

**Briefing Session on
Financial Results for the
Fiscal Year Ended March 31, 2007**

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



**Nagase & Co., Ltd.
May 17, 2007**

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**Financial Highlights of
the Fiscal Year Ended March 31, 2007**

Overview of Consolidated Financial Results

- Overview of results for the fiscal year ended March 31, 2007
 Increased sales and profits: All items up over previous year, record performance for all sales and income items

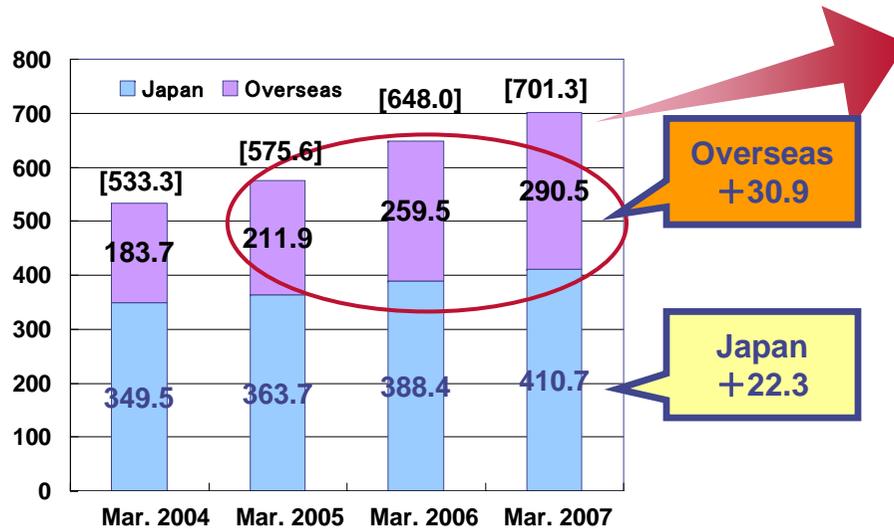
(¥ Billion)
 (Figures are rounded down to the nearest hundred million yen)

	March 2007	March 2006	Increase (Decrease)	YoY Com- parison	(Reference) Forecast announced with interim results
Net Sales	701.3	648.0	+53.2	108%	694.0
Gross Profit	73.6	67.6	+5.9	109%	73.5
SG&A Expenses <small>(Actuarial gain/loss on pension assets included in SG&A expenses- (1))</small>	-51.9 [1.7]	-50.0 [0.4]	-1.9 [+1.3]	104%	
Operating Income	21.6	17.5	+4.0	123%	21.2
Operating income excluding amortization of (1) above	[19.9]	[17.2]	[+2.7]	[116%]	
Ordinary Income	23.2	18.7	+4.4	124%	22.7
Net Income	13.5	12.8	+0.6	105%	13.6
Net Income per Share (¥)	105.85	100.33	+5.52		—

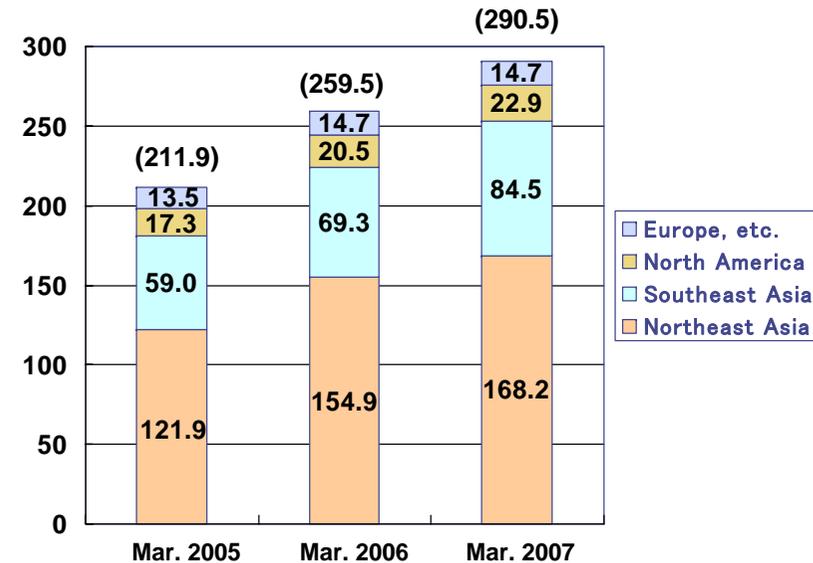
Net Sales by Region

(¥ Billion)

Sales: ¥701.3 billion, up ¥53.2 billion year-on-year



Breakdown of Overseas Sales



1) Overseas sales increasing as a percentage of net sales (37%→40%→41%)

2) Northeast Asia (Greater China)

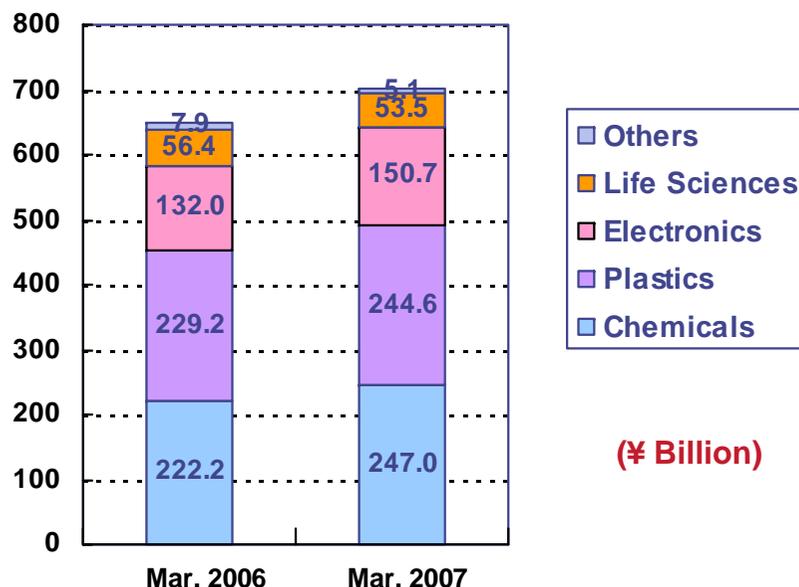
- Strong sales of plastics and chemicals to automotive industry in South China region
- Electronics sales strong, including Korea and Taiwan
- Growth in sales of plastics for optical materials trended downward in Taiwan and mainland China

3) Southeast Asia (ASEAN)

