

Financial Results for the Fiscal Year Ended March 2017 (Japanese GAAP, Consolidated)

May 12, 2017

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 29, 2017

Scheduled date of dividend distribution: June 5, 2017

Scheduled date for submitting financial statements: June 29, 2017

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

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

(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. 2016 – Mar. 2017	548,222	(1.3)	33,164	(13.2)	27,426	(17.0)	20,484	(2.4)
Apr. 2015 – Mar. 2016	555,227	0.6	38,220	55.1	33,038	33.5	20,985	16.4

(Note) Comprehensive Income: ¥23,531 million (784.5%) in the fiscal year ended March 31, 2017,

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

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2016 – Mar. 2017	61.72	61.65	6.9	4.7	6.0
Apr. 2015 – Mar. 2016	62.98	62.92	7.1	5.8	6.9

(Reference) Equity in earnings (losses) of affiliates: ¥118 million in the fiscal year ended March 31, 2017

¥281 million in the fiscal year ended March 31, 2016

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2016 – Mar. 2017	592,900	321,551	51.5	924.23
Apr. 2015 – Mar. 2016	557,251	308,722	50.6	881.09

(Reference) Shareholders' equity: ¥305,149 million as of March 31, 2017, ¥292,208 million as of March 31, 2016

(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. 2016 – Mar. 2017	48,119	(36,369)	(13,612)	41,018
Apr. 2015 – Mar. 2016	59,704	(40,751)	(3,551)	43,161

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. 2015 – Mar. 2016	—	8.00	—	10.00	18.00	5,995	28.6	2.0
Apr. 2016 – Mar. 2017	—	9.00	—	9.00	18.00	5,977	29.2	2.0
Apr. 2017 – Mar. 2018 (Forecasts)	—	9.00	—	9.00	18.00		25.8	

3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2018

(from April 1, 2017 to March 31, 2018)

(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	%	¥
Full year	610,000	11.3	43,000	29.7	39,000	42.2	23,000	12.3	69.66

4. Other

(1) Changes in principal subsidiaries during the fiscal year: No

(2) Changes in accounting principles, changes in estimates, or restatements

1) Changes owing to revisions in accounting standards: No

2) Changes other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(3) Number of shares outstanding (common stock)

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

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)

March 31, 2017	350,000,000 shares	March 31, 2016	350,000,000 shares
March 31, 2017	19,834,211 shares	March 31, 2016	18,356,481 shares
March 31, 2017	331,896,955 shares	March 31, 2016	333,221,162 shares

(Reference): Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2016 – Mar. 2017	274,866	(5.4)	13,330	(23.7)	15,810	(14.4)	15,904	64.1
Apr. 2015 – Mar. 2016	290,556	(2.7)	17,466	48.8	18,475	17.3	9,693	(36.8)

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2016 – Mar. 2017	47.92	47.87
Apr. 2015 – Mar. 2016	29.09	29.06

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2016 – Mar. 2017	418,229	236,148	56.4	714.57
Apr. 2015 – Mar. 2016	409,670	223,240	54.4	672.55

(Reference) Shareholders' equity: ¥235,925 million as of March 31, 2017, and ¥223,047 million as of March 31, 2016

(These financial statements are exempt from audit procedures)

(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 "(4) Performance Forecasts for the Fiscal Year Ending March 31, 2018" under "1. Overview of Business Performance and Financial Position" on page 4.

[Supplementary Materials]

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1. Overview of Business Performance and Financial Position

(1) Overview of Results for the Fiscal Year Ended March 31, 2017

Global economic conditions became unstable overall during the fiscal year ended March 31, 2017 although economic conditions in Europe and in emerging and resource-rich countries experienced a gradual recovery. This was because the issue of the U.K.'s withdrawal from the EU and the inauguration of President Donald Trump among other factors resulted in a situation that could have an impact on business confidence, although economic conditions in U.S. remained firm. In the Japanese economy, the appreciation of the yen had an impact on its economic conditions and personal consumption stagnated.

In this business environment, the Kaneka Group's business performance remained solid in the Chemicals, Functional Plastics, and Life Science Products segments due to steady expansion in sales of new and specialized products mainly in overseas markets, and our profitability improved in the Foodstuffs Products segment due to expansion in sales of new products and progress in business structure reforms, despite sluggish performance in the Electronic Products, and Synthetic Fibers and Others segments mainly affected by the appreciation of the yen and delays in the recovery of demand. We will continue to engage in R&D activities (investment toward the future) and achieve the transformation of our business portfolio with a focus on outcomes as soon as possible.

