

Financial Results for the Fiscal Year Ended March 2015 (Japanese GAAP, Consolidated)



May 14, 2015

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

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

Representative: Mamoru Kadokura Title: President, Representative Director

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Scheduled date for Ordinary General Meeting of Shareholders: June 26, 2015

Scheduled date of dividend distribution: June 5, 2015

Scheduled date for submitting financial statements: June 26, 2015

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

1. Consolidated Business Performance for the Fiscal Year Ended March 2015 (from April 1, 2014 to March 31, 2015)

(1) Consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2014 – Mar. 2015	552,189	5.2	24,635	(0.8)	24,752	(4.7)	18,033	32.1
Apr. 2013 – Mar. 2014	524,785	10.1	24,821	57.0	25,961	58.8	13,650	46.4

(Reference) Comprehensive Income: ¥34,628 million (49.2%) in the fiscal year ended March 31, 2015,

¥23,204 million (21.4%) in the fiscal year ended March 31, 2014

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2014 – Mar. 2015	53.52	53.48	6.3	4.6	4.5
Apr. 2013 – Mar. 2014	40.50	40.47	5.1	5.2	4.7

(Reference) Equity in earnings (losses) of affiliates: ¥211 million in the fiscal year ended March 31, 2015,

¥335 million in the fiscal year ended March 31, 2014

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2014 – Mar. 2015	557,962	309,227	53.5	890.30
Apr. 2013 – Mar. 2014	520,123	285,133	52.8	814.35

(Reference) Shareholders' equity: ¥298,260 million as of March 31, 2015, ¥274,408 million as of March 31, 2014

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 2014 – Mar. 2015	33,602	(38,214)	(804)	28,020
Apr. 2013 – Mar. 2014	33,924	(38,716)	5,858	33,803

2. Dividends

	Annual dividends					Total cash dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
Apr. 2013 – Mar. 2014	—	8.00	—	8.00	16.00	5,392	39.5	2.0
Apr. 2014 – Mar. 2015	—	8.00	—	8.00	16.00	5,376	29.9	1.9
Apr. 2015 – Mar. 2016 (Forecasts)	—	8.00	—	8.00	16.00		26.8	

3. Forecast for Consolidated Business Performance in the Fiscal Year Ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Percentage figures represent changes from the corresponding periods of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
First half	280,000	2.4	17,000	79.3	15,500	61.6	9,500	74.7	28.36
Full year	600,000	8.7	36,000	46.1	33,000	33.3	20,000	10.9	59.70

4. Other

(1) Changes in principal subsidiaries during the fiscal year
(Changes in the scope of consolidation of specific subsidiaries): No

(2) 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 “Changes in Accounting Principles” under “(5) Notes to the Consolidated Financial Statements” under “3. Consolidated Financial Statements” on page 16 for further details.

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the fiscal year-end
(including treasury stock):

March 31, 2015	350,000,000 shares	March 31, 2014	350,000,000 shares
March 31, 2015	14,987,342 shares	March 31, 2014	13,034,982 shares
March 31, 2015	336,935,361 shares	March 31, 2014	337,002,406 shares

2. Shares of treasury stock at the fiscal year-end:

3. Average number of shares during the period (calculated
cumulatively from the beginning of the fiscal year)

(Reference): Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2015 (from April 1, 2014 to March 31, 2015)

(1) Non-consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2014 – Mar. 2015	298,673	2.4	11,739	9.6	15,751	5.8	15,334	127.7
Apr. 2013 – Mar. 2014	291,662	8.6	10,708	116.4	14,888	28.4	6,733	(6.0)

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2014 – Mar. 2015	45.51	45.47
Apr. 2013 – Mar. 2014	19.98	19.96

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2014 – Mar. 2015	410,194	224,650	54.7	670.14
Apr. 2013 – Mar. 2014	390,135	211,016	54.1	625.79

(Reference) Shareholders' equity: ¥224,513 million as of March 31, 2015, and ¥210,877 million as of March 31, 2014

(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 business performance forecasts)

The business performance 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 forecasts. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. For cautionary items used in business performance forecasts, please refer to the section entitled “(3) Performance Forecasts for the Fiscal Year Ending March 31, 2016” under “(1) Analysis of Business Performance” under “1. Analysis of Business Performance and Financial Position” on page 4.

[Supplementary Materials]

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

1) Overview of Results for the Fiscal Year Ended March 31, 2015

The global economic outlook was weak overall during the fiscal year ended March 31, 2015, due mainly to slowdown of the European economy and slowing growth in China and some other emerging countries, despite the continuation of the recovery trend in the U.S. economy.

Although continuing, gradual recovery in the Japanese economy was weighed by an increase in the consumption tax rate. The business environment of the Kaneka Group changed significantly due partly to further depreciation of the yen and a fall in the price of crude oil and naphtha that began in the second half of the fiscal year.

