



## Quarterly Financial Results for the Third Quarter, Ended December 31, 2014 (Japanese GAAP, Consolidated)

February 9, 2015

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

URL <http://www.kaneka.co.jp>

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Scheduled date for submitting financial statements: February 12, 2015 Scheduled date of dividend distribution: —

Note: Figures have been rounded down to the nearest million yen.

### 1. Consolidated Business Performance for the Third Quarter, Ended December 31, 2014

(from April 1, 2014 to December 31, 2014)

#### (1) Consolidated business performance (cumulative)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2014 – Dec. 2014	414,005	5.9	16,764	(9.7)	17,406	(12.6)	10,045	(17.2)
Apr. 2013 – Dec. 2013	391,036	10.7	18,572	58.0	19,924	65.4	12,134	83.2

Note: Comprehensive income: ¥21,581 million (-9.5%) three months ended December 31, 2014

¥23,853 million (165.1%) three months ended December 31, 2013

	Net income per share	Fully diluted net income per share
Apr. 2014 – Dec. 2014	¥ 29.81	¥ 29.79
Apr. 2013 – Dec. 2013	36.01	35.98

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2014	¥ million 557,105	¥ million 297,870	% 51.5
As of March 31, 2014	520,123	285,133	52.8

(Reference) Shareholders' equity: ¥286,838 million as of December 31, 2014

¥274,408 million as of March 31, 2014

### 2. Dividends

	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2013 – Mar. 2014	¥ —	¥ 8.00	¥ —	¥ 8.00	¥ 16.00
Apr. 2014 – Mar. 2015	—	8.00	—		
Apr. 2014 – Mar. 2015 (Forecasts)				8.00	16.00

Note: Changes in dividend forecast during the quarter under review: No

### 3. Forecast for consolidated business performance for the year ending March 31, 2015

(from April 1, 2014 to March 31, 2015)

(Percentage figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	560,000	6.7	25,000	0.7	26,000	0.1	14,500	6.2	43.03

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes

#### 4. Other

- (1) Changes in principal subsidiaries during the term: No
- (2) Application of simplified methods of accounting and specific accounting methods: No
- (3) Changes in accounting principles, changes in estimates, or restatements

- 1. Changes owing to revisions in accounting standards: Yes
- 2. Changes other than 1. above: No
- 3. Changes in accounting estimates: No
- 4. Restatements: No

(Note) Please refer to "(3) Changes in accounting principles, changes in estimates, or restatements" under "2. Other Information" on page 4 for further details.

#### (4) Number of shares outstanding (common stock)

- 1. Number of shares issued at the end of the period (including treasury stock):
- 2. Shares of treasury stock at the end of the period:
- 3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

December 31, 2014	350,000,000 shares	March 31, 2014	350,000,000 shares
December 31, 2014	12,977,576 shares	March 31, 2014	13,034,982 shares
December 31, 2014	336,998,866 shares	December 31, 2013	336,999,541 shares

#### (Disclosure of Implementation Status of Review Procedures)

As of the date of this report, the review procedures prescribed in the Financial Instruments and Exchange Act were not complete.

#### (Explanations or other items pertaining to appropriate use of operating results forecasts)

The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the company will achieve these forecasts or other forward-looking statements. For cautionary items used in operating results forecasts, please refer to "(3) Consolidated Business Forecasts" under "1. Quarterly Consolidated Business Performance" on page 4.

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## 1. Quarterly Consolidated Business Performance

### (1) Consolidated Business Performance

In the global economy, although there was a continued recovery trend in the U.S. economy in the aspects of industrial production, employment, and consumer spending, the European economy remained sluggish and the economies in some emerging countries and resource-rich countries including China were entering a phase of medium-term slowdown.

In the Japanese economy, while there was an increase in corporate capital expenditure and an improvement in the employment environment on the back of the Japanese government's economic and monetary policies, recovery in demand slowed in reaction to an increase in the consumption tax rate in Japan. Although there were expectations that the yen's depreciation and a fall in the price of crude oil and naphtha, among other factors, could contribute to a recovery in corporate performance, the Japanese economy's future prospects remained uncertain.

