

Financial Results for the Fiscal Year Ended March 2016 (Japanese GAAP, Consolidated)

May 12, 2016

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 Ordinary General Meeting of Shareholders: June 29, 2016

Scheduled date of dividend distribution: June 6, 2016

Scheduled date for submitting financial statements: June 29, 2016

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

1. Consolidated Business Performance for the Fiscal Year Ended March 2016 (from April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2015 – Mar. 2016	555,227	0.6	38,220	55.1	33,038	33.5	20,985	16.4
Apr. 2014 – Mar. 2015	552,189	5.2	24,635	(0.8)	24,752	(4.7)	18,033	32.1

(Note) Comprehensive Income: ¥2,660 million (-92.3%) in the fiscal year ended March 31, 2016,

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

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2015 – Mar. 2016	62.98	62.92	7.1	5.8	6.9
Apr. 2014 – Mar. 2015	53.52	53.48	6.3	4.6	4.5

(Reference) Equity in earnings (losses) of affiliates: ¥281 million in the fiscal year ended March 31, 2016

¥211 million in the fiscal year ended March 31, 2015

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2015 – Mar. 2016	557,251	308,722	50.6	881.09
Apr. 2014 – Mar. 2015	557,962	309,227	53.5	890.30

(Reference) Shareholders' equity: ¥292,208 million as of March 31, 2016, ¥298,260 million as of March 31, 2015

(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. 2015 – Mar. 2016	59,704	(40,751)	(3,551)	43,161
Apr. 2014 – Mar. 2015	33,602	(38,214)	(804)	28,020

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. 2014 – Mar. 2015	—	8.00	—	8.00	16.00	5,376	29.9	1.9
Apr. 2015 – Mar. 2016	—	8.00	—	10.00	18.00	5,995	28.6	2.0
Apr. 2016 – Mar. 2017 (Forecasts)	—	9.00	—	9.00	18.00		26.0	

3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	
First half	280,000	0.1	18,000	(6.2)	16,000	1.2	10,000	0.9	30.15
Full year	600,000	8.1	42,000	9.9	38,000	15.0	23,000	9.6	69.35

4. Other

(1) Changes in principal subsidiaries during the fiscal year: Yes

(Change in specified subsidiaries caused a change in the scope of consolidation)

Additional: 1 Kaneka Europe Holding Company N.V.

(Note) Please refer to “Notes to the Consolidated Financial Statements” under “(5) Notes to the Consolidated Financial Statements” under “4. Consolidated Financial Statements” on page 17 for further details.

(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 “4. Consolidated Financial Statements” on page 17 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, 2016	350,000,000 shares	March 31, 2015	350,000,000 shares
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2. Shares of treasury stock at the fiscal year-end:

March 31, 2016	18,356,481 shares	March 31, 2015	14,987,342 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

March 31, 2016	333,221,162 shares	March 31, 2015	336,935,361 shares
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(Reference): Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2016 (from April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2015 – Mar. 2016	290,556	(2.7)	17,466	48.8	18,475	17.3	9,693	(36.8)
Apr. 2014 – Mar. 2015	298,673	2.4	11,739	9.6	15,751	5.8	15,334	127.7

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2015 – Mar. 2016	29.09	29.06
Apr. 2014 – Mar. 2015	45.51	45.47

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2015 – Mar. 2016	409,670	223,240	54.4	672.55
Apr. 2014 – Mar. 2015	410,194	224,650	54.7	670.14

(Reference) Shareholders' equity: ¥223,047 million as of March 31, 2016, and ¥224,513 million as of March 31, 2015

(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, 2017” 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, 2016

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), ordinary income was ¥33,038 million (up 33.5% year on year), and net income attributable to owners of the parent was ¥20,985 million (up 16.4% year on year), all marking a significant increase.

By segment, while sales decreased year on year in the Chemicals, Expandable Plastics and Products, and Electronic Products segments; sales increased year on year in the Functional Plastics, Foodstuffs Products, Life Science Products, and the Synthetic Fibers and Others segments. Operating income increased in all segments due to favorable sales centered on principal products, and improved profitability.

