



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

August 7, 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/>)

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Filing of quarterly report (scheduled): August 12, 2013

Start of distribution of dividends (scheduled): –

Supplementary documents of quarterly financial results: No

Quarterly investors' meeting: No

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2014

(April 1, 2013 to June 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	
For the first quarter ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2013	171,328	2.8	4,169	1.0	5,106	9.7	3,527	3.5
June 30, 2012	166,722	8.0	4,128	(1.6)	4,657	(13.1)	3,409	6.8

(Note) Comprehensive income First quarter ended June 30, 2013: ¥ 8,818 million (–%)

First quarter ended June 30, 2012: ¥ 126 million (97.0% decrease)

	Earnings per share		Earnings per share (diluted)	
For the first quarter ended	Yen		Yen	
June 30, 2013	27.82		–	
June 30, 2012	26.53		–	

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2013	494,216	242,940	47.3	1,840.23
March 31, 2013	486,747	237,806	46.9	1,803.31

(Reference) Equity capital As of June 30, 2013: ¥ 233,627 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	Yen	Yen
March 31, 2013	–	13.00	–	13.00	26.00
March 31, 2014	–				
March 31, 2014 (estimate)		14.00	–	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	764,000	14.7	19,200	23.2	21,000	17.1	14,500	2.2	114.21

(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 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: 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)

June 30, 2013	138,408,285 shares	March 31, 2013	138,408,285 shares
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ii. Number of treasury stock as of the fiscal period end

June 30, 2013	11,452,925 shares	March 31, 2013	11,693,809 shares
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iii. Average number of shares during the period

June 30, 2013	126,832,903 shares	June 30, 2012	128,514,475 shares
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* 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.

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1. Qualitative Information

(1) Business Performance

a. General Summary of Results

During the first quarter of the current fiscal year, the Japanese economy experienced mild growth in exports and production, showing signs of a recovery, aided in part by effective government fiscal policies and a rebound in overseas economies.

Under these conditions, the Company recorded domestic sales for the cumulative consolidated first quarter in the amount of ¥88.5 billion (6.4% year-on-year decrease). Overseas sales amounted to ¥82.81 billion (14.7% increase), owing in part to a cheaper yen valuation. In total, the Company as a whole recorded net sales of ¥171.32 billion (2.8% increase) for the quarter.

Together with an increase in net sales, gross profit rose 6.5% to ¥22.17 billion, driven by strong performance in overseas markets by the automobile-related business and continued healthy sales of smartphone- and tablet-related materials. At ¥4.16 billion, operating profit grew 1.0% compared to the same period in the prior fiscal year, mainly affected by an increase in retirement benefit costs due to amortizing retirement benefit obligation actuarial differences. The Company recorded ordinary income in the amount of ¥5.1 billion (9.7% increase), mainly improved foreign exchange gains with the weaker yen. These factors contributed to a quarterly net income of ¥3.52 billion, representing a year-on-year increase of 3.5%.

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 first quarter of the prior period according to these reorganized classifications.

Functional Materials

Overall, net sales in the Functional Materials segment experienced a year-on-year decline. Despite growth in Northeast Asia, North America, and Europe, net sales fell in Japan and Southeast Asia.

Our performance chemicals business reported overall declines in net sales compared to the same period in the prior fiscal year. Lower sales in coating raw materials and urethane materials to the automotive industry were more than could be offset by gains in plastic materials and additives.

Our speciality chemicals business also experienced lower year-on-year net sales. Surfactants and raw materials for industrial oil solutions sales were on par with the same period in the prior fiscal year; however, sales of fluorochemicals, semiconductor encapsulant materials, and raw material for organic synthesis drove down overall performance.

As a result, net sales for the Functional Materials segment amounted to ¥41.14 billion, which was a ¥2.17 billion (5.0%) decrease compared to the prior consolidated first quarter. Segment operating profit came in at ¥1.12 billion—a ¥270 million (19.6%) 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.

In the colors and imaging business, sales in Japan of dyes/additives fell, while the Company showed gains in sales of information printing materials to the United States and Europe, contributing to overall year-on-year growth in the segment.

Sales in the Company's plastics business for office equipment and appliances grew overall. While we saw a drop in domestic sales, lower materials exports to major customers, and fewer molding tools shipments to customers overseas, these declines were outpaced by growth in Northeast and Southeast Asia.