As a result of foregoing, the Kaneka Group reported consolidated net sales of ¥548,222 million (down 1.3% year on year). Operating income was ¥33,164 million (down 13.2% year on year), ordinary income was ¥27,426 million (down 17.0% year on year), and net income attributable to owners of the parent was ¥20,484 million (down 2.4% year on year).

Operating performance by business segment was as follows:

(Chemicals)

In this segment, operating income increased due to steady expansion in sales of specialized products and strong demand in overseas markets mainly in the U.S. and Asia.

In the Specialty PVC resins business, Paste PVC continued its firm sales, mainly for Asia, and sales of Chlorinated PVC resins for the U.S. and Asia increased. The enhancement of our production capacity in Malaysia and the U.S. and a thorough improvement of cost competitiveness contributed to sales.

In the general PVC resins business, profitability improved due to firm sales in Asian markets mainly in India.

(Functional Plastics)

In this segment, segment sales increased due to expansion in sales on the back of product development for new applications and global enhancement of capacity. Operating income slightly decreased due to the impact of the appreciation of the yen.

The modifiers business saw an expansion in sales for new applications as in the non-PVC field despite the impact of the rise in raw material prices in the second half of the fiscal year. Despite a continuous shortage in production capacity, a supply system to meet strong demand was established due to the start of commercial operation of new production facilities in Malaysia in March as planned. The modified silicone polymers business saw the shortage in production capacity due to a rapid expansion of applications. In addition to the construction of new production facilities for the

modified silicone polymers in Malaysia, the Kaneka Group decided to enhance production capacity in Belgium. The Kaneka Group will respond steadily to expanding demand. In addition, by making CEMEDINE CO., LTD. a consolidated subsidiary of the Group from last year, the Kaneka Group made efforts to further strengthen Group synergies focusing on overseas development and market expansion from the perspective of finding solutions.

(Expandable Plastics and Products)

Sales in the extruded polystyrene foam boards business were solid due to proceeding with enhancement of production capacity. Moreover, the segment saw expanded sales of bead-method polyolefin foam in the Asian market, particularly in the automotive field. The Kaneka Group will make efforts to establish a global supply system as demand in overseas markets will be expected to expand. Demand in the expandable polystyrene resins and products business remained sluggish in the agriculture and fisheries fields and the business were affected by the rise in raw material prices during the fourth quarter. As the result of foregoing, segment sales and operating income decreased.

The Kaneka Group made efforts to develop high performance insulation materials looking towards the revised Energy Efficiency Standards being made mandatory in 2020, and also developed and implemented new housing solutions which satisfied both needs of energy efficiency and residence comfort, combining the Group's products including photovoltaic modules.

(Foodstuffs Products)

In this segment, the Group focused on developing and selling new products that anticipate consumer needs and adding high added-value to the product mix through strengthening R&D amid a continued faltering in domestic demand. Moreover, the business increased sales and operating income by launching new products and promoting business structural reforms designed to strengthen and streamline the entire supply chain including the Group companies.

The business is developing characteristic foodstuffs which respond to the diversified needs in the market, and developing a new business model in order to provide solutions that add the value of "Foods" themselves.

(Life Science Products)

In this segment, the Group made progress in enlarging open innovations and joint businesses with other companies, strengthening R&D through utilizing R&D bases in the U.S. and expanding business in new domains, in an environment in which their markets in medical care and nursing care are expanding due to the global progression of ageing populations. Operating income was approximately the same level year on year, despite the dampening effect of the revision of reimbursement prices in domestic markets of medical devices.

The vascular intervention business saw expanded joint businesses with other companies overseas. The functional foodstuffs business saw a steady increase in sales volume of the reduced form of coenzyme Q10, mainly in the U.S market, which is the biggest market. In the pharmaceutical business, sales expanded steadily in the active pharmaceutical ingredients (API) market and in the bio-pharmaceutical market. In the bio-pharmaceutical business, Eurogentec S.A., a wholly-owned subsidiary, from last year decided to strengthen its production capacity to respond to expanding demand.