In this business environment, the Kaneka Group has been accelerating its efforts to establish operations in new areas of business by strengthening R&D. We are also investing management resources in important strategic domains and focusing on transforming business structure in order to further strengthen the global development that we expect to drive growth. At the same time, in existing businesses we are working to achieve business expansion mainly by launching new products, while striving to strengthen competitiveness by lowering manufacturing and overhead costs as a measure to improve profitability.

In the third quarter under review (October 1, 2014 to December 31, 2014), the Kaneka Group reported consolidated net sales of ¥140,637 million (up 5.1% year on year) mainly due to the result of its measures to expand sales and improve earnings, including cost reduction, against a turnaround in business environment that included an improvement in domestic demand, a softening of market conditions for raw materials, and the yen's depreciation. At ¥7,281 million, quarterly operating income increased year on year, as well as recovered to a level that was about 50% higher than during the first quarter and second quarter of the year.

Up to the third quarter under review (April 1, 2014 to December 31, 2014), the Kaneka Group reported record-high consolidated net sales of ¥414,005 million (up 5.9% year on year). However, operating income was ¥16,764 million (down 9.7% year on year), and ordinary income was ¥17,406 million (down 12.6% year on year). This was due in large part to a temporary stagnation in earnings up to the second quarter of the year owing mainly to a delayed recovery in domestic demand, a slowdown of demand in Asian markets, and a rise in the price of petrochemicals, oil, and dairy raw materials. Net income was ¥10,045 million (down 17.2% year on year).

By segment, sales declined in the Expandable Plastics and Products and Electronic Products segments year on year; however, sales increased in the Chemicals, Functional Plastics, Foodstuffs Products, Life Science Products, and Synthetic Fibers and Others segments year on year. Similarly, while operating income increased in the Functional Plastics, Life Science Products and Synthetic Fibers and Others segments, operating income declined in the Chemicals, Expandable Plastics and Products, Foodstuffs Products and Electronic Products segments.

Operating performance by business segment was as follows:

#### 1) Chemicals

In PVC resins, sales in domestic and overseas markets remained sluggish and were strongly affected by a slowdown in sales following an increase in Japan's consumption tax rate, and a rise in the price of raw materials. Nevertheless, sales began improving when crude oil and naphtha prices entered a declining phase in the third quarter. Specialty PVC resins saw firm conditions in the Japanese market and the sales for the U.S. market was expanding. In the caustic soda business, sales volume increased despite sluggish demand in Japan.

As a result of the foregoing, segment sales increased ¥2,961 million, or 3.7%, year on year to ¥82,375 million and the segment posted operating income of ¥1,285 million, a decrease of ¥290 million, or 18.5%, year on year.

#### 2) Functional Plastics

In modifiers, the Kaneka Group took extensive steps to enhance product differentiation and bolster the earnings structure in this business, including through cost reductions, and business expanded mainly in overseas markets. Especially the sales volume increased in European and American markets where Kaneka strove to increase market share and market development of new product made progress. There was a steady increase in sales of modified silicone polymers, which received a high evaluation as regards their unique quality, for the overseas markets.

As a result of the foregoing, segment sales increased ¥8,213 million, or 13.1%, year on year to ¥71,143 million. The segment posted operating income of ¥7,976 million, up ¥1,214 million, or 18.0%, year on year.

### 3) Expandable Plastics and Products

Expandable polystyrene resins and products and extruded polystyrene foam boards saw lackluster sales, partly due to the absence of the housing demand that had accompanied the rise in the consumption tax rate. Nevertheless, the sales volume became improving in this term. Polyolefin foam by beads method, meanwhile, saw an increase in sales volume centered on overseas markets.

As a result of the abovementioned factors, segment sales decreased ¥214 million, or 0.4%, year on year to ¥49,876 million. The segment posted operating income of ¥3,070 million, down ¥392 million, or 11.3%, year on year.