In this business environment, the Kaneka Group reported consolidated net sales of ¥552,189 million (up 5.2% year on year) for the fiscal year ended March 31, 2015, a new record, marking the fifth consecutive year of growth. This was mainly due to sales growth of the overseas business centering on Europe and the U.S. However, operating income was ¥24,635 million (down 0.8% year on year), about in line with the previous fiscal year. In the second half of the fiscal year, profitability recovered to a level that was higher than the year before, which to some extent offset factors behind temporally weaker earnings in the first half of the fiscal year, such as slow recovery in demand in reaction to a rise in the consumption tax rate, a rise in the price of petrochemicals, oil and dairy raw materials, and a delay in ramping up some of the Group's production framework. Ordinary income was ¥24,752 million (down 4.7% year on year). In contrast, net income was ¥18,033 million (up 32.1% year on year) owing to the booking of extraordinary income such as gain on sales of noncurrent assets.

By segment, both sales and operating income increased in the Chemicals, Functional Plastics, Life Science Products, and Synthetic Fibers and Others segments owing to strong sales of their core products overseas. Operating income increased in the Expandable Plastics and Products segment due to improvements in profitability, even though sales decreased in reaction to the rise in the consumption tax rate. After being affected strongly by a rise in the price of raw materials, sales increased but operating income decreased in the Foodstuffs Products segment. Both sales and operating income decreased in the Electronic Products segment due to a delay in ramping up the production framework in a new plant.

Operating performance by business segment was as follows:

2) Segment Trends

(Chemicals)

In PVC resins, sales in domestic and overseas markets remained sluggish and were strongly affected by slow domestic demand following an increase in Japan's consumption tax rate, and a rise in the price of raw materials. Nevertheless, profitability has improved owing to a fall in crude oil and naphtha prices since the third quarter. Specialty PVC resins posted a record high in sales volume, underpinned by firm conditions in the Japanese market and strong sales in the U.S. market. The Kaneka Group finished renovating a plant as scheduled in the U.S. to enhance production capacity of Chlorinated PVC and started commercial operation in March this year. In the caustic soda business, sales volume increased despite sluggish demand in Japan.

As a result of the foregoing, segment sales increased ¥3,363 million, or 3.1%, year on year to ¥110,715 million and the segment posted operating income of ¥2,927 million, an increase of ¥344 million, or 13.4%, year on year.

(Functional Plastics)

In modifiers, sales increased in all regions of the world as a result of progress made in new product development through enhanced product differentiation and cost reduction. Sales of modified silicone polymers saw a steady increase in mainly overseas markets, as the polymers were evaluated highly for their unique quality and displaced other materials for application in construction. In this segment in which business is expanding globally, the Group made a capital investment decision to enhance production capacity in Japan, the U.S., and Malaysia to take all possible measure to ensure a supply framework.

As a result of the foregoing, segment sales increased ¥9,098 million, or 10.5%, year on year to ¥95,387 million. The segment posted operating income of ¥11,293 million, up ¥2,024 million, or 21.8%, year on year.

(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, profitability has improved since the third quarter owing to a fall in raw material prices and cost reduction. Polyolefin foam by beads method, meanwhile, saw an increase in sales volume centered on the automotive field in overseas markets.

As a result of the factors mentioned above, segment sales decreased ¥723 million, or 1.1%, year on year to ¥65,759 million. The segment posted operating income of ¥4,430 million, up ¥180 million, or 4.2%, year on year.

(Foodstuffs Products)

In foodstuffs products, the Group expanded sales of new products that anticipated consumer needs by applying innovation for responding to food diversity, thereby countering sluggish domestic demand and the continued preference of consumers for low prices. In the first six months of the fiscal year, this business was significantly impacted by higher operating expenses due to a rise in oil, dairy and other raw material prices and the cost of building and enhancing a sales & distribution system and sales company network. However, this cost structure began to improve as the price of raw oil materials began to fall in the third quarter.

As a result of the foregoing, segment sales increased ¥5,476 million, or 4.1%, year on year to ¥139,729 million. The segment posted operating income of ¥1,807 million, a decrease of ¥3,219 million, or 64.0%, year on year.

(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 overseas markets. In pharmaceutical intermediates, the sales volume increased while Eurogentec S.A., a Group company in Europe in the active pharmaceutical ingredients (API) market and biopharmaceutical market, experienced an increase in sales. Functional foodstuffs saw firm conditions in the supplement market as recognition of the healthcare benefits of reduced-form coenzyme Q10 spread.

As a result of the abovementioned factors, segment sales were ¥53,399 million, an

increase of ¥5,975 million, or 12.6%, year on year. The segment posted operating income of ¥9,342 million, representing a year-on-year increase of ¥1,561 million, or 20.1%.

(Electronic Products)

Optical materials saw sales volume increase in response to firm demand. Sales volumes of ultra-heat-resistant polyimide film and high thermal conductive graphite sheet fell behind expanding demand due to delays the Group incurred in establishing a supply framework in the first six month of the fiscal year. However, the global production framework for responding to demand was subsequently established in the third quarter after strengthening the production framework to a new plant in Malaysia. The Kaneka Group took all possible measures to supply unique materials to help make industries smarter. 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 factors mentioned above, segment sales decreased ¥1,319 million, or 3.0%, to ¥43,061 million. The segment recorded an operating loss of ¥954 million.