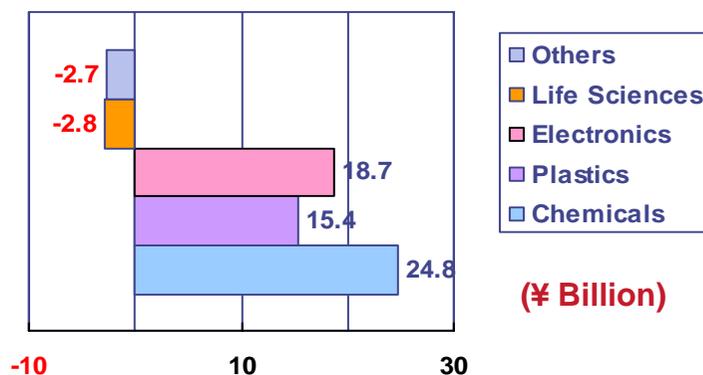
Growth in Southeast Asia exceeded that of Northeast Asia as a result of plastics-related growth in Thailand and Vietnam

Net Sales by Business Segment

(¥ Billion)



Increase/Decrease in Sales by Segment



Review of Sales by Business Segment (Year-on-year Comparison)

Chemicals + ¥24.8 billion (111%)

- Increase in automotive-related sales, including paint and urethane
- Solid sales of functional additives, etc. for flat-panel displays and other applications
- Sales of specialty chemicals used as organic synthesis raw materials also expanded

Plastics + ¥15.4 billion (107%)

- Automotive-related sales generally strong in South China and elsewhere
- Sales of plastics for precision machinery increased in both Greater China and ASEAN region
- Decrease in sales of engineering plastics for media use in Greater China

Electronics + ¥18.7 billion (114%)

- Increased sales of businesses including liquid crystal component processing and processing of aluminum casings for electronic equipment
- Decrease in sales of LCD modules and optical film, etc.
- Business related to precision polishing of semiconductors, etc., and encapsulates for semiconductor post-processing performed well
- Original Nagase products such as chemicals for LCDs and semiconductors, control equipment and formulated epoxy resins posted strong sales

Life Sciences - ¥2.8 billion (95%)

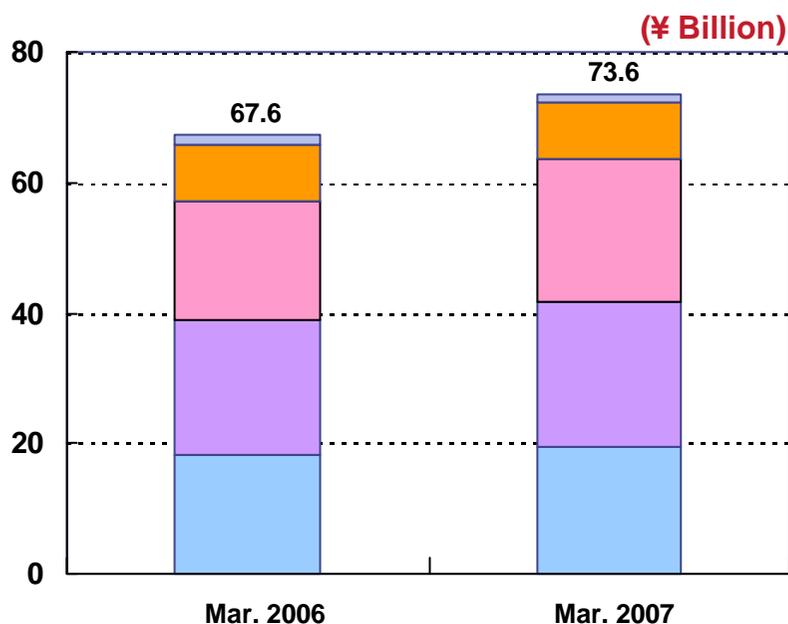
- Decrease in sales of pharmaceutical intermediates
- Slight increase in sales of fermented products
- Decrease due to withdrawal from medical care business

Others - ¥2.7 billion (65%)

- Weak sales of DVD players and other equipment
- Sold business of direct sales of DVD movie software and other products (second half)

Gross Profit by Business Segment

Gross Profit: ¥73.6 billion, up ¥5.9 billion year-on-year



**Growth due to increase in net sales,
mainly in Electronics**

Gross of Profit by Business Segment (Year-on-year Comparison)

Chemicals + ¥1.3 billion (107%)

Plastics + ¥1.4 billion (107%)

Electronics + ¥3.8 billion (121%)

Life Sciences + ¥0.1 billion (101%)

Others - ¥0.6 billion (63%)

(¥ Billion)

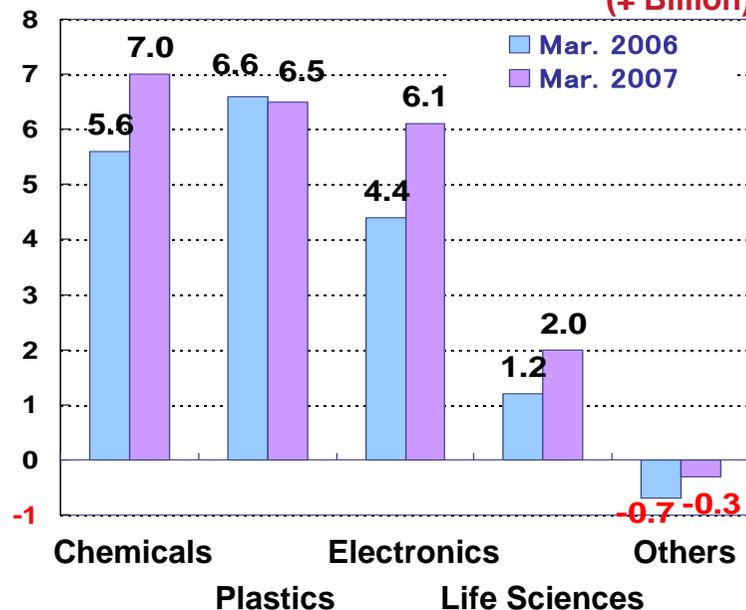
	Mar. 2006	Mar. 2007
Chemicals	18.3	19.6
Plastics	20.7	22.1
Electronics	18.2	22.0
Life Sciences	8.5	8.6
Others	1.7	1.1

Operating Income by Segment

(¥ Billion)