### 4) Foodstuffs Products

This business was significantly impacted by rising raw material prices, even though the Group expanded sales with the launch of new products responding to food diversity and anticipating consumer needs amid sluggish domestic demand and continuing consumer preference for low prices. Moreover, in the face of operating expenses increasing temporarily in the first six month of the fiscal year, the Group achieved cost structure improvements by striving hard to strengthen the establishment of sales & distribution systems and its network of sales companies.

As a result of the foregoing, segment sales increased ¥4,294 million, or 4.3%, year on year to ¥105,228 million. The segment posted operating income of ¥1,566 million, a decrease of ¥2,691 million, or 63.2%, year on year.

### 5) Life Science Products

In medical devices, blood purification systems and the vascular intervention business saw firm conditions in Japan and overseas markets and sought to expand business in the overseas markets. In pharmaceutical intermediates, the sales volume increased and there was an increase in sales for active pharmaceutical ingredients (API) market and bio-pharmaceutical market. Functional foodstuffs saw firm conditions in the supplement market with the healthcare benefits of reduced-form coenzyme Q10 widely.

As a result of the abovementioned factors, segment sales were ¥39,782 million, an increase of ¥5,301 million, or 15.4%, year on year. The segment posted operating income of ¥6,704 million, representing a year-on-year increase of ¥1,654 million, or 32.8%.

### 6) Electronic Products

Optical materials saw a steady expansion of demand as an increase in the sales volume. Sales volumes of ultra-heat-resistant polyimide film and high thermal conductive graphite sheet were insufficient for meeting expanding demand, due to delays the Group incurred in establishing a supply framework. The framework for responding to demand was subsequently established by strengthening the production framework to a new plant. In solar cells, although market conditions were severe due to a large drop in the number of housing starts after the consumption tax rate in Japan rose, profitability improved in tandem with the implementation of business structure reforms, including cost reduction and the development of a new, technologically innovative solar cell with one of the world's highest conversion efficiencies. Sales benefited from growing recognition of the Kaneka Group's solar cells as a unique construction material product combining both aesthetic and functional value in the Japanese housing market.

As a result of the abovementioned factors, segment sales decreased ¥1,109 million, or 3.3%, to ¥32,447 million. The segment recorded an operating loss of ¥755 million.

### 7) Synthetic Fibers and Others

In synthetic fibers, profits increased by expanding sales of products, with materials for hair accessory products in the African market at the forefront, by leveraging its advantages of good quality and brand strength, and by aggressive cost reductions. Moreover, the yen's depreciation contributed to the increase of the profit. The construction of new plant in Malaysia was in line with plan.

As a result of the foregoing, segment sales increased ¥3,522 million, or 11.9%, year on year to ¥33,152 million. The segment posted operating income of ¥8,944 million, a year-on-year increase of ¥2,253 million, or 33.7%.

**(2) Consolidated Financial Position****1) Status of Assets, Liabilities and Equity**

Total assets were ¥557,105 million as of December 31, 2014, up ¥36,982 million compared with March 31, 2014. Interest-bearing debt totaled ¥110,087 million, up ¥9,294 million. Net assets increased ¥12,737 million, to ¥297,870 million, mainly due to an increase in the valuation difference on available-for-sale securities and a foreign currency translation adjustment.

**2) Consolidated Cash Flows**

Net cash provided by operating activities during the first nine months of the fiscal year was ¥21,719 million. The main items increasing cash were the posting of income before income taxes and minority interests, and depreciation and amortization. While the main items decreasing cash were the posting of an increase in working capital and income taxes paid. Net cash used in investing activities amounted to ¥30,837 million, mainly owing to the purchase of property, plant and equipment. Net cash provided by financing activities came to ¥127 million, mainly owing to cash provided by proceeds from loans payable, which were partly offset by the redemption of bonds and cash dividends paid. As a result, cash and cash equivalents as of December 31, 2014 totaled ¥25,192 million.

**(3) Consolidated Business Forecasts**

With temporary negative factors dissipating, business conditions are such that the Kaneka Group can expect earnings to continue improving for the fourth quarter of this fiscal year, and for the next fiscal year.

However, due to the stagnation of earnings during the first six months of the fiscal year, the Group has revised its full-year consolidated business forecasts for the fiscal year ending March 31, 2015, released on May 13, 2014, as follows.

