



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

November 6, 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, (First Sections)

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

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): November 11, 2013

Start of Distribution of Dividends (scheduled): December 2, 2013

Supplementary documents of quarterly financial results: Yes

Quarterly investors' meeting: Yes (for analysts and institutional investors)

(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, 2014 (April 1, 2013 to September 30, 2013)

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

	Net sales		Operating profit		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the second quarter ended								
September 30, 2013	358,210	6.8	8,685	6.4	9,853	13.7	7,212	(10.9)
September 30, 2012	335,549	8.8	8,161	4.7	8,665	(5.8)	8,093	49.8

(Note) Comprehensive income Second quarter ended September 30, 2013: 15,279 million (395.3%)

Second quarter ended September 30, 2012: 3,084 million (15.9% decrease)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the second quarter ended				
September 30, 2013	56.82		–	
September 30, 2012	63.23		–	

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2013	501,993	248,745	47.8	1,889.22
March 31, 2013	486,747	237,806	46.9	1,803.31

(Reference) Equity capital As of September 30, 2013: 239,993 million

As of March 31, 2013: 228,505 million

## 2. Dividends

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

(Note) Revisions to the latest projected dividends: No

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

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

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

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

**\* Notes**

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

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

(2) Application of Special Accounting Methods to the Preparation of Quarterly Financial Statements: No

(3) Changes of accounting 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: No

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

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

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

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

September 30, 2013	138,408,285 shares	March 31, 2013	138,408,285 shares
--------------------	--------------------	----------------	--------------------

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

September 30, 2013	11,375,111 shares	March 31, 2013	11,693,809 shares
--------------------	-------------------	----------------	-------------------

iii. Average number of shares during the period

September 30, 2013	126,918,769 shares	September 30, 2012	128,000,186 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 earnings forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts.

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

Attachments

1. Qualitative Information .....	2
(1) Business Performance.....	2
(2) Financial Position .....	4
(3) Qualitative Information related to Earnings Forecasts .....	5
2. Summary Information (Notes) .....	6
(1) Changes of Classification of Specified Subsidiaries Accompanied by Changes in the Consolidation Scope .....	6
(2) Application of Special Accounting Methods to the Preparation of Quarterly Financial Statements.....	6
(3) Changes of Accounting Policies or Presentation Methods in the Consolidated Financial Statements.....	6
3. Quarterly Consolidated Financial Statements .....	7
(1) Quarterly Consolidated Balance Sheets.....	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income .....	9
Quarterly Consolidated Statements of Income .....	9
Quarterly Consolidated Statements of Comprehensive Income .....	10
(3) Quarterly Consolidated Statements of Cash Flows .....	11
(4) Notes related to Quarterly Consolidated Financial Statements .....	12
(Assumption for Going Concern) .....	12
(Segment Information, etc.).....	12
(Significant Fluctuations in Shareholders' Equity).....	13
(Significant Subsequent Events).....	13
4. Supplementary Information.....	14
(1) Overseas Sale.....	14

## 1. Qualitative Information

### (1) Business Performance

#### a. General Summary of Results

Japanese government and central bank economic policies continued to drive the yen lower and stock prices higher during the second fiscal quarter. While corporate sentiment is improving in general, some industries have not seen a positive impact.

Under these conditions, the Company recorded domestic sales for the cumulative consolidated second quarter in the amount of ¥181.23 billion (1.9% year-on-year decrease). Overseas sales amounted to ¥176.97 billion (17.4% increase), owing in part to a cheaper yen valuation. In total, the Company as a whole recorded net sales of ¥358.21 billion (6.8% increase) for the quarter.

Our automobile-related business and smartphone- and tablet-related materials reported strong sales, driving overall net sales higher. This resulted in 8.6% year-on-year growth in gross profit, up to ¥44.91 billion. Operating profit grew to ¥8.68 billion (6.4% year-on-year growth), reflecting an increase in retirement benefit costs due to amortizing retirement benefit obligation actuarial differences. The Company recorded ordinary income in the amount of 9.85 billion (13.7% increase), mainly due to increase in dividend income. Net income amounted to ¥7.21 billion, down 10.9% year on year. This decrease was mainly due to extraordinary gains (gain on sale of non-current assets) recorded during the cumulative consolidated second quarter in the prior fiscal year.

#### b. Segment Summary

The following discusses Company earnings by segment.

