

## Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2019 <Under Japanese GAAP>

November 2, 2018

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 Section)

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

Representative: Kenji Asakura, Representative Director and President

Contact: Akira Takami, Executive Officer, General Manager, Accounting Division TEL: +81-3-3665-3103

Filing of quarterly report (scheduled): November 7, 2018

Start of distribution of dividends (scheduled): December 3, 2018

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, 2019

(April 1, 2018 to September 30, 2018)

#### (1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the second quarter ended September 30, 2018	404,459	4.4	13,431	6.5	13,910	0.8	10,321	17.8
September 30, 2017	387,501	10.4	12,606	74.1	13,802	84.5	8,760	87.4

(Notes) Comprehensive income Second quarter ended September 30, 2018: ¥ 14,341 million (15.0% decrease)

Second quarter ended September 30, 2017: ¥ 16,863 million (892.0%)

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
For the second quarter ended September 30, 2018	82.43		-	
September 30, 2017	69.46		-	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2018	593,323	319,364	53.0	2,511.98
March 31, 2018	569,456	308,804	53.3	2,424.97

(Reference) Equity capital As of September 30, 2018: ¥ 314,529 million

As of March 31, 2018: ¥ 303,636 million

### 2. Dividends

	Annual Dividends per Share				
	1Q	2Q	3Q	Fiscal year end	Annual
For the year ended (or ending)	Yen				
March 2018	-	17.00	-	23.00	40.00
March 2019	-	18.00	-	-	-
March 2019 (estimate)	-	-	-	19.00	37.00

(Note) Revisions to the latest projected dividends: No

**3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2019**  
**(April 1, 2018 to March 31, 2019)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	828,000	5.6	25,500	5.7	27,500	5.8	18,600	8.3	148.55

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

\* Notes

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

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

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

(3) Changes of accounting 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: No

iii. Changes in accounting estimates: No

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

(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, 2018	127,408,285 shares	March 31, 2018	127,408,285 shares
--------------------	--------------------	----------------	--------------------

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

September 30, 2018	2,196,209 shares	March 31, 2018	2,195,966 shares
--------------------	------------------	----------------	------------------

iii. Average number of shares during the period

September 30, 2018	125,212,124 shares	September 30, 2017	126,118,383 shares
--------------------	--------------------	--------------------	--------------------

\* **Quarterly financial statements are not subject to quarterly review.**

\* **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 Consolidated Earnings Forecasts” on page 4 of this document.

## Attachments

1. Qualitative Information	2
(1) Business Performance	2
(2) Financial Position	4
(3) Qualitative Information Related to Consolidated Earnings Forecasts	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	7
Quarterly Consolidated Statements of Income	
Six-month periods ended September 30, 2018 and 2017	7
Quarterly Consolidated Statements of Comprehensive Income	
Six-month periods ended September 30, 2018 and 2017	8
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes Related to Quarterly Consolidated Financial Statements	11
(Assumption for Going Concern)	11
(Significant Fluctuations in Shareholders' Equity)	11
(Additional Information)	11
(Segment Information, etc.)	12
3. Supplementary Information	14
(1) Overseas Sales	14

## 1. Qualitative Information

### (1) Business Performance

#### a. General Summary of Results

The Japanese economy maintained a pace of moderate recovery throughout the cumulative consolidated second quarter, pushed by strong corporate earnings. However, risks remain as to the impact of natural disasters on consumption, production, and other factors. The global economy continued to experience a gradual recovery, backed by strong performance in U.S. corporate earnings. Despite these positive indicators, however, U.S.-China trade frictions make the future direction of the world economy uncertain.

In this environment, the Company recorded domestic sales of ¥202.24 billion (+5.0% year on year) for the cumulative consolidated second quarter. Overseas sales amounted to ¥202.21 billion (+3.7%). In total, the Company recorded ¥404.45 billion in net sales, a 4.4% improvement over the first six months in the prior fiscal year.

The Company recorded gross profit of ¥52.91 billion (+5.4%) and operating income of ¥13.43 billion (+6.5%). This increase was mainly due to generally higher global sales and improved profitability among the Company's manufacturing subsidiaries. Ordinary income amounted to ¥13.91 billion (+0.8%), while profit attributable to owners of the parent amounted to ¥10.32 billion (+17.8%).

#### b. Segment Summary

The following section describes segment earnings for the period.

The Company reclassified certain reportable segments in the first quarter of the current consolidated fiscal year. The Company have reclassified reportable segment classifications for the cumulative consolidated second quarter of the prior fiscal year for comparative purposes.

