

4. Notes

(1) Changes in significant consolidated subsidiaries
(changes in specified subsidiaries involving changes in scope of consolidation) : None

(2) Adoption of special accounting methods of preparation of quarterly financial statements : None

(3) Changes of accounting policies and accounting estimates, and restatement

1. Changes of accounting policies due to revisions of accounting standards : Yes
2. Changes of accounting policies other than the above : None
3. Changes in accounting estimates : None
4. Restatements : None

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

as of December 31, 2014; 161,000,000 shares

as of March 31, 2014; 161,000,000 shares

2. Number of shares of treasury stock

as of December 31, 2014; 3,286,528 shares

as of March 31, 2014; 522,032 shares

3. Average number of shares outstanding during the nine months

ended December 31, 2014; 160,136,239 shares

ended December 31, 2013; 163,741,504 shares

* Implementation status about the quarterly review

This financial release is not subject to audit procedures based on Financial Instruments and Exchange Law in Japan. Audit procedures of financial statements based on Financial Instruments and Exchange have not been completed at the time of disclosure.

* Statement regarding appropriate use of forecasts and other notes

The forecast contained in this report is based on information available at the time of disclosure.

Actual operating results may differ materially from the forecast due to various factors.

For supplemental information, please refer to our website.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

During the Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014), the domestic personal consumption was weak due to the higher price hike. However, the economy was on the gradual recovery trend due to the better condition in exports mainly for the United States of America. With regard to our group business, Display Materials and Semiconductor Materials continued to have healthy sales. Fluralaner (the active substance of veterinary medical product) also had healthy sales.

As a result, the sales for this term were 117,794 million yen (an increase of 4,232 million yen from the same term of the previous year). Operating income was 16,139 million yen (an increase of 2,088 million yen). Net income was 11,819 million yen (an increase of 849 million yen).

Explanations by segments are as below.

Chemicals

As for Basic Chemicals, the sales of melamine (adhesive agent for particle board) decreased both domestically and internationally. As for Fine Chemicals, the sales of "TEPIC" (epoxy compound for LED sealants, solder resist, painting) increased due to the demand expansion in overseas and weak yen, while "HI-LITE" (chlorinated isocyanuric acid for sterilizing) had a hard time with price-cutting competition.

As a result, the sales of this segment were 25,752 million yen (a decrease of 953 million yen from the same term of the previous year). Operating income was 1,021 million yen (a decrease of 336 million yen).

Performance Materials

"SUNEVER" (LCD alignment coating) mainly for smartphone continued to have healthy sales. The demands for BARC and multi-layer process materials increased due to the miniaturization of semiconductors. The sales of "SNOWTEX" (silica sol for polishing electronic materials and non-polishing materials) exceeded previous year for polishing electronic materials.

As a result, the sales of this segment were 37,248 million yen (an increase of 5,587 million yen from the same term of the previous year). Operating income was 9,918 million yen (an increase of 3,256 million yen).

Agricultural Chemicals

With regard to the domestic sales, the sales volume of "ROUNDUP" (non-selective herbicide) and "ALTAIR" (paddy rice herbicide) increased. The export sales significantly increased due to the launch of veterinary medical product including Fluralaner in Europe and the United States of America.

As a result, the sales of this segment were 24,182 million yen (an increase of 2,708 million yen from the same term of the previous year). Operating income was 3,533 million yen (an increase of 1,940 million yen).

Pharmaceuticals

Export "LIVALO" API had healthy sales mainly in the United States of America and Asia. Domestic "LIVALO" API sales drastically decreased due to the influence of generic products. On the other hand, "Custom Chemicals" (custom manufacturing and process researching services for pharmaceutical companies) had healthy sales.

As a result, the sales of this segment were 7,081 million yen (a decrease of 2,328 million yen from the same term of the previous year). Operating income was 1,991 million yen (a decrease of 2,460 million yen).

Trading

The sales of display materials related products and agricultural chemicals products increased.

As a result, the sales of this segment were 41,393 million yen (an increase of 4,083 million yen from the same term of the previous year). Operating income was 1,359 million yen (an increase of 246 million yen).

Others

The sales of this segment were 13,073 million yen (a decrease of 1,541 million yen from the same term of the previous year). Operating income was 11 million yen (a decrease of 330 million yen).

(2) Explanation of Financial Position

(Position of Assets, Liabilities and Net Assets)

Due to the decrease of cash and deposits, notes and accounts receivable-trade, assets as of December 31, 2014 were 203,415 million yen (a decrease of 4,584 million yen from March 31, 2014).

Due to the decrease of liabilities with interest, total liabilities as of December 31, 2014 were 61,231 million yen (a decrease of 8,944 million yen from March 31, 2014).

