October 30, 2006

Summary of Consolidated Interim Business Results for the Year Ended March 31, 2007

Company Name: Nagase & Co., Ltd. Stock Exchanges Listed: Tokyo, Osaka
Listing Code: 8012 Location of Head Office: Osaka Prefecture
(URL http://www.nagase.co.jp)
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Date of Board of Directors' Meeting for Interim Settlement of Accounts October 30, 2006
Adoption of U.S.GAAP: No

1. September 30, 2006 Consolidated Interim Results (April 1, 2006 - September 30, 2006)

(1) Consolidated Operating Results (Note: Amounts have been rounded down to the nearest million yen.)

	Sales		Operating income		Recurring income	
	¥millions	%	¥millions	%	¥millions	%
Interim period ended September 30, 2006	343,074	11.4	10,600	20.4	11,435	14.9
Interim period ended September 30, 2005	307,899	10.0	8,807	35.6	9,955	30.6
Year ended March 31, 2006	648,023		17,596		18,798	

	Interim Net Income		Interim EPS	Fully Diluted Interim EPS
	¥millions	%	¥	¥
Interim period ended September 30, 2006	6,489	(13.8)	50.68	50.49
Interim period ended September 30, 2005	7,532	60.7	59.08	58.94
Year ended March 31, 2006	12,892		100.33	100.05

Notes: 1. Gain (loss) on equity method investment
Interim period ended September 30, 2006: ¥268 million Interim period ended September 30, 2005: ¥41 million Year ended March 31, 2006: ¥120 million
2. Average number of shares during the consolidated accounting period
Interim period ended September 30, 2006: 128,062,124 Interim period ended September 30, 2005: 127,492,855 Year ended March 31, 2006: 127,703,31
3. Changes to accounting policies: Yes. (Description) Change of segment classify
4. The percentage figures for sales, operating income, recurring income and interim net income represen
increases (decreases) relative to the previous year's interim results.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥millions	¥millions	%	¥
Interim period ended September 30, 2006	406,583	203,487	48.5	1,538.82
Interim period ended September 30, 2005	356,230	180,745	50.7	1,413.71
Year ended March 31, 2006	396,773	196,620	49.6	1,535.70

Notes: 1. Shares issued and outstanding at end of the consolidated accounting perio
Interim period ended September 30, 2006: 128,245,525 Interim period ended September 30, 2005: 127,852,119 Year ended March 31, 2006: 127,981,41

(3) Consolidated Cash Flows

	Net cash from operating activities	Net cash used for financial activities	Net cash used for investment activities	Balance of cash and cash equivalents at term end
	¥millions	¥millions	¥millions	¥millions
Interim period ended September 30, 2006	6,470	(2,667)	(6,271)	21,054
Interim period ended September 30, 2005	(377)	896	3,263	22,425
Year ended March 31, 2006	(2,341)	(3,809)	9,330	22,936

(4) Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries: 47 Non-consolidated affiliated companies covered by equity method accounting: (
Affiliated companies covered by equity method accounting: 1(

(5) Changes to Scope of Consolidation and Application of Equity Method
Consolidated Subsidiaries: New: 7 Excluded: 0 Equity method: New: 2 Excluded: (

2. Consolidated Forecasts for the Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)

	Sales	Recurring Income	Net Income
	¥millions	¥millions	¥millions
Whole Year	694,000	22,700	13,600

Reference: Annual net income per share is projected to reach ¥106.05

* The above forecasts were prepared on the basis of information available on the date of release. Actual results may differ from these forecasts due to various factors.

Management Policy

1. Basic Management Policy

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.

In line with our management philosophy, we believe that consistently sincere and proper business practices are the key factor in contributing to society.

Based on this philosophy, Nagase seeks to become a unique company that combines the functions of a trading company and a manufacturer by exploiting our technology, information and wisdom, enhanced by experience. We will continue reinforcing these functions and offering business solutions in order to be customers' partner of choice in their business operations.