(Electronic Products)

In this segment, segment sales and operating income decreased due to the sluggish performance of the electronic material business.

In the electronic material business, while conditions in electronic markets including smartphones have recovered since the second half of the fiscal year, despite increasing sales of high-function products of ultra-heat-resistant polyimide film, sales and operating income decreased due to delays in the supply of some products were caused by capacity bottlenecks, and they were also affected by the appreciation of the yen. However, the profitability of the business improved during the fourth quarter due to a steady increase in sales for new applications that responded to market needs for developed technology.

In the photovoltaic modules business, the sales volume for a major house manufacturer expanded due to the business being evaluated highly for the functionality and beauty of its new products, and profitability improved in tandem with the continued implementation of business structural reforms. The business concentrated more on expanding the sales of high-function products such as new products, using heterojunction technology, which has one of the world's highest convention efficiencies, and transparent photovoltaic modules, and on initiatives to provide solutions contributing to the realization of net zero energy houses and buildings.

(Synthetic Fibers and Others)

In the synthetic fibers business, segment sales and operating income decreased due to the strong impact of the appreciation of the yen and delays in the recovery of demand in Asian market. While market conditions in Asia have been improving, the Kaneka Group will realize steady expansion in sales by increasing sales of products with high added-value, by continuously launching new products and by strengthening marketing activities in the Asian and African markets. Moreover, the Kaneka Group will make efforts to expand profitability by taking advantage of cost competitiveness of production base in Malaysia.

(2) Overview of Financial Position

Total assets were ¥592,900 million as of March 31, 2017, up ¥15,649 million compared with March 31, 2016, due mainly to increases in notes and accounts receivable-trade, property, plant and equipment, and investment of stock. Liabilities stood at ¥271,349 million, up ¥2,820 million from March 31, 2016 due mainly to an increase in notes and accounts payable-trade. Net assets were at ¥321,551 million, up ¥12,828 million from March 31, 2016 due mainly to an increase in retained earnings.

(3) Overview of Consolidated Cash Flows

Net cash provided by operating activities was ¥48,119 million, mainly due to income before income taxes, and depreciation and amortization. Net cash used in investing activities amounted to ¥36,369 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥13,612 million, mainly owing to the cash dividends paid and repayment of loans payable. As a result, cash and cash equivalents as of March 31, 2017 totaled ¥41,018 million.

(4) Performance Forecasts for the Fiscal Year Ending March 31, 2018

Global economic conditions are expected to reveal an expansionary trend overall due to the expansion in the U.S. economy and the recovery in emerging countries including China, despite many uncertain factors including the trends in the exchange rates, crude oil price and the financial markets, the new administration's policy management in the U.S., the political trends in Europe, and growing geopolitical risks. Japanese economic conditions are also expected to recover moderately on the back of the recovery of global economic conditions.

The Kaneka Group aims to improve profitability by transforming its business portfolio through investment for a high level of R&D, large-scale capital investment, M&A, and open innovation from the perspective of solutions.

Our consolidated forecasts for the fiscal year ending March 31, 2018 are as follows:

[Consolidated Forecasts]

Net sales:	¥610 billion fiscal year (11.3% increase year on year)
Operating income:	¥43 billion fiscal year (29.7% increase year on year)
Ordinary income:	¥39 billion fiscal year (42.2% increase year on year)
Net income attributable to owners of parent:	¥23 billion fiscal year (12.3% increase year on year)

The forecasts above are based on exchange rates of ¥110 to the U.S. dollar and of ¥120 to the euro, and a domestic naphtha price of ¥42,000 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.

2. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted the Japanese Generally Accepted Accounting Principles (Japanese GAAP). The timing of our 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)