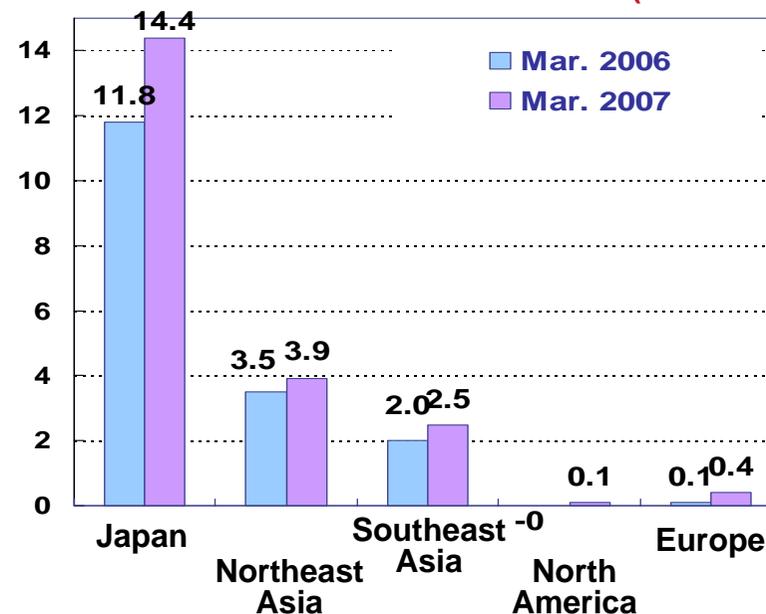
¥21.6 billion, up ¥4.0 billion year-on-year (123%)

Operating Income by Business Segment
(¥ Billion)



- Solid performance due to growth in sales of chemicals
- Plastics income declined due to higher general and administrative costs in Japan and overseas.
- Electronics sales increased due to newly consolidated companies in addition to sales growth at the parent company and Nagase ChemteX.

Operating Income by Geographical Segment
(¥ Billion)



- In Japan, in addition to growth in parent-company sales, sales at Nagase ChemteX and other manufacturing companies also generally increased.
- In Southeast Asia, sales of plastics and chemicals were strong in Thailand.
- Sales in Europe rose significantly due to consolidation of a semiconductor-related company.

Non-Operating Income/Loss and Extraordinary Income/Loss

Non-Operating Income/Loss

(¥ Billion)

	Mar. 2007	Mar. 2006	Increase (Decrease)	YoY Comparison
Non-Operating Income/Loss	1.5	1.2	0.3	130%
Net interest income	0.6	0.9	-0.2	69%
Others	0.9	0.2	0.6	325%

Extraordinary Income/Loss

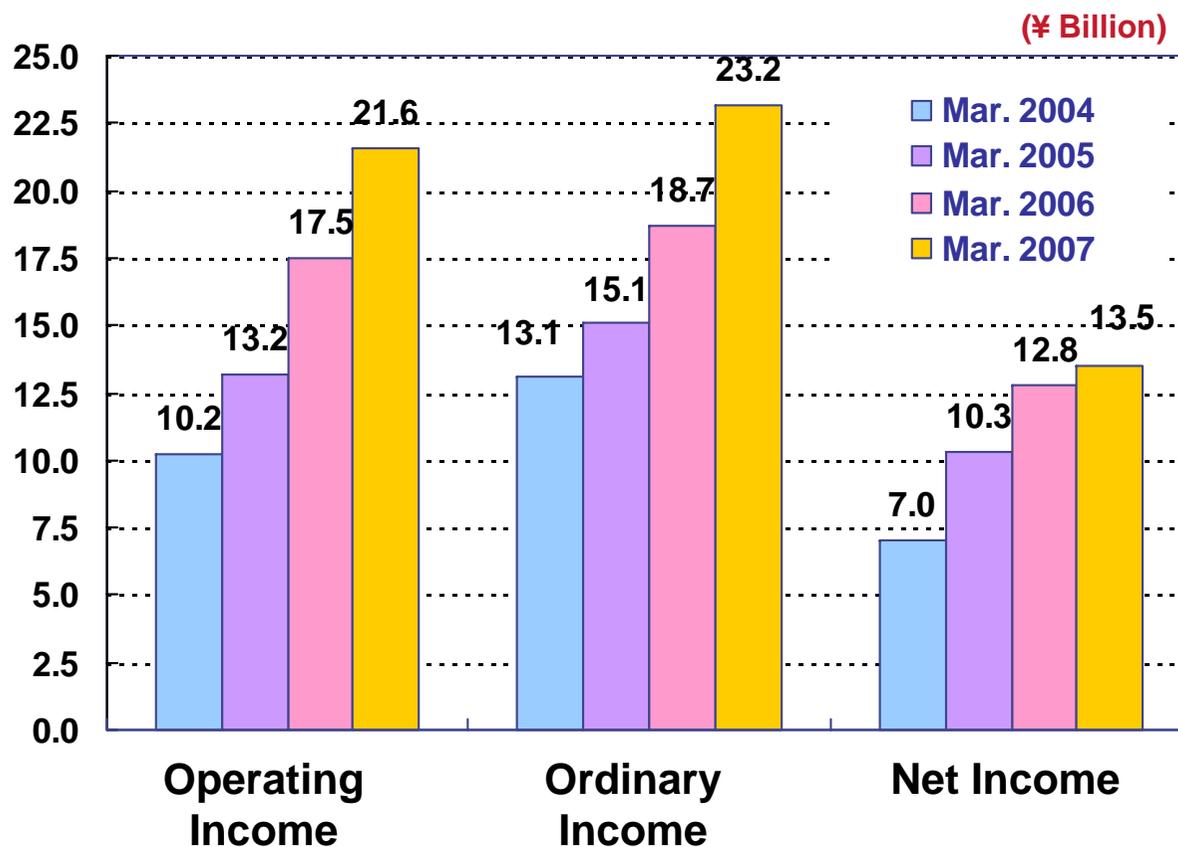
(¥ Billion)

	Mar. 2007	Mar. 2006	Increase (Decrease)
Extraordinary Income	0.3	2.2	-1.9
Gain on sales of property and equipment	0.0	1.0	-1.0
Gain on sales of investments in securities	0.2	1.1	-0.9
Extraordinary Loss	0.4	0.4	-0.0
Loss on disposal of property and equipment	0.1	0.2	-0.1
Others	0.3	0.2	0.1

Ordinary Income and Net Income

Ordinary Income: ¥23.2 billion, up ¥4.4 billion year-on-year (124%)

Net Income: ¥13.5 billion, up ¥0.6 billion year-on-year (105%)



Major Changes in Balance Sheet

(1) Accounts receivable increased due to higher sales and because the balance sheet date was a business holiday. (2) Investments in securities decreased due to changes in stock prices. (¥ Billion)

