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

November 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): November 12, 2012
Start of distribution of dividends (scheduled): December 3, 2012
Supplementary documents or quarterly financial results: Yes
Quarterly investors' meeting: Yes

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

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2013 (April 1, 2012 to September 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 second quarter ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2012	335,549	8.8	8,161	4.7	8,665	(5.8)	8,093	49.8
September 30, 2011	308,494	(6.9)	7,794	(26.0)	9,201	(19.1)	5,402	(21.1)

(Note) Comprehensive income: Second quarter ended September 30, 2012: ¥3,084 million (15.9% decrease)
Second quarter ended September 30, 2011: ¥3,669 million (74.7%)

	Earnings per share	Earnings per share (diluted)
For the second quarter ended	Yen	Yen
September 30, 2012	63.23	–
September 30, 2011	42.04	–

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	Millions of yen	Millions of yen	%
September 30, 2012	465,864	215,401	44.5
March 31, 2012	450,842	212,744	45.4

(Reference)Equity capital: As of September 30, 2012: ¥207,420 million
As of March 31, 2012: ¥204,706 million

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Financial 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	–	13.00			
March 31, 2013 (estimate)			–	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 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	671,000	6.2	16,400	22.1	17,600	12.2	13,600	58.7	107.33

(Note) Revisions to the latest projected consolidated results: Yes

*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 6, “2. Summary Information (Notes) (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)

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

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

September 30, 2012	11,693,852 shares	March 31, 2012	9,893,787 shares

iii. Average number of shares during the six-month period ended;

September 30, 2012	128,000,186 shares	September 30, 2011	128,514,518 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 5 of this document.

Attachments

1. Qualitative Information

(1) Qualitative Information on Consolidated Operating Results

General Summary of Results

The future of our economy remained cloudy throughout the second quarter of the year. The yen continues to trade at high values, while the economy slows down, and increased political tensions between Japan and China have slowed production and sales of Japanese goods in that country.

Under these conditions, the Company recorded domestic sales for the second quarter in the amount of ¥184.79 billion, representing a 2.7% year-on-year increase. Overseas sales amounted to ¥150.75 billion (17.3% year-on-year increase), leading to net sales for the second quarter of ¥335.54 billion (8.8% 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 4.7% year-on-year increase in operating profit, amounting to ¥8.16 billion. Ordinary income amounted to ¥8.66 billion (5.8% year-on-year decrease) due to declines in foreign exchange gain and other factors. Net income experienced a 49.8% year-on-year increase to ¥8.09 billion, due in large part to extraordinary gains (gain on sales of non-current assets).

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 (6) Segment Information” for more detail regarding business segments, related industries, and products.

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

[Functional Materials]   Net Sales: ¥95.39 billion (6.7% year-on-year increase)

Significant gains in sales of functional materials in Southeast Asia and gains in Northeast 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.

- Sales in the specialty chemicals business fell as a whole compared to the prior fiscal year. While surfactants sold very well, we saw a drop in sales of raw materials for industrial oil solutions, semiconductor encapsulant materials, and organic products. Sales of abrasive materials also show a year-on-year decline.

[Advanced Materials & Processing]   Net Sales: ¥107.76 billion (1.5% year-on-year decrease)

Sales in the Advanced Materials & Processing segment overseas experienced growth, mainly due to strong performance in Northeast Asia and Southeast Asia. However, slight decreases in sales in Europe and the United States, as well as decreases domestically, led to narrow sales decreases overall.

- Colors and imaging business sales declined as a whole. While sales of functional dyes for display-related products performed well during the first quarter, they fell during the second quarter, as did sales of dyes/additives and information printing materials. Sales of dyestuffs and textile processing agents for the textile processing industry also declined due in part to the effects of reorganization and integration of these businesses into equity method affiliates.

- Sales of plastics and increased export sales of molding tools in Asia buoyed our office equipment and appliances business. In contrast, domestic sales fell, while production adjustments among certain users also drove down domestic plastics revenues. As a result, sales were down as a whole for this business.

- The Nagase business related to functional films and sheets and plastic molding products produced sales growth for the period. Despite a decrease in insulating sheets, we saw a slight increase in sales for liquid crystal polarizer film precision inspection systems. At the same time, we recorded significant year-on-year improvement in antireflective sheets sales.

[Electronics]　Net Sales: ¥55.24 billion (6.7% year-on-year increase)

The Company saw significantly higher electronics sales in Northeast Asia while sales decreased in Southeast Asia, with slight gains domestically and in Europe and the United States. As a result, sales overall in this business increased.

