Consolidated Financial Statements for the Fiscal Year Ended March 31, 2007

April 27, 2007

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Nagase & Co., Ltd.
Stock exchange listing:Tokyo, Osaka (First Section)
Code number: 8012
http://www.nagase.co.jp
Representative: Hiroshi Nagase, Representative Director and President
Contact: Takahide Nagata, Manager, Corporate Accounting Division

Annual General Meeting of Stockholders (scheduled): June 27, 2007
Start of distribution of dividends (scheduled): June 28, 2007
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): June 28, 2007

1. Consolidated Results for the Fiscal Year Ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(1) Revenues and Income (Percentages represent change compared with the previous fiscal year.)

	Revenues (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2007	701,321	8.2	21,669	23.1	23,231	23.6
Fiscal 2006	648,023	12.6	17,596	32.7	18,798	24.0

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Operating income/total revenues (%)
Fiscal 2007	13,567	5.2	105.85	105.51	6.8	5.7	3.1
Fiscal 2006	12,892	24.2	100.33	100.05	7.1	5.1	2.7

(Reference) Equity in earnings of affiliates: Fiscal 2007: ¥519 million (Fiscal 2006: ¥120 million)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
Fiscal 2007	422,859	211,672	48.5	1,597.27
Fiscal 2006	396,773	196,620	49.6	1,535.70

(Reference) Equity capital: Fiscal 2007: ¥205,083 million (Fiscal 2006: ¥ — million)

(3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2007	9,832	(4,181)	(8,420)	21,919
Fiscal 2006	(2,341)	(3,809)	9,330	22,936

2. Dividends

	Dividends per share (¥)			Total dividends paid (full year)	Payout ratio	Dividends/net assets
	Interim	Year-end	Full year			
Fiscal 2007	—	15.00	15.00	1,920	15.0	1.1
Fiscal 2006	7.50	10.50	18.00	2,310	17.0	1.1
Fiscal 2008 (est.)	8.50	8.50	17.00	—	15.5	—

Note: Dividends for the year ended March 2007 include a commemorative dividend of ¥2.00 per share.

3. Projected Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim Fiscal 2008	376,000	9.6	11,000	3.8	11,900	4.1	7,000	7.9	54.52
Fiscal 2008 (Full year)	752,000	7.2	21,900	1.1	23,600	1.6	14,100	3.9	109.82

4. Other

(1) Changes in Scope of Consolidation and Application of Equity Method: No

(2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Consolidated Financial Statements
(a) Changes in consolidated accounting methods: Yes
(b) Changes other than (a) above: Yes

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock): Fiscal 2007: 138,408,285 shares, Fiscal 2006: 138,408,285 shares
(b) Treasury stock at end of period: Fiscal 2007: 10,012,431 shares, Fiscal 2006: 10,426,874 shares

(Reference) Summary of Nonconsolidated Results

1. Nonconsolidated Results for the Fiscal Year Ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(1) Revenues and Income (Percentages represent change compared with the previous fiscal year.)

	Revenues (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2007	497,116	5.0	8,246	20.9	12,872	24.6
Fiscal 2006	473,351	7.0	6,822	31.7	10,329	21.5

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Fiscal 2007	7,770	0.3	60.61	60.42
Fiscal 2006	7,747	29.0	60.10	59.94

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
Fiscal 2007	321,537	150,142	46.7	1,168.07
Fiscal 2006	305,347	148,920	48.8	1,162.72

(Reference) Equity capital: Fiscal 2007: ¥150,019 million (Fiscal 2006: ¥ — million)

2. Projected Nonconsolidated Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Revenues		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim Fiscal 2008	260,000	5.5	3,500	(13.1)	7,200	(7.0)	5,000	(6.8)	38.93
Fiscal 2008 (Full year)	520,000	4.6	7,000	(15.1)	11,800	(8.3)	7,800	0.4	60.73

Note: Cautionary Remark Regarding Forward-Looking Statements
statements made in this document with respect to Nagase's plans, strategies, beliefs and other statements that are not historical facts are forward-looking statements based on the assumptions and beliefs of the Company's management in light of the information currently available to it and involve risks and uncertainties which may affect the Company's future performance.