	FY2015 Term ended March 31, 2016	FY2016 Term ended March 31, 2017
Assets		
Current assets		
Cash and deposits	43,447	41,116
Notes and accounts receivable-trade	121,682	125,482
Short-term investment securities	110	110
Merchandise and finished goods	51,745	52,493
Work in process	10,125	10,148
Raw materials and supplies	31,828	34,106
Deferred tax assets	5,951	5,871
Other	9,161	11,463
Allowance for doubtful accounts	(345)	(353)
Total current assets	273,708	280,439
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	69,204	74,073
Machinery, equipment and vehicles, net	88,753	98,666
Land	31,111	31,071
Construction in progress	23,633	13,430
Other, net	7,012	8,301
Total property, plant and equipment	219,715	225,544
Intangible assets		
Goodwill	4,123	3,322
Other	8,074	6,929
Total intangible assets	12,197	10,251
Investments and other assets		
Investment securities	55,602	62,584
Investments in capital	987	987
Long-term loans receivable	1,307	1,300
Long-term prepaid expenses	1,525	1,759
Deferred tax assets	4,802	2,611
Other	7,619	7,650
Allowance for doubtful accounts	(215)	(228)
Total investments and other assets	71,629	76,665
Total noncurrent assets	303,542	312,461
Total assets	577,251	592,900

Financial Results for the Term Ended March 31, 2017, Kaneka Corporation (4118)

(Millions of yen)

	FY2015 Term ended March 31, 2016	FY2016 Term ended March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	64,819	73,058
Short-term loans payable	52,695	52,294
Accounts payable-other	24,608	22,149
Accrued expenses	11,623	13,339
Income taxes payable	3,708	3,390
Accrued consumption taxes	795	1,051
Provision for directors' bonuses	134	135
Other	5,163	3,582
Total current liabilities	163,550	169,001
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	53,773	50,336
Deferred tax liabilities	1,674	2,098
Net defined benefit liability	36,667	37,310
Provision for directors' retirement benefits	303	319
Other	2,559	2,282
Total noncurrent liabilities	104,978	102,347
Total liabilities	268,528	271,349
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,936	32,813
Retained earnings	234,377	248,523
Treasury stock	(15,558)	(16,753)
Total shareholders' equity	286,801	297,630
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,450	22,338
Deferred gains or losses on hedges	(51)	(61)
Foreign currency translation adjustment	(1,082)	(5,105)
Remeasurements of defined benefit plans	(10,909)	(9,653)
Total accumulated other comprehensive income	5,406	7,518
Subscription rights to shares	228	271
Noncontrolling interests	16,285	16,130
Total net assets	308,722	321,551
Total liabilities and net assets	577,251	592,900

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2015 From April 1, 2015 to March 31, 2016	FY2016 From April 1, 2016 to March 31, 2017
Net sales	555,227	548,222
Cost of sales	394,021	385,362
Gross profit	161,205	162,859
Selling, general and administrative expenses	122,985	129,695
Operating income	38,220	33,164
Non-operating income		
Interest income	59	87
Dividends income	1,423	1,695
Equity in earnings of affiliates	281	118
Other	943	909
Total non-operating income	2,707	2,811
Non-operating expenses		
Interest expenses	1,198	1,428
Loss on retirement of noncurrent assets	3,485	2,534
Foreign exchange losses	302	2,270
Other	2,902	2,316
Total non-operating expenses	7,888	8,548
Ordinary income	33,038	27,426
Extraordinary income		
Gain on sales of noncurrent assets	-	625
Gain on sales of investment securities	-	1,602
Gain on bargain purchase	1,312	-
Gain on step acquisitions	229	-
Total extraordinary income	1,542	2,228
Extraordinary losses		
Patent protection court cost	1,176	962
Impairment loss	1,536	-
Environmental expense	598	-
Compensation expenses	667	-
Total extraordinary losses	3,979	962
Income before income taxes	30,601	28,692
Income taxes-current	6,598	7,088
Income taxes-deferred	2,991	88
Total income taxes	9,590	7,177
Net income	21,011	21,514
Net income attributable to non-controlling interests	25	1,030
Net income attributable to owners of parent	20,985	20,484

Financial Results for the Term Ended March 31, 2017, Kaneka Corporation (4118)
 Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2015 From April 1, 2015 to March 31, 2016	FY2016 From April 1, 2016 to March 31, 2017
Net income	21,011	21,514
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,239)	5,047
Deferred gains or losses on hedges	52	(9)
Foreign currency translation adjustment	(4,049)	(4,268)
Remeasurements of defined benefit plans, net of tax	(12,097)	1,248
Share of other comprehensive income of associates accounted for using equity method	(17)	(2)
Total other comprehensive income	(18,350)	2,016
Comprehensive income	2,660	23,531
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,690	22,596
Comprehensive income attributable to noncontrolling interests	(30)	934

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous 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