(Synthetic Fibers and Others)

In synthetic fibers, both sales and profits increased. This was the result of emphasizing high quality and brand power in expanding sales, particularly in regard to materials for hair accessory products in the African market. Aggressive cost reductions and the yen's depreciation also contributed to the increase in profit. The construction of a new plant in Malaysia is proceeding as planned with operations scheduled to start this fall.

As a result of the foregoing, segment sales increased ¥5,533 million, or 14.3%, year on year to ¥44,135 million. The segment posted operating income of ¥12,130 million, a year-on-year increase of ¥3,668 million, or 43.4%.

3) Performance Forecasts for the Fiscal Year Ending March 31, 2016

The global economy will probably remain exposed to downside risks the next fiscal year due to delays in the recovery of the European economy, slowing growth in some emerging countries, and growing geopolitical risks, among other negative factors, despite the U.S. economy is forecast to firmly continue expanding.

Although the Japanese economy is expected to continue its process of recovering gradually on the back of the Japanese government's economic policies, its future prospects remain uncertain as it is easily affected by trends in the global economy.

In this business environment, the Kaneka Group will accelerate business expansion by strengthening R&D to create new businesses and globalizing. We will also transform our business structure by launching new products and reducing costs to strengthen profitability resistant to market fluctuations in our existing business lines.

Our performance forecasts for the fiscal year ending March 31, 2016 and for the six months of the fiscal year are as follows:

[Consolidated Forecasts]

Net sales:	¥600 billion fiscal year (8.7% increase year on year)
	¥280 billion six months (2.4% increase year on year)
Operating income:	¥36 billion fiscal year (46.1% increase year on year)
	¥17 billion six months (79.3% increase year on year)
Ordinary income:	¥33 billion fiscal year (33.3% increase year on year)
	¥15.5 billion six months (61.6% increase year on year)
Net income:	¥20 billion fiscal year (10.9% increase year on year)
	¥9.5 billion six months (74.7% increase year on year)

Factors behind temporarily depressed Foodstuffs Products and Electronic Products segment profits have been resolved, while production frameworks have been bolstered in stages in response to overseas business conditions that remain strong for the Chemicals, Functional Plastics, Life Science Products, and the Synthetic Fibers and Others segments. As a result, the Group's earnings base at the start of the new fiscal year has been strengthened in comparison to the previous fiscal year. Kaneka is projecting a substantial increase in both sales and profits in the fiscal year ending March 31, 2016, in response also to a forecast recovery in domestic housing-related demand and recent stability in crude oil and naphtha prices and the foreign exchange market.

The forecasts above are based on exchange rates of ¥120 to the U.S. dollar, ¥135 to the euro and a domestic naphtha price of ¥50,000 per kiloliter.

The above performance forecasts for the Kaneka Group are regarded as reasonable based on information available at the time of announcement. Readers should be aware that actual results might vary significantly from these forecasts due to various factors.

4) Initiatives for Addressing Major Medium-Term Management Issues (Research and Development)

In research and development, the Group is making headway with research of new polyimide resins as a composite aircraft material following the commencement of full-scale operations at the Kaneka U.S. Material Research Center Facility it opened in the U.S. In the business field of expandable plastics and products, the Group has commercially launched a new constant temperature transport container, capable of precise internal temperature control, for use in the healthcare and other industries. In addition, joint research with universities, hospitals and research institutions aimed at businesses related to regenerative and cellular medicine has begun in the life science business field. Meanwhile, Kaneka is also stepping up its R&D activities in response to growing interest in developing new business themes from the Group's ongoing research in opto-electrochemicals, thermal solution materials, organic EL lighting, and storage batteries for the home, amid growing attention to new markets in such areas as the internet of things (IoT), increasing the content of automotive electronics, healthcare, and smart housing.

(Globalization)

In globalization, the Group is actively proceeding with international capital investments in Malaysia in particular as demand in the global market expands, in addition to ambitiously

developing markets overseas from regional umbrella companies in the United States and Asia, as well as its expanded global business bases. As a result of strengthening the global business foundation, Kaneka's overseas sales increased ¥21,832 million, or 11.5%, year on year to ¥211,064 million in the fiscal year ended March 31, 2015. As a percentage of net sales, international sales rose to 38.2% from 36.1% in the previous fiscal year after they increased in Asia, North America, Europe and all other regions around the world.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥557,962 million as of March 31, 2015, up ¥37,839 million compared with March 31, 2014, due mainly to increases in property, plant and equipment, and investments. The ratio of ordinary income to total assets (ROA) was 4.6%, down from 5.2% in the previous fiscal year. However, the ratio of ordinary income to equity (ROE) was 6.3%, up from 5.1% in the previous fiscal year

Interest-bearing debt stood at ¥110,431 million, up ¥9,639 million from March 31, 2014 due to increase in capital investment. Net assets increased ¥24,093 million to ¥309,227 million, which reflected increases in valuation difference on retained earnings and foreign currency translation adjustment. As a result, the equity ratio came to 53.5%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.37.