1. Business Performance

(1) Analysis of Business Performance

a. General Summary of Results

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

As a result of Nagase’s efforts to expand its business results under such conditions, domestic sales increased 5.7 percent year-on-year to ¥410.78 billion and overseas sales increased 11.9 percent to ¥290.53 billion, for total net sales of ¥701.32 billion, an increase of 8.2 percent.

As for profits, due to the increase in net sales and other factors including amortization of actuarial gains on pension fund investments that arose in the previous fiscal year, operating income increased 23.1 percent year-on-year to ¥21.66 billion and ordinary income increased 23.6 percent to ¥23.23 billion. However, net income increased only 5.2 percent due to factors including a large year-on-year decrease in gains on sales of property and equipment and investments in securities.

b. Summaries by Business Segment

Starting from the fiscal year ended March 31, 2007, business segment classifications have been partially revised..

[Chemicals]   Sales: ¥247.09 billion, 11.2 percent increase year-on-year
The Chemicals segment performed strongly overall due to higher sales of chemicals with final applications in the automotive sector, and because sales in the general-purpose chemicals sector increased mainly due to the effect from improved conditions in the materials market.

- 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 urethane materials and coating materials. Both domestic and overseas sales of additives for plastics increased, and the increase in sales of general-purpose chemicals also contributed, resulting in strong sales overall.
- 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 additives for flat-panel displays and conductive polymers increased. Sales of dyestuffs were flat, including overseas sales, on which we are focusing our efforts. Overall sales of the colors and imaging business increased slightly.
- In the speciality chemicals business, where we handle a wide range of surfactants used as raw materials for detergents, cosmetics and other household toiletries, as well as materials for organic synthesis such as oil solutions, 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: ¥244.68 billion, 6.7 percent increase year-on-year
The Plastics segment performed strongly overall due to increased sales overseas, mainly in Asia, and expansion of domestic sales to the automotive and other industries.

- Sales of plastics for printers, copiers and other precision equipment applications were strong, mainly 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 increased overall.
- Sales to the automotive industry increased in Asia, primarily in Southern China. Sales in North America were flat, but sales of plastics and components expanded in Japan, resulting in strong sales overall.
- In the business of materials and products for housing equipment and building materials, sales of our original products using wood composite materials increased. Sales of other building materials and plastics also increased marginally, and sales increased overall.
- In sales of products to the packaging industry in Japan, sales of materials for cosmetics containers increased, but sales of products for household materials applications decreased. In addition, sales of the electronic component assembly business, which we conduct as part of the plastics business, decreased.
- Among the Group's domestic manufacturing companies, sales were flat at Totaku Industries, Inc., a manufacturer of flexible hoses and pipes for household appliances and industrial applications and at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging. Sales at Setsunan Kasei Co., Ltd., which manufactures plastic coloring and compounding, increased marginally.

[Electronics]   Sales: ¥150.79 billion, 14.2 percent increase year-on-year

The Electronics segment performed strongly overall due to a general expansion of LCD-related business and an increase in sales of precision abrasive materials for semiconductors and other applications.

- In business centered on original products manufactured by Nagase ChemteX Corp. and other Group companies, sales of modified epoxy resins increased steadily. Sales of supply and control equipment and chemicals for front-end-of-line photolithography for LCDs and semiconductors also increased, resulting in substantial growth in sales overall.
- In the LCD display-related business, including post-processing, sales of LCD modules decreased sharply, and sales of optical film were down slightly. However, sales of derivative businesses including LCD component processing and aluminum housing materials for electronic equipment increased substantially, resulting in overall sales at the same level as the previous fiscal year.
- Sales of materials for precision abrasives used in silicon wafer processing for semiconductors expanded significantly, and sales of substrates for hard disks also increased. In addition, sales of encapsulants and other products used in post-processing of semiconductors were strong. As a result, overall sales increased substantially.
- Sales of communication and imaging-related products, including Nagase's original surface inspection systems, were basically unchanged from the previous fiscal year.

