



## Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2014 <Under Japanese GAAP>

February 5, 2014

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, (First Sections)

Code number: 8012 URL (<http://www.nagase.co.jp/english/>)

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Filing of quarterly report (scheduled): February 10, 2014

Start of distribution of dividends (scheduled): –

Supplementary documents of quarterly financial results: No

Quarterly investors' meeting: No

(Note: Amounts have been rounded down to the nearest million yen.)

### 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to December 31, 2013)

#### (1) Consolidated Operating Results

(Percentages represent changes compared with same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended								
December 31, 2013	543,112	8.0	12,613	2.9	14,547	5.1	11,150	(0.5)
December 31, 2012	502,760	6.4	12,252	9.5	13,842	2.6	11,209	48.5

(Note) Comprehensive income

Third quarter ended December 31, 2013: 27,470 million (86.4%)

Third quarter ended December 31, 2012: 14,735 million (590.3%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the third quarter ended				
December 31, 2013	87.84		–	
December 31, 2012	87.84		–	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2013	527,024	256,053	47.4	1,967.74
March 31, 2013	486,747	237,806	46.9	1,803.31

(Reference) Equity capital

As of December 31, 2013: 249,967 million

As of March 31, 2013: 228,505 million

### 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen		Yen	Yen	Yen
March 31, 2013	–	13.00	–	13.00	26.00
March 31, 2014	–	14.00	–		
March 31, 2014 (estimate)				14.00	28.00

(Note) Revisions to the latest projected dividends: No

### 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(Percentages represent changes compared with the corresponding periods of the previous fiscal year.)

	Net sales		Operating profit		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	725,000	8.8	15,700	0.8	18,200	1.5	11,800	(16.8)	92.89

(Note) Revisions to the latest projected consolidated results: No

#### \* Notes

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): No

New: — (Company name: ) Excluded: — (Company name: )

(2) Application of special accounting methods to the preparation of quarterly financial statements: No

(3) Changes of accounting policies or presentation methods in the consolidated financial statements

i. Changes in accordance with revisions to accounting and other standards: No

ii. Changes in items other than (i) above: Yes

iii. Changes in accounting estimates: No

iv. Restatement of prior period financial statements after error corrections: No

(Note) For details, see page 6, “2. Summary Information (Notes) (3) Changes of Accounting Policies or Presentation Methods in the Consolidated Financial Statements.”

(4) Number of shares issued and outstanding (common stock)

i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

December 31, 2013	138,408,285 shares	March 31, 2013	138,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

December 31, 2013	11,375,492 shares	March 31, 2013	11,693,809 shares
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iii. Average number of shares during the period

December 31, 2013	126,953,046 shares	December 31, 2012	127,614,463 shares
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#### \*Quarterly Review Implementation Disclosure

This quarterly report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Furthermore, quarterly consolidated financial statements were undergoing the review procedure process at the time of release.

#### \*Cautionary Statement with Respect to Forecasts of Consolidated Business Results

The earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

Please refer to “1. Qualitative Information (3) Qualitative Information related to Earnings Forecasts” on page 5 of this document.

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## 1. Qualitative Information

### (1) Business Performance

#### a. General Summary of Results

Japanese government and central bank economic policies continued to drive the yen lower and stock prices higher during the third fiscal quarter. At the same time, the economy experienced signs of a moderate recovery, with improvement in both capital investment and personal consumption.

Under these conditions, the Company recorded domestic sales for the cumulative consolidated third quarter in the amount of ¥277.29 billion (1.0% year-on-year increase). Overseas sales amounted to ¥265.82 billion (16.4% increase), owing in part to a cheaper yen valuation. In total, the Company as a whole recorded net sales of ¥543.11 billion (8.0% increase) for the quarter.

The Company recorded gross profit of ¥67.18 billion (8.0% year-on-year increase) for the period under review. This result was due mainly to higher year-on-year net sales owing to solid performance in our automobile-related business and office equipment and appliances business and higher net sales in our LCD film-related materials. Operating profit grew to ¥12.61 billion (2.9% year-on-year growth), reflecting an increase in retirement benefit costs due to amortizing retirement benefit obligation actuarial differences. Ordinary income grew 5.1% to ¥14.54 billion, stemming from higher foreign exchange gains due to the weaker yen. For the cumulative consolidated third quarter, net income amounted to ¥11.15 billion (0.5% year-on-year decrease). This result was mainly due to the fact that the Company recorded a gain on sale of non-current assets as extraordinary gains during the same period in the prior fiscal year.

