Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2013
<Under Japanese GAAP>

August 9, 2012

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 Sections)

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Filing of quarterly report (scheduled): August 10, 2012
Start of distribution of dividends (scheduled): –
Supplementary documents or quarterly financial results: No
Quarterly investors' meeting: No

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2013 (April 1, 2012 to June 30, 2012)

(1) Consolidated Operating Results (Percentages represent changes compared with same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary income		Net income	
For the first quarter ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2012	166,722	8.0	4,128	(1.6)	4,657	(13.1)	3,409	6.8
June 30, 2011	154,429	(4.6)	4,194	(25.3)	5,358	(16.6)	3,191	(7.0)

(Note) Comprehensive income First quarter ended June 30, 2012: ¥ 126 million (97.0% decrease)
First quarter ended June 30, 2011: ¥ 4,272 million (497.2%)

	Earnings per share	Earnings per share (diluted)
For the first quarter ended	Yen	Yen
June 30, 2012	26.53	–
June 30, 2011	24.83	–

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	Millions of yen	Millions of yen	%
June 30, 2012	472,789	214,170	43.6
March 31, 2012	450,842	212,744	45.4

(Reference) Equity capital As of June 30, 2012: ¥ 206,244 million
As of March 31, 2012: ¥ 204,706 million

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen	Yen	Yen	Yen	Yen
March 31, 2012	–	12.00	–	12.00	24.00
March 31, 2013	–				
March 31, 2013 (estimate)		13.00	–	13.00	26.00

(Note) Revisions to the latest projected dividends: No

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2013 (April 1, 2012 to March 31, 2013)

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

	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	700,000	10.8	19,500	45.2	20,500	30.7	15,500	80.9	120.61

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): None
New: — (Company name:) Excluded: — (Company name:)

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

(3) Changes in accounting principles, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- 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: Yes
- iv. Restatement of prior period financial statements after error corrections: No

(Note) For details, see page 4, “2. Summary Information (Other) (3) Changes in Accounting Policies or Presentation Methods in 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)

June 30, 2012	138,408,285 shares	March 31, 2012	138,408,285 shares

ii. Number of treasury stock as of the fiscal period end

June 30, 2012	9,893,832 shares	March 31, 2012	9,893,787 shares

iii. Average number of shares during the period

June 30, 2012	128,514,475 shares	June 30, 2011	128,514,523 shares

*** 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 results 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 4 of this document.

Attachments

1. Qualitative Information

(1) Qualitative Information on Consolidated Operating Results

(Company Earnings)

General Summary of Results

During the first quarter, the Japanese economy showed signs of a gradual recovery due to demand for post-disaster reconstruction. However, the lingering financial crisis in Europe has driven fears of a further economic downturn, while slowing growth in China and a strong yen have combined to make the direction of the global economy anything but certain.

Under these conditions, the Company recorded domestic sales for the first quarter in the amount of ¥94.53 billion, representing a 5.3% year-on-year increase. Overseas sales amounted to ¥72.18 billion (11.6% year-on-year increase), leading to net sales for the first quarter of ¥166.72 billion (8.0% year-on-year increase).

While the Company recorded improved gross profits driven by net sales growth, increases in selling expenses and general and administrative expenses resulted in a 1.6% year-on-year decline in operating profit, down to ¥4.12 billion. Ordinary income amounted to ¥4.65 billion (13.1% year-on-year decrease). Net income amounted to ¥3.4 billion (6.8% year-on-year increase), reflecting adjustments to deferred taxes.

Segment Summary

Beginning April 2012, the Company has been executing on the “Change-S2014” three-year business plan. To accomplish the goals set out in this plan, the Company reorganized four business segments (Chemicals, Plastics, Electronics, and Life Sciences) away from product categories into segments to more fully concentrate the strengths of our entire group, reflecting the respective positions of each business in the value chain, as well as with the most closely aligned industries. This realignment has resulted in five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (these last three segments functioning across all industries). See “3. Quarterly Consolidated Financial Statements (5) Segment Information” for more detail regarding business segments, related industries, and products.

The Company has presented prior first-quarter net sales according to the new categorization.