[Life Sciences]   Sales: ¥53.55 billion, 5.0 percent decrease year-on-year

In the Life Sciences segment, sales in the fine chemicals business were flat, while sales in the beauty care products business decreased slightly. In addition, sales were affected by the drastic restructuring of the medical care business which included withdrawal from businesses in the previous fiscal year. As a result, sales decreased overall.

- In the fine chemicals business, sales of pharmaceutical intermediates decreased, but sales of enzyme and inspection related products increased, resulting in flat sales overall.
- In the beauty care products business, which handles cosmetics and health foods, sales increased slightly, centered on new cosmetic products. However, sales of health foods were sluggish, resulting in a slight decrease in sales overall.

[Others]　Sales: ¥5.19 billion, 34.9 percent decrease year-on-year
Sales of the Others segment decreased sharply overall due to the transfer of the business of direct sales of products such as DVD movie software to end-users.

(3) Forecast for the Next Fiscal Year

(Million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2008	752,000	21,900	23,600	14,100
Year ended March 31, 2007	701,321	21,669	23,231	13,567
Year-on-year increase (%)	7.2%	1.1%	1.6%	3.9%

The forecast for the next fiscal year is calculated on the basis of information available to the Company at present. However, the forecast may differ significantly from actual results due to unforeseen changes in economic conditions or the operating environment, including the effect of economic trends in the United States and China, the effect of changes in crude oil prices on the materials industry, and changes in the supply/demand balance in the market, particularly for LCDs and other electronic equipment related products.

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

Total assets increased ¥26.08 billion compared with the end of the previous fiscal year to ¥422.85 billion. Investments in securities decreased due to a drop in stock prices, but notes and accounts receivable and inventories increased due to the increase in net sales and because the balance sheet closing date was business holiday.

Net assets including minority interests increased ¥9.29 billion compared with the end of the previous fiscal year to ¥211.67 billion, despite a decrease in net unrealized gain on securities, as a result of the increase in retained earnings 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 accrued income taxes and other items, net cash provided by operating activities was ¥9.83 billion due to income before income taxes of ¥23.09 billion.

Net cash used in investing activities was ¥4.18 billion due to factors including purchases of property and equipment and purchases of investments in securities.

Net cash used in financing activities was ¥8.42 billion due to factors including a decrease in commercial paper and cash dividends paid.

As a result, the balance of cash and cash equivalents at the end of the period was ¥21.91 billion, a decrease of ¥1.01 billion compared with the end of the previous fiscal year.

c. 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	Year ended March 31, 2007

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%	45.1%
Interest-bearing debt to cash flow ratio	3.8 years	2.6 years	8.2 years	--	2.1 years
Interest coverage ratio	10.1	13.9	3.3	--	11.4

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
Interest-bearing debt to cash flow ratio = 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.
*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) Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2007 and Ending March 31, 2008

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 demand for funds to meet future growth and consolidated business performance trends. The Nagase Group intends to use internal funds effectively to enhance future business activities and its management base.

Based on this policy, for the year-end dividend applicable to the fiscal year ended March 31, 2007, Nagase will increase the ordinary dividend by ¥1.00 per share and add a special dividend of ¥2.00 per share to commemorate the Company's 175th anniversary, for a total dividend of ¥10.50 per share. As a result, total dividends for the year, including the interim dividend, will increase by ¥3.00 to ¥18.00 per share.

For the year ending March 31, 2008, Nagase plans to pay total dividends of ¥17.00 per share.

