



## Quarterly Financial Results for the First Quarter, Ended June 30, 2012 (Japanese GAAP, Consolidated)

August 8, 2012

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Osaka, Nagoya

Code Number: 4118

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

Representative: Kimikazu Sugawara Title: President, Representative Director

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Scheduled date for submitting financial statements: August 10, 2012

Scheduled date of dividend distribution: —

Supplementary materials available on quarterly financial results: Yes

Quarterly results briefing: Yes (For analysts)

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

### 1. Consolidated Business Performance for the First Quarter, Ended June 30, 2012

(from April 1, 2012 to June 30, 2012)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2012 – Jun. 2012	117,679	(1.1)	3,872	6.5	3,895	11.6	1,833	(17.1)
Apr. 2011 – Jun. 2011	118,977	5.4	3,637	(42.5)	3,490	(51.3)	2,212	(51.7)

Note: Comprehensive income: (¥1,643) million (—%) as of June 30, 2012,  
¥1,406 million (—%) as of June 30, 2011

	Net income per share	Fully diluted net income per share
Apr. 2012 – Jun. 2012	¥ 5.44	¥ 5.44
Apr. 2011 – Jun. 2011	6.53	6.52

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
Apr. 2012 – Jun. 2012	¥ million 459,954	¥ million 253,100	52.9%
Apr. 2011 – Mar. 2012	467,082	257,460	53.0

(Reference) Shareholders' equity: ¥243,299 million as of June 30, 2012,  
¥247,526 million as of March 31, 2012

### 2. Dividends

(Record date)	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2011 – Mar. 2012	¥ —	¥ 8.00	¥ —	¥ 8.00	¥ 16.00
Apr. 2012 – Mar. 2013	—				
Apr. 2012 – Mar. 2013 (Forecasts)		8.00	—	8.00	16.00

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

### 3. Forecast for consolidated business performance in the term ending March 31, 2013

(from April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
First half	240,000	2.2	8,000	24.3	7,500	29.8	4,000	40.7	11.87
Full year	500,000	6.5	20,000	52.1	18,500	46.2	10,000	85.1	29.68

Note: Revisions to consolidated business performance forecasts during the quarter under review: No

#### 4. Other

(1) Changes in principal subsidiaries during the term: No

(2) Application of simplified methods of accounting and specific accounting methods: No

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

1. Changes owing to revisions in accounting standards: Yes

2. Changes other than 1. above: No

3. Changes in accounting estimates: Yes

4. Restatements: No

(Note) Changes were made in accordance with Article 10-5 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Financial Statements, etc. Please refer to "(3) Changes in accounting principles, changes in estimates, or restatements" under "2. Other Information" on page 4 for further detail.

(4) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock):

June 30, 2012	350,000,000 shares	March 31, 2012	350,000,000 shares
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2. Shares of treasury stock at the end of the period:

June 30, 2012	13,050,494 Shares	March 31, 2012	13,049,811 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

June 30, 2012	336,949,779 shares	June 30, 2011	338,929,053 shares
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#### (Disclosure of Implementation Status of Review Procedures)

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

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

The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. For cautionary items used in operating results forecasts, please refer to the section entitled 1. Quarterly Consolidated Business Performance (3) Consolidated Business Forecasts for the Year Ending March 31, 2013 on page 4.

[Supplementary Materials]

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## 1. Quarterly Consolidated Business Performance

### (1) Consolidated Business Performance

During the first three months under review (April 1, 2012 to June 30, 2012), the Kaneka Group reported consolidated net sales of ¥117,679 million (down 1.1% year on year). Operating income, however, was ¥3,872 million (up 6.5% year on year), and ordinary income increased 11.6% to ¥3,895 million. Net income declined to ¥1,833 million, down 17.1% year on year, reflecting the posting of an extraordinary loss.

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

Operating performance by business segment was as follows.

#### 1) Chemicals

PVC resins were negatively impacted by sluggish demand in Japan. Specialty PVC resins saw sales volume increase in both the Japanese and overseas markets. In the caustic soda business, domestic market conditions held firm.

As a result of the foregoing, segment sales increased ¥1,702 million, or 7.5%, year on year to ¥24,430 million. The segment posted operating income of ¥1,294 million, an increase of ¥274 million, or 26.9%, year on year.

#### 2) Functional Plastics

In modifiers, the Kaneka Group took extensive steps to enhance product differentiation and bolster the earnings structure in this business, including through cost reductions. Business was strongly impacted, however, by sluggish demand in Japanese and overseas markets, leading to weak sales volumes. There was an increase in sales volume of modified silicone polymers for the Japanese market.

As a result of the foregoing, segment sales decreased ¥1,872 million, or 9.3%, year on year to ¥18,160 million. The segment posted operating income of ¥1,566 million, down ¥522 million, or 25.0%, year on year.