Accordingly, in formulating WIT2008, the new medium-term management plan for the three-year period starting April 2006, the Nagase Group set the following ambitious objectives.

(1) Continue to maintain and expand a solid business base for sustainable growth
(2) Achieve market recognition for our unique business model that deploys our strategic technology portfolio
(3) Increase our share in businesses where Nagase leads the market and is adding value through its capabilities
(4) Focus on management oriented toward CSR (corporate social responsibility)

The Nagase Group cannot address the diversifying demands of today's market and customers with an old-style business model of acting as a simple intermediary. We believe our most important mission is to thoroughly implement measures toward achieving the above-noted new objectives on a Group-wide basis.

2. Dividend Policy

The Nagase Group's basic policy is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders, based on comprehensive consideration of medium- to long-term business performance trends and anticipated demand for funds to meet future growth. The Nagase Group intends to use internal reserves effectively to enhance future business activities and its management base.

3. Approach and Policy Regarding Lowering the Minimum Trading Unit

We acknowledge that lowering the minimum trading unit is an effective means to encourage individual investors to participate in the stock market, and to increase liquidity of stock. We intend to address measures to lower the minimum trading unit after careful consideration of the costs and benefits in view of business performance and market conditions. However, at this time we have not set any concrete measures or timetable for their implementation.

4. Management Objectives and Medium-Term Strategies

Medium-term Management Plan WIT2008

The Nagase Group has launched WIT2008 (W: Wisdom, I: Intelligence, T: Technology), a new medium-term management plan for the three years from April 2006. We believe that now, when performance is good, is the best time to reinforce our corporate structure in order for the Nagase Group to continue to grow for the long term. Therefore, we have designated WIT2008 as a period of reinforcing our corporate structure for sustainable growth by balancing offensive and defensive strategies while strengthening both. Accordingly, we have set numerical targets for fiscal 2008, the final year of WIT2008, of consolidated net sales of ¥770 billion and consolidated operating income of ¥24 billion. As a management indicator, we will place primary importance on consolidated operating income, which clearly indicates the performance of main businesses in absolute amounts as well as explicitly showing changes in performance. Our specific strategies for the company as a whole will be to deepen our business portfolio strategy as an offensive tactic by

(1) expanding the business base;
(2) investing aggressively in strategic areas; and
(3) restructuring for high profitability.

As a defensive tactic, we will strengthen administrative operations by

(4) maintaining a sound financial position;
(5) ensuring thorough risk management; and
(6) improving the consolidated management system,

With all the above measures premised on

(7) enhancing personnel quality and quantity.

The strategic areas of WIT2008 are

- Electronics
- Life Sciences
- Automotive
- Overseas Operations

In the business base Nagase has built, these areas in particular allow us to exercise the strengths of the Nagase Group. At the same time, we believe they are areas with good prospects for significant market expansion.

5. Issues to Be Addressed by the Company

Implementation of the Company-wide Strategies of WIT2008

To reinforce the corporate structure for sustainable growth, we are conducting operations according to the following seven strategies.

(1) Expand the Business Base

We are working to expand existing businesses, establish new ones and expand our production bases. Our aim is to further solidify the industry position that we have established to date through a variety of business activities that leverage the relationships with many excellent customers we have cultivated and our network of sales and production bases, primarily in Asia. During the interim period, our local subsidiary in the export processing zone of the Philippines, which was established in December 2005, began full-scale operations. In Vietnam, our plastics coloring joint venture commenced production. We also established and began operations of a local subsidiary in Shenzhen City, Guangdong Province in response to business expansion in South China. In India, we submitted an application for the establishment of a local subsidiary.