#### Functional Materials

The Functional Materials segment recorded higher sales in both domestic and overseas markets.

The Performance Chemicals business recorded higher sales year on year, mainly due to improved sales of coating raw materials and urethane materials, spurred by strong automotive production in Japan and overseas, as well as naphtha price increases. Another contributing factor was the additional sales of the U.S. distributor acquired in the second quarter of the prior fiscal year, reflected for an entire cumulative consolidated second quarter in the current fiscal year.

The Speciality Chemicals business recorded higher sales year on year, mainly due to an increase in sales of electronics chemicals and plastic materials/plastic additives for the semiconductor and other related electronics industries in Japan. Overseas sales were level year on year.

As a result, the Functional Materials segment recorded sales of ¥89.65 billion for the first six months of the fiscal year, a ¥5.23 billion (+6.2%) increase year on year. Operating income for the segment was ¥2.71 billion, an increase of ¥30 million (+1.3%).

#### Advanced Materials & Processing

The Advanced Materials & Processing segment recorded higher sales in both domestic and overseas markets.

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in Japan for plastic resins for industrial and packaging applications and dyes/additives, as well as growth in digital print processing materials in both Japan and overseas.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. The sales of those business were higher overall, driven by growth in Japan, Greater China, and ASEAN.

As a result, the Advanced Materials & Processing segment recorded sales of ¥141.45 billion for the cumulative consolidated second quarter, a ¥9.61 billion (+7.3%) increase year on year. Operating income grew ¥1.03 billion (+28.9%), reaching ¥4.61

billion. This increase was mainly due to profitability improvements at domestic and overseas manufacturing subsidiaries.

### **Electronics**

The Electronics segment recorded lower sales in both domestic and overseas markets.

Despite favorable performance in formulated epoxy resins and equipment-related sales to the semiconductor industry, lower photolithography materials sales drove Electronic Chemicals business sales slightly lower.

The Electronic Materials business recorded lower sales due to decreases in display-related products, despite strong performance in our business for abrasives used connection with interim processing in semiconductors.

As a result, sales for the segment amounted to ¥61.82 billion, which was a ¥3.88 billion (-5.9%) decrease. Segment operating income fell ¥320 million (-7.4%) to ¥4.03 billion for the cumulative consolidated second quarter.

### **Automotive & Energy**

The Automotive Solutions business recorded higher sales, driven by strong performance in the resins business in Japan, Greater China, and ASEAN. Sales growth for car electronics-related products was another positive factor.

As a result, sales for the segment amounted to ¥68.24 billion, which was a ¥5.5 billion (+8.8%) increase year on year. Segment operating income grew ¥60 million (+4.2%), reaching ¥1.49 billion for the cumulative consolidated second quarter.

### **Life & Healthcare**

The Life & Healthcare segment recorded sales level with the same period in the prior fiscal year in both Japan and overseas.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business were lower overseas and slightly higher in Japan. Sales of AA2G™ to customers in the skin care and toiletries sectors were higher both in Japan and overseas. In the medical and pharmaceutical field, sales of pharmaceutical raw materials and intermediates, medical materials, and pharmaceutical business products were slightly lower. As a result, the business recorded period sales level with the prior year.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales, driven down due to weak performance across all product categories.

As a result, sales for the segment amounted to ¥42.98 billion, which was a ¥490 million (+1.2%) increase year on year. At the same time, operating income fell ¥150 million (-6.8%) to ¥2.14 billion for the period. This result was mainly due to declining profitability of a certain domestic manufacturing subsidiaries.

### **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 ¥371.35 billion. This represents an increase of ¥18.02 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable and inventories. Non-current assets amounted to ¥221.97 billion, up ¥5.84 billion. This increase was mainly due to increases in the fair value of shares retained. As a result of these various factors, total assets increased ¥23.86 billion to ¥593.32 billion as of the end of the consolidated second quarter.

Liabilities amounted to ¥273.95 billion, a ¥13.3 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in short-term loans and commercial paper.

Net assets amounted to ¥319.36 billion, up ¥10.55 billion. This increase was mainly due to ¥10.32 billion in profit attributable to owners of the parent and an increase in unrealized holding gain on other securities.

As a result, the Company recorded a shareholders' equity ratio of 53.0%, 0.3 points lower than the end of the prior consolidated fiscal year.

