② RMB2,482 ③ 2003 ④ 0.0%*
Rm 2008,20/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R.China 300051
Tel: 86-(22)83191231 Fax: 86-(22)83191122

Nagase CMS Technology (Shanghai) Co., Ltd.

① Construction and maintenance of chemical supply and management equipment ② US\$200 ③ 2006 ④ 40.0%
Apollo Bldg 428 No.1440, Yan An Road Central, Shanghai P.R.China 200040
Tel: 86-(21)6103-1662 Fax: 86-(21)6103-1663

NCC Shanghai Techno Center Co., Ltd.

① Testing operations for paints and finishing processes ② RMB2,445 ③ 2002 ④ 0.0%*
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

■ Shanghai Hua Chang Trading Co., Ltd.

① Sale of resins and related products ② RMB19,864 ③ 1998 ④ 16.3%
Room 605, Aviation Center, 1600 Nanjing Road West, Shanghai, P.R.China 200040
Tel: 86-(21)62481133 Fax: 86-(21)62486533

Nagase Plastic Design and Die (Tianjin) Co., Ltd.

① Design of automotive components and plastic products ② RMB2,483 ③ 2003 ④ 41.7%
Rm 1005, 10/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R.China 300050
Tel: 86-(22)83191234 Fax: 86-(22)83191122

■ **Nagase Precision Plastics Shanghai Co., Ltd.**

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

■ **Nagase ChemteX (Wuxi) Corp.**

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

■ **Guangzhou Nagase Trading Ltd.**

①Import/export and marketing
②RMB1,655 ③2002 ④0.0%*
Room5706, 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, China
Tel: 86-(27)8548-7933 Fax: 86-(27)8548-7953

■ **Guangzhou Kurabo Chemicals Co., Ltd.**

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

■ **Nagase (Hong Kong) Ltd.**

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

■ **Nagase International Electronics Ltd.**

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

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

①Sale of plastic products in South China
②US\$1,200 ③2004 ④0.0%*
No.201, Building 6C, International Commercial Center, 1001 Hong Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong, China
Tel: 86-769-5416501 Fax: 86-769-5416503

■ **Nagase Marketing and Service (Shenzhen) Ltd.**

①Contract customer services ②HK\$1,000
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

■ **Totaku Industries Suzhou Co., Ltd.**

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

■ **Toyo Quality One Ningbo Co., Ltd.**

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

■ **Nagase (Taiwan) Co., Ltd.**

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

Taichung 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

Xiamen Office

Room 1811, The Bank Center, No.189 Xieha Road Xiamen, Fujian, 361000 China
Tel: 86-592-2200-213 Fax: 86-592-2203-662

■ **Nagase Electronics Technology Co., Ltd.**

①Chemical etching of liquid crystal glass panel units
②NT\$178,000 ③2005 ④60.0%
No.6 Yuanyuan St., Guanyin Township, Taoyuan County328, Taiwan, R.O.C.
Tel: 886-(3)416-0498 Fax: 886-(3)438-9956

■ **Nagase Wahlee Plastics Corp.**

①Sale of plastics and related products
②NT\$100,000 ③1990 ④55.0%
9F Chuan Ta Bldg., No. 37, Sec. 3, Min Chuan East Road, Taipei, Taiwan, R.O.C
Tel: 886-(2)25062400 Fax: 886-(2)25062401

■ **Nagase Korea Corp.**

①Wholesale sales ②WON700,000 ③2001
④100%
18F, Daewoo Center, 5-541, Namdaemun-Ro, Jung-Gu, Seoul, Korea
Tel: 82-(2)7348745 Fax: 82-(2)7348747

■ **Nagase Engineering Service Korea Co., Ltd.**

①Equipment maintenance service and engineering
②WON150,000 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

■ **Nagase Singapore (Pte) Ltd.**

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

Dubai Office

Lob#15-406, 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 ③2001 ④60.0%
9 Tuas View Lane 637569, Singapore
Tel: 65-68989289 Fax: 65-68985313

■ **Nagase (Thailand) Co., Ltd.**

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

■ **Sanko Gosei Technology (Thailand) Ltd.**

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

■ **Automotive Mold Technology Co., Ltd.**

①Manufacture of automotive molds and dies
②BAHT280,000 ③2000 ④32.1%
Amata City Industrial Estate 7/117 Moo 4, Mabyangporn Pluakdaeng, Rayong 21140, Thailand
Tel: 66-(38)956151 Fax: 66-(38)956155

MAJOR CONSOLIDATED SUBSIDIARIES, AFFILIATES AND OFFICES

Company name

① Description of business ② Paid-in capital (Thousands) ③ Date of establishment ④ Equity ownership (*indicates indirect investment)

■ Consolidated subsidiary ■ Company accounted for under the equity method (Ownership status as of March 31, 2008)

■ Nagase (Malaysia) Sdn. Bhd.

