

BUSINESS PERFORMANCE

Overview of Results for 2016

In the global economy during the fiscal year ended March 31, 2016, economic conditions continued to experience a solid recovery. However, in the second half of the fiscal year, global economic conditions became more uncertain, because of the effect of the monetary policies in Japan, the U.S. and Europe, the distinct slowdown in the economies of emerging countries centered on China, a drastic decline in resource prices such as crude oil, and growing geopolitical risks among other negative factors.

In the global economy during the fiscal year ended March 31, 2016, the U.S. economy continued to experience a solid recovery. Also, economic conditions in Europe experienced a modest recovery.

However, in the second half of the fiscal year, global economic conditions became more uncertain, because of the effect of the monetary policies in Japan, the U.S. and Europe, the distinct slowdown in the economies of emerging countries centered on China, a drastic decline in resource prices such as crude oil, and growing geopolitical risks among other negative factors. Japanese economic conditions also became uncertain, because of the weakness of consumer spending, the slowdown in the demand of emerging countries, and the rapid yen appreciation that had started to affect corporate earnings, although the Japanese economy continued to experience a modest recovery.

In this business environment, the Kaneka Group reported consolidated net sales of ¥555,227 million (up 0.6% year on year) for the fiscal year ended March 31, 2016, a new record, marking the sixth consecutive year of growth, due to the expansion of overseas business. Operating income was ¥38,220 million (up 55.1% year on year), and net income attributable to owners of parent was ¥20,986 million (up 16.4% year on year), all marking a significant increase. We paid a dividend for the fiscal year ended March 31, 2016 of ¥18 per share.

Performance Forecasts for 2017

Global economic conditions will become more uncertain during the next fiscal year due to the effect of the slowdown of the global economy from the second half of the previous year, although the U.S. economy is expected to moderately continue recovering. Although the Japanese economy is expected to continue recovering gradually on the back of the Japanese government's economic policies, it will probably remain exposed

Global economic conditions will become more uncertain during the next fiscal year due to the effect of the slowdown of the global economy from the second half of the previous year, although the U.S. economy is forecast to moderately continue recovering. Although the Japanese economy is expected to continue its process of recovering gradually on the back of the Japanese government's economic policies, it will probably remain exposed to downside risks due to the demand-based market conditions, the fluctuation of resource prices and the shifts toward an appreciation of the yen, among other negative factors.

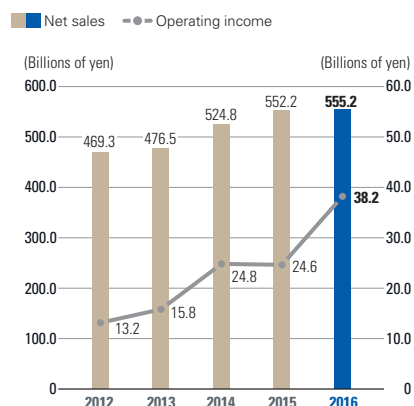
In this business environment, the Kaneka Group will strongly accelerate business expansion by strengthening R&D to create new businesses and by globalizing. We will also transform our business structure by launching new products, and reduce costs to strengthen profitability.

Our performance forecasts for the fiscal year ending March 31, 2017 are as follows:

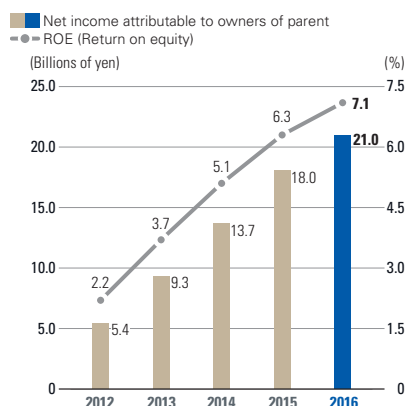
| (Billions of yen) | 2016 result | 2017 forecast | Difference | |
|---|-------------|---------------|------------|------|
| Net sales | 555.2 | 600.0 | 44.8 | 8.1% |
| Operating income | 38.2 | 42.0 | 3.8 | 9.9% |
| Net income attributable to owners of parent | 21.0 | 23.0 | 2.0 | 9.6% |

Note: The forecasts above are based on exchange rates of ¥110 to the U.S. dollar, ¥120 to the euro and a domestic naphtha price of ¥40,000 per kiloliter.