《Assets》	Mar. 2007	Mar. 2006	Increase (Decrease)	《Liabilities and Net Assets》	Mar. 2007	Mar. 2006	Increase (Decrease)
Cash and time deposits	21.9	23.5	-1.6	Notes and accounts payable	141.4	118.8	+22.6
Notes and accounts receivable	218.0	194.6	+23.3	Short-term loans	14.2	14.3	- 0.1
Inventories	43.3	40.2	+3.1	Commercial paper	—	5.0	- 5.0
Other current assets	8.2	7.8	+0.4	Other current liabilities	21.4	22.1	- 0.6
Property, plant and equipment	31.8	30.8	+1.0	Long-term debt	6.2	5.5	+ 0.7
Intangible fixed assets	2.9	1.5	+1.4	Accrued retirement benefits for employees	6.8	5.9	+ 0.9
Investments in securities	88.0	93.3	-5.2	Other fixed liabilities	20.9	22.7	- 1.7
Other fixed assets	8.3	4.8	+3.5	Shareholders' equity	170.9	159.5	+11.4
				[Treasury stock included in above]	[-5.4]	[-5.6]	[+0.1]
				Adjustments for valuation, foreign currency, etc.	34.1	37.0	- 2.9
				Stock options	0.1	—	+ 0.1
				Minority interests	6.4	5.7	+ 0.7
				[Net worth ratio]	[48.5%]	[49.6%]	[-1.1%]
Total assets	422.8	396.7	+26.0	Total liabilities and net assets	422.8	396.7	+26.0

Cash Flow Status

Increase in income before income taxes

(¥ Billion)

	Mar. 2007	Major components	
Cash flows from operating activities	9.8	Income before income taxes	¥23.0 billion
		Depreciation and amortization	¥4.1 billion
		Working capital	- ¥2.2 billion
		Long-term prepaid expenses	- ¥3.4 billion
		Taxes paid	- ¥7.3 billion
		Others	- ¥3.2 billion
Cash flows from investing activities	-4.1	Purchases of property and equipment	- ¥3.0 billion
		Purchases of securities and investments	- ¥1.4 billion
		Sales of investments in securities	¥0.3 billion
		Others	- ¥1.1 billion
Cash flows from financing activities	-8.4	Repayment of short-term loans	- ¥0.9 billion
		Commercial paper	- ¥5.0 billion
		Cash dividends paid	- ¥2.8 billion
		Others	¥0.3 billion
Cash and cash equivalents at the end of the period	21.9	Increase from new consolidation	+ ¥0.7 billion
		Difference from end of previous period	- ¥1.0 billion

Performance of Major Consolidated Subsidiaries

(¥ Million)

	Company Name	Net Sales	YoY Comparison	Operating Income	YoY Comparison	Net Income	YoY Comparison
Parent Company	Nagase & Co., Ltd.	497,116	105%	8,246	121%	7,770	100%
Manufacturing	Nagase ChemteX Corporation	24,663	108%	2,834	147%	1,607	95%
	Totaku Industries, Inc.	7,637	100%	659	107%	472	60%
Sales	Nagase Colors & Chemicals Co., Ltd.	13,698	100%	178	343%	91	606%
	Nagase Chemical Co., Ltd.	13,697	109%	224	116%	111	120%
	Nagase Plastics Co., Ltd.	12,975	117%	81	103%	42	95%
Overseas	Nagase (Hong Kong) Ltd.	59,607	132%	1,356	119%	1,145	122%
	Nagase Singapore (Pte) Ltd.	33,084	110%	730	100%	708	104%
	Nagase (Thailand) Co., Ltd.	27,287	126%	1,146	152%	826	139%

**Performance Forecast for the
Fiscal Year Ending March 31, 2008**

Performance Forecast for the Fiscal Year Ending March 31, 2008

(¥ Billion)

	Fiscal Year ended March 31, 2007 (Results)	Fiscal Year ended March 31, 2007 (Results)	YoY Comparison (%)	Increase (Decrease)
Net Sales	752.0	701.3	107%	+50.6
Gross Profit	79.5	73.6	108%	+5.8
Operating Income	21.9	21.6	101%	+0.2
Operating Income excluding amortization of actuarial gain/loss on pension assets	(22.0)	(19.9)	(111%)	(+2.1)
Ordinary Income	23.6	23.2	102%	+0.3
Net Income	14.1	13.5	104%	+0.5

Performance Forecast for the Fiscal Year Ending March 31, 2008

(¥ Billion)

	Fiscal Year ending March 31, 2008 (Forecast)	Fiscal Year ended March 31, 2007 (Results)	YoY Comparison (%)
Chemicals	263.0	247.0	106%
Plastics	255.0	244.6	104%
Electronics	169.0	150.7	112%
Life Sciences	59.5	53.5	111%
Others	5.5	5.1	106%
Total	752.0	701.3	107%