(2) Invest Aggressively in Strategic Areas

Centered on electronics, life sciences, automotive and overseas operations, which are the strategic areas of WIT2008, we will invest in carefully selected projects while ensuring they are compatible with our technology and market strategies. In total, we plan to make investments on the order of about ¥30 billion over three years for projects such as new construction and renovation of production facilities at Group manufacturing companies. Our thin glass processing joint venture for LCD glass panel units, which we established in Taiwan in November 2005, began full-scale operation during the interim term. We have decided to make additional capital investments in anticipation of further expansion of production capacity. At Nagase ChemteX Corp., we constructed new facilities for commercial production of phospholipids, which are a functional ingredient in foods.

(3) Restructure for High Profitability

To increase our proportion of higher-margin businesses, we are developing original Nagase Group businesses centered on our manufacturing companies and the Nagase R&D Center. In this way, we will achieve higher profitability for the entire Group by increasing the proportion of high value-added businesses. At the same time, we continue to address underperforming businesses through restructuring and other measures. During the interim period, we decided to dissolve our base in Singapore, a subsidiary offering services such as analysis and design of energy-efficient facilities.

(4) Maintain a Sound Financial Position

Nagase will continue to emphasize cash flow oriented management. While working to improve operating cash flow, we will constantly review assets and focus on maintaining a sound financial position. In particular, to manage the operating assets of our overseas bases, we are promoting the development of an inventory management and operating structure that achieves a balance between meeting customer needs and minimizing stock requirements.

(5) Ensure Thorough Risk Management

To comprehensively identify, understand and control the various types of risk that arise in conjunction with its operations, the Nagase Group must further enhance its risk management system. Given this situation, we are reviewing our organizational structure to implement and enhance thorough regulatory oversight in all our business activities. We have been introducing various measures, including the establishment of a new Compliance Division, and in conjunction with this we are improving our internal control system.

(6) Improve the Consolidated Management System

To strengthen Group management, the Nagase Group is stepping up the measures it has been taking to enhance ties with subsidiaries and affiliates in each business. These measures include promoting sharing of strategies and information, and personnel exchange. In addition, we are working to enhance the Group operating structure by reviewing the functions of domestic and overseas subsidiaries and affiliates and by promoting more efficient use of management resources.

(7) Enhance Personnel Quality and Quantity

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

6. Issues Related to Parent Company, Etc.

Not applicable.

Business Performance and Financial Position

1. Business Performance

(1) Overview of Interim Period

Overall Company Performance

During the interim period ended September 30, 2006, the Japanese economy continued its moderate expansion. Japanese companies eliminated the “three excesses” – excessive payrolls, excessive production capacity and excessive debt. In addition to consumer spending and corporate capital expenditures, the growth drivers of domestic demand, the employment situation also continued to show positive signs, and exports were strong.

As a result of Nagase’s efforts to maximize its business performance under such conditions, domestic sales increased 7.6 percent compared with the same period of the previous year to ¥203.70 billion, and overseas sales increased 17.5 percent to ¥139.36 billion, for total net sales of ¥343.07 billion, an increase of 11.4 percent.

As for profits, due to the increase in net sales and other factors, operating income was ¥10.60 billion, a 20.4 percent increase compared with the same period of the previous year, and ordinary income was ¥11.43 billion, a 14.9 percent increase. However, net income decreased 13.8 percent to ¥6.48 billion due to factors including a substantial year-on-year decrease in gains on sales of property and equipment and investments in securities.

Segment Summaries

Starting from the current fiscal year, business segment classifications have been partially revised. For details of the revision, refer to “Segment Information” on page 20.

[Chemicals]   Sales: ¥120.69 billion, 11.0 percent increase year-on-year

The Chemicals segment performed strongly overall due mainly to higher sales of chemicals with final applications in the automotive sector and expansion of overseas sales.