Operating performance by business segment was as follows:

2) Segment Trends

(Chemicals)

In the PVC resins business, while sales for overseas markets continued to increase amid the yen's depreciation and declines in resource prices, domestic market conditions remained sluggish. In the Paste PVC resins business, sales for overseas markets increased. In the Chlorinated PVC business, enhancement of production capacity in the U.S. contributed to sales. In the caustic soda business, domestic market conditions remained sluggish.

As a result of the foregoing, segment sales decreased ¥7,285 million, or 6.6%, year on year to ¥103,430 million and the segment posted operating income of ¥5,568 million, an increase of ¥2,640 million, or 90.2%, year on year.

(Functional Plastics)

In the modifiers business, profitability expanded as the Kaneka Group made progress with extensive steps to enhance product differentiation, to strengthen global initiatives, and to develop markets for new products for application in the non-PVC field. Modified silicone polymers business saw a steady expansion in sales in European, U.S. and Asian markets. This was because the polymers were evaluated highly for their unique quality and had displaced other materials for application in the construction field. In addition, CEMEDINE CO., LTD. became a consolidated subsidiary of the Group from the fourth quarter of the fiscal year ended March 31, 2016. The Group was strengthening the capital relationship in order to be actively

engaged in developing products that accurately grasped needs of the markets where high growth is expected in the future.

As a result of the foregoing, segment sales increased ¥2,998 million, or 3.1%, year on year to ¥98,385 million. The segment posted operating income of ¥15,117 million, up ¥3,824 million, or 33.9%, year on year.

(Expandable Plastics and Products)

Sales in the expandable polystyrene resins and products business remained solid not only in the agriculture and fisheries fields but also in the civil engineering field, and profitability expanded owing to declines in resource prices and reduced costs. The sales volume of the extruded polystyrene foam boards business remained at the same level as in the previous fiscal year due to delays in the recovery of the Japanese housing market. Meanwhile, the segment saw the sales volume of bead-method polyolefin foam increase, particularly in the automotive field in European markets, despite the slowdown in the economy of China.

As a result of the abovementioned factors, segment sales decreased ¥924 million, or 1.4%, year on year to ¥65,148 million. The segment posted operating income of ¥6,310 million, up 1,889 million, or 42.8%, year on year.

(Foodstuffs Products)

In this business, profitability substantially improved mainly due to the Group actively implementing measures to sell new products that anticipate consumer needs, to expand sales volume, to add the high added-value of product mixes, and to innovate its business structure, thereby countering sluggish domestic demand and the continued preference of consumers for low prices.

As a result of the foregoing, segment sales increased ¥5,231 million, or 3.7%, year on year to ¥144,960 million. The segment posted operating income of ¥3,748 million, an increase of ¥1,941 million, or 107.4%, year on year.

(Life Science Products)

In the medical devices business, sales in the vascular intervention business remained solid in Japan and overseas. The segment also concentrated on expanding the sales of new products in global markets including the U.S. and Europe, on initiatives for expanding business in new domains including the endoscopic treatment of gastrointestinal systems, and on conducting joint businesses with other companies. In the pharmaceutical business, the sales volumes of pharmaceutical intermediates increased while sales expanded steadily in the active pharmaceutical ingredients (API) market and the bio-pharmaceutical market. The functional foodstuffs business saw its sales volume increase steadily in Japan and overseas in step with the steadily growing recognition of the healthcare benefits in the market for nutritional supplements on the back of the system of "Foods with Function Claims" that had been started in the Japanese market.

As a result of the abovementioned factors, segment sales amounted to ¥58,922 million, an increase of ¥5,522 million, or 10.3%, year on year. The segment posted operating income of ¥11,723 million, representing a year-on-year increase of ¥2,381 million, or 25.5%

(Electronic Products)

Sales of ultra-heat-resistant polyimide film and high thermal conductive graphite sheet and optical materials were by and large strongly affected by sluggish demand in the smartphone market. However, the sales volume of high thermal conductive graphite sheet increased due to the increase in the models being adopted by smartphone makers. In the photovoltaic modules business, the segment concentrated on developing technology including the start of sales of a new, technologically innovative photovoltaic module incorporating heterojunction technology and possessing one of the world's highest conversion efficiencies. The profitability of the business improved in tandem with the implementation of business structure reforms.

As a result of the abovementioned factors, segment sales decreased ¥3,625 million, or 8.5%, to ¥39,123 million. The segment posted operating income of ¥19 million, an increase of ¥963 million, year on year.