Progress of Medium-Term Management Plan WIT2008

A technology and intelligence oriented company that turns wisdom into business

W ---- Wisdom

I ---- Intelligence

T ---- Technology

Positioning of Medium-Term Management Plan **WIT2008**

Reform

WIT2000

- Reform management foundations
- Launch Group management

Promotion

WIT21

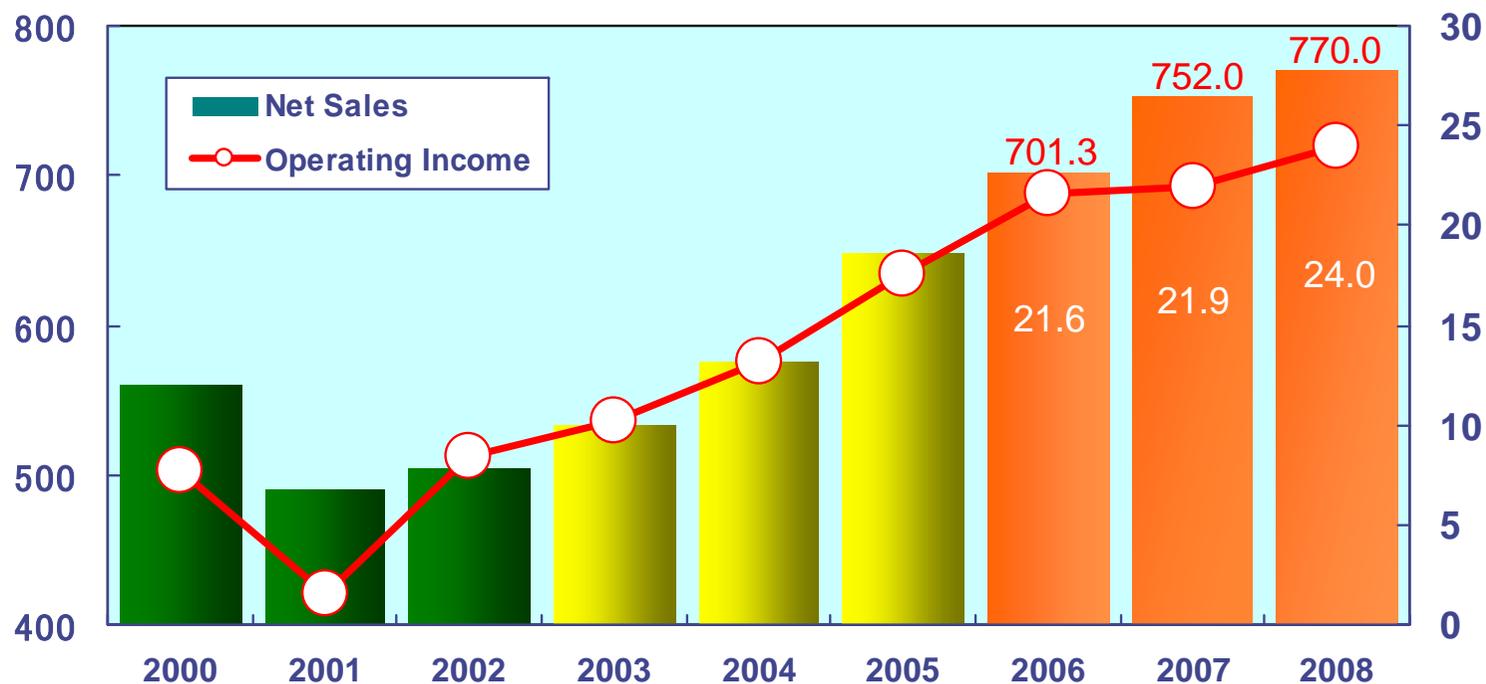
- Clearly define business policy
- Enhance business foundations
- Enhance management foundations

Reinforcement

WIT2008

- Strengthen administrative operations
- Maintain Nagase's unique corporate culture
- Deepen business portfolio strategy

(¥ Billion)



(¥ Billion)

Basic Strategies of WIT2008

**Become More Robust
to Achieve Sustainable Growth**

**Invest Aggressively in
Key Areas**

**Expand Business
Base**

**Restructure for
High Profitability**

Deepen Business Portfolio Strategy

**Maintain Sound
Financial Position**

**Improve Consolidated
Management System**

**Ensure Thorough
Risk Management**

Strengthen Administrative Operations

Front-line Focus

**Enhance Personnel
Quality and Quantity**

**Strengthen
Technology
and Intelligence**

Maintain Nagase's Unique Corporate Culture

Main Initiatives of WIT2008

Invest Aggressively in Key Areas

✧ Electronics

- Opening of Semiconductor Applications Development Center (in Kitakyushu Science and Research Park)
- Establishment of Asian production base (in Malaysia) of subsidiary Pac Tech
 - Manufacturing of semiconductor production equipment and wafer bumping service—
- Full-scale startup of joint venture for LCD glass processing in Taiwan

✧ Life Sciences

- Construction started on phospholipid production facility at Nagase ChemteX Corp. Fukuchiyama factory
- Capacity expansion planned for sterile pharmaceutical products at Nagase Medicals Co., Ltd.

Measures Planned for this Year:

- Promotion of investment including M&A
- Strengthening of Nagase-led businesses (to convey the value of Nagase's presence)

Aiming for total investment of ¥30 billion (3 years)

Lab Room Clean Booth



Semiconductor Applications Development Center
*Floor area about 100m²



Business Support Center
in Kitakyushu Science
and Research Park

Main Initiatives of WIT2008

■ Expand Business Base

- Nagase Application Workshop (NAW) to be established
(Start of operation planned in July 2007)
Location: Amagasaki, Hyogo)
- Establishment of subsidiary in India with bases in Mumbai and Delhi
- Commencement and steady expansion of production at joint venture in plastics coloring business in Vietnam



Nagase Application Workshop
(Artist's rendering of completed facility)

Measures Planned for this Year:

- Further expansion of business in India and Vietnam
- Creation of businesses with strong presence in Europe and North America

Main Initiatives of WIT2008

■ Restructure for High Profitability

- Growth of sales and sharp improvement of profit margins at Nagase ChemteX Corp.
- Capital investment at Group manufacturing subsidiaries

Measures Planned for this Year:

- Strengthen manufacturing functions at Group companies
- Expand production and processing businesses, including fables

Examples:

- Nanotechnology business ⇒ Start of full-scale efforts with NanoGram Corp.
- Film business ⇒ Launch film business promotion office to build high-performance film business throughout the company



Nagase ChemteX Corp.
Stripper distillation and
regeneration facility

Main Initiatives of WIT2008

■ Maintain a Sound Financial Position

- Emphasize cash flow, improve operating cash flow
- Ongoing review of assets

■ Ensure Thorough Risk Management

- Awareness, understanding and control of new risks associated with business restructuring
- Establish the Compliance Department to ensure thorough compliance and respond to legislation
- Set up Internal Control System Committee to promote improvement of internal control system