Revised forecast for consolidated business performance for the year ending March 31, 2015  
(from April 1, 2014 to March 31, 2015)

	Net sales ¥ million	Operating income ¥ million	Ordinary income ¥ million	Net income ¥ million	Net income per share
Previous forecast (A)	560,000	30,000	29,000	17,000	50.45
This forecast (B)	560,000	25,000	26,000	14,500	43.03
Amount of increase (decrease) (B-A)	—	(5,000)	(3,000)	(2,500)	
Percentage of increase (decrease) (%)	—	(16.7%)	(10.3%)	(14.7%)	
(Reference) Results from the previous fiscal year Apr. 2013 – Mar. 2014	524,785	24,821	25,961	13,650	40.50

The forecasts above are based on information currently available, and are subject to risks and uncertainties that may cause the actual results to vary.

**2. Other Information****(1) Changes in Principal Subsidiaries During the Term**

There were no changes in the scope of consolidation of specific subsidiaries during the third three months under review.

**(2) Application of Specific Accounting Methods in Preparation of Financial Statements**  
Nothing to report**(3) Changes in Accounting Principles, Changes in Estimates, or Restatements  
(Changes in accounting principles)**

Kaneka has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012), and the "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012) from the first quarter of the fiscal year under review as regards the stipulations set forth in the body text of Article 35 of the "Accounting

Standard for Retirement Benefits" and the body text of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits." As a result, Kaneka reviewed its method of calculating retirement benefit obligations and service cost, and changed its attribution method for projected retirement benefits from the straight-line method to the benefit formula method. The Company also changed its method of calculating the discount rate.

As regards the adoption of the "Accounting Standard for Retirement Benefits," the financial statements from the start of the first quarter of the fiscal year under review conform to the transitional treatment as defined in Article 37 of the "Accounting Standard for Retirement Benefits." Accordingly, the amounts corresponding to the impact of the change in the method of calculating retirement benefit obligations and service cost were added to, or deducted from, the starting balance of retained earnings for the third quarter ended December 31, 2014.

As a result, net defined benefit liability at the start of the third quarter of the fiscal year under review increased ¥4,194 million, net defined benefit asset decreased ¥949 million, and retained earnings decreased ¥3,396 million. Moreover, the change had negligible impact on Kaneka's operating income, ordinary income, and income before income taxes and minority interests for the third quarter of the fiscal year under review.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

	FY2013 Term ended March 31, 2014	(Millions of yen) FY2014 3rd Quarter Term ended December 31, 2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	34,042	25,248
Notes and accounts receivable – trade	118,745	132,937
Short-term investment securities	110	110
Merchandise and finished goods	51,333	55,322
Work in process	8,774	8,842
Raw materials and supplies	28,308	30,109
Other	15,215	16,424
Allowance for doubtful accounts	(89)	(97)
<b>Total current assets</b>	<b>256,440</b>	<b>268,898</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	57,400	64,168
Machinery, equipment and vehicles, net	74,247	84,746
Other, net	52,596	53,608
<b>Total property, plant and equipment</b>	<b>184,244</b>	<b>202,524</b>
Intangible assets		
Goodwill	5,387	5,217
Other	6,725	7,065
<b>Total intangible assets</b>	<b>12,112</b>	<b>12,282</b>
Investments and other assets		
Investment securities	48,436	56,965
Other	19,114	16,656
Allowance for doubtful accounts	(224)	(221)
<b>Total investments and other assets</b>	<b>67,326</b>	<b>73,400</b>
<b>Total noncurrent assets</b>	<b>263,683</b>	<b>288,207</b>
<b>Total assets</b>	<b>520,123</b>	<b>557,105</b>