2) Analysis of Consolidated Cash Flows

Cash and cash equivalents on March 31, 2015 stood at ¥28,020 million, ¥5,783 million less than at March 31, 2014.

The following is an overview of cash flows by category.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥33,602 million, down ¥321 million year on year.

The main contributors were income before income taxes and minority interests of ¥28,174 million and depreciation and amortization of ¥23,739 million, working capital of ¥7,811 million, which were partially offset by income taxes paid of ¥7,110 million.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥38,214 million, or ¥502 million less than in the preceding fiscal year.

The principal use of cash was ¥41,719 million for the purchase of property, plant and equipment.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities was ¥804 million, ¥6,662 million more than in the previous fiscal year.

This mainly reflected ¥11,602 million in proceeds from loans payable, which was partially offset by redemption of bonds of ¥5,000 million and cash dividends paid of ¥5,392 million.

Reference) Trends in Cash Flow-Related Indicators

	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2015
Shareholders' equity ratio	55.4%	53.0%	53.8%	52.8%	53.5%
Shareholders' equity ratio based on market value	43.1%	36.0%	37.9%	40.6%	50.8%
Interest-bearing debt coverage ratio	1.9	4.7	2.6	3.0	3.3
Interest coverage ratio	39.5	17.9	36.4	33.6	27.8

Shareholders' equity ratio: Equity capital/total assets

Shareholders' equity ratio based on market value: Market Capitalization/total assets

Interest-bearing debt coverage ratio: Interest-bearing debt/cash flows

Interest coverage ratio: Operating cash flows/interest paid

Notes:

1. All indicators are calculated according to financial figures on a consolidated basis.
2. Market capitalization is calculated based on the total number of shares outstanding, excluding treasury stock.
3. "Cash flows" refers to cash flows from operating activities.
4. The scope of interest-bearing debt is all liabilities in the consolidated balance sheets for which interest is payable.
5. Paid interest is based on the amount of interest paid shown in the consolidated statements of cash flows.

2. Management Policy

(1) Basic Management Policies

In September 2009, the Kaneka Group introduced "Declaration of Kaneka United for the future" as part of its long-term management vision. The declaration defines Kaneka's corporate philosophy as "With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to meeting the environmental challenges of our planet and helping to upgrade the quality of life." As a "dreamology company," a phrase we coined to express a "highly perceptive and collaborative value-creating group," we will create future-oriented businesses that leap beyond current market needs, as we pursue new product development. In the process, we will strive to protect the global environment and contribute to people's quality of life, while fostering an even greater presence as a global company, including in the markets of emerging countries.

(2) Target Management Indexes

Aiming to achieve its long-term management vision, the Kaneka Group is targeting consolidated net sales of ¥1,000 billion in the year ending March 31, 2020.

(3) Medium to Long-Term Management Strategies

The Kaneka Group has defined the environment and energy, health care, information and communications and food production support as important strategic domains. The Kaneka Group is executing the following key management strategies: (1) Moving toward an “R&D-type” company, (2) Growing in a global market, (3) Developing Group strategy, (4) Pursuing alliances, and (5) Prioritizing CSR. At the same time, the Kaneka Group is concentrating on transforming the Group’s business portfolio and shifting into growth domains. The Group’s aim is to achieve new growth and momentum, as set out in its long-term management vision. Under its mid-term management vision, the Kaneka Group will concentrate on establishing operations in new areas of business and making rapid progress globally by strengthening R&D, transforming business structure and accelerating the Group’s transformation and growth.

(4) Management Priorities

In order to achieve the measures and Group performance targets set out in the long-term management vision, the Kaneka Group has positioned the following as key priorities in the short term: raise earnings power by further strengthening existing businesses and making new businesses commercially viable quickly; develop market- and customer-centric business models; raise overall cost performance across value chains, including production, research, technology and sales; and accelerate globalization of business operations from a local perspective. By addressing these priorities and implementing measures to create competitive business structures and a more attractive company, the Kaneka Group will meet the expectations of all stakeholders and transform itself into an even more highly admired company.

3. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP). The adoption of International Financial Reporting Standards (IFRS) has not yet been determined at this time. However, we are collecting information and have begun examining the issues in preparation for implementing the adoption of IFRS in the future.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2013 Term ended March 31, 2014	FY2014 Term ended March 31, 2015
Assets		
Current assets		
Cash and deposits	34,042	28,070
Notes and accounts receivable-trade	118,745	122,083
Short-term investment securities	110	110
Merchandise and finished goods	51,333	51,610
Work in process	8,774	9,516
Raw materials and supplies	28,308	30,057
Deferred tax assets	7,084	6,368
Other	8,130	8,931
Allowance for doubtful accounts	(89)	(100)
Total current assets	256,440	256,647
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	57,400	64,804
Machinery, equipment and vehicles, net	74,247	91,752
Land	28,670	28,411
Construction in progress	18,277	16,221
Other, net	5,648	6,398
Total property, plant and equipment	184,244	207,588
Intangible assets		
Goodwill	5,387	4,701
Other	6,725	7,012
Total intangible assets	12,112	11,714
Investments and other assets		
Investment securities	48,436	61,344
Investments in capital	736	734
Long-term loans receivable	1,302	1,413
Long-term prepaid expenses	2,856	2,225
Net defined benefit asset	949	8,131
Deferred tax assets	7,039	1,682
Other	6,229	6,699
Allowance for doubtful accounts	(224)	(220)
Total investments and other assets	67,326	82,012
Total noncurrent assets	263,683	301,315
Total assets	520,123	557,962