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 first quarter amounted to ¥55.93 billion, or a ¥1.75 billion (3.2%) gain compared to the same period in the prior fiscal year. Operating profit amounted to ¥770 million, which was a comparative ¥20 million (3.9%) higher.

Electronics

Sales in the electronics segment increased overall for the consolidated period. Sales in North America and Europe were on par with the same period in the prior fiscal year, while sales grew year on year in Japan, as well as in Northeast and Southeast Asia.

Sales in our electronic chemicals business grew overall, with a strong performance in formulated epoxy resin sales for the heavy electrical equipment and light electrical equipment markets, higher sales of chemicals used in the manufacture of semiconductors and LCD panels, and greater revenues from sales of equipment to hard disk drive manufacturer in the United States and Europe.

Net sales in the electronics materials business also experienced overall year-on-year gains. While sales of LED-related materials fell and touch-panel materials sales were level with the same period in the prior fiscal year, the Company showed wide gains in sales of LCD film-related materials.

As a result, the Company recorded consolidated first quarter net sales of ¥32.5 billion, which was a ¥3.46 (11.9%) increase compared to the same period in the prior fiscal year. Operating profit amounted to ¥1.7 billion for the consolidated first quarter—a ¥230 million (15.9%) year-on-year increase.

Automotive & Energy

Our automotive-related business saw growth overall for the consolidated period. Despite generally strong performance of raw materials and component for automotive industry in our domestic market, sales fell compared to the prior fiscal year, which had higher reconstruction demand in the wake of March 11, eco-car subsidies, and other growth-driving domestic factors leading to major auto production increases. Overseas, our performance continued to be solid, given a recovery in production among Japanese auto makers in China and strong performance in the North American and ASEAN 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 first quarter amounted to ¥23.21 billion, representing a ¥2.12 billion (10.1%) increase year on year. Operating profit amounted to ¥470 million for the consolidated first quarter, a year-on-year increase owing mainly to strong performance in our overseas automobile-related business, despite an operating loss in our lithium ion battery systems business due to roll-out delays. This result for operating income was ¥180 million (62.0%) higher than the same period in the prior fiscal year.

Life & Healthcare

The Company's Life & Healthcare business reported lower year-on-year sales for the consolidated first quarter. With respect to sales of functional materials to the food industry, domestic sales of TREHATM and other functional saccharides, enzymes, and other Company products were stable, while overseas sales performed well. Sales of functional saccharides to the skin care market were basically level year on year, due to downward price pressures in the market. At the same time, in the pharmaceutical and medical fields, sales of pharmaceutical raw materials and intermediates to generic pharmaceuticals makers were weak.

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, segment net sales amounted to ¥18.33 billion for the consolidated first quarter, which was a ¥610 million (3.2%) decrease year on year. At the same time, gross profit grew, due mainly to greater sales of more highly profitable products. Operating profit fell to ¥1.1 billion, ¥170 million (13.4%) 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 first quarter, current assets amounted to ¥308.82 billion. This represents an increase of ¥3.07 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 ¥185.38 billion, an increase of ¥4.39 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 ¥7.46 billion compared to the end of the prior consolidated fiscal year, reaching ¥494.21 billion.

Liabilities increase by ¥2.33 billion compared to the end of the prior consolidated fiscal year, amounting to ¥251.27 billion. While the Company recorded lower loans, increases in accounts payable and liabilities related to retirement benefits in connection with the early adoption of revised retirement benefits accounting standards combined to drive liabilities higher.

Net assets amounted to ¥242.94 billion at the end of the consolidated first quarter, up ¥5.13 billion compared to the end of the prior fiscal year. The Company recorded net income of ¥3.52 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 0.4 points compared to the end of the prior consolidated fiscal year, reaching 47.3%.

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 ¥2.55 billion (5.6%) compared to the end of the prior consolidated fiscal year, amounting to ¥43.26 billion. Cash from operating activities amounted to ¥4.79 billion, while cash used in investing activities came to ¥2.14 billion. Cash used in financing activities amounted to ¥6.16 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 first quarter amounted to ¥4.79 billion. This increase was mainly due to ¥2.02 billion in depreciation and amortization (no cash effects) and net income before income taxes in the amount of ¥5.38 billion, more than offsetting income tax payments of ¥2.64 billion.