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

#### Functional Materials

Functional Materials experienced an overall performance decline year on year. Despite revenue growth in Northeast Asia, North America, and Europe, domestic sales were only level with the same period in the prior year, while net sales in Southeast Asia were lower year on year.

Our performance chemicals business reported lower overall revenues compared to the same period in the prior fiscal year. Despite growth in coating raw materials sales and urethane materials sales level year on year, plastic materials and additives revenues and basic chemicals sales in Southeast Asia were lower.

Our speciality chemicals business also experienced lower year-on-year net sales. Raw materials for industrial oil solutions and surfactants sales were on par with the same period in the prior fiscal year; however, sales of silicone materials and fluorochemicals drove down overall performance.

As a result, net sales for the Functional Materials segment amounted to ¥83.41 billion, which was a ¥4.15 billion (4.7%) decrease compared to the prior consolidated second quarter. Segment operating profit came in at ¥2.26 billion—a ¥300 million (11.7%) year-on-year decrease.

#### Advanced Materials & Processing

The Advanced Materials & Processing segment saw overall performance gains for the quarter year on year. While domestic sales fell for the period, sales grew in all overseas regions.

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

The office equipment and appliances business also reported higher year-on-year revenue. While plastic materials sales in Japan were level with the same period in the prior year, Northeast Asia and Southeast Asia reported performance gains.

As a whole, our business related to functional films and sheets and plastic molding products reported lower net sales. Despite strong performance in plastics and plastic materials, sales of anti-reflective materials for LCD TVs and anti-reflective sheets for game devices underperformed the same period in the prior fiscal year.

As a result, segment net sales for the consolidated second quarter amounted to ¥118.46 billion, or a ¥10.89 billion (10.1%) gain compared to the same period in the prior fiscal year. Operating profit amounted to ¥1.87 billion, which was a comparative ¥150 million (9.0%) higher.

### **Electronics**

The electronics segment reported higher overall revenues, with performance gains both in Japan and in all overseas regions.

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

The electronic materials business reported significantly higher year-on-year sales as a whole. Weaker year-on-year performance in LED-related materials was more than offset by gains in LCD film-related materials. The business reported touch panel materials sales level with the same period in the prior fiscal year.

As a result, the Company recorded consolidated second quarter net sales of ¥71.94 billion, which was a ¥10.75 billion (17.6%) increase compared to the same period in the prior fiscal year. Operating profit amounted to ¥3.98 billion for the consolidated second quarter—a ¥870 million (28.3%) year-on-year increase.

### **Automotive & Energy**

The automobile-related business reported higher year-on-year sales for the period. With the end of eco-car subsidies in Japan, car makers reduced production through the beginning of the fiscal year. However, production has recovered to prior-year levels since. Sales related to the eco-car business have been strong, showing year-on-year gains. Overseas, we saw lower year-on-year sales in Thailand due to the end of government-backed auto purchase subsidies. However, Japanese auto makers in China have increased production, and high production in North America have combined to push sales higher year on year for our international markets.

In our energy business, we outperformed the same period in the prior fiscal year, mainly due to higher sales of solar power systems and products for lithium ion batteries for industrial uses.

As a result, segment net sales for the consolidated second quarter amounted to ¥47.46 billion, representing a ¥5.26 billion (12.5%) increase year on year. Operating profit increased ¥250 million (46.9%) compared to the prior cumulative consolidated second quarter, reaching ¥800 million for the segment. These increases were due to strength in our automobile-related business, despite delays in rolling out our lithium ion battery systems business.

### **Life & Healthcare**

The Company's Life & Healthcare business experienced lower sales as a whole. In the foods industry, both Japan and overseas sales of trehalose and other functional saccharides drove strong performance; however, sell-outs of unprofitable products led to revenues in this market being flat compared to the same period in the prior fiscal year. In the skin care markets we saw solid sales of functional saccharides to overseas cosmetics makers. However, sales of pharmaceuticals and intermediates in the pharmaceuticals and medical markets were weak, contributing to a decrease overall in revenues for the Life & Healthcare products business.

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

As a result, net sales amounted to ¥36.5 billion, which was a ¥90 million (0.3%) decrease year on year. Operating profit fell to ¥1.44 billion, ¥550 million (27.6%) lower than the same period in the prior fiscal year. This decrease was mainly due to higher general and administrative expenses.

### **Other**

No special matters to disclose.