(Millions of yen)

	FY2013 Term ended March 31, 2014	FY2014 Term ended March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	66,461	63,071
Short-term loans payable	49,610	55,636
Current portion of bonds	5,000	-
Accounts payable-other	23,901	24,911
Accrued expenses	10,043	11,211
Income taxes payable	3,841	2,323
Accrued consumption taxes	299	1,240
Provision for directors' bonuses	115	113
Other	2,922	3,204
Total current liabilities	162,194	161,713
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	38,445	47,274
Deferred tax liabilities	530	2,243
Net defined benefit liability	21,362	25,338
Provision for directors' retirement benefits	247	280
Other	2,209	1,885
Total noncurrent liabilities	72,795	87,022
Total liabilities	234,990	248,735
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	209,449	218,746
Treasury stock	(10,520)	(12,071)
Total shareholders' equity	266,812	274,558
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,534	19,659
Deferred gains or losses on hedges	-	(104)
Foreign currency translation adjustment	353	2,975
Remeasurements of defined benefit plans	(3,293)	1,172
Total accumulated other comprehensive income	7,595	23,702
Subscription rights to shares	139	136
Minority interests	10,586	10,829
Total net assets	285,133	309,227
Total liabilities and net assets	520,123	557,962

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income	(Millions of yen)	
	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Net sales	524,785	552,189
Cost of sales	391,987	413,389
Gross profit	132,798	138,799
Selling, general and administrative expenses	107,976	114,164
Operating income	24,821	24,635
Non-operating income		
Interest income	65	117
Dividends income	1,829	1,458
Foreign exchange gains	1,842	2,432
Amortization of negative goodwill	337	-
Equity in earnings of affiliates	335	211
Other	1,124	1,459
Total non-operating income	5,535	5,680
Non-operating expenses		
Interest expenses	1,012	1,223
Loss on retirement of noncurrent assets	1,800	2,061
Other	1,582	2,277
Total non-operating expenses	4,395	5,563
Ordinary income	25,961	24,752
Extraordinary income		
Gain on sales of noncurrent assets	195	2,745
Gain on sales of investment securities	728	-
Subsidy income	-	1,616
Total extraordinary income	923	4,362
Extraordinary losses		
Loss on sales of noncurrent assets	525	-
Patent protection court cost	1,274	940
Retirement benefit expenses	363	-
Restructuring charges	9,120	-
Total extraordinary losses	11,284	940
Income before income taxes and minority interests	15,600	28,174
Income taxes-current	6,062	5,312
Income taxes-deferred	(4,711)	4,282
Total income taxes	1,350	9,595
Income before minority interests	14,250	18,579
Minority interests in income	599	545
Net income	13,650	18,033

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Income before minority interests	14,250	18,579
Other comprehensive income		
Valuation difference on available-for-sale securities	2,306	9,270
Deferred gains or losses on hedges	-	(104)
Foreign currency translation adjustment	6,632	2,395
Remeasurements of defined benefit plans, net of tax	-	4,371
Share of other comprehensive income of associates accounted for using equity method	16	116
Total other comprehensive income	8,954	16,049
Comprehensive income	23,204	34,628
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,267	34,140
Comprehensive income attributable to minority interests	937	488

(3) Consolidated Statements of Changes in Shareholder:

Previous fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,836	200,986	(10,547)	258,322
Changes of items during period					
Dividends of surplus			(5,392)		(5,392)
Change of scope of consolidation			201		201
Net income			13,650		13,650
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries			32		32
Purchase of treasury stock				(59)	(59)
Disposal of treasury stock			(28)	86	57
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	8,463	27	8,490
Balance at end of the period	33,046	34,836	209,449	(10,520)	266,812

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	8,261	—	(5,989)	—	2,271	159	9,695	270,449
Changes of items during period								
Dividends of surplus								(5,392)
Change of scope of consolidation								201
Net income								13,650
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries								32
Purchase of treasury stock								(59)
Disposal of treasury stock								57
Net changes of items other than shareholders' equity	2,273	—	6,343	(3,293)	5,323	(20)	890	6,193
Total changes of items during period	2,273	—	6,343	(3,293)	5,323	(20)	890	14,683
Balance at end of the period	10,534	—	353	(3,293)	7,595	139	10,586	285,133