#### b. Segment Summary

The following discusses Company earnings by segment.

Beginning with the consolidated first quarter of this fiscal year, the Company has reorganized certain of its reportable segments. For presentation purposes, the Company has calculated consolidated figures and ratios for the third quarter of the prior period according to these reorganized classifications.

#### Functional Materials

Functional Materials saw level year-on-year net sales as a whole, with higher net sales in Japan, Northeast Asia, Europe, and America offset by lower net sales in Southeast Asia.

The performance chemicals business recorded higher overall net sales compared to the same period in the prior fiscal year. While net sales in the plastic materials and additives business fell, solid performance of coating raw materials and urethane materials sales to automobile-related markets drove overall net sales higher.

The Group recorded lower net sales overall for our specialty chemicals business due to struggling domestic demand, despite strength in sales of silicone materials and fluorochemicals.

As a result, net sales for the Functional Materials segment amounted to ¥127.41 billion, which was a ¥60 million (0.1%) decrease compared to the prior consolidated third quarter. Segment operating profit came in at ¥3.32 billion—a ¥260 million (7.4%) year-on-year decrease.

#### Advanced Materials & Processing

Advanced Materials & Processing reported higher overall net sales for the period, driven by higher net sales both in Japan and in all regions around the world.

The colors and imaging business experienced overall year-on-year growth for the period. The Company reported higher domestic revenues for dyes/additives business, as well as growth in information printing materials in Japan, Europe, and the United States.

Our office equipment and appliances business reported higher net sales on the whole. This result stems mainly from increased plastic sales, as well as higher revenues in Southeast and Northeast Asia.

Our business focusing on functional films and sheets and plastic molding products showed lower overall net sales, which was the result of decreased year-on-year sales of anti-reflective materials for LCD TVs and anti-reflective sheets for game devices, which more than offset gains in net sales of our plastic products.

As a result, segment net sales for the consolidated third quarter amounted to ¥181.09 billion, or a ¥19.71 billion (12.2%) gain compared to the same period in the prior fiscal year. Operating profit amounted to ¥2.83 billion, which was a comparative ¥460 million (19.5%) higher.

### **Electronics**

The Electronics segment reported higher overall revenues, driven by growth in electronics in Japan, as well as in Northeast and Southeast Asia.

The electronic chemicals business experienced overall sales gains year on year, with strong performance in formulated epoxy resin for the heavy and light electric machinery markets. In addition, the business showed sales gains in chemicals used in the manufacture of LCD panels, as well as increased revenues related to equipment to hard disk drive manufacturer in Europe and the United States.

Net sales in our electronic materials business were level with the same period in the prior fiscal year. Lower performance in LED-related materials and touch panel materials was offset by growth in net sales of LCD film-related materials.

As a result, the Company recorded consolidated third quarter net sales of ¥103.83 billion, which was a ¥7.46 billion (7.7%) increase compared to the same period in the prior fiscal year. Operating profit amounted to ¥5.2 billion for the consolidated third quarter—a ¥5 million (0.1%) year-on-year increase.

### **Automotive & Energy**

The Company saw wide gains in net sales in our Automotive & Energy segment, where performance showed year-on-year gains in Japan, in Northeast and Southeast Asia, and in the United States and Europe.

Our automobile-related business recorded overall net sales improvements compared to the same period in the prior fiscal year. This result was mainly due to production recovery among Japanese auto manufacturers operating in China, as well as high levels of output in North America.

In our energy business, higher year-on-year performance in solar power related products and products for lithium ion batteries sales drove net sales higher for the business as a whole.

As a result, segment net sales for the consolidated third quarter amounted to ¥73.97 billion, representing a ¥12.97 billion (21.3%) increase year on year. Operating profit increased ¥690 million (124.9%) compared to the prior cumulative consolidated third quarter, reaching ¥1.24 billion for the segment.