Current fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,936	234,377	(15,558)	286,801
Changes of items during period					
Dividends of surplus			(6,328)		(6,328)
Net income attributable to owners of parent			20,484		20,484
Purchase of treasury stock				(1,812)	(1,812)
Disposal of treasury stock			(10)	617	607
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(2,123)			(2,123)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,123)	14,145	(1,194)	10,828
Balance at end of the period	33,046	32,813	248,523	(16,753)	297,630

	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	17,450	(51)	(1,082)	(10,909)	5,406	228	16,285	308,722
Changes of items during period								
Dividends of surplus								(6,328)
Net income attributable to owners of parent								20,484
Purchase of treasury stock								(1,812)
Disposal of treasury stock								607
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(2,123)
Net changes of items other than shareholders' equity	4,887	(9)	(4,022)	1,256	2,112	43	(154)	2,000
Total changes of items during period	4,887	(9)	(4,022)	1,256	2,112	43	(154)	12,828
Balance at end of the period	22,338	(61)	(5,105)	(9,653)	7,518	271	16,130	321,551

(3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2015	FY2016
	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	30,601	28,692
Depreciation and amortization	26,438	27,808
Impairment loss	1,536	-
Gain on bargain purchase	(1,312)	-
Increase (decrease) in net defined benefit liability	428	2,515
Decrease (increase) in net defined benefit asset	424	-
Increase (decrease) in allowance for doubtful accounts	13	34
Interest and dividends income	(1,482)	(1,783)
Interest expenses	1,198	1,428
Loss (gain) on step acquisitions	(229)	-
Equity in (earnings) losses of affiliates	(281)	(118)
Loss (gain) on disposal of noncurrent assets	824	102
Loss (gain) on sales of investment securities	-	(1,602)
Decrease (increase) in notes and accounts receivable-trade	6,932	(4,609)
Decrease (increase) in inventories	(1,596)	(4,056)
Increase (decrease) in notes and accounts payable-trade	(4,566)	7,303
Other, net	5,734	18
Subtotal	64,664	55,733
Interest and dividends income received	1,599	1,904
Interest expenses paid	(1,172)	(1,404)
Income taxes paid	(5,386)	(8,113)
Net cash provided by (used in) operating activities	59,704	48,119
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(38,552)	(36,726)
Proceeds from sales of property, plant and equipment	466	1,092
Purchase of intangible assets	(2,879)	(1,474)
Purchase of investment securities	(70)	(75)
Proceeds from sales and distributions of investment securities	386	1,585
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(102)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,537	-
Payments of loans receivable	(1,461)	(314)
Collection of loans receivable	929	212
Other, net	(1,107)	(567)
Net cash provided by (used in) investing activities	(40,751)	(36,369)

Financial Results for the Term Ended March 31, 2017, Kaneka Corporation (4118)
(Millions of yen)

	FY2015 From April 1, 2015 to March 31, 2016	FY2016 From April 1, 2016 to March 31, 2017
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,359	(2,858)
Proceeds from long-term loans payable	13,324	6,251
Repayment of long-term loans payable	(9,300)	(5,986)
Proceeds from sales and leasebacks	280	-
Repayments of lease obligations	(101)	(171)
Purchase of treasury stock	(3,584)	(1,812)
Proceeds from sales of treasury stock	74	410
Proceeds from stock issuance to noncontrolling shareholders	-	53
Cash dividends paid	(5,344)	(6,328)
Dividends paid to noncontrolling interests	(242)	(399)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(15)	(2,772)
Net cash provided by (used in) financing activities	(3,551)	(13,612)
Effect of exchange rate change on cash and cash equivalents	(260)	(280)
Net increase (decrease) in cash and cash equivalents	15,141	(2,143)
Cash and cash equivalents at beginning of period	28,020	43,161
Cash and cash equivalents at end of period	43,161	41,018

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(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 maintaining 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 (API 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."

3) Segment Information by Business Category
Previous fiscal year (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.