■ Improve Consolidated Management System

- Deepen Group management and improve operating structure

■ Enhance Personnel Quality and Quantity

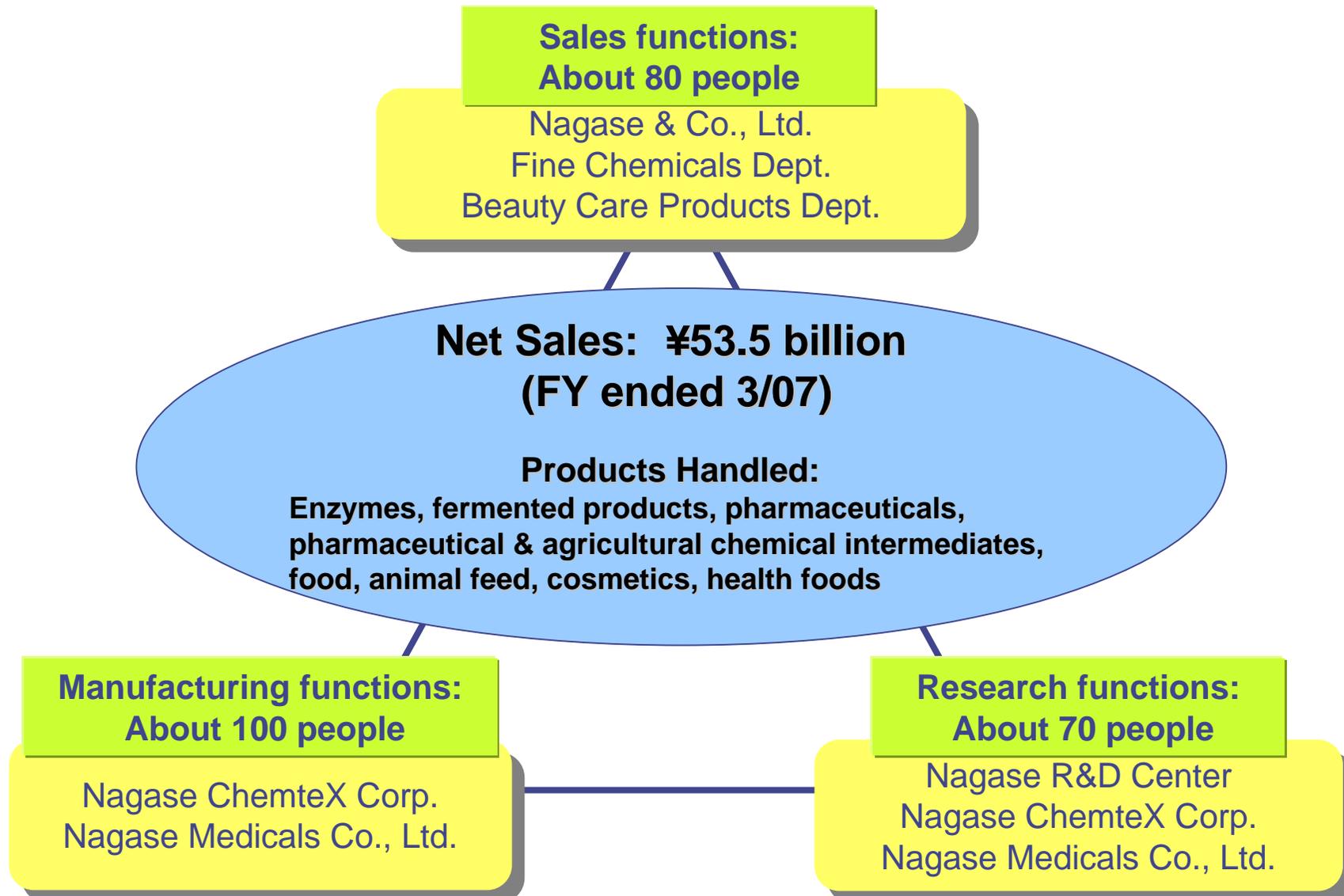
- Secure and foster “diversity” and “specialization”
 - ⇒ Conduct General Management Program
 - Training program to develop and strengthen foreign executives

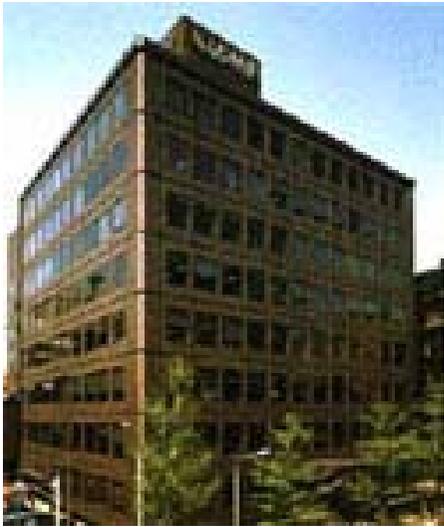
The Life Sciences Businesses

Kyoichi Zushi

Director and Managing Executive Officer
President of Nagase ChemteX Corporation

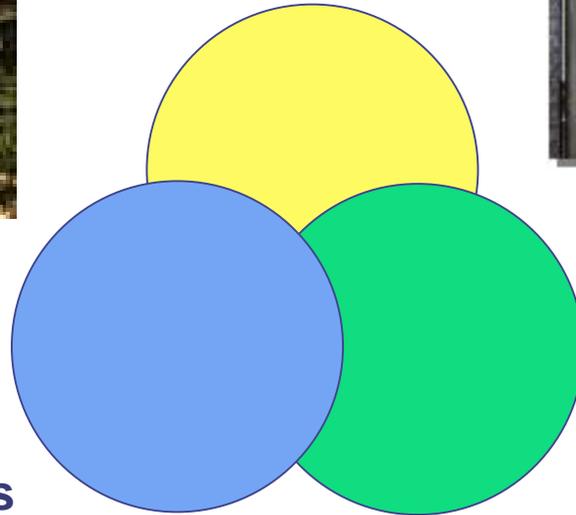
Overview of Life Sciences Businesses





**Nagase & Co., Ltd.
Tokyo Head Office**

Sales functions



Nagase Beauty Care Co., Ltd.