### **Life & Healthcare**

The Company's Life & Healthcare business experienced higher net sales as a whole. In the foods industry, sales of trehalose and other functional saccharides in Japan and overseas drove strong performance and higher revenues. In contrast, we saw lower revenues in the skin care and toiletries market, mainly due to a decline in sales to Japan's whitening cosmetics market, which couldn't be offset by solid performance in functional saccharides and products for detergents sales to major overseas cosmetics manufacturers. Sales of pharmaceutical raw materials, intermediates and reagents in the pharmaceuticals and medical fields were level with the same period in the prior year.

Our beauty care products business includes sales of cosmetics and health foods. During the third quarter, we saw weak sales in both cosmetics and health foods for existing products; however, strong sales of new products pushed performance higher year on year as a whole business.

As a result, net sales amounted to ¥56.22 billion, which was a ¥280 million (0.5%) increase year on year. Operating profit fell to ¥2.5 billion, ¥490 million (16.4%) lower than the same period in the prior fiscal year. This decrease was mainly due to higher general and administrative expenses.

#### **Other**

No special matters to disclose.

## **(2) Financial Position**

### **a. Assets, Liabilities and Net Assets**

As of the end of the consolidated third quarter, current assets amounted to ¥330.03 billion. This represents an increase of ¥24.27 billion compared to the end of the prior consolidated fiscal year, mainly due to increased accounts receivable. Non-current assets amounted to ¥196.99 billion, an increase of ¥15.99 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to greater investments in securities via share price gains in equity investments. As a result, total assets increased by ¥40.27 billion compared to the end of the prior consolidated fiscal year, reaching ¥527.02 billion.

Liabilities amounted to ¥270.97 billion, which was an increase of ¥22.02 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in accounts payable and deferred tax liabilities due to unrealized holding gains on securities.

Net assets amounted to ¥256.05 billion, representing an ¥18.24 billion increase compared to the end of the prior consolidated fiscal year. The Company recorded net income of ¥11.15 billion for the period under review, as well as an increase in unrealized holding gains on securities and improved translation adjustments in connection with the weaker yen.

As a result, the Company's shareholders' equity ratio improved 0.5 points compared to the end of the prior consolidated fiscal year, reaching 47.4%.

See "2. Summary Information (Notes) (3) Changes of Accounting Policies or Presentation Methods in the Consolidated Financial Statements" for more regarding the impact of the adoption of retirement benefits accounting standards.

### **b. Cash Flows**

Cash and cash equivalents ("Cash") decreased by ¥4.35 billion (9.5%) compared to the end of the prior consolidated fiscal year, amounting to ¥41.46 billion. Cash from operating activities amounted to ¥4.41 billion, while cash used in investing activities came to ¥9.44 billion. Cash used in financing activities amounted to ¥1.67 billion and cash from translation differences amounted to ¥2.23 billion. As well, the Company added ¥110 million in cash from newly consolidated entities.

#### **(Cash Flows from Operating Activities)**

Cash flows from operating activities for the consolidated third quarter amounted to ¥4.41 billion. Accounts receivable increased by ¥19.38 billion, while the Company paid ¥5.86 billion in income taxes. However, these changes were more than offset by net income before income taxes of ¥16.21 billion, an increase in notes and accounts payable of ¥5.53 billion, and non-cash depreciation and amortization of ¥6.39 billion.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated third quarter amounted to ¥9.44 billion. Although the Company received ¥1.67 billion in cash from sales of investments in securities, we also recorded ¥6.83 billion in payments for purchases of property, plant and equipment, as well as cash outlays of ¥2.76 billion for investments in securities.

(Cash Flows from Financing Activities)

Cash used in financing activities for the consolidated third quarter amounted to ¥1.67 billion. While the Company recorded an increase in short-term loans ¥5.73 billion, we also paid ¥4.73 billion in long-term debt repayments, as well as ¥3.42 billion in cash dividends.

**(3) Qualitative Information related to Earnings Forecasts**

The Company has made no changes to its full-year consolidated earnings forecasts originally published on November 6, 2013.

## 2. Summary Information (Notes)

### (1) Changes of Classification of Specified Subsidiaries Accompanied by Changes in the Consolidation Scope

No matters to report.

### (2) Application of Special Accounting Methods to the Preparation of Quarterly Financial Statements

No matters to report.