## **(2) Financial Position**

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

As of the end of the consolidated second quarter, current assets amounted to ¥312.68 billion. This represents an increase of ¥6.93 billion compared to the end of the prior consolidated fiscal year, due mainly to increased accounts receivable, more than offsetting decreases in cash and time deposits used to repay loans. Non-current assets amounted to ¥189.31 billion, an increase of ¥8.31 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to greater investments in securities via share price gains in equity investments. As a result, total assets increased by ¥15.24 billion compared to the end of the prior consolidated fiscal year, reaching ¥501.99 billion.

Liabilities amounted to ¥253.24 billion, an increase of ¥4.3 billion compared to the end of the prior consolidated fiscal year. Despite lower loans, the Company recorded higher deferred tax liabilities due to unrealized holding gains on securities and higher liabilities for retirement benefits stemming from the early adoption of retirement benefits accounting standards.

Net assets amounted to ¥248.74 billion at the end of the consolidated first quarter, up ¥10.93 billion compared to the end of the prior fiscal year. The Company recorded net income of ¥7.21 billion and an increase in other unrealized holding gains on securities, which more than offset lower cumulative retained earnings and other comprehensive income at the beginning of the term due to the early adoption of retirement benefits accounting standards.

As a result, the Company's shareholders' equity ratio improved 0.9 points compared to the end of the prior consolidated fiscal year, reaching 47.8%.

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

### **b. Cash Flows**

Cash and cash equivalents ("Cash") decreased by ¥3.77 billion (8.2%) compared to the end of the prior consolidated fiscal year, amounting to ¥42.04 billion. Cash from operating activities amounted to ¥4.35 billion, while cash used in investing activities came to ¥4.51 billion. Cash used in financing activities amounted to ¥3.43 billion, and the Company added ¥110 million in cash from newly consolidated entities.

(Cash Flows from Operating Activities)

Cash flows from operating activities for the consolidated second quarter amounted to ¥4.35 billion. While accounts receivable increased by ¥9.63 billion and the Company paid ¥3.39 billion in income taxes, the Company also saw a ¥1.83 billion reduction in inventory balances, while recording net income before income taxes of ¥10.54 billion and non-cash depreciation and amortization of ¥4.14 billion.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated second quarter amounted to ¥4.51 billion. Although the Company received ¥1.32 billion in cash from sales of investments in securities, we also recorded ¥3.69 billion in payments for purchases of property, plant and equipment, as well as a cash outlay of ¥1.14 billion for purchase of investments.

(Cash Flows from Financing Activities)

Cash used in financing activities for the consolidated first quarter amounted to ¥3.43 billion. While the Company recorded an increase in short-term loans of ¥2.49 billion, we also paid ¥4.56 billion in long-term debt repayments, as well as ¥1.64 billion in cash dividends.

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

A recovering Japanese economy, continued economic strength in North America, and improved export profits due to the weaker yen are all positive factors for growth. However, the weaker yen also means higher costs for naphtha and other imported raw materials. We see further change coming in the market place, spurred by rapid advances in technology and fierce competition among industry players leading to shorter product lifecycles. How to speed up our response to these changes is a very important issue for the Company.

During the first half of the fiscal year, we saw comparatively strong performance in our touch panel materials, LCD film-related materials, and overseas automobile-related business. However, our overall performance was weaker when compared to initial forecasts.

During the second half of the fiscal year, we expect continued strength in Chinese and North American automobile-related business. We also believe that our Advanced Materials & Processing segment will exceed first-half results, driven by domestic demand, as well as growth in China and other regions outside Japan. We expect the Life & Healthcare segment to also perform well, backed by strong sales of our manufacturing subsidiaries' products. On the other hand, we expect our electronics segment to underperform first-half results, despite solid performance in touch panel materials over the first two quarters. As well, we are still working on technology to respond to changes in the market related to our glass panel processing business. We also expect that slow orders from domestic manufacturers over the second half of the year will make it a challenge to achieve profits.

Given these conditions, we have revised our full-year earnings forecasts as shown below:

**Full-Year Earnings Forecast Revisions (April 1, 2013 to March 31, 2014)**

(Millions of yen)

	Prior Forecast (A)	Revised Forecast (B)	Change (B-A)	Change (%)
Net sales	764,000	725,000	(39,000)	(5.1%)
Operating profit	19,200	15,700	(3,500)	(18.2%)
Ordinary income	21,000	18,200	(2,800)	(13.3%)
Net income	14,500	11,800	(2,700)	(18.6%)

## 2. Summary Information (Notes)

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

No matters to report.