- 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, sales as a whole for this business fell, reflecting weaker performance for sales of chemicals used in the manufacturer of semiconductors and LCD panels.

- 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: ¥42.19 billion (20.6% year-on-year increase)

The automotive- related business recorded higher sales of raw materials and parts to the automotive industry in Japan during the period. Eco-car subsidies and the recovery from the March 11, 2011 earthquake led to sharply higher production. Production among Japanese automotive 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: ¥34.51 billion (53.7% year-on-year increase)

Consolidating the functional sugars business of Hayashibara Co., Ltd. (acquired during the previous fiscal year; net sales of ¥12.3 billion for the second quarter of the fiscal year ending March 2013), the Company saw significant overall growth in this segment.

- Pharmaceutical raw materials and intermediates, as well as in vitro diagnostics and medical materials, experienced strong sales. At the same time daily commodities business also experienced growth. Overall, we recorded a year-on-year increase in functional sugars sales. This year the Group launched new products, including some featuring our mainstay trehalose. This led to strong performance in food product sales. We also saw higher food and starch sugar market sales for our enzyme and fermentation products.

- Our beauty care products business includes sales of cosmetics and health foods. We saw lower year-on-year sales in this business, despite higher sales of health food products and other new products marketed to younger consumers. The gains were more than offset by lower sales for cosmetics products introduced during the prior fiscal year.

[Other]　Net Sales: ¥420 million (3.2% 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 second quarter current assets amounted to ¥300.83 billion, an increase of ¥18.55 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 ¥3.53 billion compared to the end of the prior consolidated fiscal year, amounting to ¥165.03 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 ¥465.86 billion, representing an increase of ¥15.02 billion compared to the end of the prior consolidated fiscal year.

Liabilities increased by ¥12.36 billion compared to the end of the prior consolidated fiscal year, amounting to ¥250.46 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) and purchase of treasury stock, the Company recorded net income of ¥8.09 billion, resulting in net assets as of the end of the second consolidated fiscal quarter reaching ¥215.4 billion, representing a ¥2.65 billion increase compared to the beginning of the period.

As a result of the preceding, shareholders' equity ratio fell by 0.9 points from 45.4% at the end of the prior consolidated fiscal year, down to 44.5%.

Cash Flows

Cash and cash equivalents ("Cash") increased by ¥10.24 billion. Cash from operating activities amounted to ¥8.91 billion. Cash used in investing activities amounted to a net outflow of ¥4.98 billion, while cash from financing activities amounted to ¥7.39 billion. The Company saw an additional ¥910 million in new funding via newly consolidated entities and 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 ¥14.88 billion (+52.2%) compared to the end of the prior consolidated fiscal year, amounting to a total of ¥43.39 billion.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated second quarter amounted to ¥8.91 billion. This increase was mainly due to ¥3.71 billion in depreciation and amortization (no cash effects) and ¥11.86 billion in net income before taxes, offset slightly by ¥3.18 billion in income tax payments.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated second quarter amounted to ¥4.98 billion. The Group sold ¥3.0 billion in property, plant, and equipment, but paid ¥7.7 billion for tangible and intangible fixed assets during the period.

(Cash Flows from Financing Activities)

Cash flows from financing activities for the consolidated second quarter amounted to ¥7.39 billion. This result was mainly due to cash inflow from corporate bond issuances in the amount of ¥29.85 billion, offset by repayments of loans in the amount of ¥23.0 billion.

(3) Qualitative Information related to Earnings Forecasts

The future direction of the global economy remains difficult to predict. While we had forecast a gradual recovery in Japan's markets, the yen has remained strong against world currencies. As well, political issues between Japan and China have slowed production and sales for Japanese companies located in that country.

The first half of the year was generally weak rather than the pace of recovery that we first predicted. The second half of the year, we still forecast strong sales for our LCD-related business (for tablet and other devices), related processing products and services, and our automotive -related business in North America and ASEAN. In contrast, we expect lower production for Japanese automotive makers, as well as makers of office equipment and appliances, in China and the greater China area. We continue to forecast comparatively stable sales for functional sugars at Hayashibara Co., Ltd. and enzyme and fermentation products in our life and healthcare business.

We do believe we will see second-half results on par with the first half. Given these facts, however, we forecast full-year earnings to underperform the prior year, since we do not expect any special factors to come into play (e.g. gain on sales of real estate in the first half). Accordingly, we have made a downward revision of our full-year forecast.