### (3) Changes of Accounting Policies or Presentation Methods in the Consolidated Financial Statements

(Changes in Accounting Policies)

Beginning with fiscal years starting on or after April 1, 2013, companies may apply the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). Beginning with the consolidated first quarter, the Company has applied this accounting standard. Now, the Company records the amount of plan assets that are deducted from retirement benefit obligations as a liability related to retirement benefits, with unrecognized actuarial gains or losses and unrecognized past service costs recorded as liabilities related to retirement benefits. Further, the Company has revised its calculation method for retirement benefit obligations and service costs, changing the method of period attribution of the expected retirement benefit amount from a straight-line basis to a benefit formula basis. Further, the Company has changed the calculation method for the discount rate.

With the application of the Accounting Standard for Retirement Benefits, the Company will follow the transitional treatment as determined in Paragraph 37 of the Accounting Standard for Retirement Benefits, taking the amount of impact in connection with recording the amount of plan assets that is deducted from retirement benefit obligations as a liability related to retirement benefits, adding or subtracting to the cumulative adjustment amount related to the retirement benefits of the cumulative amount in other comprehensive income at the beginning of the third quarter. In addition, the Company will take the amount of impact in connection with the change to the calculation method of retirement benefit obligations and service costs to increase or decrease retained earnings at the beginning of the consolidated third quarter.

As a result of this accounting change, other comprehensive income as of the beginning of the consolidated third quarter has decreased by ¥982 million, while retained earnings has decreased by ¥671 million.

Further, with respect to retirement benefit costs (service costs/interest costs) of the consolidated third quarter, there is only an immaterial effect on operating profit, ordinary income and net income before income taxes when compared to the former accounting method used by the Company.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2013)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2013)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	46,693	41,890
Notes and accounts receivable	196,001	222,737
Merchandise and finished goods	47,104	50,025
Work in process	1,554	1,469
Raw materials and supplies	3,204	3,225
Deferred tax assets	4,282	4,405
Other	7,967	7,182
Less allowance for doubtful accounts	(1,057)	(906)
<b>Total current assets</b>	<b>305,751</b>	<b>330,030</b>
Non-current assets		
Property, plant and equipment	60,967	63,388
Intangible fixed assets		
Goodwill	30,726	30,281
Technology-based assets	20,093	18,911
Other	4,475	4,749
<b>Total intangible fixed assets</b>	<b>55,295</b>	<b>53,942</b>
Investments and other assets		
Investments in securities	56,870	70,837
Long-term loans receivable	837	1,209
Deferred tax assets	2,249	2,841
Other	5,067	4,985
Less allowance for doubtful accounts	(289)	(210)
<b>Total investments and other assets</b>	<b>64,734</b>	<b>79,663</b>
<b>Total non-current assets</b>	<b>180,996</b>	<b>196,994</b>
<b>Total assets</b>	<b>486,747</b>	<b>527,024</b>

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2013)	Third Quarter, Current Consolidated Fiscal Year (December 31, 2013)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	107,941	118,591
Short-term loans	25,061	34,421
Current portion of long-term debt	10,408	6,413
Accrued income taxes	2,947	2,594
Deferred tax liabilities	21	24
Accrued bonuses for employees	3,968	2,526
Accrued bonuses for directors	219	155
Other	15,244	15,601
<b>Total current liabilities</b>	<b>165,812</b>	<b>180,328</b>
Long-term liabilities		
Bonds	30,000	30,000
Long-term debt	32,614	33,107
Deferred tax liabilities	9,251	13,504
Accrued retirement benefits for employees	10,283	-
Liabilities for retirement benefits	-	12,941
Other	980	1,088
<b>Total long-term liabilities</b>	<b>83,129</b>	<b>90,643</b>
<b>Total liabilities</b>	<b>248,941</b>	<b>270,971</b>
<b>Net Assets</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,242
Retained earnings	199,160	205,909
Less treasury stock, at cost	(7,109)	(6,916)
<b>Total shareholders' equity</b>	<b>211,792</b>	<b>218,935</b>
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	17,943	27,677
Deferred (loss) gain on hedges	(6)	(18)
Translation adjustments	(1,223)	3,605
Cumulative adjustment for retirement benefits	-	(231)
<b>Total accumulated other comprehensive income</b>	<b>16,712</b>	<b>31,032</b>
Stock acquisition rights	50	-
Minority interests	9,250	6,085
<b>Total net assets</b>	<b>237,806</b>	<b>256,053</b>
<b>Total liabilities and net assets</b>	<b>486,747</b>	<b>527,024</b>