① Import/export, trade agency, market development, information collection ② RM1,500 ③ 1981 ④ 51.0%

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

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

Penang Office

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

■ Nagase Philippines Corp.

① Import/export and retail ② US\$1,501 ③ 1997 ④ 100%

18-B Trafalgar Plaza H.V. Dela Costa Street, Salcedo Village, 1227 Makati City, Philippines
Tel: 63-(2)7502935 Fax: 63-(2)8118296

■ Nagase & Co., Ltd.

Hanoi Representative Office

Unit 1202, Hanoi Tung Shing Square 2 Ngo Quyen Hoan Kiem Dist., Hanoi, Vietnam
Tel: 84-(4)9350110 Fax: 84-(4)9350108

■ Nagase Philippines International Services Corp.

① Sale of raw materials ② US\$732 ③ 2005 ④ 100%

Building 3, 123-125 Technology Avenue Phase 4, LTI Binan, Laguna, Philippines
Tel: 63-(4)95440678 Fax: 63-(4)95440679

■ P.T.Nagase Impor-Ekspor Indonesia

① Import/export sales and import/export consulting ② US\$500 ③ 1998 ④ 90.0%

Wisma Kyoei Prince, 21F Jl. Jend.Sudirman Kav.3 Jakarta 10220, Indonesia
Tel: 62-(21) 57900391 Fax: 62-(21)57900392

■ Nagase India Private Ltd.

① Import/export, trade agency, market development, information collection ② IRS100,000 ③ 2006 ④ 99.0%

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

■ Pac Tech Asia Sdn.Bhd.

① Manufacture and sales of semiconductor manufacturing equipment, contract processing for wafer bumping ② RM10,000 ③ 2006 ④ 0.0%*
Plot14, Medan Bayan Lepas Technoplex, Phase 4 Bayan Lepas Industrial Zone 11900 Bayan Lepas, Penang, Malaysia
Tel: 60-(4)6430-628 Fax: 60-(4)6432-490

NORTH AMERICA

■ Sofix Corp.

① Manufacture and sale of color formers ② US\$20,000 ③ 1990 ④ 49.0%
2800 Riverport Road, Chattanooga, TN 37406-1721, U.S.A.
Tel: 1-(423)6243500 Fax: 1-(423)6243587

■ Canada Mold Technology Inc.

① Manufacture, sale and maintenance of metal molds ② C\$5,000 ③ 1989 ④ 53.0%
1075 Ridgeway Road, Woodstock, Ontario, Canada N4V 1E3
Tel: 1-(519)4210711 Fax: 1-(519)4210706

■ Design and Die USA Inc.

① Design of automotive components and plastic products/die sales ② US\$200 ③ 2002 ④ 25.0%
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.

① Import/export, trade agency, market development, information collection ② US\$3,500 ③ 1971 ④ 100%

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

39555 Orchard Hills Place, Crystal Glen Office Center, Suite 356, 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.

① Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment ② US\$3,772 ③ 2001 ④ 0.0%*
328 Martin Avenue, Santa Clara, CA 95050, U.S.A.
Tel: 1-(408)5881925 Fax: 1-(408)5881927

EUROPE

■ Nagase (Europa) GmbH

① Import/export, trade agency, market development, information collection ② €700 ③ 1980 ④ 100%
Immermannstrasse 65c 40210 Dusseldorf, Germany
Tel: 49-(211)866200 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

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

■ Pac Tech-Packaging Technologies GmbH

① Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment ② €187 ③ 1995 ④ 59.9%
Am Schlangenhorst 15-17 D-14641 Nauen, Germany
Tel: 49-(332)1449513 Fax: 49-(332)1449522

INVESTOR INFORMATION

(As of March 31, 2008)