Current fiscal year (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,836	209,449	(10,520)	266,812
Cumulative effects of changes in accounting policies			(3,396)		(3,396)
Restated balance	33,046	34,836	206,053	(10,520)	263,416
Changes of items during period					
Dividends of surplus			(5,392)		(5,392)
Change of scope of consolidation			137		137
Net income			18,033		18,033
Change in retained earnings based on generally accepted International Accounting Standards used for foreign subsidiaries			(63)		(63)
Purchase of treasury stock				(1,615)	(1,615)
Disposal of treasury stock			(23)	64	40
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	12,692	(1,550)	11,141
Balance at end of the period	33,046	34,836	218,746	(12,071)	274,558

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	10,534	—	353	(3,293)	7,595	139	10,586	285,133
Cumulative effects of changes in accounting policies								(3,396)
Restated balance	10,534	—	353	(3,293)	7,595	139	10,586	281,737
Changes of items during period								
Dividends of surplus								(5,392)
Change of scope of consolidation								137
Net income								18,033
Change in retained earnings based on generally accepted International Accounting Standards used for foreign subsidiaries								(63)
Purchase of treasury stock								(1,615)
Disposal of treasury stock								40
Net changes of items other than shareholders' equity	9,124	(104)	2,621	4,465	16,106	(2)	243	16,348
Total changes of items during period	9,124	(104)	2,621	4,465	16,106	(2)	243	27,489
Balance at end of the period	19,659	(104)	2,975	1,172	23,702	136	10,829	309,227

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	15,600	28,174
Depreciation and amortization	20,628	23,739
Restructuring charges	9,120	-
Increase (decrease) in provision for retirement benefits	(19,653)	-
Increase (decrease) in net defined benefit liability	20,389	640
Increase (decrease) in net defined benefit asset	(4,972)	(2,450)
Increase (decrease) in allowance for doubtful accounts	(25)	6
Interest and dividends income	(1,895)	(1,576)
Interest expenses	1,012	1,223
Equity in (earnings) losses of affiliates	(335)	(211)
Loss (gain) on disposal of noncurrent assets	1,705	(2,008)
Subsidy income	-	(1,616)
Loss (gain) on sales of investment securities	(728)	-
Decrease (increase) in notes and accounts receivable-trade	172	(2,500)
Decrease (increase) in inventories	(9,371)	(1,447)
Increase (decrease) in notes and accounts payable-trade	1,227	(3,863)
Other, net	2,916	2,127
Subtotal	35,793	40,236
Interest and dividends income received	1,967	1,684
Interest expenses paid	(1,010)	(1,207)
Income taxes paid	(2,826)	(7,110)
Net cash provided by (used in) operating activities	33,924	33,602
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(34,926)	(41,719)
Proceeds from sales of property, plant and equipment	538	3,655
Purchase of intangible assets	(2,711)	(2,075)
Proceeds from reception of subsidy	-	1,464
Purchase of investment securities	(79)	(455)
Proceeds from sales and distributions of investment securities	1,822	1,072
Purchase of stocks of subsidiaries and affiliates	(1,057)	(104)
Payments for transfer of business	(697)	-
Payments of loans receivable	(765)	(862)
Collection of loans receivable	757	601
Other, net	(1,597)	207
Net cash provided by (used in) investing activities	(38,716)	(38,214)

(Millions of yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,183	122
Proceeds from long-term loans payable	17,083	16,672
Repayment of long-term loans payable	(9,707)	(5,191)
Redemption of bonds	-	(5,000)
Repayments of lease obligations	(332)	(194)
Proceeds from stock issuance to minority shareholders	224	-
Cash dividends paid	(5,392)	(5,392)
Cash dividends paid to minority shareholders	(143)	(204)
Purchase of treasury stock	(59)	(1,615)
Proceeds from sales of treasury stock	1	0
Net cash provided by (used in) financing activities	5,858	(804)
Effect of exchange rate change on cash and cash equivalents	815	(387)
Net increase (decrease) in cash and cash equivalents	1,880	(5,803)
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
Cash and cash equivalents at end of period	33,803	28,020

- (5) Notes to the Consolidated Financial Statements
(Notes on the Premise of a Going Concern)
Not applicable

(Notes to the Consolidated Financial Statements)

The Scope of Consolidation

Number of consolidated subsidiaries: 62

In the year ended March 31, 2015, the importance of Your Health Care Co., Ltd. and Kaneka Hoken Center Co., Ltd. increased and they were included within the scope of consolidation.

As of March 23, 2015, Kaneka (Foshan) Chemical Industries Co., Ltd. changed its name to Kaneka (Foshan) High Performance Materials Co., Ltd.

Fiscal Year, Etc. of Consolidated Subsidiaries

Among the consolidated subsidiaries of the Kaneka Group, Kaneka Eperan (Suzhou) Co., Ltd., HiHua Fiber Co., Ltd., Kaneka Trading (Shanghai) Co., Ltd., Kaneka Asia Co., Ltd. and Kaneka (Foshan) High Performance Materials Co., Ltd. have a fiscal year that ends on December 31. When preparing consolidated financial statements, Kaneka uses the December 31 settlement dates shown in the current financial statements for these subsidiaries, and the necessary adjustments are made for any important transactions that occur between this settlement date and the Kaneka Group's March 31 settlement date.