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**

(Quarterly Consolidated Statement of Income)  
(Cumulative Third Quarter)

(Millions of yen)

	Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - December 31, 2012)	Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2013 - December 31, 2013)
Net sales	502,760	543,112
Cost of sales	440,546	475,928
Gross profit	62,213	67,183
Selling, general and administrative expenses	49,960	54,569
Operating profit	12,252	12,613
Non-operating income		
Interest income	164	154
Dividend income	1,139	1,045
Rent income	218	213
Investment profit on equity method	677	487
Foreign exchange gain	202	725
Other	401	477
Total non-operating income	2,804	3,104
Non-operating expenses		
Interest expenses	824	818
Other	390	352
Total non-operating expenses	1,215	1,171
Ordinary income	13,842	14,547
Extraordinary gains		
Gain on sale of non-current assets	3,143	511
Gain on sale of investment securities	610	856
Other receivables	-	118
Gain on negative goodwill	-	404
Other	60	11
Total extraordinary gains	3,813	1,902
Extraordinary losses		
Loss on sale of non-current assets	15	43
Loss on disposal of non-current assets	125	113
Impairment loss	438	53
Loss on sale of investments securities	0	3
Loss on valuation of investments securities	128	19
Other	309	-
Total extraordinary losses	1,017	233
Net income before income taxes	16,637	16,216
Income taxes	4,916	5,687
Deferred taxes	(149)	(1,067)
Total income taxes	4,767	4,620
Net income before minority interests	11,870	11,596
Minority interests	660	445
Net income	11,209	11,150

(Quarterly Consolidated Statements of Comprehensive Income)  
(Cumulative Third Quarter)

(Millions of yen)

	Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - December 31, 2012)	Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2013 - December 31, 2013)
Net income before minority interests	11,870	11,596
Other comprehensive income		
Unrealized holding gain on securities	132	9,732
Deferred (loss) gain on hedges	1	(12)
Translation adjustments	2,375	5,086
Adjustments for retirement benefits	-	756
Share of other comprehensive income of associates accounted for using equity method	355	310
Total other comprehensive income	2,865	15,874
Comprehensive income	14,735	27,470
Comprehensive income attributable to:		
Comprehensive income, parent company	13,786	26,395
Comprehensive income, minority interests	949	1,075

### (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - December 31, 2012)	Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2013 - December 31, 2013)
<b>Cash flows from operating activities</b>		
Net Income before income taxes	16,637	16,216
Depreciation and amortization	5,543	6,391
Amortization of goodwill	1,206	1,250
Provision for accrued retirement benefits for employees	437	-
Increase (decrease) in adjustments for retirement benefits	-	1,248
Interest income and dividend income	(1,304)	(1,200)
Interest expenses	824	818
Foreign exchange gain (loss)	(360)	966
(Increase) decrease in notes and accounts receivable	1,786	(19,384)
(Increase) decrease in inventories	(4,096)	278
Increase (decrease) in notes and accounts payable	(2,058)	5,532
Other	(4,538)	(2,618)
Subtotal	14,077	9,498
Interest and dividends received	1,547	1,583
Interest paid	(754)	(796)
Taxes paid	(5,892)	(5,868)
Cash flows from operating activities	8,977	4,416
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(8,407)	(6,838)
Cash from sale of property, plant and equipment	3,073	752
Purchases of investments securities	(146)	(2,766)
Cash from sale of investments in securities	856	1,678
Cash used for purchase of investments	(508)	(1,143)
Change in short-term loans (increase)	(665)	(604)
Payment for acquisition of intangible fixed assets	(1,266)	(1,241)
Other	(519)	720
Cash flows from investing activities	(7,585)	(9,442)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans, net	(17,004)	5,730
Proceeds from long-term loans	4,575	997
Repayment of long-term debt	(5,792)	(4,734)
Proceeds from issuance of bond	29,855	-
Purchase of treasury stock	(1,649)	(0)
Cash dividends paid	(3,189)	(3,425)
Cash dividends paid to minority shareholders	(540)	(545)
Other	(82)	304
Cash flows from financing activities	6,172	(1,674)
Effects of exchange rate changes on cash and cash equivalents	760	2,234
Net increase (decrease) in cash and cash equivalents	8,325	(4,465)
Cash and cash equivalents at beginning of the year	28,517	45,816
Increase in cash and cash equivalents accompanying consolidation	915	113
Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years of consolidated subsidiaries	3,721	-
Cash and cash equivalents at end of the year	41,479	41,464