(Synthetic Fibers and Others)

In the synthetic fibers business, amid strong demand for materials for hair accessory products in the African market, the segment leveraged quality and its brand power to continue its firm sales. Profits increased substantially partly due to the continuous yen's depreciation. The segment actively implemented measures to launch operations at a new plant in Malaysia as soon as possible.

As a result of the foregoing, segment sales increased ¥1,121 million, or 2.5%, year on year to ¥45,257 million. The segment posted operating income of ¥15,658 million, a year-on-year increase of ¥3,527 million, or 29.1%.

3) Performance Forecasts for the Fiscal Year Ending March 31, 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 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 and for the first six months of the fiscal year are as follows:

[Consolidated Forecasts]

Net sales:	¥600 billion fiscal year (8.1% increase year on year) ¥280 billion six months (0.1% increase year on year)
Operating income:	¥42 billion fiscal year (9.9% increase year on year) ¥18 billion six months (6.2% decrease year on year)
Ordinary income:	¥38 billion fiscal year (15.0% increase year on year) ¥16 billion six months (1.2% increase year on year)
Net income attributable to owners of parent:	¥23 billion fiscal year (9.6% increase year on year) ¥10 billion six months (0.9% increase year on year)

Global economic conditions, in the meantime, remain uncertain and the yen's appreciation is another cause for concern. Although the Kaneka Group will be negatively affected by the yen's appreciation centered on its overseas business, in the Electronic Products and Life Science Products segments, sales will expand due to the launching of new products and the developing of new markets, and in the Functional Plastics segment, strengthening the global production framework will contribute to expanding sales and in addition profitability will be improved due to the launching of new products. Moreover, the domestic demand in the Chemicals, Expandable Plastics and Products segments has remained solid and the transforming of the business structure in the Foodstuffs Products segment has been advancing steadily. Therefore, Kaneka is projecting an increase in both sales and profits for the fiscal year ending March 31, 2017.

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.

The above performance forecasts for the Kaneka Group are regarded as reasonable based on information available at the time of the 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)

The Kaneka Group aims to be a "solution provider", that is, a company that provides the solutions needed in markets that transcend the frameworks of materials, and we consider research and development as an important driving force to grow. In order to strengthen its global R&D frameworks, the Group advanced its research and development in the fields of composite materials and polymers at the Kaneka U.S. Material Research Center Facility that it had opened in the U.S. in 2013. Recently, a new R&D base was established on the west coast of the U.S., with the aim of driving forward development in the fields of life science, electronics and advanced technology. Moreover, the Group established an R&D base specializing in the fields of regenerative cell medicine in Kobe and started full-scale activity in November last year. The Kaneka Group has strengthened its ongoing research into 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), and into increasing the proportion of automotive electronics, healthcare, and smart housing. The Group advanced developing new business as a "solution provider" through these above-mentioned initiatives.

(Overseas Sales)

As a result of strengthening its global business foundation mainly by organizing and implementing regional umbrella companies systems in the Europe, the U.S. and Asia, Kaneka's overseas sales increased ¥6,347 million, or 3.0%, year on year to ¥217,412 million in the fiscal year ended March 31, 2016. On a regional basis, sales increased in Asia, North America, Europe and all other regions around the world. As a percentage of net sales, international sales rose to 39.2% from 38.2% in the previous fiscal year.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥577,251 million as of March 31, 2016, up ¥19,288 million compared with March 31, 2015, due mainly to increases in property, plant and equipment.

Liabilities stood at ¥268,528 million, up ¥19,793 million from March 31, 2015 due to an increase in net defined benefit liability. Net assets decreased ¥504 million to ¥308,722 million, which reflected an increase in retained earnings and a decrease in remeasurements of defined benefit plans. As a result, the equity ratio came to 50.6%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.39.

The ratio of ordinary income to total assets (ROA) was 5.8%, up from 4.6% in the previous fiscal year. However, the ratio of ordinary income to equity (ROE) was 7.1%, up from 6.3% in the previous fiscal year

2) Analysis of Consolidated Cash Flows

Cash and cash equivalents on March 31, 2016 stood at ¥43,161 million, ¥15,141 million more than at March 31, 2015.