	(Millions of yen)	
	FY2013	FY2014 3rd Quarter
	Term ended March 31, 2014	Term ended December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	66,461	75,925
Short-term loans payable	49,610	59,334
Income taxes payable	3,841	1,262
Provision	115	4
Other	42,166	41,648
Total current liabilities	<u>162,194</u>	<u>178,174</u>
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	38,445	43,111
Provision	247	270
Net defined benefit liability	21,362	24,914
Other	2,739	2,764
Total noncurrent liabilities	<u>72,795</u>	<u>81,059</u>
Total liabilities	<u>234,990</u>	<u>259,234</u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	209,449	210,757
Treasury stock	(10,520)	(10,469)
Total shareholders' equity	<u>266,812</u>	<u>268,171</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,534	15,762
Foreign currency translation adjustment	353	5,687
Remeasurements of defined benefit plans	(3,293)	(2,783)
Total accumulated other comprehensive income	<u>7,595</u>	<u>18,666</u>
Subscription rights to shares	139	136
Minority interests	10,586	10,895
Total net assets	<u>285,133</u>	<u>297,870</u>
Total liabilities and net assets	<u>520,123</u>	<u>557,105</u>

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

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2013 3rd Quarter From April 1, 2013 to December 31, 2013	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014
Net sales	391,036	414,005
Cost of sales	292,095	312,230
Gross profit	98,940	101,775
Selling, general and administrative expenses	80,368	85,011
Operating income	18,572	16,764
Non-operating income		
Dividends income	1,110	1,096
Foreign exchange gains	1,686	2,465
Equity in earnings of affiliates	272	209
Other	1,272	696
Total non-operating income	4,341	4,467
Non-operating expenses		
Interest expenses	728	876
Loss on retirement of noncurrent assets	1,261	1,233
Other	998	1,714
Total non-operating expenses	2,989	3,824
Ordinary income	19,924	17,406
Extraordinary loss		
Loss on sales of noncurrent assets	298	-
Patent protection court cost	814	743
Retirement benefit expenses	363	-
Total extraordinary losses	1,476	743
Income before income taxes and minority interests	18,448	16,662
Income taxes-current	4,059	2,567
Income taxes-deferred	1,802	3,725
Total income taxes	5,862	6,293
Income before minority interests	12,585	10,369
Minority interests in income	451	324
Net income	12,134	10,045

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2013 3rd Quarter From April 1, 2013 to December 31, 2013	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014
Income before minority interests	12,585	10,369
Other comprehensive income		
Valuation difference on available-for-sale securities	4,278	5,303
Foreign currency translation adjustment	6,956	5,392
Remeasurements of defined benefit plans, net of tax	–	435
Share of other comprehensive income of associates accounted for using equity method	32	80
Total other comprehensive income	11,267	11,211
Comprehensive income	23,853	21,581
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	23,027	21,117
Comprehensive income attributable to minority interests	825	464

## (3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2013 3rd Quarter From April 1, 2013 to December 31, 2013	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	18,448	16,662
Depreciation and amortization	14,987	17,298
Increase (decrease) in provision for retirement benefits	324	–
Increase (decrease) in net defined benefit liability	–	288
Increase (decrease) in net defined benefit asset	–	(1,838)
Increase (decrease) in allowance for doubtful accounts	(7)	4
Interest and dividends income	(1,147)	(1,173)
Interest expenses	728	876
Equity in (earnings) losses of affiliates	(272)	(209)
Loss (gain) on disposal of noncurrent assets	1,128	526
Decrease (increase) in notes and accounts receivable—trade	(7,767)	(12,616)
Decrease (increase) in inventories	(7,449)	(3,560)
Increase (decrease) in notes and accounts payable—trade	10,015	8,725
Other, net	(1,139)	2,465
<b>Subtotal</b>	<b>27,847</b>	<b>27,450</b>
Interest and dividends income received	1,206	1,228
Interest expenses paid	(629)	(654)
Income taxes paid	(1,886)	(6,305)
<b>Net cash provided by (used in) operating activities</b>	<b>26,537</b>	<b>21,719</b>
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(26,407)	(29,129)
Proceeds from sales of property, plant and equipment	105	–
Purchase of intangible assets	(1,931)	(1,559)
Purchase of investment securities	(49)	(445)
Proceeds from sales of investment securities	309	366
Purchase of stocks of subsidiaries and affiliates	(1,056)	(104)
Payments of loans receivable	(662)	(651)
Collection of loans receivable	210	439
Other, net	100	246
<b>Net cash provided by (used in) investing activities</b>	<b>(29,381)</b>	<b>(30,837)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(1,303)	3,049
Proceeds from long-term loans payable	12,454	10,999
Repayments of long-term loans payable	(8,397)	(3,246)
Redemption of bonds	–	(5,000)
Repayments of lease obligations	(253)	(152)
Proceeds from stock issuance to minority shareholders	224	–
Cash dividends paid	(5,392)	(5,392)
Cash dividends paid to minority shareholders	(89)	(116)
Purchase of treasury stock	(14)	(13)
Proceeds from sales of treasury stock	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>(2,770)</b>	<b>127</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>1,102</b>	<b>359</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,511)</b>	<b>(8,631)</b>
Cash and cash equivalents at beginning of period	31,747	33,803
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	175	19
<b>Cash and cash equivalents at end of period</b>	<b>27,411</b>	<b>25,192</b>