(Cash Flows from Investing Activities)

Cash used in investing activities during the consolidated first quarter amounted to ¥2.14 billion. This result was mainly due to the Company’s purchase of property, plant and equipment of ¥1.71 billion.

(Cash Flows from Financing Activities)

Cash used in financing activities for the consolidated first quarter amounted to ¥6.16 billion. This result was mainly due to ¥4.42 billion in long-term debt repayments and ¥1.64 billion in cash dividends paid.

(3) Qualitative Information related to Earnings Forecasts

The Company has made no changes to its full-year consolidated earnings forecasts originally published on May 10, 2013.

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 first 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 first quarter.

As a result of this accounting change, other comprehensive income as of the beginning of the consolidated first 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 first 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)	First Quarter, Current Consolidated Fiscal Year (June 30, 2013)
ASSETS		
Current assets		
Cash and time deposits	46,693	44,207
Notes and accounts receivable	196,001	202,276
Merchandise and finished goods	47,104	47,658
Work in process	1,554	1,660
Raw materials and supplies	3,204	3,308
Deferred tax assets	4,282	3,990
Other	7,967	6,754
Less allowance for doubtful accounts	(1,057)	(1,026)
Total current assets	305,751	308,829
Non-current assets		
Property, plant and equipment	60,967	61,267
Intangible fixed assets		
Goodwill	30,726	30,417
Technology-based assets	20,093	19,699
Other	4,475	4,529
Total intangible fixed assets	55,295	54,646
Investments and other assets		
Investments in securities	56,870	61,456
Long-term loans receivable	837	835
Deferred tax assets	2,249	2,430
Other	5,067	5,014
Less allowance for doubtful accounts	(289)	(264)
Total investments and other assets	64,734	69,473
Total non-current assets	180,996	185,387
Total assets	486,747	494,216
LIABILITIES		
Current liabilities		
Notes and accounts payable	107,941	112,182
Short-term loans	25,061	26,149
Current portion of long-term debt	10,408	6,019
Accrued income taxes	2,947	1,829
Deferred tax liabilities	21	28
Accrued bonuses for employees	3,968	2,229
Accrued bonuses for directors	219	76
Other	15,244	16,066
Total current liabilities	165,812	164,581
Long-term liabilities		
Bonds	30,000	30,000
Long-term debt	32,614	32,664
Deferred tax liabilities	9,251	10,010
Accrued retirement benefits for employees	10,283	—
Liabilities for retirement benefits	—	12,947
Other	980	1,070
Total long-term liabilities	83,129	86,693
Total liabilities	248,941	251,275

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2013)	The First Quarter, Current Consolidated Fiscal Year (June 30, 2013)
Net Assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,193
Retained earnings	199,160	200,065
Less treasury stock, at cost	(7,109)	(6,963)
Total shareholders' equity	211,792	212,994
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	17,943	21,088
Deferred (loss) gain on hedges	(6)	(5)
Translation adjustments	(1,223)	284
Cumulative adjustment for retirement benefits	—	(734)
Total accumulated other comprehensive income	16,712	20,632
Stock acquisition rights	50	20
Minority interests	9,250	9,292
Total net assets	237,806	242,940
Total liabilities and net assets	486,747	494,216

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

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

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2013 - June 30, 2013)
Net sales	166,722	171,328
Cost of sales	145,898	149,153
Gross profit	20,823	22,174
Selling, general and administrative expenses	16,695	18,004
Operating profit	4,128	4,169
Non-operating income		
Interest income	51	54
Dividend income	528	598
Rent income	71	74
Investment profit on equity method	87	102
Foreign exchange gain	58	340
Other	120	151
Total non-operating income	918	1,323
Non-operating expenses		
Interest expenses	266	258
Other	121	128
Total non-operating expenses	388	386
Ordinary income	4,657	5,106
Extraordinary gains		
Gain on sale of non-current assets	1	22
Gain on sale of investment securities	172	167
Other receivables	-	118
Other	0	-
Total extraordinary gains	174	308
Extraordinary losses		
Loss on sale of non-current assets	0	11
Loss on disposal of non-current assets	30	17
Impairment loss	15	-
Loss on sale of investments securities	0	0
Loss on valuation of investments securities	130	-
Other	3	-
Total extraordinary losses	180	29
Net Income before income taxes	4,651	5,385
Income taxes	1,415	1,736
Deferred taxes	(351)	(62)
Total income taxes	1,064	1,674
Net Income before minority interests	3,587	3,710
Minority interests	177	183
Net Income	3,409	3,527