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 ¥59,704 million, up ¥26,101 million year on year.

The main contributors were income before income taxes of ¥30,601 million and depreciation and amortization of ¥26,438 million, which were partially offset by income taxes paid of ¥5,386 million.

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

Net cash used in investing activities amounted to ¥40,751 million, or ¥2,537 million more than in the preceding fiscal year.

The principal use of cash was ¥38,552 million for the purchase of property, plant and equipment.

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

Net cash provided by financing activities was ¥3,551 million, ¥2,747 million more than in the previous fiscal year.

This mainly reflected ¥5,383 million in proceeds from loans payable, which was partially offset by cash dividends paid of ¥5,344 million and purchase of treasury stock of ¥3,584 million.

Reference) Trends in Cash Flow-Related Indicators

	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2015	FY ended March 31, 2016
Shareholders' equity ratio	53.0%	53.8%	52.8%	53.5%	50.6%
Shareholders' equity ratio based on market value	36.0%	37.9%	40.6%	50.8%	55.4%
Interest-bearing debt coverage ratio	4.7	2.6	3.0	3.3	1.9
Interest coverage ratio	17.9	36.4	33.6	27.8	50.9

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 the "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 its 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 quickly making new businesses commercially viable; 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 timing of 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.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2014 Term ended March 31, 2015	FY2015 Term ended March 31, 2016
Assets		
Current assets		
Cash and deposits	28,070	43,447
Notes and accounts receivable-trade	122,083	121,682
Short-term investment securities	110	110
Merchandise and finished goods	51,610	51,745
Work in process	9,516	10,125
Raw materials and supplies	30,057	31,828
Deferred tax assets	6,368	5,951
Other	8,931	9,161
Allowance for doubtful accounts	(100)	(345)
Total current assets	256,647	273,708
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	64,804	69,204
Machinery, equipment and vehicles, net	91,752	88,753
Land	28,411	31,111
Construction in progress	16,221	23,633
Other, net	6,398	7,012
Total property, plant and equipment	207,588	219,715
Intangible assets		
Goodwill	4,701	4,123
Other	7,012	8,074
Total intangible assets	11,714	12,197
Investments and other assets		
Investment securities	61,344	55,602
Investments in capital	734	987
Long-term loans receivable	1,413	1,307
Long-term prepaid expenses	2,225	1,525
Net defined benefit asset	8,131	-
Deferred tax assets	1,682	4,802
Other	6,699	7,619
Allowance for doubtful accounts	(220)	(215)
Total investments and other assets	82,012	71,629
Total noncurrent assets	301,315	303,542
Total assets	557,962	577,251

(Millions of yen)

	FY2014 Term ended March 31, 2015	FY2015 Term ended March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	63,071	64,819
Short-term loans payable	55,636	52,695
Accounts payable-other	24,911	24,608
Accrued expenses	11,211	11,623
Income taxes payable	2,323	3,708
Accrued consumption taxes	1,240	795
Provision for directors' bonuses	113	134
Other	3,204	5,163
Total current liabilities	161,713	163,550
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	47,274	53,773
Deferred tax liabilities	2,243	1,674
Net defined benefit liability	25,338	36,667
Provision for directors' retirement benefits	280	303
Other	1,885	2,559
Total noncurrent liabilities	87,022	104,978
Total liabilities	248,735	268,528
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,936
Retained earnings	218,746	234,377
Treasury stock	(12,071)	(15,558)
Total shareholders' equity	274,558	286,801
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,659	17,450
Deferred gains or losses on hedges	(104)	(51)
Foreign currency translation adjustment	2,975	(1,082)
Remeasurements of defined benefit plans	1,172	(10,909)
Total accumulated other comprehensive income	23,702	5,406
Subscription rights to shares	136	228
Noncontrolling interests	10,829	16,285
Total net assets	309,227	308,722
Total liabilities and net assets	557,962	577,251