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

No matters to report.

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

(Changes in Accounting Policies)

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

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

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

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



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2013)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2013)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	46,693	42,664
Notes and accounts receivable	196,001	208,061
Merchandise and finished goods	47,104	46,782
Work in process	1,554	1,406
Raw materials and supplies	3,204	2,995
Deferred tax assets	4,282	5,082
Other	7,967	6,561
Less allowance for doubtful accounts	(1,057)	(871)
<b>Total current assets</b>	<b>305,751</b>	<b>312,682</b>
Non-current assets		
Property, plant and equipment	60,967	61,330
Intangible fixed assets		
Goodwill	30,726	30,507
Technology-based assets	20,093	19,305
Other	4,475	4,526
<b>Total intangible fixed assets</b>	<b>55,295</b>	<b>54,340</b>
Investments and other assets		
Investments in securities	56,870	65,148
Long-term loans receivable	837	1,169
Deferred tax assets	2,249	2,613
Other	5,067	4,922
Less allowance for doubtful accounts	(289)	(214)
<b>Total investments and other assets</b>	<b>64,734</b>	<b>73,640</b>
<b>Total non-current assets</b>	<b>180,996</b>	<b>189,311</b>
<b>Total assets</b>	<b>486,747</b>	<b>501,993</b>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	107,941	107,819
Short-term loans	25,061	28,802
Current portion of long-term debt	10,408	6,240
Accrued income taxes	2,947	3,860
Deferred tax liabilities	21	27
Accrued bonuses for employees	3,968	4,020
Accrued bonuses for directors	219	217
Other	15,244	14,198
<b>Total current liabilities</b>	<b>165,812</b>	<b>165,187</b>
Long-term liabilities		
Bonds	30,000	30,000
Long-term debt	32,614	32,797
Deferred tax liabilities	9,251	11,379
Accrued retirement benefits for employees	10,283	-
Liabilities for retirement benefits	-	12,782
Other	980	1,101
<b>Total long-term liabilities</b>	<b>83,129</b>	<b>88,061</b>
<b>Total liabilities</b>	<b>248,941</b>	<b>253,248</b>

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2013)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2013)
Net Assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,242
Retained earnings	199,160	203,749
Less treasury stock, at cost	(7,109)	(6,915)
Total shareholders' equity	211,792	216,775
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	17,943	23,805
Deferred (loss) gain on hedges	(6)	2
Translation adjustments	(1,223)	(102)
Cumulative adjustment for retirement benefits	-	(487)
Total accumulated other comprehensive income	16,712	23,218
Stock acquisition rights	50	-
Minority interests	9,250	8,751
Total net assets	237,806	248,745
Total liabilities and net assets	486,747	501,993

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

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

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - September 30, 2012)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2013 - September 30, 2013)
Net sales	335,549	358,210
Cost of sales	294,178	313,295
Gross profit	41,371	44,915
Selling, general and administrative expenses	33,209	36,229
Operating profit	8,161	8,685
Non-operating income		
Interest income	105	109
Dividend income	560	603
Rent income	144	147
Investment profit on equity method	249	255
Foreign exchange gain	-	491
Other	236	306
Total non-operating income	1,296	1,912
Non-operating expenses		
Interest expenses	555	531
Foreign exchange loss	11	-
Other	226	213
Total non-operating expenses	792	745
Ordinary income	8,665	9,853
Extraordinary gains		
Gain on sale of non-current assets	3,113	32
Gain on sale of investment securities	606	687
Other receivables	-	118
Other	60	11
Total extraordinary gains	3,779	850
Extraordinary losses		
Loss on sale of non-current assets	0	16
Loss on disposal of non-current assets	84	86
Impairment loss	275	40
Loss on sale of investments securities	0	0
Loss on valuation of investments securities	218	19
Other	3	-
Total extraordinary losses	582	163
Net Income before income taxes	11,862	10,540
Income taxes	3,717	4,483
Deferred taxes	(330)	(1,525)
Total income taxes	3,387	2,957
Net Income before minority interests	8,475	7,582
Minority interests	382	370
Net income	8,093	7,212