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

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2013 - June 30, 2013)
Net Income before minority interests	3,587	3,710
Other comprehensive income		
Unrealized holding gain on securities	(1,715)	3,150
Deferred (loss) gain on hedges	18	1
Translation adjustments	(1,753)	1,587
Adjustments for retirement benefits	—	247
Share of other comprehensive income of associates accounted for using equity method	(10)	121
Total other comprehensive income	(3,461)	5,107
Comprehensive income	126	8,818
Comprehensive income attributable to:		
Comprehensive income, parent company	87	8,372
Comprehensive income, minority interests	38	445

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative First Quarter, Prior Consolidated Fiscal Year (April 1, 2012 - June 30, 2012)	Cumulative First Quarter, Current Consolidated Fiscal Year (April 1, 2013 - June 30, 2013)
Cash flows from operating activities		
Net income before income taxes	4,651	5,385
Depreciation and amortization	1,886	2,025
Amortization of goodwill	402	407
Provision for accrued retirement benefits for employees	339	—
Increase (decrease) in adjustments for retirement benefits	—	483
Interest income and dividend income	(579)	(653)
Interest expenses	266	258
Foreign exchange gain (loss)	(301)	261
(Increase) decrease in notes and accounts receivable	(3,121)	(3,424)
(Increase) decrease in inventories	(3,597)	952
Increase (decrease) in notes and accounts payable	8,136	1,821
Other	(891)	(540)
Subtotal	7,191	6,976
Interest and dividends received	637	665
Interest paid	(176)	(203)
Taxes paid	(2,381)	(2,647)
Cash flows from operating activities	5,271	4,791
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,224)	(1,711)
Purchases of investments securities	(3)	(25)
Change in short-term loans (increase)	(318)	(144)
Payment for acquisition of intangible fixed assets	(379)	(385)
Other	(414)	124
Cash flows from investing activities	(5,339)	(2,141)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(17,731)	43
Proceeds from long-term loans	2,247	—
Repayment of long-term debt	(4)	(4,423)
Proceeds from issuance of bond	29,855	—
Cash dividends paid	(1,542)	(1,647)
Cash dividends paid to minority shareholders	(435)	(398)
Other	(57)	264
Cash flows from financing activities	12,331	(6,160)
Effects of exchange rate changes on cash and cash equivalents	(893)	843
Net increase (decrease) in cash and cash equivalents	11,370	(2,667)
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	44,524	43,262

(4) Notes related to Quarterly Consolidated Financial Statements

(Assumption for Going Concern)

No matters to report.

(Segment Information, etc.)

I Three months ended June 30, 2012 (consolidated)

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

(Millions of yen)

	Reportable Segments						Other (Note) 1	Total	Corporate (Note) 2	Adjustments (Note) 3	To Quarterly Consolidated Statements of Income (Note) 4
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total					
Net sales											
Sales to customers	43,321	54,171	29,039	21,088	18,948	166,568	153	166,722	—	—	166,722
Intersegment sales and transfers	668	331	203	376	205	1,785	1,258	3,043	—	(3,043)	—
Total	43,989	54,502	29,242	21,464	19,153	168,353	1,412	169,766	—	(3,043)	166,722
Segment income (loss)	1,401	749	1,473	290	1,272	5,187	77	5,264	(1,127)	(9)	4,128

(Notes)

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

II Three months ended June 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	41,145	55,930	32,506	23,217	18,334	171,134	193	171,328	—	—	171,328
Intersegment sales and transfers	753	482	175	432	106	1,950	1,221	3,171	—	(3,171)	—
Total	41,898	56,413	32,681	23,650	18,440	173,085	1,414	174,499	—	(3,171)	171,328
Segment income (loss)	1,126	779	1,707	470	1,102	5,186	65	5,252	(1,259)	177	4,169

(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 first 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

Three months ended June 30, 2012 (consolidated)

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

Three months ended June 30, 2013 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
I Overseas sales (Millions of yen)	44,261	25,959	6,876	5,721	82,819
II Consolidated sales (Millions of yen)					171,328
III Ratio of overseas sales to consolidated sales (%)	25.8	15.2	4.0	3.3	48.3

(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