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

February 8, 2013

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)
Code number: 8012 (http://www.nagase.co.jp)
Representative: Hiroshi Nagase, Representative Director and President
Contact: Masanori Furukawa, General Manager, Corporate Accounting Division Tel: +81-3-3665-3103
Filing of quarterly report (scheduled): February 12, 2013
Start of distribution of dividends (scheduled): –
Supplementary documents or quarterly financial results: None
Quarterly investors' meeting: None

(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, 2013 (April 1, 2012 to December 31, 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 third quarter ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2012 | 502,760 | 6.4 | 12,252 | 9.5 | 13,842 | 2.6 | 11,209 | 48.5 |
| December 31, 2011 | 472,469 | (5.4) | 11,194 | (28.0) | 13,486 | (20.8) | 7,550 | (28.1) |

(Note) Comprehensive income: Third quarter ended December 31, 2012: ¥14,735 million (590.3%)
Third quarter ended December 31, 2011: ¥2,134 million (72.4% decrease)

| | Earnings per share | Earnings per share (diluted) |
|---|---|---|
| For the third quarter ended | Yen | Yen |
| December 31, 2012 | 87.84 | – |
| December 31, 2011 | 58.75 | – |

(2) Consolidated Financial Position

| | Total assets | Net assets | Net worth ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| December 31, 2012 | 478,834 | 225,319 | 45.2 |
| March 31, 2012 | 450,842 | 212,744 | 45.4 |

(Reference) Equity capital: As of December 31, 2012: ¥216,617 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: 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 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)

| | | | |
|---|---|---|---|
| December 31, 2012 | 138,408,285 shares | March 31, 2012 | 138,408,285 shares |

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

| | | | |
|---|---|---|---|
| December 31, 2012 | 11,693,822 shares | March 31, 2012 | 9,893,787 shares |

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

| | | | |
|---|---|---|---|
| December 31, 2012 | 127,614,463 shares | December 31, 2011 | 128,514,526 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 market environment surrounding the Nagase Group during the cumulative consolidated third quarter remained cloudy. Demand for rebuilding in the wake of the March 11 earthquake and growth in the smartphone and tablet markets were offset by a slowdown in the global economy. This was compounded by lower sales among Japanese auto makers in China due to anti-Japanese demonstrations, as well as weaker consumer sentiment in Japan.

Amid these conditions, the Company recorded domestic sales for the cumulative consolidated third quarter of ¥274.45 billion. This was a ¥700 million (0.3%) year-on-year gain. Overseas sales amounted to ¥228.3 billion, which was a year-on-year gain of ¥29.58 billion (14.9%). In total, net sales for the cumulative consolidated third quarter amounted to ¥502.76 billion. This represented a ¥30.29 billion comparative increase, or a 6.4% gain.

The addition of HAYASHIBARA CO.,LTD.(Hayashibara) to the consolidation and the strong performance in smartphone and tablet materials sales led to gross profit of ¥62.21 billion (¥8.41 billion gain; 15.6% year-on-year increase). Gross profit ratio grew 1.0 points to 12.4% for the comparative period. The larger number of consolidated subsidiaries meant greater selling expenses and general and administrative expenses. Losses among domestic and overseas manufacturing subsidiaries worsened. As a result, operating profit came in at ¥12.25 billion, a comparative gain of ¥1.05 billion (9.5%) year on year. The Company recorded ordinary income of ¥13.84 billion, a ¥350 million (2.6%) year-on-year increase. This result was mainly due to decreases in foreign exchange gains and increased interest expense related to the Company's acquiring funds for the purchase of Hayashibara. During the cumulative period, the Company recorded impairment losses for production equipment at manufacturing subsidiaries. The equipment in question is not likely to return to productive use. Despite these losses, the Company recorded gains on sales of non-current assets in the course of replacing idle assets with operating assets. These transactions contributed to net income of ¥11.2 billion for the consolidated cumulative third quarter. This result represents a ¥3.65 billion (48.5%) year-on-year gain.