[Full-year]

(Millions of yen)

	Revised Forecast (A)	Prior Forecast (B)	Change (A-B)	Change (%)
Net sales	671,000	700,000	(29,000)	(4.1%)
Operating profit	16,400	19,500	(3,100)	(15.9%)
Ordinary income	17,600	20,500	(2,900)	(14.1%)
Net income	13,600	15,500	(1,900)	(12.3%)

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 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 have changed 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 second quarter is ¥1,005 million lower than under the previous method, leading to a ¥861 million increase in operating profit, and a ¥871 million increase in both 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 ¥44 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 ¥43 million.

(Additional Information)

Beginning with the consolidated first quarter for the fiscal year ending March 2013, 22 consolidated subsidiaries have changed 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)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2012)
ASSETS		
Current assets		
Cash and time deposits	29,184	44,331
Notes and accounts receivable	197,702	195,958
Merchandise and finished goods	41,087	44,466
Work in process	1,292	1,333
Raw materials and supplies	2,879	3,165
Deferred tax assets	4,067	4,795
Other	7,299	8,114
Less allowance for doubtful accounts	(1,235)	(1,332)
Total current assets	282,280	300,833
Non-current assets		
Property, plant and equipment	56,727	60,062
Intangible fixed assets		
Goodwill	32,079	31,171
Technology-based assets	21,669	20,881
Other	3,705	3,891
Total intangible fixed assets	57,454	55,944
Investments and other assets		
Investments in securities	49,014	43,191
Long-term loan receivable	1,122	709
Deferred tax assets	896	825
Other	3,612	4,563
Less allowance for doubtful accounts	(266)	(266)
Total investments and other assets	54,379	49,023
Total non-current assets	168,561	165,030
Total assets	450,842	465,864
LIABILITIES		
Current liabilities		
Notes and accounts payable	109,163	112,369
Short-term loans	38,633	21,259
Current portion of long-term debt	11,551	10,397
Accrued income taxes	3,170	3,099
Deferred tax liabilities	50	41
Accrued bonuses for employees	3,632	3,710
Accrued bonuses for directors	198	137
Other	15,290	14,161
Total current liabilities	181,689	165,177
Long-term liabilities		
Bonds	–	30,000
Long-term debt	38,200	37,871
Deferred tax liabilities	7,251	6,268
Accrued retirement benefits for employees	10,032	10,199
Other	922	945
Total long-term liabilities	56,407	85,285
Total liabilities	238,097	250,462

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2012)	The Second Quarter, Current Consolidated Fiscal Year (September 30, 2012)
Net assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,041
Retained earnings	186,907	194,748
Less treasury stock, at cost	(5,460)	(7,109)
Total shareholders' equity	201,188	207,379
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	12,731	9,260
Deferred (loss) gain on hedges	(21)	(2)
Translation adjustments	(9,191)	(9,217)
Total accumulated other comprehensive income	3,518	40
Stock acquisition rights	110	50
Minority interests	7,927	7,930
Total net assets	212,744	215,401
Total liabilities and net assets	450,842	465,864

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

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

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – September 30, 2011)	The Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2012 – September 30, 2012)
Net sales	308,494	335,549
Cost of sales	272,703	294,178
Gross profit	35,790	41,371
Selling, general and administrative expenses	27,995	33,209
Operating profit	7,794	8,161
Non-operating income		
Interest income	112	105
Dividend income	609	560
Rent income	125	144
Investment profit on equity method	159	249
Foreign exchange gain	489	–
Other	372	236
Non-operating income, total	1,869	1,296
Non-operating expenses		
Interest expenses	320	555
Foreign exchange loss	–	11
Other	141	226
Non-operating expenses, total	462	792
Ordinary Income	9,201	8,665
Extraordinary gains		
Gain on sale of non-current assets	12	3,113
Gain on sale of investment securities	346	606
Other	137	60
Total extraordinary gains	497	3,779
Extraordinary losses		
Loss on sale of non-current assets	3	0
Loss on disposal of non-current assets	24	84
Impairment loss	54	275
Loss on sale of investments securities	3	0
Loss on valuation of investments securities	159	218
Other	4	3
Total extraordinary losses	248	582
Income before income taxes	9,450	11,862
Income taxes	3,929	3,717
Deferred taxes	(359)	(330)
Total income taxes	3,569	3,387
Income before minority interests	5,880	8,475
Minority interests	477	382
Net Income	5,402	8,093

(Consolidated Statement of Comprehensive Income)
(Cumulative Second Quarter)