- In the performance chemicals business, which covers relatively upstream areas, sales increased as a result of our focus on businesses related to the automotive industry, such as coating and urethane materials. Overseas sales of products including flame retardants for plastics also increased.
- In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, sales of ink and toner materials for printers, copiers and other office equipment were flat, but sales of products such as functional color pigments for plasma displays and other applications, and conductive polymers, increased. Sales of dyestuffs were

flat, including overseas sales, on which we are focusing our efforts. However, sales of the colors and imaging business were strong overall.

- In the speciality chemicals business, where we handle a wide range of surfactants and oil solutions used as raw materials for detergents, cosmetics and other household toiletries, as well as materials for organic synthesis such as silicones and fluorochemicals, sales were generally strong. Overseas sales of epoxy compounds made by Nagase ChemteX Corp., the Group's core manufacturer, showed particular growth.

[Plastics] Sales: ¥120.10 billion, 9.7 percent increase year-on-year

The Plastics segment performed strongly overall due to increased sales overseas, mainly in Asia, and expansion of domestic sales, including to the automotive industry.

- Sales of engineering plastics and general-purpose resins for copiers and other precision equipment applications increased, mainly in Thailand, Singapore and elsewhere in Southeast Asia. In Greater China, including Hong Kong and Taiwan, sales of engineering plastics for CDs, DVDs and other media applications decreased, but sales were firm overall due to increased sales of products such as molding equipment for manufacturing LCD components.
- Sales to the automotive industry were strong overall. Despite a small decrease in North America, sales in South China increased substantially, and sales of plastics, molding equipment and components all expanded in Japan.
- Sales of materials and products for housing equipment and building materials increased due to growth in sales of our original products using wood composite materials.
- Although still relatively small, sales of our electronic component assembly business, which we conduct as part of the plastics business, continued to increase steadily. In sales of products to the domestic packaging industry, sales of materials for cosmetics containers increased, but sales of products for household materials applications decreased.
- Among the Group's domestic manufacturing companies, sales at Setsunan Kasei Co., Ltd., which manufactures plastic coloring and compounding, increased marginally. However, sales were flat at Totaku Industries, Inc., a manufacturer of flexible hoses and pipes for household appliances and industrial applications, and decreased slightly at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging.

[Electronics] Sales: ¥73.80 billion, 26.9 percent increase year-on-year

Sales of the Electronics segment increased substantially as a result of the strong performance of the LCD-related component business and products such as precision abrasive materials for semiconductors and other applications.

- Regarding business centered on original products manufactured by Nagase ChemteX Corp. and other Group companies, sales of modified epoxy resins increased slightly. Sales of supply and control equipment and chemicals for front-end-of-line photolithography for LCDs and semiconductors also increased, resulting in steady sales growth overall.

- In the LCD-related business, including post-processing, sales of optical film and LCD modules decreased, but sales of derivative businesses including LCD component processing and aluminum housing materials for electronic equipment increased strongly, resulting in an overall increase in sales.
- Sales of materials for precision abrasives used in silicon wafer processing and substrates for hard disks increased significantly. Sales of encapsulants used in post-processing of semiconductors also increased.
- Sales of our original surface inspection systems expanded steadily, primarily for optical films used by the LCD industry.

[Life Sciences]　Sales: ¥25.55 billion, 7.9 percent decrease year-on-year

In the Life Sciences segment, sales decreased overall due to a decline in sales in the fine chemicals and beauty care businesses, and drastic restructuring of the medical care business, including withdrawal from businesses in the previous fiscal year.

- In the fine chemicals business, which handles raw materials and intermediates for pharmaceuticals and agricultural chemicals, enzymes and other products, overall sales decreased because sales of agricultural chemical intermediates and fermentation products increased only slightly, and sales of pharmaceutical intermediates were sluggish.
- In the beauty care products business, which handles cosmetics and health foods, sales of certain health foods increased, but sales of cosmetics were weak, resulting in an overall decrease in sales.

[Others]　Sales: ¥2.91 billion, 23.5 percent decrease year-on-year

Sales of the Others segment decreased overall due to continued weakness of sales of products such as DVD players with LCD screens and direct sales of DVD movie software to end-users.