### 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.

For presentation purposes, the Company has calculated cumulative consolidated figures and ratios for the third quarter of the prior year according to the reportable segment classifications above.

1) Functional Materials

Overall, net sales in the Functional Materials segment experienced moderate growth. The decrease in domestic net sales was offset by higher net sales in Southeast Asia and slightly higher net sales in Northeast Asia.

Our performance chemicals business reported minor overall gains in net sales. As plastic materials and additives sales to Asia fell, sales of urethane materials to the automotive industry also declined due to the impact of falling production of cars in China beginning in the third quarter. In contrast, the Company saw strong performance in coating raw materials sales for the domestic construction market and higher sales of additives to the Middle East. These gains served to outpace the declines noted above.

Sales decreased overall in our specialty chemicals business. While the organic synthetic products business experienced a minor decline, raw materials for industrial oil solutions (automotive market) and fluorochemicals sales both fell compared to the same period in the prior fiscal year. At the same time, precision abrasive materials sales for the hard disk drive market underperformed year on year.

As a result, net sales for the Functional Materials segment amounted to ¥139.25 billion, which was a ¥5.31 billion (4.0%) increase year on year. Segment operating profit came in at ¥4.42 billion—a ¥470 million drop (9.7%) compared to the same period in the prior fiscal year.

2) Advanced Materials & Processing

The Advanced Materials & Processing segment saw minor overall performance declines. While net sales grew in Northeast Asia and Southeast Asia, these gains were offset by significant declines in domestic performance.

The colors and imaging business reported declines overall. They dyes/additives business and information printing materials business showed only minor gains for the period. At the same time, the Company's reorganization of certain businesses into equity method affiliates (including dyestuffs and textile processing agents for the textile processing industry) contributed to notably lower sales performance.

Our plastic business for office equipment and appliance increased overall. We did experience lower domestic sales and lower raw materials exports to major users. However, we saw strong performance in plastics sales in Asia, as well as higher year-on-year exports of molding tools.

As a whole, our business related to functional films and sheets and plastic molding products reported higher net sales. Sales of liquid crystal polarizer film precision inspection systems were level with the same period in the prior fiscal year. Higher sales of anti-reflective sheets for game devices did much to contribute to overall growth in this business.

As a result, net sales for the Advanced Materials & Processing segment amounted to ¥161.67 billion, a decrease of ¥3.86 billion (2.3%) compared to the prior cumulative consolidated fiscal period. The Company reported operating profit of ¥1.81 billion for the cumulative third quarter, which represents a ¥710 million (28.3%) year-on-year decline.

3) Electronics

Sales in the Electronics segment increased overall for the cumulative period. While we underperformed year on year in Southeast Asia, we saw significant growth in Northeast Asia. As well, the Company recorded higher net sales domestically, which also contributed to overall growth in the segment.

Net sales in the electronic chemicals business fell overall. We noted strong performance in sales for heavy electrical equipment and mobile phone applications in our formulated epoxy resin business for the period. However, a decline in sales of chemicals used in the manufacture of semiconductors and LCD panels led to the drop in overall performance.

The Company recorded weak sales for film used in LCDs and materials in LED lighting applications during the period. In contrast, we noted strong performance in touch-panel material sales, which contributed to overall growth for the electronics materials business.

As a result, we recorded cumulative total net sales of ¥87.49 billion in this segment for the third quarter, representing a ¥4.77 billion (5.8%) increase year on year. Operating profit amounted to ¥5.08 billion, which was a ¥210 million (4.4%) year-on-year increase.