(4) 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, the Nagase Group is exposed to a variety of 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.

a. Risks Associated with Business Activities in General
The Nagase Group conducts a broad range of businesses in the fields of chemicals, plastics, electronics and life sciences. Accordingly, significant changes in trends of the Japanese and global economies and the chemical industry in general have the potential to impact the Group's performance and financial position.

b. Influence of Market Conditions for Products
The Nagase Group has wide-ranging business operations centered on the chemical and plastics businesses, which handle petrochemical products manufactured with naphtha as a raw material.

Market conditions specific to each petrochemical product are shaped by the market conditions for their raw materials and the supply/demand balance. Changes in these factors have the potential to impact the sales and profits of such transactions.

c. Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import, export 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 have the potential to impact the 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.

d. 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.

e. 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. In addition, an erosion in the value of pension fund investments due to a drop in stock prices would have the potential to impact profits due to increased pension benefit costs.

f. Risks Associated with Customer Credit

The Nagase Group extends credit to domestic and overseas customers as part of its diverse commercial transactions, and therefore assumes credit risk. To prevent these credit risks, the Group hedges risks in ways such as obtaining collateral or guarantees, depending on the customer’s credit standing. However, there is no absolute certainty that these credit risks can be completely avoided, and deterioration in the credit standing or the failure of a customer has the potential to impact the Group’s business performance and financial position.

g. Risk of New Investments

The Nagase Group’s businesses center primarily 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 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.

h. 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.

i. 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.

2. Overview of the Nagase Group

3. Management Policies

(1) Basic Management Policy

The content has not changed significantly from that announced with the Summary of Consolidated Interim Business Results on October 30, 2006, and is summarized as follows:

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

The summary of consolidated interim business results in which the management policy is described in greater detail is available at the following URL:

http://www.nagase.co.jp/english/investor/08.html

(2) Management Objectives and Medium-Term Strategies

The content has not changed significantly from that announced with the Summary of Consolidated Interim Business Results on October 30, 2006, and is summarized as follows:

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.

The summary of consolidated interim business results in which the management objectives and medium-term strategies are described in greater detail is available at the following URL:

http://www.nagase.co.jp/english/investor/08.html

(3) 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.

a. 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 year ended March 31, 2007, Nagase Philippines International Services Corp., which was established in the export processing zone of the Philippines in December 2005, began full-scale operations. In Vietnam, our plastics coloring joint venture also commenced production, and is expanding steadily. In addition, our sales companies in China have obtained permission to conduct domestic sales in renminbi under that country's new law. In India, we established a subsidiary in November 2006, and have set up operating bases in Mumbai and New Delhi.

b. 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. In the electronics sector, 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 past fiscal year, and we made additional capital investments in anticipation of further expansion of production capacity. We also opened the Semiconductor Applications Development Center in the Kitakyushu Science and Research Park to promote development of elemental technologies in the semiconductor post-processing business. German subsidiary Pac-Tech Packaging Technologies GmbH established a subsidiary in Malaysia to strengthen its production of semiconductor manufacturing equipment and wafer bumping services in Asia. In the life science sector, we constructed new facilities for commercial production of phospholipids, which are a functional ingredient in foods, at Nagase ChemteX Corp., and decided to further expand facilities for sterile preparations at Nagase Medicals Co., Ltd.

c. Restructure for High Profitability

To increase our proportion of higher-margin businesses, we developing original Nagase Group businesses centered on our manufacturing companies and the Nagase R&D Center. In this way, we are working to achieve higher profitability for the entire Group by increasing the proportion of high value-added businesses. During the past fiscal year, we expanded electronics related production at Nagase ChemteX Corp. At the same time, we continue to address underperforming businesses through restructuring and other measures. During the past fiscal year, we dissolved our base in Singapore, a subsidiary offering services such as analysis and design of energy-efficient facilities, and transferred our business of direct sales of DVD movie software and other products to end-users.

d. 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.

e. 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. In addition, we established the Internal Control System Committee to improve our internal control system, and initiated a project to conduct specific inspections, confirmations and record-keeping as a group.

f. 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.

g. 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.