#### (4) Notes related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

##### I Nine months ended December 31, 2012 (consolidated)

###### 1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	127,482	161,378	96,376	61,005	55,931	502,174	585	502,760	–	–	502,760
Intersegment sales and transfers	1,777	889	497	1,018	337	4,519	3,882	8,401	–	(8,401)	–
Total	129,259	162,267	96,874	62,023	56,268	506,693	4,468	511,161	–	(8,401)	502,760
Segment income (loss)	3,586	2,371	5,194	553	3,001	14,707	253	14,960	(3,070)	362	12,252

(Notes)

1. Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.
2. Corporate segment income represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment translations.
4. The sum of segment income totals, Corporate and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

##### II Nine months ended December 31, 2013 (consolidated)

###### 1. Information related to net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	127,416	181,096	103,839	73,978	56,221	542,552	559	543,112	–	–	543,112
Intersegment sales and transfers	2,269	1,626	587	1,385	367	6,236	4,208	10,444	–	(10,444)	–
Total	129,686	182,722	104,426	75,363	56,589	548,789	4,767	553,557	–	(10,444)	543,112
Segment income (loss)	3,322	2,832	5,200	1,245	2,509	15,110	261	15,372	(3,013)	255	12,613

(Notes)

1. Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.
2. Corporate segment income represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment translations.
4. The sum of segment income totals, Corporate and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.

## 2. Changes in Reportable Segments

### (Changes in Business Classifications)

Beginning with the consolidated first quarter, the Company has moved its abrasives business for semiconductor and HDD industries from the Functional Materials segment to the Electronics segment in order to develop new markets and expand applications in a segment aligned more closely with the end user. Similarly, the Company has moved its raw materials business for the cosmetics industries from the Functional Materials segment to the Life & Healthcare segment. This move was made to capitalize on synergies with products created by Hayashibara Co., Ltd., which the Company acquired.

Segment information for the consolidated third quarter of the prior period reflects these segment changes.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials, plastic materials, plastic additives, industrial oil solutions, surfactants, fluorochemicals, encapsulant materials, and silicone materials and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor industries.

The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, dyes, functional dyes, information printing products, thermoplastic resins, thermosetting resins, synthetic rubber, inorganic materials, plastics products, resins molding tools/dies, external inspection equipment for the dye/additive, information printing, fiber processing, raw resin material, resin molding, functional film and sheet and other industries.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD/semiconductors, materials for LCD panels, materials and devices for semiconductor assembly, low-temperature/vacuum equipment, high-function epoxy resins, precision electronics abrasives, and more for the display, touch panel, LCD, semiconductor, hard disk drive, electronic components, and heavy electrical, industries.

The Automotive & Energy segment is engaged in sales of plastic products, thermoplastic resins, thermosetting resins, resins molding tools/dies, battery materials, solar cell/secondary battery-related materials and more for the automotive, automotive component, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, additives for cosmetics, feeds/fertilizers for the pharmaceutical, food, and cosmetics industries. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

### (Significant Fluctuations in Shareholders' Equity)

No matters to report.

### (Significant Subsequent Events)

No matters to report.

#### 4. Supplementary Information

##### (1) Overseas Sale

Nine months ended December 31, 2012 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sale (Millions of yen)	132,763	64,610	18,231	12,697	228,302
II Consolidated sales (Millions of yen)					502,760
III Ratio of overseas sales to consolidated sales (%)	26.4	12.9	3.6	2.5	45.4

Nine months ended December 31, 2013 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sale (Millions of yen)	151,323	80,804	19,482	14,209	265,820
II Consolidated sales (Millions of yen)					543,112
III Ratio of overseas sales to consolidated sales (%)	27.9	14.9	3.6	2.6	48.9

(Notes)

1. Sales in overseas markets consist of net sales of the Company and consolidated subsidiaries in other countries or regions.
2. Countries/regions are determined by geographical proximity.
3. Major countries in each region
  - (1) Northeast Asia.....Taiwan, China
  - (2) Southeast Asia.....Singapore, Thailand
  - (3) North America.....USA
  - (4) Europe & Others.....Germany