[Functional Materials]   Net Sales: ¥47.46 billion (5.6% year-on-year increase)

Sales of functional materials in Northeast Asia and Southeast Asia more than made up for the small decline domestically and declines in Europe and the United States. As a result, functional materials sales increased overall year on year.

- Sales in the performance chemicals business increased overall compared to the same quarter in the prior fiscal year. Sales of plastic materials and additives to Asia declined, while sales of coating raw materials for construction and automotive applications performed well. In addition, sales of urethane materials for the automotive industry experienced year-on-year growth.

- Despite strong performance in specialty chemicals related to semiconductor encapsulant materials, sales of surfactants, raw materials for industrial oil solutions, and organic products fell, as did sales of precision abrasive materials. As a result, specialty chemicals fell year-on-year as a whole.

[Advanced Materials & Processing]   Net Sales: ¥54.25 billion (3.6% year-on-year decline)

Sales in the Advanced Materials & Processing segment overseas experienced growth, mainly due to strong performance in Northeast Asia and Southeast Asia. However, sales declines domestically led to a year-on-year decrease for the segment as a whole.

- In the color and imaging business, dyes/additives and functional dyes for displays-related products experienced comparatively strong sales, while sales of information printing materials fell, as did sales of dyestuffs and fiber processing agents for the fiber processing industry, due in part to the effects of reorganization and consolidation of these businesses into equity method affiliates. As a result, colors and imaging business sales declined as a whole.

- Sales of plastics to certain users in our office equipment and appliances business decreased due to customer production slowdowns. However, sales as a whole for this business increased compared to the same period in the prior fiscal year, supported by favorable general demand and increased sales of molding tools.

- Sales of insulating sheets and anti-reflective sheets increased year on year in our functional films and sheets and plastic molding products business. Despite these gains, we saw a significant decrease in sales of liquid crystal polarizer film precision inspection systems, which drove sales down for this business as a whole.

[Electronics]　Net Sales: ¥25.87 billion (5.9% year-on-year increase)

The Company saw a decrease in electronics sales in Southeast Asia, while sales growth domestically, in Northeast Asia, Europe, and the United States combined to drive performance higher for this segment as a whole.

- In the Company’s electronic chemicals business, sales of formulated epoxy resin to heavy electrical equipment customers were strong, as were sales for mobile phone applications. However, lower sales for chemicals used in manufacturing semiconductors and LCD panels fell, leaving first-quarter sales about level with the prior year.

- Performance of sales for films used in LCDs in the electronic materials business fell with customer production slowdowns, while materials for touch-panel modules and LED lighting applications performed well, leading to an overall increase in sales for this business.

[Automotive & Energy]　Net Sales: ¥21.08 billion (26.5% year-on-year increase)

In Japan, a rebound from the impact of last year’s earthquake and eco-car subsidies accounted for major increases in auto production. As such, sales of plastics for the automotive industry grew year on year. Production among Japanese auto makers also increased overseas, driving strong performance in Company sales in Northeast Asia, Southeast Asia, and North America, leading to higher year-on-year sales for this segment as a whole.

[Life & Healthcare]　Net Sales: ¥17.87 billion (50.7% year-on-year increase)

Consolidating the functional sugars business of Hayashibara Co., Ltd. (acquired during the previous fiscal year; net sales of ¥6.34 billion for the first quarter of the fiscal year ending March 2013), the Company saw significant overall growth in this segment.

- The fine chemicals business experienced sales growth overall. Pharmaceutical raw materials and intermediates, as well as in vitro diagnostics and medical materials, experienced strong sales. At the same time daily commodities and the agricultural chemical-related businesses also experienced growth. Sales of enzyme and fermentation products were also favorable, save for a decline due to some product distribution changes for Nagase ChemteX products.

- The Company’s beauty care products business sells cosmetics and health foods. Health food sales, first started two fiscal years ago, experienced a drop year on year, as did make-up products sales, combining to drive overall performance down in this business.

[Other]　Net Sales: ¥150 million (29.9% year-on-year decrease)

No special matters to disclose.