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – September 30, 2011)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2012 – September 30, 2012)
Income before minority interests	5,880	8,475
Other comprehensive loss		
Unrealized holding gain on securities	(2,063)	(3,478)
Deferred (loss) gain on hedges	9	19
Translation adjustments	(131)	(1,893)
Share of other comprehensive income of associates accounted for using equity method	(24)	(37)
Total other comprehensive loss	(2,210)	(5,390)
Comprehensive income	3,669	3,084
Comprehensive income attributable to		
Shareholders of the Company	3,146	2,912
Minority interests	523	172

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – September 30, 2011)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2012 – September 30, 2012)
Cash flows from operating activities		
Income before income taxes	9,450	11,862
Depreciation and amortization	3,322	3,710
Amortization of goodwill	1	803
Provision for accrued retirement benefits for employees (decrease)	671	148
Interest income and dividend income	(721)	(666)
Interest expenses	320	555
Foreign exchange gain	(252)	(311)
(Increase) decrease in notes and accounts receivable	3,714	(152)
(Increase) decrease in inventories	(7,595)	(3,156)
Increase (decrease) in notes and accounts payable	(1,544)	3,059
Other	(1,598)	(3,983)
Subtotal	5,767	11,869
Interest and dividends received	728	751
Interest paid	(322)	(521)
Taxes paid	(4,421)	(3,187)
Cash flows from operating activities	1,752	8,913
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,450)	(6,935)
Cash from sale of property, plant and equipment	30	3,003
Purchase of investments securities	(147)	(145)
Cash from sale of investment securities	489	842
Change in short-term loans (increase)	(175)	(225)
Payment for acquisition of intangible fixed assets	(738)	(769)
Other	(909)	(753)
Cash flows from investing activities	(4,900)	(4,982)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	2,659	(17,361)
Proceeds from long-term loans	600	4,251
Repayment of long-term debt	(1,242)	(5,646)
Proceeds from issuance of bond	–	29,855
Purchase of treasury stock	(0)	(1,649)
Cash dividends paid	(1,670)	(1,542)
Cash dividends paid to minority shareholders	(347)	(454)
Other	(55)	(62)
Cash flows from financing activities	(57)	7,391
Effects of exchange rate changes on cash and cash equivalents	(85)	(1,078)
Net increase (decrease) in cash and cash equivalents	(3,290)	10,243
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 period	44,076	43,397

(4) Assumption for Going Concern

No matters to report.

(5) Significant Fluctuations in Shareholders' Equity

No matters to report.

(6) Segment Information

I Six months ended September 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	89,399	109,413	51,803	34,983	22,452	308,053	440	308,494	–	–	308,494
Intersegment sales and transfers	2,728	1,273	366	1,205	297	5,872	2,663	8,535	–	(8,535)	–
Total	92,197	110,686	52,170	36,189	22,750	313,925	3,104	317,029	–	(8,535)	308,494
Segment income (loss)	3,485	1,696	3,169	447	338	9,138	82	9,221	(1,806)	380	7,794

(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 Six months ended September 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	95,395	107,765	55,248	42,195	34,517	335,123	426	335,549	–	–	335,549
Intersegment sales and transfers	1,331	1,156	1,573	692	206	4,959	2,658	7,618	–	(7,618)	–
Total	96,726	108,922	56,822	42,888	34,723	340,083	3,084	343,168	–	(7,618)	335,549
Segment income (loss)	3,093	1,363	3,031	547	1,937	9,973	220	10,194	(2,183)	151	8,161

(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 second 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, Textile 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 have changed 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 second quarter increased by ¥118 million (Functional Materials), ¥83 million (Advanced Materials & Processing), ¥393 million (Electronics), ¥87 million (Automotive & Energy), ¥58 million (Life & Healthcare), and ¥121 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 second quarter decreased by ¥43 million compared with segment income calculated using the former useful lives.

4. Supplementary Information

(1) Overseas Sales

Six months ended September 30, 2011 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sales (Millions of yen)	72,971	37,198	10,809	7,587	128,566
II Consolidated sales (Millions of yen)					308,494
III Ratio of overseas sales to consolidated sales (%)	23.6	12.1	3.5	2.5	41.7

Six months ended September 30, 2012 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sales (Millions of yen)	88,398	42,980	11,656	7,721	150,757
II Consolidated sales (Millions of yen)					335,549
III Ratio of overseas sales to consolidated sales (%)	26.3	12.8	3.5	2.3	44.9

(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