### b. Summary of Consolidated Cash Flows

Cash and cash equivalents (Cash) decreased ¥2.85 billion (-6.7%) compared to the end of the prior consolidated fiscal year, amounting to ¥40.0 billion. Cash used in operating activities amounted to ¥3.97 billion, while cash used in investing activities came to ¥8.41 billion and cash from financing activities amounted to ¥8.95 billion. In addition, effects of exchange rate changes had ¥580 million positive impact on Cash balances.

#### (Cash Flows from Operating Activities)

Cash used in operating activities for the cumulative consolidated second quarter amounted to ¥3.97 billion. While the Company recorded profit before income taxes of ¥13.88 billion and ¥4.65 billion in cash reserved associated with depreciation and amortization, working capital increases had a ¥18.45 billion negative impact on Cash. The Company also paid ¥2.73 billion in income taxes.

#### (Cash Flows from Investing Activities)

Cash used in investing activities for the cumulative consolidated second quarter amounted to ¥8.41 billion. This result was mainly due to cash outlays of ¥6.84 billion for the purchase of tangible and intangible fixed assets and outlays of ¥1.64 billion for the purchase of investment securities.

#### (Cash Flows from Financing Activities)

Cash flows from financing activities for the cumulative consolidated second quarter amounted to ¥8.95 billion. This result was mainly due to increases of ¥10.97 billion in short-term loans and a net ¥2.0 billion related to the issuance of commercial paper. These increases exceeded outlays of ¥2.87 billion in dividend payments.

## (3) Qualitative Information Related to Consolidated Earnings Forecasts

The Company has made no changes to the full-year consolidated earnings forecasts announced on May 7, 2018.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2018)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2018)
<b>ASSETS</b>		
Current assets		
Cash and time deposits	43,303	40,145
Notes and accounts receivable	225,999	237,782
Merchandise and finished goods	67,681	76,116
Work in process	1,883	2,156
Raw materials and supplies	4,106	4,772
Other	10,953	10,773
Less allowance for doubtful accounts	(602)	(395)
Total current assets	353,325	371,351
Non-current assets		
Property, plant and equipment	67,225	68,657
Intangible fixed assets		
Goodwill	25,478	24,885
Technology-based assets	12,215	11,427
Other	3,396	3,028
Total intangible fixed assets	41,090	39,341
Investments and other assets		
Investments in securities	100,403	106,654
Long-term loans receivable	109	268
Deferred tax assets	2,409	2,210
Other	4,992	4,941
Less allowance for doubtful accounts	(101)	(101)
Total investments and other assets	107,813	113,973
Total non-current assets	216,130	221,972
Total assets	569,456	593,323

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2018)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	118,028	119,595
Short-term loans	31,934	43,798
Current portion of long-term loans	11,067	10,630
Commercial paper	5,000	7,000
Current portion of bonds	-	10,000
Accrued income taxes	1,738	2,036
Accrued bonuses for employees	5,451	4,834
Accrued bonuses for directors	274	148
Other	19,500	17,521
Total current liabilities	192,996	215,566
Long-term liabilities		
Bonds	20,000	10,000
Long-term loans	17,906	18,333
Deferred tax liabilities	14,420	15,919
Net defined benefit liability	14,518	13,398
Other	809	741
Total long-term liabilities	67,655	58,392
Total liabilities	260,651	273,959
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	11,158	10,659
Retained earnings	232,534	239,975
Less treasury stock, at cost	(3,114)	(3,114)
Total shareholders' equity	250,278	257,220
Accumulated other comprehensive income		
Net unrealized holding gain on securities	50,773	53,019
Deferred (loss) gain on hedges	(15)	38
Translation adjustments	2,917	4,450
Remeasurements of defined benefit plans	(317)	(199)
Total accumulated other comprehensive income	53,358	57,309
Non-controlling interests	5,168	4,834
Total net assets	308,804	319,364
Total liabilities and net assets	569,456	593,323



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

### (Quarterly Consolidated Statements of Income)

Six-month periods ended September 30, 2018 and 2017

(Millions of yen)