(2) Qualitative Information on Consolidated Financial Position

Assets, Liabilities and Net Assets

As of the end of the consolidated first quarter current assets amounted to ¥304.6 billion, an increase of ¥22.32 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increased cash and time deposits through the issuance of ¥30.0 billion in unsecured bonds (¥20.0 billion of proceeds used to repay short-term loans). Non-current assets decreased by ¥380 million compared to the end of the prior consolidated fiscal year, amounting to ¥168.18 billion. While the Company made new acquisitions of land and buildings during the period, it also recorded a decrease in investments in securities (due to price declines in equity investments). As a result, total assets amounted to ¥472.78 billion, representing an increase of ¥21.94 billion compared to the end of the prior consolidated fiscal year.

Liabilities increased by ¥20.52 billion compared to the end of the prior consolidated fiscal year, amounting to ¥258.61 billion. This increase was mainly due to issuances of unsecured corporate bonds and increased notes and accounts payable. These increases were offset somewhat by decreases in short-term loans.

Despite a decrease in other unrealized holding gains on securities (due to share price declines in equity investments), the Company recorded net income of ¥3.4 billion, resulting in net assets as of the end of the first consolidated fiscal quarter reaching ¥214.17 billion, representing a ¥1.42 billion increase compared to the beginning of the period.

As a result of the preceding, shareholders' equity ratio fell by 1.8 points compared to the end of the prior consolidated fiscal year, down to 43.6%.

Cash Flows

Cash and cash equivalents ("Cash") from operating activities amounted to ¥5.27 billion. Cash used in investing activities amounted to a net outflow of ¥5.33 billion, while cash from financing activities amounted to ¥12.33 billion, with the Company seeing an additional ¥910 million in new funding via newly consolidated entities. The Company also recorded an increase in cash flows of ¥3.72 billion due to changes in fiscal years of consolidated subsidiaries. As a result, consolidated Cash increased by ¥16.0 billion (56.1%) compared to the end of the prior consolidated fiscal year, amounting to a total of ¥44.52 billion.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated first quarter amounted to ¥5.27 billion. This increase was mainly due to ¥4.65 billion in net income before taxes and depreciation and amortization (no cash effects) of ¥1.88 billion, offset slightly by ¥2.38 billion in income tax payments.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated first quarter amounted to ¥5.33 billion. This result was mainly due to purchases of property, plant, and equipment in the amount of ¥4.22 billion.

(Cash Flows from Financing Activities)

Cash flows from financing activities for the consolidated first quarter amounted to ¥12.33 billion. This result was mainly due to cash inflow from corporate bond issuances in the amount of ¥29.85 billion, offset by repayments of short-term loans in the amount of ¥17.73 billion.

(3) Qualitative Information related to Earnings Forecasts

The Company has made no changes to its full-year consolidated earnings forecasts originally published on May 8, 2012.

2. Summary Information (Other)

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

No matters to report.

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

No matters to report.

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

(Changes in Accounting Policies which are difficult to Distinguish from Changes in Accounting Estimates)

Change in Depreciation Method for Property, Plant and Equipment

To date, the Company and its domestic consolidated subsidiaries have depreciated property, plant, and equipment under the declining balance method (except for buildings purchased after April 1, 1998). Overseas consolidated subsidiaries have used the straight-line method of depreciation. However, beginning with the consolidated first quarter of the fiscal year ending March 2013, the Company and its domestic consolidated subsidiaries will change to the straight-line method for depreciating property, plant, and equipment.

Under the guidance of the *"CHANGE" 11* medium-term business plan (fiscal 2009 through fiscal 2011), the Nagase Group had been engaged in building stronger research, development and manufacturing functions. The current "Change-S2014" medium-term business plan (fiscal 2012 through fiscal 2014) keeps the Group's attention focused on these same areas, while calling for significant increases in capital investment.

With increased capital investment, greater investment in Group manufacturing companies, and full-scale operations of manufacturing facilities beginning this fiscal year, the Company has reexamined its depreciation policies for property, plant, and equipment. Company management concluded that manufacturing facilities and equipment will likely be used consistently and reliably over the course of many years, determining that adopting the use of the straight-line method of depreciation to allocate depreciation expense evenly over the useful lives of such manufacturing equipment would more appropriately reflect actual characteristics of the Group's business.