Fiscal year under review (from April 1, 2016 to March 31, 2017)

(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	96,631	110,664	64,257	147,312	55,818	35,551	37,986	548,222	—	548,222
Intersegment	1,110	957	93	10	53	226	1,374	3,826	(3,826)	—
Total	97,741	111,622	64,350	147,323	55,871	35,778	39,360	552,048	(3,826)	548,222
Segment profit(loss)	7,428	14,825	5,790	4,515	11,662	(1,182)	10,815	53,854	(20,689)	33,164
Segment assets	101,496	104,010	53,026	85,030	68,160	67,861	34,321	513,908	78,992	592,900
Other Items										
Depreciation	5,124	3,905	2,685	2,682	3,111	4,737	2,575	24,822	2,820	27,642
Amortization of goodwill	—	32	56	—	430	—	—	519	—	519
Investment in equity method	—	68	1,953	—	—	—	—	2,021	—	2,021
Increase in assets	4,967	9,460	2,965	2,396	3,480	3,603	8,455	35,328	2,651	37,980

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, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017
Segment total	58,146	53,854
Elimination of intersegment transactions	12	(8)
Companywide expenses (Note)	(19,932)	(20,695)
Other adjustments	(6)	14
Operating income in the consolidated statements of income	38,220	33,164

(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, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017
Segment total	498,338	513,908
Elimination of intersegment transactions	(12,993)	(12,801)
Companywide assets (Note)	91,484	91,211
Other adjustments	421	582
Total assets in the consolidated balance sheets	577,251	592,900

(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	23,551	24,822	2,687	2,820	—	—	26,238	27,642
Increase in assets	45,153	35,328	2,177	2,651	—	—	47,331	37,980

(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, 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.

Fiscal year under review (from April 1, 2016 to March 31, 2017)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
344,890	86,188	42,702	51,067	23,373	548,222

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, 2015 to March 31, 2016	Fiscal year under review From April 1, 2016 to March 31, 2017
Net assets per share	¥881.09	¥924.23
Net income per share	¥62.98	¥61.72
Fully diluted net income per share	¥62.92	¥61.65

Item	Previous fiscal year From April 1, 2015 to March 31, 2016	Fiscal year under review From April 1, 2016 to March 31, 2017
Net income per share		
Net income attributable to owners of parent (Millions of yen)	20,985	20,484
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	20,985	20,484
Average number of shares of common stock during the period (Thousands of shares)	333,221	331,896
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	(0)	(1)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-0)	(-1)
Increase in shares of common stock (Thousands of shares)	301	338
(Of which, subscription rights to shares) (Thousands of shares)	(301)	(338)

(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 was 1,186 thousand shares for FY2017 and 405 thousand shares for FY2016.

(Subsequent Events)

(Reclassification in Segments)

In the Kaneka Group's mid-term management vision newly started in fiscal 2017, we radically reformed our management system in order to accelerate contribution to development of society through creating new value by technological innovation, including "IoT" and "AI," and solving various problems facing society: issues of global environmental protection, population growth, food supply, and improving public health in an ageing society.

Our business divisions have been renamed "Solutions Vehicles" that aim to become organizations implementing growth strategy from the perspective of achieving solutions. In addition, we reorganized our business structure so as to make these nine "Solutions Vehicles" be consistent with four new business domains known as "Solutions Units."

As a result of this reform of management system, the conventional reporting segments of Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others will be reclassified into new reporting segments which reflected the new business domains from the beginning of the fiscal year ending March 31, 2018.

Solutions Unit (Reporting Segments)	Solutions Vehicle (SV)
Material Solutions Unit	Vinyls and Chlor-Alkali SV Performance Polymers SV
Quality of Life Solutions Unit	Foam & Residential Techs SV E & I Technology SV PV & Energy management SV Performance Fibers SV
Health Care Solutions Unit	Medical Devices SV Pharma & Supplemental Nutrition SV (Pharma)
Nutrition Solutions Unit	Pharma & Supplemental Nutrition SV (Supplemental Nutrition) Foods & Agris SV

Segment information for the fiscal year ended March 31, 2017 based on new reporting segments is as follows:

Fiscal year under review (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Segment Information					Others	Total	Adjustment	Figures in consolidated financial statements
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	207,296	136,849	45,141	157,989	547,276	945	548,222	—	548,222
Intersegment	1,357	10	—	38	1,406	1,374	2,781	(2,781)	—
Total	208,653	136,859	45,141	158,028	548,683	2,319	551,003	(2,781)	548,222
Segment profit	22,251	15,041	10,896	5,280	53,469	382	53,852	(20,687)	33,164