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

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - September 30, 2012)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2013 - September 30, 2013)
Net income before minority interests	8,475	7,582
Other comprehensive income		
Unrealized holding gain on securities	(3,478)	5,876
Deferred (loss) gain on hedges	19	9
Translation adjustments	(1,893)	1,271
Adjustments for retirement benefits	-	494
Share of other comprehensive income of associates accounted for using equity method	(37)	44
Total other comprehensive income	(5,390)	7,696
Comprehensive income	3,084	15,279
Comprehensive income attributable to:		
Comprehensive income, parent company	2,912	14,642
Comprehensive income, minority interests	172	636

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

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - September 30, 2012)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2013 - September 30, 2013)
<b>Cash flows from operating activities</b>		
Net income before income taxes	11,862	10,540
Depreciation and amortization	3,710	4,142
Amortization of goodwill	803	815
Provision for accrued retirement benefits for employees	148	-
Increase (decrease) in adjustments for retirement benefits	-	703
Interest income and dividend income	(666)	(713)
Interest expenses	555	531
Foreign exchange gain (loss)	(311)	151
(Increase) decrease in notes and accounts receivable	(152)	(9,634)
(Increase) decrease in inventories	(3,156)	1,834
Increase (decrease) in notes and accounts payable	3,059	(1,835)
Other	(3,983)	968
Subtotal	11,869	7,504
Interest and dividends received	751	793
Interest paid	(521)	(544)
Taxes paid	(3,187)	(3,396)
Cash flows from operating activities	8,913	4,356
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(6,935)	(3,691)
Cash from sale of property, plant and equipment	3,003	110
Purchases of investments securities	(145)	(57)
Cash from sale of investments in securities	842	1,327
Cash used for purchase of investments	(172)	(1,143)
Change in short-term loans (increase)	(225)	(368)
Payment for acquisition of intangible fixed assets	(769)	(725)
Other	(581)	31
Cash flows from investing activities	(4,982)	(4,517)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans, net	(17,361)	2,491
Proceeds from long-term loans	4,251	511
Repayment of long-term debt	(5,646)	(4,568)
Proceeds from issuance of bond	29,855	-
Purchase of treasury stock	(1,649)	(0)
Cash dividends paid	(1,542)	(1,647)
Cash dividends paid to minority shareholders	(454)	(545)
Other	(62)	321
Cash flows from financing activities	7,391	(3,436)
Effects of exchange rate changes on cash and cash equivalents	(1,078)	(289)
Net increase (decrease) in cash and cash equivalents	10,243	(3,886)
Cash and cash equivalents at beginning of the year	28,517	45,816
Increase in cash and cash equivalents accompanying consolidation	915	113
Increase (decrease) in cash and cash equivalents accompanying changes in fiscal years of consolidated subsidiaries	3,721	-
Cash and cash equivalents at end of the year	43,397	42,043

#### (4) Notes related to Quarterly Consolidated Financial Statements (Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

##### I 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	87,569	107,570	61,185	42,195	36,602	335,123	426	335,549	—	—	335,549
Intersegment sales and transfers	1,295	617	411	692	206	3,222	2,658	5,881	—	(5,881)	—
Total	88,865	108,187	61,596	42,888	36,808	338,346	3,084	341,430	—	(5,881)	335,549
Segment income (loss)	2,567	1,722	3,101	547	1,994	9,933	220	10,153	(2,183)	192	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.

##### II Six months ended September 30, 2013 (consolidated)

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

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	83,419	118,461	71,944	47,463	36,504	357,793	417	358,210	—	—	358,210
Intersegment sales and transfers	1,463	1,036	354	887	243	3,984	2,670	6,655	—	(6,655)	—
Total	84,882	119,498	72,299	48,350	36,747	361,778	3,087	364,866	—	(6,655)	358,210
Segment income (loss)	2,267	1,877	3,980	804	1,443	10,372	149	10,522	(2,098)	261	8,685

(Notes)

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

## 2. Changes in Reportable Segments

### (Changes in Business Classifications)

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

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

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

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

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

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

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

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

### (Significant Fluctuations in Shareholders' Equity)

No matters to report.

### (Significant Subsequent Events)

No matters to report.

#### 4. Supplementary Information

##### (1) Overseas Sale

Six months ended September 30, 2012 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sale (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

Six months ended September 30, 2013 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sale (Millions of yen)	99,834	54,416	12,862	9,859	176,973
II Consolidated sales (Millions of yen)					358,210
III Ratio of overseas sales to consolidated sales (%)	27.9	15.2	3.6	2.7	49.4

(Notes)

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