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2014 From April 1, 2014 to March 31, 2015	FY2015 From April 1, 2015 to March 31, 2016
Net sales	552,189	555,227
Cost of sales	413,389	394,021
Gross profit	138,799	161,205
Selling, general and administrative expenses	114,164	122,985
Operating income	24,635	38,220
Non-operating income		
Interest income	117	59
Dividends income	1,458	1,423
Foreign exchange gains	2,432	-
Equity in earnings of affiliates	211	281
Other	1,459	943
Total non-operating income	5,680	2,707
Non-operating expenses		
Interest expenses	1,223	1,198
Loss on retirement of noncurrent assets	2,061	3,485
Foreign exchange losses	-	302
Other	2,277	2,902
Total non-operating expenses	5,563	7,888
Ordinary income	24,752	33,038
Extraordinary income		
Gain on sales of noncurrent assets	2,745	-
Gain on bargain purchase	-	1,312
Gain on step acquisitions	-	229
Subsidy income	1,616	-
Total extraordinary income	4,362	1,542
Extraordinary losses		
Patent protection court cost	940	1,176
Impairment loss	-	1,536
Environmental expense	-	598
Compensation expenses	-	667
Total extraordinary losses	940	3,979
Income before income taxes	28,174	30,601
Income taxes-current	5,312	6,598
Income taxes-deferred	4,282	2,991
Total income taxes	9,595	9,590
Net income	18,579	21,011
Net income attributable to non-controlling interests	545	25
Net income attributable to owners of parent	18,033	20,985

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014	FY2015
	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Net income	18,579	21,011
Other comprehensive income		
Valuation difference on available-for-sale securities	9,270	(2,239)
Deferred gains or losses on hedges	(104)	52
Foreign currency translation adjustment	2,395	(4,049)
Remeasurements of defined benefit plans, net of tax	4,371	(12,097)
Share of other comprehensive income of associates accounted for using equity method	116	(17)
Total other comprehensive income	16,049	(18,350)
Comprehensive income	34,628	2,660
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,140	2,690
Comprehensive income attributable to noncontrolling interests	488	(30)

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous 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 attributable to owners of parent			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 attributable to owners of parent								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

Current fiscal year (from April 1, 2015 to March 31, 2016)

(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	218,746	(12,071)	274,558
Changes of items during period					
Dividends of surplus			(5,344)		(5,344)
Net income attributable to owners of parent			20,985		20,985
Purchase of treasury stock				(3,584)	(3,584)
Disposal of treasury stock		(5)	(8)	97	82
Change in treasury shares of parent arising from transactions with non-controlling shareholders		105			105
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	99	15,631	(3,487)	12,243
Balance at end of the period	33,046	34,936	234,377	(15,558)	286,801

	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	19,659	(104)	2,975	1,172	23,702	136	10,829	309,227
Changes of items during period								
Dividends of surplus								(5,344)
Net income attributable to owners of parent								20,985
Purchase of treasury stock								(3,584)
Disposal of treasury stock								82
Change in treasury shares of parent arising from transactions with non-controlling shareholders								105
Net changes of items other than shareholders' equity	(2,208)	52	(4,057)	(12,081)	(18,295)	91	5,455	(12,748)
Total changes of items during period	(2,208)	52	(4,057)	(12,081)	(18,295)	91	5,455	(504)
Balance at end of the period	17,450	(51)	(1,082)	(10,909)	5,406	228	16,285	308,722

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY2014 From April 1, 2014 to March 31, 2015	FY2015 From April 1, 2015 to March 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	28,174	30,601
Depreciation and amortization	23,739	26,438
Impairment loss	–	1,536
Gain on bargain purchase	–	(1,312)
Increase (decrease) in net defined benefit liability	640	428
Decrease (increase) in net defined benefit asset	(2,450)	424
Increase (decrease) in allowance for doubtful accounts	6	13
Interest and dividends income	(1,576)	(1,482)
Interest expenses	1,223	1,198
Loss (gain) on step acquisitions	–	(229)
Equity in (earnings) losses of affiliates	(211)	(281)
Loss (gain) on disposal of noncurrent assets	(2,008)	824
Subsidy income	(1,616)	–
Decrease (increase) in notes and accounts receivable–trade	(2,500)	6,932
Decrease (increase) in inventories	(1,447)	(1,596)
Increase (decrease) in notes and accounts payable–trade	(3,863)	(4,566)
Other, net	2,127	5,734
Subtotal	40,236	64,664
Interest and dividends income received	1,684	1,599
Interest expenses paid	(1,207)	(1,172)
Income taxes paid	(7,110)	(5,386)
Net cash provided by (used in) operating activities	33,602	59,704
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(41,719)	(38,552)
Proceeds from sales of property, plant and equipment	3,655	466
Purchase of intangible assets	(2,075)	(2,879)
Proceeds from reception of subsidy	1,464	–
Purchase of investment securities	(455)	(70)
Proceeds from sales and distributions of investment securities	1,072	386
Purchase of stocks of subsidiaries and affiliates	(104)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	1,537
Payments of loans receivable	(862)	(1,461)
Collection of loans receivable	601	929
Other, net	207	(1,107)
Net cash provided by (used in) investing activities	(38,214)	(40,751)