With this change in accounting policy, depreciation and amortization for the consolidated first quarter is ¥481 million lower than under the previous method, leading to a ¥401 million comparable increase in operating profit, ordinary income, and net income before income taxes.

(Changes in Accounting Estimates)

Changes in Estimated Useful Lives of Property, Plant, and Equipment

The Company and some consolidated subsidiaries have changed the estimated useful lives of certain items of property, plant, and equipment beginning with the consolidated first quarter of the fiscal year ending March 2013.

In conjunction with these changes, depreciation and amortization for the consolidated first quarter is ¥22 million greater than compared to calculations using prior useful lives. Operating profit, ordinary income, and net income before income taxes are each lower by a comparative ¥19 million.

(Additional Information)

Beginning with the consolidated first quarter for the fiscal year ending March 2013, 22 consolidated subsidiaries will change their fiscal year ends (December; February for Totaku Industries, Inc.) to match the Company's fiscal year end. This change should allow the Nagase Group to better understand Group financial performance, to ensure more rapid implementation of management policies, and to lead to more appropriate information disclosures. To date, the Group has been making the necessary material consolidation adjustments for transactions occurring on the Company's fiscal closing date for the Group's 10 consolidated subsidiaries and three equity method affiliates for which a December year end is mandated by local law. Now, the Company will implement a consolidation method for quarterly financial statements based on a provisional close at the quarterly fiscal closing date.

The Company has recorded an increase to retained earnings for ¥609 million, representing profits from the period of January 1, 2012 (from March 1, 2012 for Totaku Industries, Inc.) through March 31, 2012. The Company has disclosed changes in cash flows affecting quarterly consolidated statements of cash flows in "Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years of consolidated subsidiaries."

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2012)	First Quarter, Current Consolidated Fiscal Year (June 30, 2012)
ASSETS		
Current assets		
Cash and time deposits	29,184	45,422
Notes and accounts receivable	197,702	199,489
Merchandise and finished goods	41,087	45,118
Work in process	1,292	1,291
Raw materials and supplies	2,879	3,194
Deferred tax assets	4,067	4,135
Other	7,299	7,372
Less allowance for doubtful accounts	(1,235)	(1,416)
Total current assets	282,280	304,607
Non-current assets		
Property, plant and equipment	56,727	60,322
Intangible fixed assets		
Goodwill	32,079	31,611
Technology-based assets	21,669	21,275
Other	3,705	3,812
Total intangible fixed assets	57,454	56,699
Investments and other assets		
Investments in securities	49,014	45,590
Long-term loan receivable	1,122	731
Deferred tax assets	896	837
Other	3,612	4,263
Less allowance for doubtful accounts	(266)	(264)
Total investments and other assets	54,379	51,159
Total non-current assets	168,561	168,181
Total assets	450,842	472,789
LIABILITIES		
Current liabilities		
Notes and accounts payable	109,163	117,878
Short-term loans	38,633	20,979
Current portion of long-term debt	11,551	15,907
Accrued income taxes	3,170	1,488
Deferred tax liabilities	50	40
Accrued bonuses for employees	3,632	2,074
Accrued bonuses for directors	198	66
Other	15,290	16,561
Current liabilities	181,689	174,997
Long-term liabilities		
Bonds	–	30,000
Long-term debt	38,200	36,017
Deferred tax liabilities	7,251	6,261
Accrued retirement benefits for employees	10,032	10,391
Other	922	951
Total long-term liabilities	56,407	83,621
Total liabilities	238,097	258,619

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2012)	The First Quarter, Current Consolidated Fiscal Year (June 30, 2012)
Net assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,041
Retained earnings	186,907	190,065
Less treasury stock, at cost	(5,460)	(5,460)
Total shareholders' equity	201,188	204,345
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	12,731	11,018
Deferred (loss) gain on hedges	(21)	(3)
Translation adjustments	(9,191)	(9,116)
Total accumulated other comprehensive income	3,518	1,898
Stock acquisition rights	110	110
Minority interests	7,927	7,815
Total net assets	212,744	214,170
Total liabilities and net assets	450,842	472,789