4) Automotive & Energy

Our automotive-related business saw growth overall for the cumulative period. During the first half of the fiscal year, auto product increased significantly owing to reconstruction demand in the wake of March 11, eco-car subsidies, and other domestic factors. Overseas as well, the Japanese auto makers produced cars in higher numbers. These factors contributed to strong performance in raw materials and component sales for automotive industry both in Japan and overseas. However, domestic sales for the third quarter fell sharply, owing to the end of eco-car subsidies. As well, Japanese auto makers saw lower production in China due to anti-Japanese demonstrations in that country. These factors led to lower net sales in Japan and China. However, strong performance in North America and the ASEAN countries contributed to overall growth for the segment.

As a result, segment net sales for the cumulative consolidated third quarter amounted to ¥61.0 billion, representing a ¥5.65 billion (10.2%) increase year on year. Operating profit amounted to ¥550 million, a decline owing mainly to poor performance in the energy business. This result was ¥220 million lower (29.1%) than the same cumulative period in the prior fiscal year.

5) Life & Healthcare

Consolidating the functional saccharides business of Hayashibara (acquired during the previous fiscal year; net sales of ¥18.53 billion for the third quarter of the fiscal year ending March 2013), the Company saw significant overall growth in this segment.

Sales in the Company’s fine chemicals business grew overall compared to the cumulative consolidated third quarter in the prior fiscal year. Sales of pharmaceutical raw materials and intermediates were level year on year, while in vitro diagnostics and medical materials experienced strong sales. Functional saccharide sales performed well, particularly sales of trehalose for the food industry. We also saw strong sales of enzyme and fermentation products in the food and starch saccharide market.

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.

As a result, segment net sales amounted to ¥52.74 billion for the cumulative consolidated third quarter, which was an ¥18.48 billion (54.0%) increase year on year. Operating profit amounted to ¥2.91 billion, representing a ¥2.46 billion (546.1%) increase year on year.

6) Other

No special matters to disclose.

## (2) Qualitative Information on Consolidated Financial Position

### Assets, Liabilities and Net Assets

As of the end of the cumulative consolidated third quarter, current assets amounted to ¥307.09 billion. This represents an increase of ¥24.81 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in cash and time deposits resulting from the issuance of ¥30.0 billion in unsecured corporate bonds (¥20.0 billion of the proceeds used to repay short-term loans) and increases in inventories. Increased land and buildings led to higher tangible fixed assets, resulting in growth of ¥3.17 billion in non-current assets compared to the end of the prior consolidated fiscal year. As a result, non-current assets as of the end of the third quarter amounted to ¥171.73 billion. Consolidated total assets at the end of the period reached ¥478.83 billion, an increase of ¥27.99 billion over the end of the prior consolidated fiscal year.

Liabilities increased by ¥15.41 billion compared to the end of the prior consolidated fiscal year, amounting to ¥253.51 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.

Consolidated net assets as of the end of the fiscal third quarter amounted to ¥225.31 billion, representing an increase of ¥12.57 billion compared to the end of the prior consolidated fiscal year. In addition to recording ¥11.2 billion in quarterly net income, the Company also saw improved translation adjustment figures due to the weakened yen.

As a result of the preceding, shareholders' equity ratio fell by 0.2 points from 45.4% at the end of the prior consolidated fiscal year, down to 45.2%.

### Cash Flows

Cash and cash equivalents ("Cash") increased by ¥8.32 billion. Cash from operating activities amounted to ¥8.97 billion. Cash used in investing activities amounted to a net outflow of ¥7.58 billion, while cash from financing activities amounted to ¥6.17 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 ¥12.96 billion (+45.5%) compared to the end of the prior consolidated fiscal year, amounting to a total of ¥41.47 billion.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated third quarter amounted to ¥8.97 billion. This increase was mainly due to ¥5.54 billion in depreciation and amortization (no cash effects) and ¥16.63 billion in net income before taxes, offset slightly by ¥5.89 billion in income tax payments and ¥4.09 billion in increased inventories.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated third quarter amounted to ¥7.58 billion. The Group sold ¥3.07 billion in property, plant, and equipment, but paid ¥9.67 billion for tangible and intangible fixed assets during the period.