Financial Results for the Term Ended March 31, 2016, Kaneka Corporation (4118)

(Millions of yen)

	FY2014 From April 1, 2014 to March 31, 2015	FY2015 From April 1, 2015 to March 31, 2016
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	122	1,359
Proceeds from long-term loans payable	16,672	13,324
Repayment of long-term loans payable	(5,191)	(9,300)
Redemption of bonds	(5,000)	-
Proceeds from sales and leasebacks	-	280
Repayments of lease obligations	(194)	(101)
Purchase of treasury stock	(1,615)	(3,584)
Proceeds from sales of treasury stock	0	74
Cash dividends paid	(5,392)	(5,344)
Dividends paid to noncontrolling interests	(204)	(242)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(15)
Net cash provided by (used in) financing activities	(804)	(3,551)
Effect of exchange rate change on cash and cash equivalents	(387)	(260)
Net increase (decrease) in cash and cash equivalents	(5,803)	15,141
Cash and cash equivalents at beginning of period	33,803	28,020
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	19	-
Cash and cash equivalents at end of period	28,020	43,161

(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: 75

In the fiscal year ended March 31, 2016, Kaneka (Thailand) Co., Ltd., Kaneka MS Malaysia Sdn. Bhd. and Kaneka Europe Holding Company N.V. were included within the scope of consolidation due to the establishment of CEMEDINE CO., LTD., and its 10 subsidiaries were also included within the scope of consolidation due to acquisitions of stocks by a tender offer. Sanwa Kasei Kogyo Co., Ltd. was excluded from the scope of consolidation due to the completion of liquidation.

Application of the equity method

Number of affiliates accounted for by the equity method: 3

In the fiscal year ended March 31, 2016, CEMEDINE CO., LTD. was excluded from the scope of the equity method due to acquisitions of stocks by a tender offer, and 1 affiliated company of it was included within the scope of the equity method.

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., Kaneka (Foshan) High Performance Materials Co., Ltd. and CEMEDINE AUTOMOTIVE 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 26, 2015).

(Changes in Accounting Principles)

(Application of accounting standard for business combinations)

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 21 "Revised Accounting Standard for Business Combinations," ASBJ Statement No. 22 "Revised Accounting Standard for Consolidated Financial Statements," and ASBJ Statement No. 7 "Revised Accounting Standard for Business Divestitures." These revised accounting standards are applied from the fiscal year ended March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recorded under capital surplus, and costs related to acquisition of increased ownership interest are recognized in the period in which they arise. Also, transitional accounting is applied to business combinations performed on or after the beginning of the fiscal year ended March 31, 2016, with the revision of purchase price allocation applied to the quarterly consolidated

financial statements during the quarter in which the date of the business combination occurs. The presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests.” For comparison purposes, information for the fiscal year ended March 31, 2015, is shown in accordance with the new standards in the accompanying consolidated financial statements.

In the consolidated statements of quarterly cash flows for the fiscal year ended March 31, 2016, the cash flow associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation is reported in “net cash provided by (used in) financing activities,” and the cash flow associated with expenses associated with the acquisition of stocks of subsidiaries that do affect the scope of consolidation is reported in “net cash provided by (used in) operating activities.”

The application of the corporate accounting standards is in line with the transitional measures provided the Accounting Standard for Business Combinations Paragraph 58-2 (4), Accounting Standard for Consolidated Financial Statements Paragraph 44-5 (4), and Accounting Standard for Business Divestitures Paragraph 57-4 (4) and is effected beginning with the consolidated fiscal year period started on April 1, 2015.

These changes had no material effect on the operating income, ordinary income, or income before income taxes and non-controlling interests for the fiscal year ended March 31, 2016, or on the capital surplus amount at the end of the fiscal year ended March 31, 2016.