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

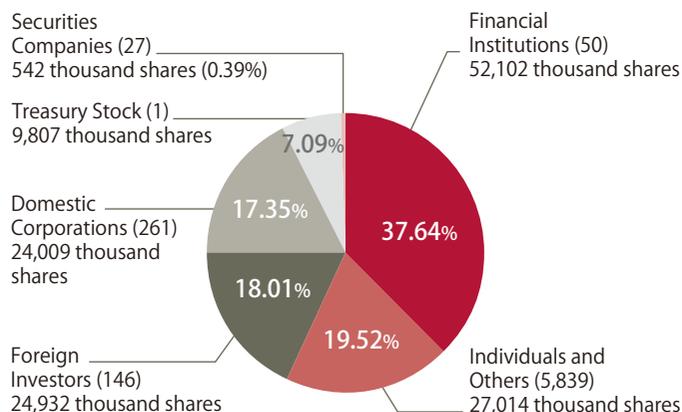
Number of Shareholders: 6,324

Principal Shareholders

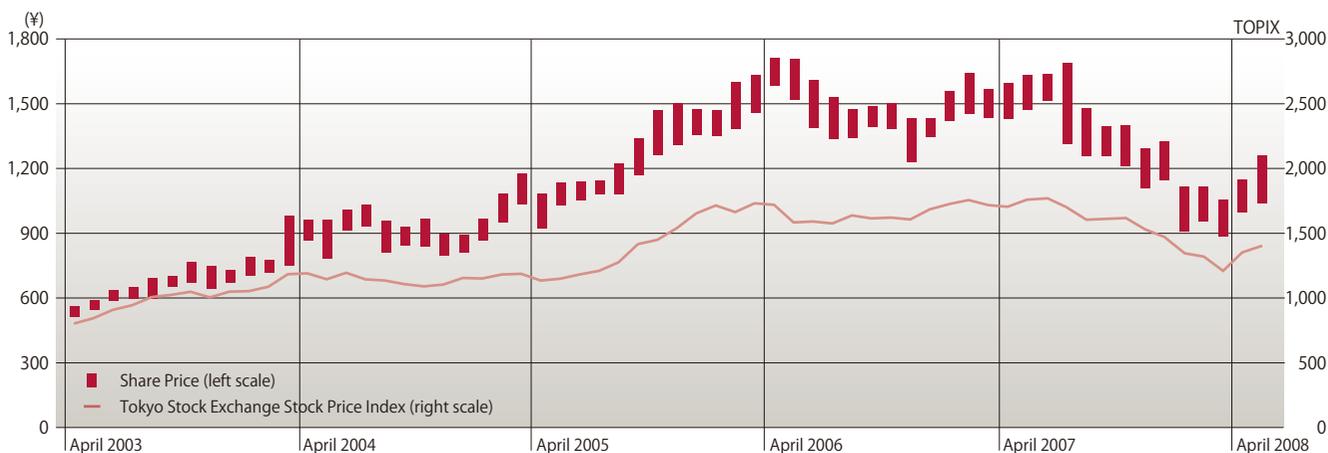
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Master Trust Bank of Japan, Ltd.	10,793	7.80
Japan Trustee Services Bank, Ltd.	6,719	4.85
The Sumitomo Trust & Banking Co., Ltd.	5,776	4.17
Northern Trust Company (ABFC) Sub-Client American Account	5,024	3.63
Nippon Life Insurance Company	4,610	3.33
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,192	3.03
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

Note: In addition to the above, the Company holds 9,807 thousand shares (7.09%) of treasury stock without voting rights.

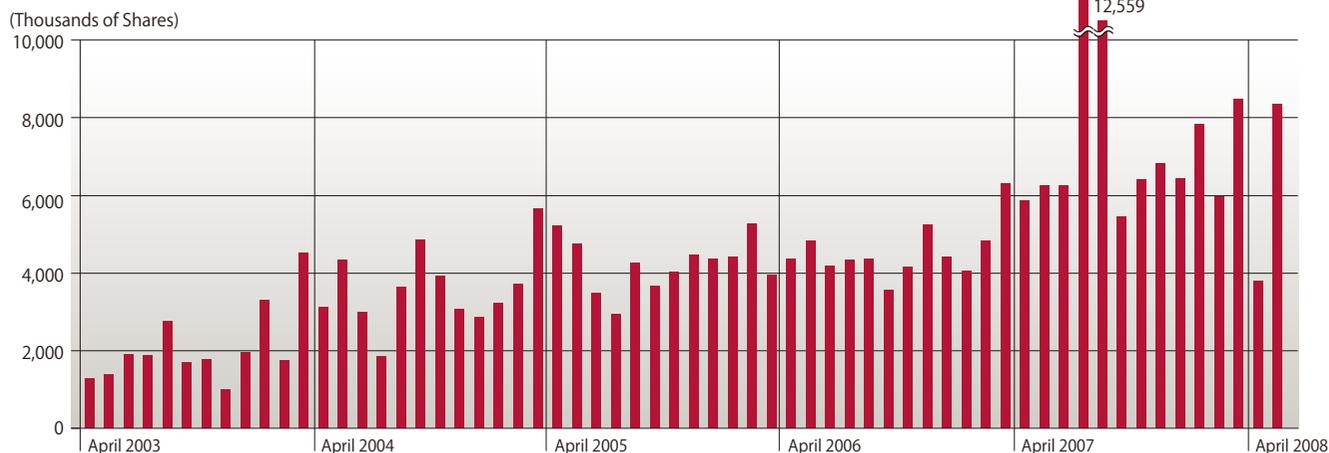
Composition of Shareholders



Monthly Share Price Range of Nagase



Monthly Trading Volume



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

NAGASE

NAGASE & CO.,LTD.

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