(Cash Flows from Financing Activities)

Cash flows from financing activities for the consolidated third quarter amounted to ¥6.17 billion. This result was mainly due to cash inflow from unsecured corporate bond issuances in the amount of ¥29.85 billion, offset by repayments of loans in the amount of ¥22.79 billion.

## (3) Qualitative Information Related to Earnings Forecasts

The projected full-year consolidated results for fiscal 2012 announced on November 9, 2012 have not been revised.

## 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 third quarter is ¥1,523 million lower than under the previous method, leading to a ¥1,385 million increase in operating profit, and a ¥1,401 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 third quarter is ¥67 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 ¥65 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) | Third Quarter, Current Consolidated Fiscal Year (December 31, 2012) |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and time deposits | 29,184 | 42,351 |
| Notes and accounts receivable | 197,702 | 200,405 |
| Merchandise and finished goods | 41,087 | 47,965 |
| Work in process | 1,292 | 1,281 |
| Raw materials and supplies | 2,879 | 3,369 |
| Deferred tax assets | 4,067 | 4,294 |
| Other | 7,299 | 8,523 |
| Less allowance for doubtful accounts | (1, 235) | (1,095) |
| Total current assets | 282,280 | 307,096 |
| Non-current assets | | |
| Property, plant and equipment | 56,727 | 61,230 |
| Intangible fixed assets | | |
| Goodwill | 32,079 | 30,967 |
| Technology-based assets | 21,669 | 20,487 |
| Other | 3,705 | 4,214 |
| Total intangible fixed assets | 57,454 | 55,669 |
| Investments and other assets | | |
| Investments in securities | 49,014 | 48,762 |
| Long-term loans receivable | 1,122 | 736 |
| Deferred tax assets | 896 | 839 |
| Other | 3,612 | 4,888 |
| Less allowance for doubtful accounts | (266) | (388) |
| Total investments and other assets | 54,379 | 54,838 |
| Total non-current assets | 168,561 | 171,738 |
| Total assets | 450,842 | 478,834 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 109,163 | 112,132 |
| Short-term loans | 38,633 | 23,594 |
| Current portion of long-term debt | 11,551 | 10,395 |
| Accrued income taxes | 3,170 | 1,818 |
| Deferred tax liabilities | 50 | 26 |
| Accrued bonuses for employees | 3,632 | 2,420 |
| Accrued bonuses for directors | 198 | 172 |
| Other | 15,290 | 16,000 |
| Total current liabilities | 181,689 | 166,562 |
| Long-term liabilities | | |
| Bonds | – | 30,000 |
| Long-term debt | 38,200 | 38,172 |
| Deferred tax liabilities | 7,251 | 7,250 |
| Accrued retirement benefits for employees | 10,032 | 10,503 |
| Other | 922 | 1,026 |
| Total long-term liabilities | 56,407 | 86,953 |
| Total liabilities | 238,097 | 253,515 |

(Millions of yen)

| | Prior Consolidated Fiscal Year (March 31, 2012) | Third Quarter, Current Consolidated Fiscal Year (December 31, 2012) |
|---|---|---|
| Net Assets | | |
| Shareholders' equity | | |
| Common stock | 9,699 | 9,699 |
| Capital surplus | 10,041 | 10,041 |
| Retained earnings | 186,907 | 196,188 |
| Less treasury stock, at cost | (5, 460) | (7,109) |
| Total shareholders' equity | 201,188 | 208,819 |
| Accumulated other comprehensive income (loss) | | |
| Unrealized holding gain on securities | 12,731 | 12,866 |
| Deferred (loss) gain on hedges | (21) | (19) |
| Translation adjustments | (9,191) | (5,049) |
| Total accumulated other comprehensive income | 3,518 | 7,797 |
| Stock acquisition rights | 110 | 50 |
| Minority interests | 7,927 | 8,651 |
| Total net assets | 212,744 | 225,319 |
| Total liabilities and net assets | 450,842 | 478,834 |