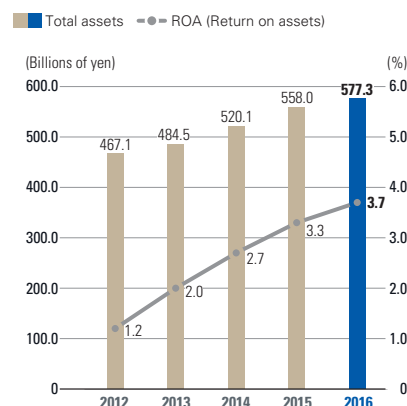
Net sales / Operating income



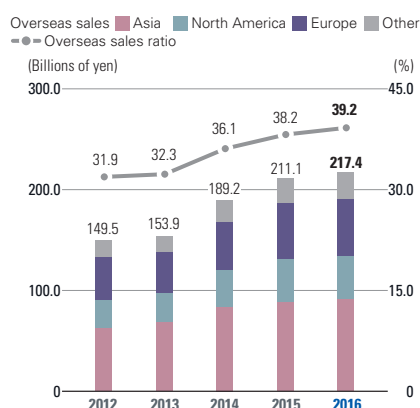
Net income attributable to owners of parent / ROE



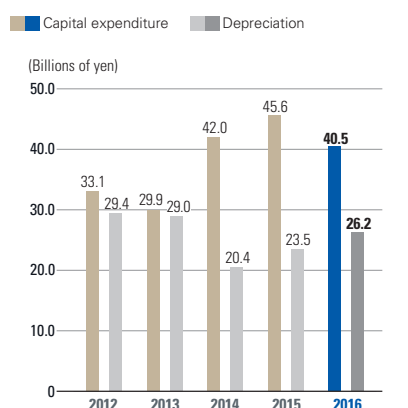
Total assets / ROA



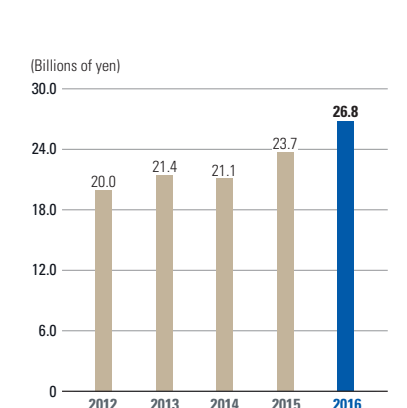
Overseas sales / Overseas sales ratio



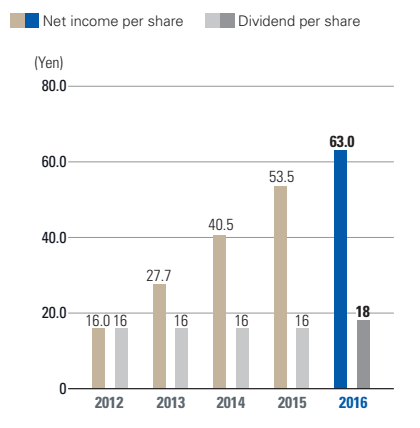
Capital expenditure / Depreciation



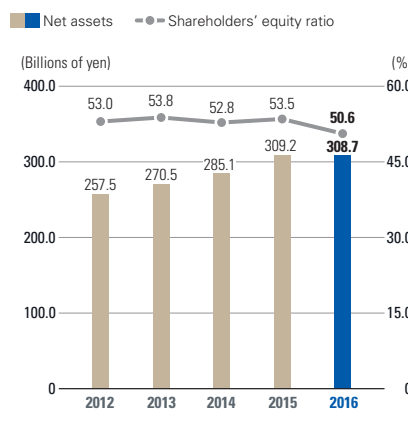
R&D expenses



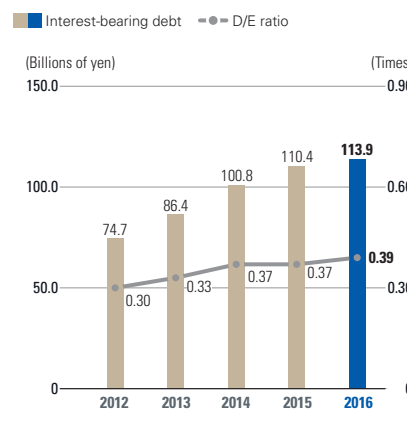
Net income per share / Dividend per share



Net assets / Shareholders' equity ratio



Interest-bearing debt / D/E ratio



Note: Return on equity is calculated on the basis of the average shareholders' equity at the current and previous fiscal year-ends.