(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."

From the beginning of the fiscal year ended March 31, 2016, the Company has changed the divisions of some subsidiaries and as a result, their reporting segment has been revised from Electronics Products to Expandable Plastics and Products.

Segment information for the fiscal year ended March 31, 2015 in this report has been prepared based on the revised classification method.

3) Segment Information by Business Category

Previous 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	66,072	139,729	53,399	42,748	44,135	552,189	—	552,189
Intersegment	1,267	626	105	1	61	331	1,211	3,605	(3,605)	—
Total	111,983	96,013	66,178	139,730	53,461	43,079	45,347	555,794	(3,605)	552,189
Segment profit (loss)	2,927	11,293	4,420	1,807	9,342	(943)	12,130	40,977	(16,341)	24,635
Segment assets	108,198	74,368	50,489	79,990	67,691	73,229	28,905	482,874	75,089	557,962
Other Items										
Depreciation	4,421	2,939	2,064	2,301	2,912	4,358	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	3,008	2,816	3,254	5,666	13,903	42,577	3,001	45,578

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

Fiscal year under review (from April 1, 2015 to March 31, 2016)

(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	103,430	98,385	65,148	144,960	58,922	39,123	45,257	555,227	—	555,227
Intersegment	940	758	60	8	26	261	1,251	3,306	(3,306)	—
Total	104,370	99,144	65,208	144,968	58,948	39,384	46,509	558,534	(3,306)	555,227
Segment profit	5,568	15,117	6,310	3,748	11,723	19	15,658	58,146	(19,926)	38,220
Segment assets	102,106	94,574	52,443	82,362	66,625	68,513	31,712	498,338	78,912	577,251
Other Items										
Depreciation	5,310	3,364	2,339	2,512	3,149	4,455	2,420	23,551	2,687	26,238
Amortization of goodwill	—	35	—	—	468	—	—	504	—	504
Investment in equity method	—	75	1,843	—	—	—	—	1,918	—	1,918
Increase in assets	4,854	15,760	4,469	3,178	3,084	4,709	9,097	45,153	2,177	47,331

Note: Segment profit 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, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Segment total	40,977	58,146
Elimination of intersegment transactions	(1)	12
Companywide expenses (Note)	(16,335)	(19,932)
Other adjustments	(4)	(6)
Operating income in the consolidated statements of income	24,635	38,220

(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, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016
Segment total	482,874	498,338
Elimination of intersegment transactions	(12,367)	(12,993)
Companywide assets (Note)	87,306	91,484
Other adjustments	150	421
Total assets in the consolidated balance sheets	557,962	577,251

(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	21,418	23,551	2,091	2,687	—	—	23,509	26,238
Increase in assets	42,577	45,153	3,001	2,177	—	—	45,578	47,331

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

(Related Information)

Geographic Area

(Sales)

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

(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.
Fiscal year under review (from April 1, 2015 to March 31, 2016)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
337,814	91,011	43,627	55,666	27,106	555,227

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

(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, 2014 to March 31, 2015	Fiscal year under review From April 1, 2015 to March 31, 2016
Net assets per share	¥890.30	¥881.09
Net income per share	¥53.52	¥62.98
Fully diluted net income per share	¥53.48	¥62.92

Item	Previous fiscal year From April 1, 2014 to March 31, 2015	Fiscal year under review From April 1, 2015 to March 31, 2016
Net income per share		
Net income attributable to owners of parent (Millions of yen)	18,033	20,985
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	18,033	20,985
Average number of shares of common stock during the period (Thousands of shares)	336,935	333,221
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	-	(0)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-)	(-0)
Increase in shares of common stock (Thousands of shares)	248	301
(Of which, subscription rights to shares) (Thousands of shares)	(248)	(301)

(Note) Regarding the calculation of net income per share and fully diluted net income per share, the number of Kaneka shares held by the Kaneka Employee Stock Ownership Association Trust has been included in the treasury stock that was deducted during the calculation of the average number of shares during the period. Moreover, the average number of shares of the deducted corresponding treasury stock used to calculate the net income per share and fully diluted net income per share during the fiscal year under review was 405 thousand shares.

(Subsequent Events)

Nothing to report