(2) Forecast for the Fiscal Year

(Million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2007	694,000	21,200	22,700	13,600
Year ended March 31, 2006	648,023	17,596	18,798	12,892
Year-on-year increase (%)	7.1%	20.5%	20.8%	5.5%

Despite concerns such as trends in the economies of the United States, China and other countries, crude oil prices and exchange rates, the recovery of the Japanese economy is expected to continue, supported by private-sector demand. The forecast for the fiscal year is calculated on the basis of information available at this time. However, the forecast may significantly differ from actual results due to unforeseen circumstances, changes in the operating environment and other factors.

2. Financial Position

(1) Overview of Interim Period

a. Summary of Consolidated Balance Sheets

Total assets increased ¥9.81 billion compared with the end of the previous fiscal year to ¥406.58 billion. Investments in securities decreased due to a drop in stock prices, but notes and accounts receivable increased due to the increase in net sales and because the balance sheet closing date was a business holiday.

Net assets including minority interests increased ¥1.11 billion compared with the end of the previous fiscal year to ¥203.48 billion, despite a decrease in net unrealized gain on securities declared as net assets, as a result of the Company recording net income and other factors.

As a result, the net worth ratio declined 1.1 percentage points from 49.6 percent to 48.5 percent.

b. Summary of Consolidated Cash Flows

Despite payment of income taxes and other items, net cash provided by operating activities was ¥6.47 billion due to income before income taxes of ¥11.61 billion.

Net cash used in investing activities was ¥2.66 billion due to factors including purchases of property and equipment and purchases of investments in securities.

Net cash used in financing activities was ¥6.27 billion due to factors including decrease in commercial paper, and cash dividends paid.

As a result, the balance of cash and cash equivalents at the end of the interim period was ¥21.05 billion, a decrease of ¥1.88 billion compared with the end of the previous fiscal year.

(2) Trends in Cash Flow Indicators

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Six months ended Sept. 30, 2006
Net worth ratio	49.5%	50.3%	49.8%	49.6%	48.5%
Net worth ratio based on market value	23.2%	38.8%	40.8%	51.0%	46.4%
Debt repayment period	3.8 years	2.6 years	8.2 years	-	1.7 years
Interest coverage ratio	10.1	13.9	3.3	-	15.7

Notes: Net worth ratio = (Net assets – Stock acquisition rights – Minority interests) / Total assets
Net worth ratio based on market value = Market capitalization of shares / Total assets
Debt repayment period = Interest-bearing debt / Operating cash flow
Interest coverage ratio = Operating cash flow / Interest expense

*All indicators are calculated on the basis of consolidated financial figures.
*Market capitalization of shares is calculated by multiplying the closing price of shares at the end of the period by the total number of outstanding shares at the end of the period.
*Operating cash flow refers to net cash provided by operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all debt for which interest is payable as declared in the Consolidated Balance Sheets. Interest expense refers to the amount of interest paid as shown in the Consolidated Statements of Cash Flows.

3. Operating and Other Risks

The Nagase Group conducts business on a global basis. We provide trading, marketing, research and development, and manufacturing and processing services in the five business fields of chemicals, plastics, electronics, life sciences, and others. Due to the nature of these businesses, we are exposed to a variety of unforeseeable risks. The following presents an overview of operating and other issues to which the Nagase Group is subject and that exert or could exert a significant influence on investor decisions.
Forward-looking statements are Nagase Group estimates as of September 30, 2006.

(1) Impact of Fluctuations in Foreign Currency Exchange Rates

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

(2) Risks Involved in Operating Overseas

A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in 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 would have the potential to impact the Group's performance and financial position.

(3) Impact of Changes in Stock Prices

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

(4) Risk of New Investments

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

(5) Product Quality Risk

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

(6) Risks of Handling Various Chemicals

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