Net Assets as of December 31, 2014 were 142,183 million yen (an increase of 4,360 million yen from March 31, 2014).

As a result, equity ratio was 69.2%, an increase of 3.5% from March 31, 2014.

(Position of Cash Flow)

Deducting income taxes paid from income before income taxes and minority interests, depreciation and gain and loss on working capital, net cash provided by operating activities for the nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014) were 23,586 million yen (23,645 million yen for the same term of the previous year).

Due to the acquisitions on plant and equipment of research and development division, net cash used in investing activities for the nine months ended December 31, 2014 were 5,651 million yen (9,146 billion yen for the same term of the previous year).

Due to the decrease in borrowings, dividends payment and Purchase of treasury stock, net cash used in financing activities for the nine months ended December 31, 2014 were 26,137 million yen (19,475 million yen for the same term of the previous year).

As a result, cash and cash equivalents at the end of this term were 22,905 million yen, reflecting 349 million yen effect of exchange rate changes. It decreased by 7,852 million yen from March 31, 2014 (27,347 million yen as of December 31, 2013.).

(3) Explanation of future forecast information, such as Forecast of Consolidated Financial Results

The forecast of financial results for the year ending March 31, 2015 remain unchanged from the previous announcement on November 5, 2014.

2. Items concerning Summary Information (Notes)

(1) Changes of accounting policies and accounting estimates, and restatement

Effective from the beginning of current consolidated financial year, the Company adopted paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.25 on May 17, 2012) and paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No.25 on May 17, 2012).

Affecting the above change, the Company reviewed the calculation method of retirement benefit obligations and service costs. The Company changed the method of attributing expected benefit to periods primarily from straight-line attribution to benefit formula basis as well as the decision method of the discount rate.

The term of bond which is the basis of the discount rate determination was changed from calculating with years approximate to employees' average estimated remaining service years to weighted average discount rate reflecting the estimated payment term of retirement benefits and its amount.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in the calculation methods of retirement benefit obligations and service costs were adjusted in retained earnings at the beginning of current consolidated financial year.

As a result, asset for retirement benefit increased by 331 million yen and retained earnings increased by 213 million yen at the beginning of current consolidated financial year. There was a slight effect on operating income, ordinary income and net income before taxes for the nine months ended December 31, 2014.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	30,757	22,905
Notes and accounts receivable-trade	54,041	43,884
Merchandise and finished goods	26,775	32,458
Work in process	51	943
Raw materials and supplies	6,353	9,319
Other	7,457	6,683
Allowance for doubtful accounts	-22	-26
Total current assets	125,413	116,170
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	19,520	22,705
Other, net	25,455	24,983
Total property, plant and equipment	44,975	47,689
Intangible assets		
Goodwill	481	6
Other	769	678
Total intangible assets	1,251	684
Investments and other assets		
Investment securities	33,570	35,490
Other	3,028	3,575
Allowance for doubtful accounts	-240	-195
Total investments and other assets	36,358	38,870
Total noncurrent assets	82,585	87,244
Total assets	207,999	203,415

(Millions of Yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,067	21,825
Short-term loans payable	30,645	16,378
Income taxes payable	3,512	688
Provision for bonuses	1,754	568
Provision for directors' bonuses	27	20
Other	7,646	10,278
Current liabilities	59,652	49,759
Noncurrent liabilities		
Long-term loans payable	5,450	4,750
Provision for business structure improvement	-	704
Net defined benefit liability	244	205
Other	4,829	5,812
Total noncurrent liabilities	10,524	11,472
Total liabilities	70,176	61,231
Net assets		
Shareholders' equity		
Capital stock	18,942	18,942
Capital surplus	13,611	13,611
Retained earnings	98,121	105,339
Treasury stock	-698	-6,700
Total shareholders' equity	129,975	131,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,138	8,187
Foreign currency translation adjustment	20	1,001
Remeasurements of defined benefit plans	417	375
Total accumulated other comprehensive income	6,576	9,564
Minority interests	1,269	1,425
Total net assets	137,822	142,183
Total liabilities and net assets	207,999	203,415

(2) Consolidated Statements of Income / Consolidated Statements of Comprehensive income
- Consolidated Statements of Income

(Millions of Yen)

	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2014
Net sales	113,562	117,794
Cost of sales	71,751	72,565
Gross profit	41,811	45,229
Selling, general and administrative expenses	27,760	29,090
Operating income	14,050	16,139
Non-operating income		
Interest income	14	13
Dividends income	583	543
Foreign exchange gains	453	590
Equity in earnings of affiliates	772	586
Other	672	484
Total non-operating income	2,497	2,217
Non-operating expenses		
Interest expenses	215	163
Loss on disposal of noncurrent assets	177	242
Plant stop loss	396	265
Other	219	309
Total non-operating expenses	1,009	980
Ordinary income	15,538	17,376
Extraordinary income	-	-
Extraordinary loss		
Product compensation expense	-	390
Business structure improvement expenses	-	704
Total extraordinary loss	-	1,095
Income before income taxes and minority interests	15,538	16,281
Income taxes-current	3,722	3,880
Income taxes-deferred	708	463
Total income taxes	4,431	4,343
Income before minority interests	11,107	11,937
Minority interests in income	137	117
Net income	10,969	11,819

- Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2014
Income before minority interests	11,107	11,937
Other comprehensive income		
Valuation difference on available-for-sale securities	3,264	2,048
Foreign currency translation adjustment	1,048	1,068
Remeasurements of defined benefit plans, net of tax	-	-41
Share of other comprehensive income of associates accounted for using equity method	-1	0
Total other comprehensive income	4,312	3,075
Comprehensive income	15,419	15,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,192	14,807
Comprehensive income attributable to minority interests	227	205

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine Months Ended December 31, 2013	Nine Months Ended December 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	15,538	16,281
Depreciation	6,156	6,054
Interest and dividends income	-597	-556
Interest expenses	215	163
Increase (decrease) in provision for business structure improvement	-	704
Loss (gain) on disposal of noncurrent assets	177	242
Decrease (increase) in notes and accounts receivable-trade	14,180	10,575
Decrease (increase) in inventories	-5,867	-9,183
Increase (decrease) in notes and accounts payable-trade	2,041	5,633
Other	-2,189	-76
Subtotal	29,654	29,838
Interest and dividends income received	984	616
Interest expenses paid	-182	-155
Income taxes paid	-6,810	-6,712
Net cash provided by (used in) operating activities	23,645	23,586
Net cash provided by (used in) investing activities		
Purchase of investment securities	-914	-1,310
Proceeds from sales of investment securities	244	3,077
Purchase of stocks of subsidiaries and affiliates	-2,749	-
Purchase of property, plant and equipment	-5,357	-6,554
Payments for retirement of property, plant and equipment	-114	-180
Net decrease (increase) in short-term loans receivable	33	-246
Other	-288	-437
Net cash provided by (used in) investing activities	-9,146	-5,651
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-12,116	-9,785
Repayment of long-term loans payable	-2,690	-5,456
Cash dividends paid	-4,584	-4,814
Cash dividends paid to minority shareholders	-48	-50
Purchase of treasury stock of subsidiaries in consolidation	-1	-6,001
Other	-34	-29
Net cash provided by (used in) financing activities	-19,475	-26,137
Effect of exchange rate change on cash and cash equivalents	444	349
Net increase (decrease) in cash and cash equivalents	-4,531	-7,852
Cash and cash equivalents at beginning of period	31,878	30,757
Cash and cash equivalents at end of period	27,347	22,905

- (4) Notes to Consolidated Financial Statements
 (Notes on Assumption of Going Concern)
 Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

At the board of Director's meeting held on November 5, 2014, the Company has decided to repurchase its shares in the market under Article 156 of the Japanese Corporation Act, as applied pursuant to Article 165, Paragraph 3 of the same Act.

The Company has completed the acquisition of treasury stocks on November 8, 2014.

As a result, shareholders' equity as of December 31, 2014 was 6,700 million yen, increased by 6,001 million yen.

(5) Segment Information

1. Information Regarding Sales, Income (Loss) of Reportable Segments

1) For the Nine Months Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales	19,991	27,673	19,495	9,352	30,141	6,908	113,562	—	113,562
Intersegment	6,714	3,987	1,978	56	7,168	7,706	27,613	-27,613	—
Total Sales	26,706	31,661	21,474	9,409	37,309	14,614	141,176	-27,613	113,562
Operating Income	1,357	6,661	1,592	4,452	1,113	342	15,521	-1,470	14,050

Notes: (1) The negative 1,470 million yen adjustment in segment income includes 372 million yen in intersegment eliminations and negative 1,098 million yen corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

2) For the Nine Months Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

(Millions of Yen)

	Chemicals	Performance Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Others	Total	Adjustment (1)	Consolidated Total
Sales	18,792	32,961	21,990	7,055	30,973	6,021	117,794	—	117,794
Intersegment	6,960	4,286	2,192	26	10,420	7,051	30,937	-30,937	—
Total Sales	25,752	37,248	24,182	7,081	41,393	13,073	148,732	-30,937	117,794
Operating Income	1,021	9,918	3,533	1,991	1,359	11	17,837	-1,698	16,139

Notes: (1) The negative 1,698 million yen adjustment in segment income includes 242 million yen in intersegment eliminations and negative 1,456 million yen corporate expenses not attributable to any reportable segment.

The corporate expenses are mainly group administrative expenses which do not belong to segments.