	Six-month period ended September 30, 2017 (April 1, 2017 - September 30, 2017)	Six-month period ended September 30, 2018 (April 1, 2018 - September 30, 2018)
Net sales	387,501	404,459
Cost of sales	337,285	351,547
Gross profit	50,215	52,911
Selling, general and administrative expenses	37,608	39,480
Operating income	12,606	13,431
Non-operating income		
Interest income	95	105
Dividend income	881	993
Rent income	135	134
Equity in earnings of affiliates	361	337
Foreign exchange gain	202	-
Other	238	206
Total non-operating income	1,915	1,777
Non-operating expenses		
Interest expenses	546	743
Foreign exchange losses	-	374
Other	173	181
Total non-operating expenses	719	1,298
Ordinary income	13,802	13,910
Extraordinary gains		
Gain on sale of non-current assets	12	134
Gain on sale of investment securities	8	1
Gain on sales of shares of subsidiaries and affiliates	-	6
Gain on negative goodwill	229	-
Total extraordinary gains	250	142
Extraordinary losses		
Loss on sale of non-current assets	20	69
Loss on disposal of non-current assets	32	99
Impairment loss	239	0
Loss on sale of investments securities	-	0
Loss on business withdrawal	449	-
Loss on step acquisitions	294	-
Total extraordinary losses	1,035	170
Income before income taxes and non-controlling interests	13,018	13,882
Income taxes - current	3,298	2,771
Income taxes - deferred	813	665
Total income taxes	4,111	3,436
Profit for the period	8,906	10,445
Profit attributable to non-controlling interests	145	124
Profit attributable to owners of the parent	8,760	10,321

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

Six-month periods ended September 30, 2018 and 2017

(Millions of yen)

	Six-month period ended September 30, 2017 (April 1, 2017- September 30, 2017)	Six-month period ended September 30, 2018 (April 1, 2018- September 30, 2018)
Profit for the period	8,906	10,445
Other comprehensive income		
Net unrealized holding gain on securities	6,151	2,246
Deferred (loss) gain on hedges	(0)	53
Translation adjustments	1,591	1,436
Remeasurements of defined benefit plans	109	118
Share of other comprehensive income of affiliates accounted for by the equity method	103	41
Total other comprehensive income	7,956	3,895
Comprehensive income	16,863	14,341
Comprehensive income attributable to:		
Shareholders of the parent	16,555	14,272
Non-controlling interests	307	68

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

(Millions of yen)

	Six-month period ended September 30, 2017 (April 1, 2017- September 30, 2017)	Six-month period ended September 30, 2018 (April 1, 2018- September 30, 2018)
<b>Operating activities</b>		
Profit before income taxes	13,018	13,882
Depreciation and amortization other than amortization of goodwill	4,589	4,653
Loss on impairment of fixed assets	239	0
Amortization of goodwill	844	907
Gain on negative goodwill	(229)	-
Loss on step acquisitions	294	-
Loss on business withdrawal	449	-
Decrease in liability for retirement benefits	(6)	(956)
Interest and dividend income	(977)	(1,099)
Interest expenses	546	743
Exchange loss, net	195	591
Gain on sales of investment securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(8)	(6)
Increase in notes and accounts receivable	(21,157)	(10,613)
Increase in inventories	(5,630)	(8,455)
Increase in notes and accounts payable	15,024	614
Other, net	1,243	(2,125)
Subtotal	8,433	(1,864)
Interest and dividends received	1,192	1,356
Interest paid	(549)	(728)
Income taxes paid	(2,568)	(2,734)
Net cash provided by (used in) operating activities	6,508	(3,971)
<b>Investing activities</b>		
Purchases of property, plant and equipment	(3,410)	(6,614)
Proceeds from sales of property, plant and equipment	58	488
Purchases of intangible fixed assets included in other assets	(183)	(235)
Purchases of investments in securities	(325)	(1,640)
Proceeds from sales of investments in securities	16	12
Purchases of investments	(49)	(97)
Purchase of share of subsidiaries resulting in change in scope of consolidation	(6,004)	-
Decrease (increase) in short-term loans receivable	50	(674)
(Increase) decrease in time deposits, net	(183)	300
Other, net	(189)	45
Net cash used in investing activities	(10,221)	(8,414)

Financing activities		
Increase in short-term loans, net	9,064	10,979
Net increase in commercial papers	7,000	2,000
Proceeds from long-term loans	6,500	418
Repayments of long-term loans	(2,330)	(636)
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(15)	(0)
Cash dividends paid	(2,144)	(2,879)
Cash dividends paid to non-controlling interests	(275)	(402)
Payments from changes in ownership interests in subsidiaries not resulting in change in scope of consolidation	(453)	(498)
Other, net	0	(28)
Net cash used in financing activities	7,346	8,950
Effects of exchange rate changes on cash and cash equivalents	458	580
Net increase (decrease) in cash and cash equivalents	4,091	(2,856)
Cash and cash equivalents at beginning of the year	39,730	42,857
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	4	-
Cash and cash equivalents, at end of the period	43,826	40,001

#### **(4) Notes Related to Quarterly Consolidated Financial Statements**

##### **(Assumption for Going Concern)**

No matters to report.