No information other than the above is reported because there were no material changes to the information shown in the Company's most recent securities report (submitted June 27, 2014).

(Changes in Accounting Principles)

(Application of accounting standard for retirement benefits)

From the beginning of the fiscal year ending March 31, 2015, Kaneka has applied the stipulations of Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 of May 17, 2012) and Article 67 of the Guideline on Accounting Standard for Retirement Benefits (ASJB Guideline No. 25 of the March 26, 2015), and Kaneka has changed its accounting method of retirement benefit obligations and service costs. The attribution method for projected retirement benefits was changed from a fixed amount basis to a benefit formula basis and determination of discount rate was changed.

In accordance with the article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in accounting methods of retirement benefit obligations and service costs arising from initial application has been recognized in retained earnings in the beginning balance of the fiscal year ending March 31, 2015.

As a result, net defined benefit liability increased by ¥4,194 million and a net defined benefit asset decreased by ¥949 million and retained earnings decreased by ¥3,396 million in the beginning balance of the fiscal year ending March 31, 2015. The impact on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ending March 31, 2015 is immaterial.

(Notes to the Consolidated Statement of Income)

Restructuring charges is as follows:

	Previous fiscal year From April 1, 2013 to March 31, 2014	Current fiscal year From April 1, 2014 to March 31, 2015
Impairment loss	¥5,927 million	¥ - million
Loss on valuation of inventories	¥3,193 million	¥ - million
Total	¥9,120 million	¥ - million

(Segment Information)

(Segment Information)

1) Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

Technology is the common foundation of all the Company's operations. These operations are divided into segments by product and service type, application and market similarity. Each segment develops its operations in accordance with a global group strategy for the Company's products and services that has unified subsidiaries in Japan and overseas.

Accordingly, the Company has categorized its operations by products and services, based on its business divisions. The corresponding seven reporting segments are Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others. The Company establishes or abolishes business divisions as needed in order to facilitate a swift and flexible response to changes in the business environment. Accordingly, when determining reporting segments, the Company gives emphasis to continuity over a considerable period.

In the Chemicals segment, the Kaneka Group manufactures and sells products with a broad range of applications, from daily-use products to industrial materials, such as high-value-added specialty PVC resins and other PVC resins. In the Functional Plastics segment, the Group manufactures polymers that have been functionally modified for such qualities as superior heat resistance, weather resistance, flame resistance and elasticity. The resins it produces with these augmented functions are sold to the construction, automotive, home electronics and communication equipment industries. In the Expandable Plastics and Products segment, the Group manufactures and sells cushioning materials for electrical products, shock-absorbing materials for automotive and fishery applications, and expandable plastics and products used in housing insulation. In the Foodstuffs Products segment, the Group produces mainly bakery yeast and margarine for sale to commercial confectioneries, bakeries and others in the food products industry. In Life Science Products, the Group has leveraged its expertise in fermentation and high-polymer technologies into pharmaceutical intermediates (bulk and intermediate pharmaceuticals), functional foodstuffs, and catheters and other medical devices, which it manufactures and sells to medical product manufacturers and medical institutions. In the Electronic Products segment, the Group manufactures and sells highly functional films for electronic equipment manufacturers, as well as solar cells. In the Synthetic Fibers and Others segment, the Group is mainly involved in the production and sale of synthetic fibers used in wigs, apparel and other applications.

2) Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

Accounting treatment and procedures for reported business segments are the same as those shown in the "Notes to the Consolidated Financial Statements."

As a result of the Company's review of its organizational and management framework, from the beginning of the fiscal year ending March 31, 2015, the Company has revised its method of disclosing mega solar-related business information. This information, that used to be disclosed 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 fiscal year ending March 31, 2014 in this report has been prepared based on the revised classification method.

3) Segment Information by Business Category

Previous fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Sales										
Customers	107,352	86,289	66,482	134,253	47,423	44,381	38,602	524,785	—	524,785
Intersegment	1,801	748	243	0	2	569	1,880	5,246	(5,246)	—
Total	109,153	87,038	66,725	134,253	47,426	44,950	40,483	530,032	(5,246)	524,785
Segment profit	2,582	9,268	4,250	5,026	7,780	938	8,462	38,309	(13,487)	24,821
Segment assets	98,066	70,482	49,640	73,201	65,253	70,737	22,570	449,952	70,170	520,123
Other Items										
Depreciation	3,528	2,658	1,740	1,989	2,584	4,457	2,069	19,028	1,400	20,428
Amortization of goodwill	—	36	—	—	427	—	—	464	—	464
Investment in equity method	—	2,210	1,546	—	—	—	—	3,757	—	3,757
Increase in assets	8,160	3,502	2,917	3,058	2,544	16,111	4,049	40,343	1,627	41,971

Note: Segment profit is reconciled with operating income on the consolidated financial statements.