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

(Quarterly Consolidated Statements of Income)
(Cumulative First Quarter)

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2011 - June 30, 2011)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)
Net sales	154,429	166,722
Cost of sales	136,466	145,898
Gross profit	17,963	20,823
Selling, general and administrative expenses	13,768	16,695
Operating profit	4,194	4,128
Non-operating income		
Interest income	53	51
Dividend income	565	528
Rent income	63	71
Investment profit on equity method	33	87
Foreign exchange gain	412	58
Other	263	120
Non-operating income, total	1,391	918
Non-operating expenses		
Interest expenses	147	266
Other	80	121
Non-operating expenses, total	228	388
Ordinary income	5,358	4,657
Extraordinary gains		
Gain on sale of non-current assets	14	1
Gain on sale of investment securities	0	172
Other	–	0
Total extraordinary gains	14	174
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on disposal of non-current assets	16	30
Impairment loss	54	15
Loss on sale of investments securities	1	0
Loss on valuation of investments securities	14	130
Other	1	3
Total Extraordinary losses	87	180
Net Income before income taxes	5,285	4,651
Income taxes	1,591	1,415
Deferred taxes	284	(351)
Total income taxes	1,875	1,064
Net income before minority interests	3,409	3,587
Minority interests	217	177
Net income	3,191	3,409

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

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2011 - June 30, 2011)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)
Net Income before minority interests	3,409	3,587
Other comprehensive l income		
Unrealized holding gain on securities	(48)	(1,715)
Deferred (loss) gain on hedges	9	18
Translation adjustments	887	(1,753)
Share of other comprehensive income of associates accounted for using equity method	14	(10)
Total other comprehensive income	862	(3,461)
Comprehensive income	4,272	126
Comprehensive income attributable to		
Comprehensive income, parent company	3,961	87
Comprehensive income, minority interests	310	38

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2011 - June 30, 2011)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)
Cash flows from operating activities		
Net income before income taxes	5,285	4,651
Depreciation and amortization	1,586	1,886
Amortization of goodwill	1	402
Provision for accrued retirement benefits for employees	356	339
Interest income and dividend income	(619)	(579)
Interest expenses	147	266
Foreign exchange gain (loss)	(165)	(301)
(Increase) decrease in notes and accounts receivable	1,681	(3,121)
(Increase) decrease in inventories	(3,317)	(3,597)
Increase (decrease) in notes and accounts payable	760	8,136
Other	(1,470)	(891)
Subtotal	4,247	7,191
Interest and dividends received	629	637
Interest paid	(146)	(176)
Taxes paid	(3,735)	(2,381)
Cash flows from operating activities	994	5,271
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,559)	(4,224)
Purchases of investments securities	(107)	(3)
Change in short-term loans (increase)	63	(318)
Payment for acquisition of intangible fixed assets	(504)	(379)
Other	(743)	(414)
Cash flows from investing activities	(2,851)	(5,339)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	780	(17,731)
Proceeds from long-term loans	600	2,247
Proceeds from issuance of bonds	–	29,855
Cash dividends paid	(1,670)	(1,542)
Cash dividends paid to minority shareholders	(330)	(435)
Other	(649)	(61)
Cash flows from financing activities	(1,269)	12,331
Effects of exchange rate changes on cash and cash equivalents	356	(893)
Net increase (decrease) in cash and cash equivalents	(2,769)	11,370
Cash and cash equivalents at beginning of the year	47,202	28,517
Increase in cash and cash equivalents accompanying consolidation	165	915
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	44,597	44,524

(4) Assumption for Going Concern

No matters to report.