## (4) Notes on Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

No corresponding transactions

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

No corresponding transactions

(Segment Information)

Term from April 1, 2013 to December 31, 2013

## 1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	79,413	62,929	50,091	100,933	34,480	33,556	29,630	391,036	—	391,036
Intersegment	1,347	556	174	0	2	427	1,431	3,939	(3,939)	—
Total	80,761	63,485	50,265	100,934	34,482	33,984	31,062	394,976	(3,939)	391,036
Segment income	1,576	6,761	3,463	4,257	5,050	933	6,691	28,735	(10,162)	18,572

(Note) Segment profit is reconciled with operating income in the quarterly consolidated financial statements.

2) Reconciliations between Segment Total and Quarterly Consolidated Statements of Income (Adjustments)  
(Millions of yen)

Income	Amount
Segment total	28,735
Elimination of intersegment transactions	14
Companywide expenses (Note)	(10,161)
Other adjustments	(15)
Operating income in the quarterly consolidated statements of income	18,572

(Note) Companywide expenses primarily are expenses for basic R&amp;D that are not allocable to any reporting segment.

## 3) Impairment Loss on Fixed Assets or Goodwill by Reporting Segment

(Significant changes in Goodwill)

In the Life Science Products segment, the Company recorded goodwill of ¥1,208 million in conjunction with the acquisition of shares of River Seiko Co., Ltd. in July 2013.

Term from April 1, 2014 to December 31, 2014

## 1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	82,375	71,143	49,876	105,228	39,782	32,447	33,152	414,005	—	414,005
Intersegment	980	465	131	0	29	318	934	2,859	(2,859)	—
Total	83,355	71,608	50,007	105,228	39,811	32,765	34,087	416,865	(2,859)	414,005
Segment income (loss)	1,285	7,976	3,070	1,566	6,704	(755)	8,944	28,793	(12,029)	16,764

(Note) Segment profit (loss) is reconciled with operating income in the quarterly consolidated financial statements.

2) Reconciliations between Segment Total and Quarterly Consolidated Statements of Income (Adjustments)  
(Millions of yen)

Income	Amount
Segment total	28,793
Elimination of intersegment transactions	(2)
Companywide expenses (Note)	(12,012)
Other adjustments	(14)
Operating income in the quarterly consolidated statements of income	16,764

(Note) Companywide expenses primarily are expenses for basic R&amp;D that are not allocable to any reporting segment.

## 3) Notes Concerning Changes in Reporting Segments

As a result of the Company's review of its organizational and management framework, from the first quarter of the fiscal year ending March 31, 2015, the Company has revised its method of displaying mega solar-related business information. This information, that used to be displayed in the Synthetic Fibers and Others segment, has now been included in the Electronics Products segment. Furthermore, the Company has changed the divisions of some subsidiaries and as a result, their reporting segment has been revised from Electronics Products to Chemicals.

Segment information for the third quarter of the fiscal year ending March 31, 2014 has been prepared based on the revised classification method. This information is shown under "1) Sales and Income (Loss) by Segments" for the third quarter of the fiscal year ending March 31, 2014.