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

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

(Millions of yen)

| | Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – December 31, 2011) | Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2012 – December 31, 2012) |
|---|---|---|
| Net sales | 472,469 | 502,760 |
| Cost of sales | 418,670 | 440,546 |
| Gross profit | 53,799 | 62,213 |
| Selling, general and administrative expenses | 42,604 | 49,960 |
| Operating profit | 11,194 | 12,252 |
| Non-operating income | | |
| Interest income | 169 | 164 |
| Dividend income | 1,035 | 1,139 |
| Rent income | 230 | 218 |
| Investment profit on equity method | 289 | 677 |
| Foreign exchange gain | 691 | 202 |
| Other | 607 | 401 |
| Non-operating income, total | 3,023 | 2,804 |
| Non-operating expenses | | |
| Interest expenses | 483 | 824 |
| Other | 249 | 390 |
| Non-operating expenses, total | 732 | 1,215 |
| Ordinary income | 13,486 | 13,842 |
| Extraordinary gains | | |
| Gain on sale of non-current assets | 14 | 3,143 |
| Gain on sale of investment securities | 1,148 | 610 |
| Other | 131 | 60 |
| Total extraordinary gains | 1,293 | 3,813 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 4 | 15 |
| Loss on disposal of non-current assets | 109 | 125 |
| Impairment loss | 435 | 438 |
| Loss on sale of investments securities | 5 | 0 |
| Loss on valuation of investments securities | 241 | 128 |
| Other | – | 309 |
| Total extraordinary losses | 797 | 1,017 |
| Income before income taxes | 13,982 | 16,637 |
| Income taxes | 5,400 | 4,916 |
| Deferred taxes | 254 | (149) |
| Total income taxes | 5,654 | 4,767 |
| Income before minority interests | 8,328 | 11,870 |
| Minority interests | 777 | 660 |
| Net income | 7,550 | 11,209 |

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

(Millions of yen)

| | Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – December 31, 2011) | Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2012 – December 31, 2012) |
|---|---|---|
| Income before minority interests | 8,328 | 11,870 |
| Other comprehensive loss | | |
| Unrealized holding gain on securities | (3,419) | 132 |
| Deferred (loss) gain on hedges | (2) | 1 |
| Translation adjustments | (2,701) | 2,375 |
| Share of other comprehensive income of associates accounted for using equity method | (70) | 355 |
| Total other comprehensive income | (6,193) | 2,865 |
| Comprehensive income | 2,134 | 14,735 |
| Comprehensive income attributable to | | |
| Shareholders of the Company | 1,697 | 13,786 |
| Minority interests | 437 | 949 |