Current fiscal year (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Sales										
Customers	110,715	95,387	65,759	139,729	53,399	43,061	44,135	552,189	—	552,189
Intersegment	1,267	626	156	1	61	440	1,211	3,765	(3,765)	—
Total	111,983	96,013	65,916	139,730	53,461	43,502	45,347	555,954	(3,765)	552,189
Segment profit (loss)	2,927	11,293	4,430	1,807	9,342	(954)	12,130	40,977	(16,341)	24,635
Segment assets	108,198	74,368	50,296	79,990	67,691	73,485	28,905	482,937	75,025	557,962
Other Items										
Depreciation	4,421	2,939	2,063	2,301	2,912	4,359	2,420	21,418	2,091	23,509
Amortization of goodwill	—	37	—	—	472	—	—	510	—	510
Investment in equity method	—	2,246	1,702	—	—	—	—	3,949	—	3,949
Increase in assets	10,576	3,350	3,004	2,816	3,254	5,670	13,903	42,577	3,001	45,578

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

4) Reconciliation Between Segment Total and Consolidated Statements of Income (Adjustments)

(Millions of yen)

Income	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015
Segment total	38,309	40,977
Elimination of intersegment transactions	6	(1)
Companywide expenses (Note)	(13,559)	(16,335)
Other adjustments	65	(4)
Operating income in the consolidated statements of income	24,821	24,635

(Note) Companywide expenses primarily are expenses for basic R&D that are not allocable to any Reporting Segment.

(Millions of yen)

Asset	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015
Segment total	449,952	482,937
Elimination of intersegment transactions	(10,301)	(12,431)
Companywide assets (Note)	79,584	87,306
Other adjustments	887	150
Total assets in the consolidated balance sheets	520,123	557,962

(Note) Companywide assets are Working capital, Investment securities and Land that are not allocable to any Reporting Segment.

(Millions of yen)

Other Items	Segment total		Other (Note)		Adjustments		Consolidated	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	19,028	21,418	1,400	2,091	—	—	20,428	23,509
Increase in assets	40,343	42,577	1,627	3,001	—	—	41,971	45,578

(Note) Other primarily is expenses for basic R&D that are not allocable to any Reporting Segment.

(Related Information)

Previous fiscal year (from April 1, 2013 to March 31, 2014)

1) Information by Product and Service

No information is reported because product and service classifications are the same as the Reporting Segment classifications.

2) Geographic Area

(1) Sales

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
335,553	83,743	35,939	48,346	21,202	524,785

Note: Sales are classified into countries or regions based on the geographic location of customers.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Asia	North America	Europe	Other areas
136,066	23,999	17,119	7,059	184,244

3) Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

Current fiscal year (from April 1, 2014 to March 31, 2015)

1) Information by Product and Service

No information is reported because product and service classifications are the same as the Reporting Segment classifications.

2) Geographic Area

(1) Sales

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
341,124	87,822	43,477	54,627	25,137	552,189

Note: Sales are classified into countries or regions based on the geographic location of customers.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Asia	North America	Europe	Other areas
147,414	31,021	21,571	7,581	207,588

3) Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

(Information on Impairment Loss on Fixed Assets by Reporting Segment)

Previous fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Impairment Loss	—	—	—	—	—	5,927	—	5,927	—	5,927

Current fiscal year (from April 1, 2014 to March 31, 2015)

Nothing to report

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)

Previous fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
(Goodwill)										
Amortization	—	36	—	—	427	—	—	464	—	464
Balance	—	281	—	—	5,105	—	—	5,387	—	5,387
(Negative goodwill)										
Amortization	151	—	—	56	—	—	—	208	—	208
Balance	—	—	—	—	—	—	—	—	—	—

Current fiscal year (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
(Goodwill)										
Amortization	—	37	—	—	472	—	—	510	—	510
Balance	—	223	—	—	4,477	—	—	4,701	—	4,701

(Information on Gain on Negative Goodwill by Reporting Segment)

Previous fiscal year (from April 1, 2013 to March 31, 2014)

No information is reported due to a lack of materiality in monetary terms

Current fiscal year (from April 1, 2014 to March 31, 2015)

No information is reported due to a lack of materiality in monetary terms

(Per Share Information)

Net assets per share and net income per share and the corresponding basis for computation, and fully diluted net income per share and the corresponding basis for computation are shown below.

Item	Previous fiscal year From April 1, 2013 to March 31, 2014	Current fiscal year From April 1, 2014 to March 31, 2015
Net assets per share	¥814.35	¥890.30
Net income per share	¥40.50	¥53.52
Fully diluted net income per share	¥40.47	¥53.48

Item	Previous fiscal year From April 1, 2013 to March 31, 2014	Current fiscal year From April 1, 2014 to March 31, 2015
Net income per share		
Net income (Millions of yen)	13,650	18,033
Net income ascribed to common stock (Millions of yen)	13,650	18,033
Average number of shares of common stock during the period (Thousands of shares)	337,002	336,935
Fully diluted net income per share		
Increase in shares of common stock (Thousands of shares)	281	248
(Of which, subscription rights to shares) (Thousands of shares)	(281)	(248)

(Subsequent Events)

Nothing to report