Manufacturing functions



**Nagase ChemteX
Corporation
Fukuchiyama Factory**

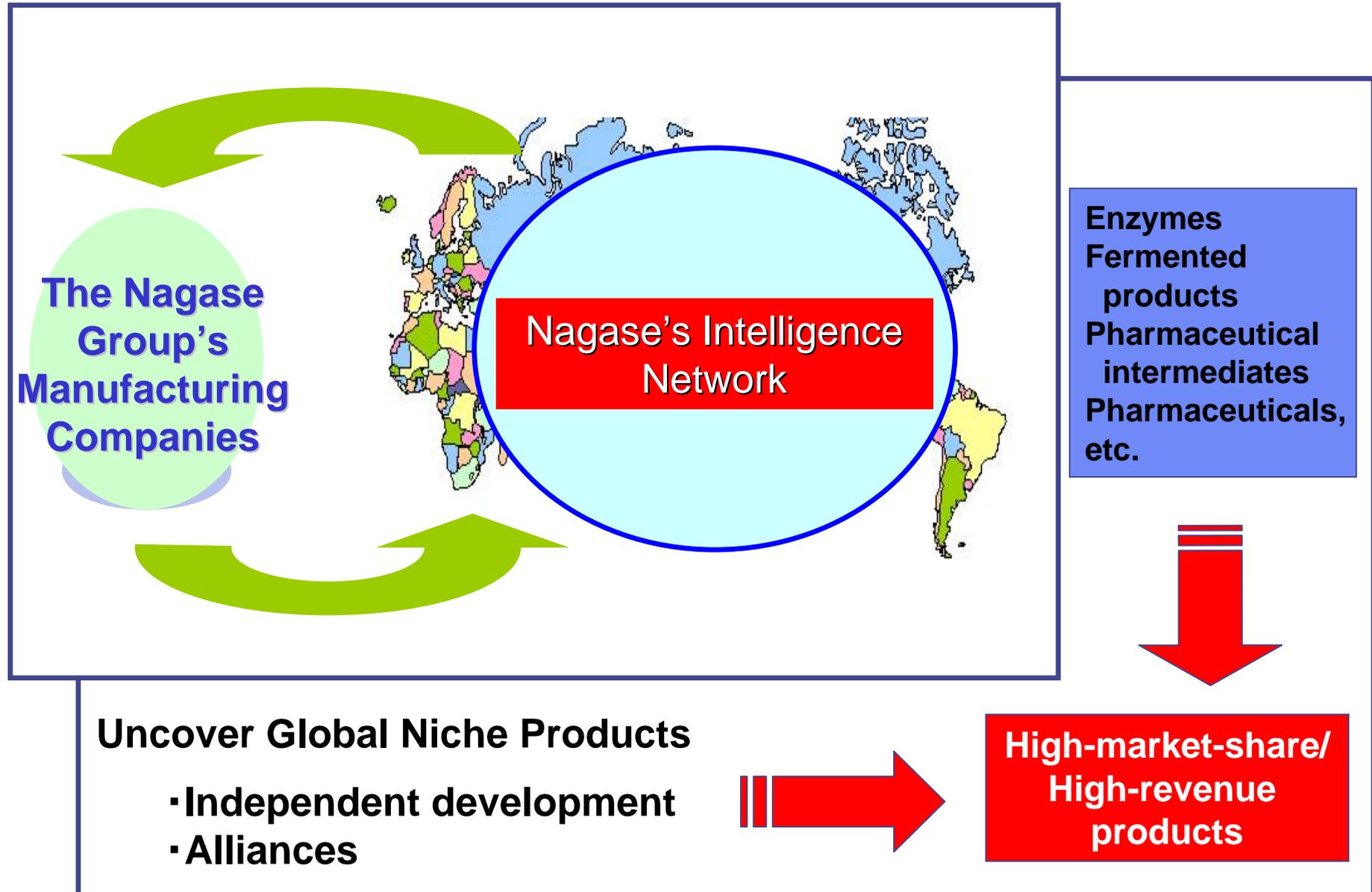


Nagase Medicals Co., Ltd.

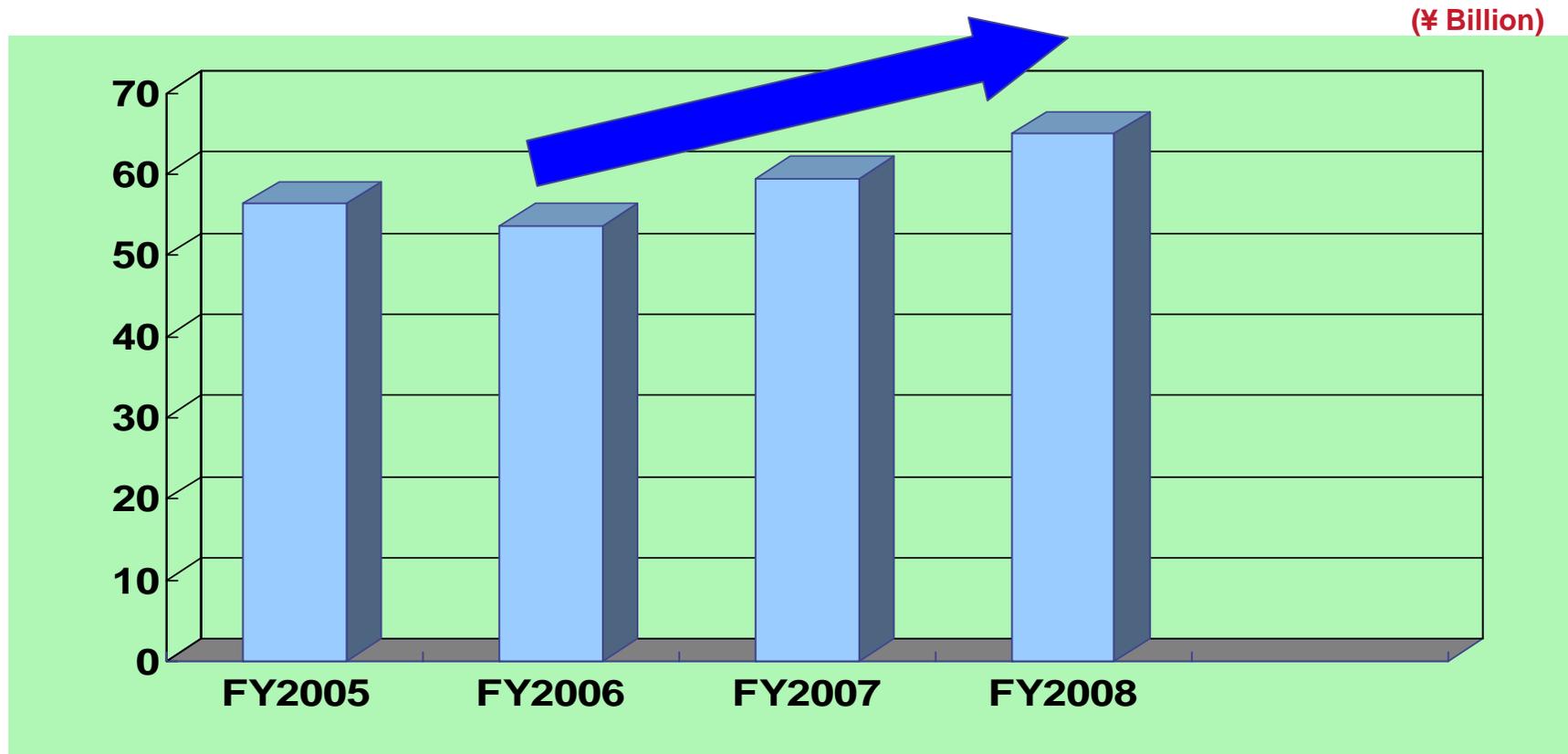
Research functions



**Nagase R&D Center
(Kobe)**



Sales of the Life Sciences Businesses



R&D expenses: About ¥1.1 billion in FY2006

2007 investment plans:

Nagase ChemteX Corp. Phospholipid facility Approx. ¥600 million

Nagase Medicals Co., Ltd. Sterile product facility Approx. ¥800 million

Future plans: Rebuild Fukuchiyama Factory

Nagase's Technological Capabilities

◆ Process Development Technologies

- Develop methods for producing unnatural amino acids using a chiral phase-transfer catalyst and enzymes
- Develop methods that use optical resolution, biotechnologies (microorganisms and enzymes) and organic synthesis to produce chiral compounds (pharmaceuticals, pharmaceutical intermediates, liquid crystal intermediates, etc.)