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Cumulative Third Quarter, Prior Consolidated Fiscal Year (April 1, 2011 – December 31, 2011) | Cumulative Third Quarter, Current Consolidated Fiscal Year (April 1, 2012 – December 31, 2012) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 13,982 | 16,637 |
| Depreciation and amortization | 5,166 | 5,543 |
| Amortization of goodwill | 1 | 1,206 |
| Provision for accrued retirement benefits for employees (decrease) | 964 | 437 |
| Interest income and dividend income | (1,204) | (1,304) |
| Interest expenses | 483 | 824 |
| Foreign exchange gain (loss) | (350) | (360) |
| (Increase) decrease in notes and accounts receivable | (20,554) | 1,786 |
| (Increase) decrease in inventories | (7,354) | (4,096) |
| Increase (decrease) in notes and accounts payable | 20,334 | (2,058) |
| Other | (3, 508) | (4,538) |
| Subtotal | 7,958 | 14,077 |
| Interest and dividends received | 1,323 | 1,547 |
| Interest paid | (466) | (754) |
| Taxes paid | (7,387) | (5,892) |
| Cash flows from operating activities | 1,428 | 8,977 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (6,396) | (8,407) |
| Cash from sales of property, plant and equipment | 40 | 3,073 |
| Payment for acquisition of intangible fixed assets | (1,115) | (1,266) |
| Purchase of investments securities | (292) | (146) |
| Cash from sale of investment securities | 1,278 | 856 |
| Change in short-term loans (increase) | (271) | (665) |
| Other | (1,074) | (1,028) |
| Cash flows from investing activities | (7,832) | (7,585) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans, net | 6,459 | (17,004) |
| Proceeds from long-term loans | 600 | 4,575 |
| Repayment of long-term debt | (1,545) | (5,792) |
| Proceeds from issuance of bond | – | 29,855 |
| Purchase of treasury stock | (0) | (1,649) |
| Cash dividends paid | (3,212) | (3,189) |
| Cash dividends paid to minority shareholders | (401) | (540) |
| Other | (91) | (82) |
| Cash flows from financing activities | 1,808 | 6,172 |
| Effects of exchange rate changes on cash and cash equivalents | (794) | 760 |
| Net increase (decrease) in cash and cash equivalents | (5,390) | 8,325 |
| 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 | 41,977 | 41,479 |

## (4) Assumption for Going Concern

No matters to report.

## (5) Significant Fluctuations in Shareholders' Equity

No matters to report.

## (6) Segment Information

I Nine months ended December 31, 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 | 133,947 | 165,533 | 82,722 | 55,348 | 34,255 | 471,807 | 662 | 472,469 | – | – | 472,469 |
| Intersegments sales and transfers | 4,011 | 1,789 | 548 | 1,718 | 498 | 8,567 | 3,854 | 12,421 | – | (12,421) | – |
| Total | 137,959 | 167,323 | 83,270 | 57,067 | 34,753 | 480,374 | 4,516 | 484,891 | – | (12,421) | 472,469 |
| Segment income (loss) | 4,898 | 2,530 | 4,873 | 780 | 451 | 13,535 | 129 | 13,665 | (3,029) | 559 | 11,194 |

(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 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 | 139,258 | 161,672 | 87,495 | 61,005 | 52,742 | 502,174 | 585 | 502,760 | – | – | 502,760 |
| Intersegments sales and transfers | 1,810 | 1,720 | 2,446 | 1,018 | 337 | 7,333 | 3,882 | 11,215 | – | (11,215) | – |
| Total | 141,069 | 163,393 | 89,942 | 62,023 | 53,079 | 509,507 | 4,468 | 513,975 | – | (11,215) | 502,760 |
| Segment income (loss) | 4,425 | 1,813 | 5,087 | 553 | 2,913 | 14,793 | 253 | 15,046 | (3,070) | 276 | 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.

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 third 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 third quarter increased by ¥188 million (Functional Materials), ¥139 million (Advanced Materials & Processing), ¥574 million (Electronics), ¥136 million (Automotive & Energy), ¥98 million (Life & Healthcare), and ¥247 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, net income by segment for the consolidated cumulative third quarter decreased by ¥64 million (Electronics) and ¥1 million (Automotive & Energy) compared with segment income calculated using the former useful lives.

## 4. Supplementary Information

### (1) Overseas Sales

Nine months ended December 31, 2011 (consolidated)

| | Northeast Asia | Southeast Asia | North America | Europe & Others | Total |
|---|---|---|---|---|---|
| I Overseas sales (Millions of yen) | 115,699 | 56,129 | 16,346 | 10,538 | 198,713 |
| II Consolidated sales (Millions of yen) | | | | | 472,469 |
| III Ratio of overseas sales to consolidated sales (%) | 24.5 | 11.9 | 3.5 | 2.2 | 42.1 |

Nine months ended December 31, 2012 (consolidated)

| | Northeast Asia | Southeast Asia | North America | Europe & Others | Total |
|---|---|---|---|---|---|
| I Overseas sales (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 |

(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