(5) Segment Information

I Three months ended June 30, 2011 (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	44,933	56,297	24,447	16,669	11,862	154,210	219	154,429	–	–	154,429
Intersegment sales and transfers	1,428	651	162	632	150	3,025	1,211	4,236	–	(4,236)	–
Total	46,362	56,948	24,609	17,302	12,013	157,235	1,430	158,665	–	(4,236)	154,429
Segment income (loss)	1,895	980	1,427	246	330	4,880	25	4,906	(947)	235	4,194

(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 Three months ending June 30, 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	47,465	54,259	25,877	21,088	17,877	166,568	153	166,722	–	–	166,722
Intersegment sales and transfers	700	630	822	376	109	2,640	1,258	3,898	–	(3,898)	–
Total	48,166	54,890	26,700	21,464	17,986	169,208	1,412	170,621	–	(3,898)	166,722
Segment income (loss)	1,668	572	1,404	290	1,249	5,185	77	5,263	(1,127)	(8)	4,128

(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 April 2012, the Company has been executing on the “Change-S2014” three-year business plan. To accomplish the goals set out in this plan, beginning with the consolidated first quarter of the fiscal year ending March 2013, the Company reorganized four business segments (Chemicals, Plastics, Electronics, and Life Sciences) away from product categories into segments to more fully concentrate the strengths of our entire group, reflecting the respective positions of each business in the value chain, as well as with the most closely aligned industries. This realignment has resulted in five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (these last three segments functioning across all industries). Reportable segments have also been reclassified to reflect this change.

Segment information for the consolidated cumulative first quarter of the fiscal year ended March 2012 has been prepared under this new classification method, as noted in “1. Information related to net sales and income (loss) by reportable segment.”

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, silicone materials, precision electronics abrasives, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductor, HDD-related 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, and more for the display, touch panel, LCD, semiconductor, electronic components, heavy electrical and other 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.

(Changes in Accounting Policies which are difficult to Distinguish from Changes in Accounting Estimates)

Changes in Depreciation Method for Property, Plant, and Equipment

To date, the Company and its domestic consolidated subsidiaries have depreciated property, plant, and equipment mainly under the declining balance method. Overseas consolidated subsidiaries have mainly used the straight-line method of depreciation. However, beginning with the consolidated first quarter of the fiscal year ending March 2013, the Company and its domestic consolidated subsidiaries will change to the straight-line method for depreciating property, plant, and equipment.

In conjunction with this change in depreciation method, net income by segment for the consolidated first quarter will increase by ¥51 million (Functional Materials), ¥37 million (Advanced Materials & Processing), ¥170 million (Electronics), ¥39 million (Automotive & Energy), ¥47 million (Life & Healthcare), and ¥54 million (Corporate).

(Changes in Accounting Estimates)

Changes in the Estimated Useful Lives of Property, Plant, and Equipment

The Company and some consolidated subsidiaries have changed the estimated useful lives of certain items of property, plant, and equipment beginning with the consolidated first quarter of the fiscal year ending March 2013.

In conjunction with this change, Electronics segment income for the consolidated cumulative first quarter decreased by ¥19 million compared with segment income calculated using the former useful lives.

(6) Significant Fluctuations in Shareholders' Equity

No matters to report.

(7) Significant Subsequent Events

(Repurchasing of own shares)

NAGASE announces that its Board of Directors decided to the purchase of own shares pursuant to Article 156 of the Corporate Law of Japan as applied pursuant to Article 165, Section 3 on August 9, 2012.

1. Reason for repurchasing of own shares
   These decisions were made to ensure that NAGASE would promote improvement of the capital efficiency, and also NAGASE would acquire the own shares for the flexible capital strategy in the future.
2. Repurchase details

(1) Type of shares to be repurchased	NAGASE common stock
(2) Number of shares to be repurchased	Up to 1,800,000shares (ratio of 1.40% of non-treasury shares)
(3) Total cost	Up to ¥1,800,000,000
(4) Repurchase period	August 10, 2012 through August 31, 2012

4. Supplementary Information

(1) Overseas Sales

Three months ended June 30, 2011 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sales (Millions of yen)	36,971	18,084	5,240	4,375	64,670
II Consolidated sales (Millions of yen)					154,429
III Ratio of overseas sales to consolidated sales (%)	24.0	11.7	3.4	2.8	41.9

Three months ending June 30, 2012 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sales (Millions of yen)	41,419	21,045	5,617	4,105	72,188
II Consolidated sales (Millions of yen)					166,722
III Ratio of overseas sales to consolidated sales (%)	24.8	12.6	3.4	2.5	43.3

(Note)

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......U.S.
(4) Europe & Others......Germany