##### **(Significant Fluctuations in Shareholders' Equity)**

No matters to report.

##### **(Additional Information)**

At the beginning of the consolidated first quarter, the Company adopted the *Partial Amendment to the Accounting Standard for Tax Effect Accounting* (ASBJ Statement No.28, February 16, 2018). Under this standard, the Company now classifies deferred tax assets under investments and other assets, while deferred tax liabilities are classified under long-term liabilities for presentation.

**(Segment Information, etc.)**

Segment Information

I Six-month period ended September 30, 2017 (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 Financial Statements (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	84,420	131,839	65,705	62,745	42,493	387,205	295	387,501	-	-	387,501
Intersegment sales/transfers	1,190	1,139	1,005	1,333	223	4,892	2,300	7,193	-	(7,193)	-
Total	85,610	132,979	66,711	64,079	42,717	392,098	2,596	394,694	-	(7,193)	387,501
Segment income (loss)	2,677	3,580	4,354	1,437	2,303	14,353	148	14,501	(2,086)	190	12,606

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

II Six-month period ended September 30, 2018 (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 Financial Statements (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	89,651	141,450	61,820	68,246	42,985	404,154	304	404,459	-	-	404,459
Intersegment sales/transfers	1,444	1,200	851	1,368	197	5,062	2,803	7,865	-	(7,865)	-
Total	91,095	142,651	62,671	69,615	43,182	409,216	3,108	412,325	-	(7,865)	404,459
Segment income (loss)	2,712	4,616	4,031	1,499	2,145	15,005	183	15,188	(2,022)	265	13,431

- (Note) 1. Other is a business segment consisting of businesses not included in reportable segments, and includes logistics services, information processing services, and professional services.
2. Corporate segment income (loss) represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of Segment income (loss), 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 in the consolidated first quarter, the Company reclassified Fitz Chem LLC under the Functional Materials and the Life & Healthcare segments. In the prior consolidated fiscal year, Fitz Chem LLC was classified under the Functional Materials segment. This change is in response to a change in business unit management.

Segment information for the prior cumulative consolidated second quarter has been prepared under this new classification method, reported under *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, auxiliaries, plastic materials, plastic additives, industrial oil solutions, surfactants, fluorochemicals, encapsulant materials, silicone materials, and more for the paints/inks, resins, urethane foam, organic synthesis, surfactants, and semiconductor industries.

The Advanced Materials & Processing segment is engaged in sales of dyestuffs, dyes, functional dyes, digital print processing materials, thermoplastic resins, thermosetting resins, automobile refinish paints, conductive coatings, synthetic rubber, inorganic materials, plastics products, and resins molding tools/dies for the dye/additive, digital print processing material, fiber processing, raw resin material, resin molding, functional film and sheet, construction, and other industries.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD/semiconductors, materials for display 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, semiconductor, hard disk drive, electronic components, and heavy electrical industries.

The Automotive & Energy segment is engaged in the sales of plastic products, thermoplastic resins, thermosetting resins, silicone products, resin molding tools/dies, high-function car electronics materials and components, battery materials, solar cell/secondary battery 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, and surfactants for the pharmaceutical, food, and cosmetics industries. The segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

### 3. Supplementary Information

#### (1) Overseas Sales

I Six-month period ended September 30, 2017 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	106,886	53,636	17,084	7,369	9,926	194,904
II Consolidated sales (Millions of yen)						387,501
III Ratio of overseas sales to consolidated sales (%)	27.6	13.8	4.4	1.9	2.6	50.3

II Six-month period ended September 30, 2018 (consolidated)

	Greater China	ASEAN	Americas	Europe	Other	Total
I Overseas sales (Millions of yen)	107,444	59,658	19,143	7,207	8,756	202,210
II Consolidated sales (Millions of yen)						404,459
III Ratio of overseas sales to consolidated sales (%)	26.5	14.8	4.7	1.8	2.2	50.0

(Note)

1. Overseas sales 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) Greater China.....China, Hong Kong, Taiwan
  - (2) ASEAN.....Thailand, Singapore
  - (3) Americas.....U.S., Mexico
  - (4) Europe.....Germany
  - (5) Other.....Korea