◆ Enzyme Development Technologies

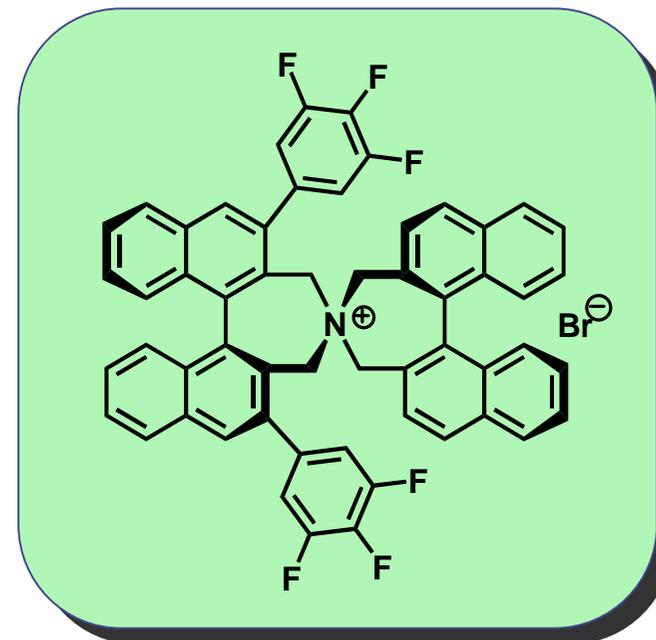
- Discover and apply new enzymes using our actinomycete library as a resource (phospholipid converting enzymes, phospholipids, etc.)

◆ Natural Materials Identification and Evaluation Technologies

- Develop new ingredients for health foods and cosmetics

◆ Pharmaceutical Manufacturing Technologies

- Manufacture sterile products (injectable and liquid)
- Applied technology for pharmaceuticals manufactured by spray-drying method

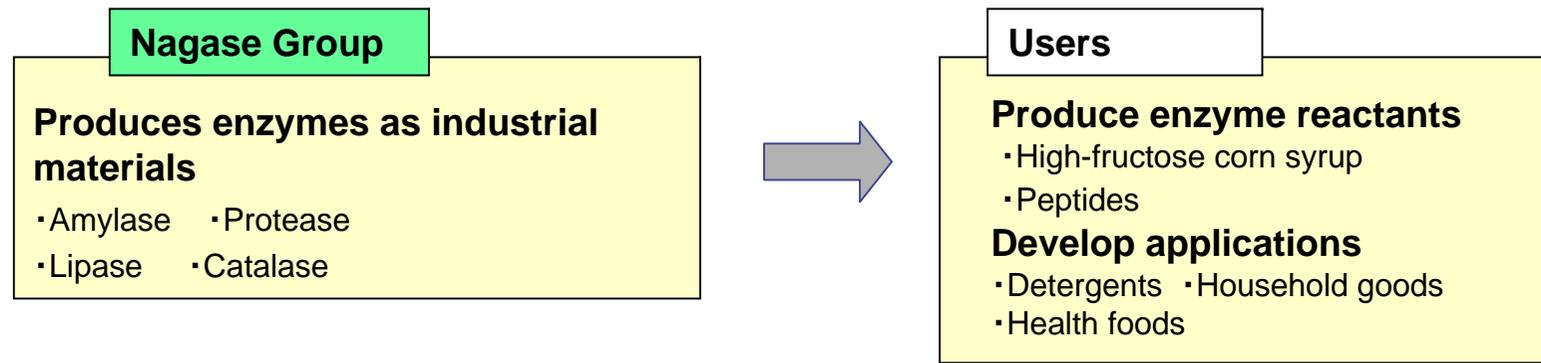


**Maruoka Catalyst
(USP 5,847,186)**

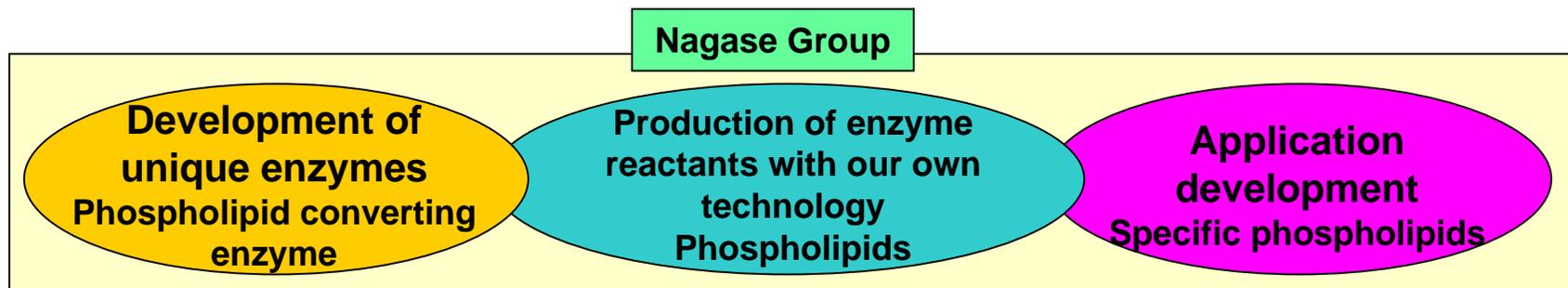
Maruoka, K. et al
J. Am. Chem. Soc. 2000, 122, 5228

Enzyme-Related Business

▪ **Traditional Business Model**



▪ **Phospholipid Business Model**



Bring to market products with maximum value added within the Group! !

Phospholipid Business Model

Nagase Group

Development of unique phospholipid converting enzymes using actinomycetes

- **PLD** (phospholipase D)
- **PLA2** (phospholipase A2)
- **PLC** (phospholipase C)
- **PLB** (phospholipase B)

+

Production of phospholipids with our own technology

- **PS** (phosphatidyl serine)
- **PS-DHA** (DHA-bound phosphatidyl serine)
- **LPA** (lysophosphatidic acid)
- **LPG** (lysophosphatidyl glycerol)

Examples ...

In case of business with PLD (enzyme):
Market potential ¥10M/year

Enhancement
of added value

In case of business with phospholipids using PLD & PLA2:
Market potential Several billion yen/year

• Examples of phospholipid applications

- **Health foods** : PS (health functions, anti-aging), PS-DHA (health functions)
- **Emulsifiers** : LPG (natural emulsifier, natural bacteriostatic agent, natural modifying agent)
- **Cosmetics** : LPA (natural component of beautiful skin)



Planned site of phospholipid production facility

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



Nagase & Co., Ltd.

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

This presentation contains projections based on assumptions, forecasts and plans for the future as of May 17, 2007. Actual results may differ from projections due to risks and uncertainties associated with the global economy, competition, exchange rates fluctuations and other risks and uncertain factors.