#### 3) Expandable Plastics and Products

Sales volumes of expandable polystyrene resins and products, and extruded polystyrene foam boards decreased year on year. Polyolefin foam by beads method saw higher sales volume following the restoration of supply chains disrupted by the Great East Japan Earthquake and the flooding damage in Thailand, and the reinstatement of subsidies for environmentally friendly automobiles, among other developments.

As a result of the abovementioned factors, segment sales increased ¥225 million, or 1.6%, year on year to ¥14,098 million. However, operating income declined ¥53 million, or 8.0%, to ¥616 million.

#### 4) Foodstuffs Products

Foodstuffs products faced weakening demand in the Japanese market and an increasingly stronger shift to low-priced products. In this environment, although the Group strove to expand sales of new products and reduce costs, this business was negatively impacted by buoyant prices for raw materials.

As a result of the foregoing, segment sales decreased ¥809 million, or 2.4%, year on year to ¥32,261 million. The segment posted operating income of ¥1,259 million, a decrease of ¥363 million, or 22.4%, year on year.

#### 5) Life Science Products

In medical devices, sales in the vascular intervention business weakened due to a reduction in official prices, but blood purification system sales increased steadily. In bulk and intermediate pharmaceuticals, sales volume was lackluster. In functional foodstuffs, the Group strove to expand sales volume of high-performance products while rigorously cutting costs.

As a result of the abovementioned factors, segment sales decreased ¥1,016 million, or 8.8%, year on year to ¥10,515 million. However, the segment posted operating income of ¥1,927 million, representing a year-on-year increase of ¥242 million, or 14.4%.

#### 6) Electronic Products

Sales volumes for ultra-heat-resistant polyimide film and optical materials increased year on year, supported mainly by expanding demand in the electronic product market and the adoption of these materials by customers in new products. In solar cells, efforts were focused on expanding sales in the Japanese market and rigorously cutting costs. Sales volume of solar cell-related materials was lackluster.

As a result of the abovementioned factors, segment sales decreased ¥135 million, or 1.4%, to ¥9,803 million. The segment posted an operating loss of ¥658 million, which was smaller than the operating loss recorded in the first quarter of the previous fiscal year.

#### 7) Synthetic Fibers and Others

In synthetic fibers, the Group sought to secure profits mainly by expanding sales of high value-added products, revising selling prices and cutting costs.

As a result of the foregoing, segment sales increased ¥606 million, or 7.8%, year on year to ¥8,409 million. The segment posted operating income of ¥1,237 million, a year-on-year increase of ¥838 million, or 209.8%.

### (2) Consolidated Financial Position

#### 1) Status of Assets, Liabilities and Equity

Total assets were ¥459,954 million as of June 30, 2012, down ¥7,128 million compared with March 31, 2012. Interest-bearing debt totaled ¥74,612 million, down ¥65 million. Net assets decreased ¥4,360 million, to ¥253,100 million, mainly from decreases in the valuation difference on available-for-sale securities and foreign currency translation adjustment.

#### 2) Consolidated Cash Flows

Net cash provided by operating activities during the first three months of the year was ¥8,237 million, mainly due to income before income taxes and minority interests and depreciation and amortization, while net cash used in investing activities amounted to ¥7,828 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥2,567 million, used mainly for cash dividends paid. As a result, cash and cash equivalents as of June 30, 2012, totaled ¥24,968 million.

### (3) Consolidated Business Forecasts

In the first quarter of the fiscal year ending March 31, 2013, the global economy experienced a broader slowdown on the whole mainly reflecting the drawn-out weakness of European economies and a slower pace of growth in China, India and various other Asian countries. This was despite some signs of improvement in the U.S. economy, which had remained weak for some time.

The Japanese economy staged a gradual recovery on the back of post-earthquake reconstruction demand and other factors. However, the Japanese economy currently faces a large number of uncertainties, including the yen's appreciation, rising raw material and fuel costs, and power supply restrictions. As a result, the outlook for the Japanese economy is highly uncertain.

In this challenging economic environment, the Kaneka Group will work to expand business in important strategic domains, while promoting the transformation of its business structure through measures such as creating new businesses, expanding globally and bolstering alliances. In addition, the Group will vigorously strive to enhance its ability to generate earnings through measures to boost sales volumes in existing businesses, along with promoting Group-wide technology development and business innovation activities directed at achieving across-the-board cost reductions spanning production to sales.

The Group has not revised its first-half or full-year consolidated business forecasts for the fiscal year ending March 31, 2013.

## 2. Other Information

### (1) Changes in principal subsidiaries during the term

There were no changes in the scope of consolidation of specific subsidiaries during the first quarter under review.

### (2) Application of simplified methods of accounting and specific accounting methods

Nothing to report

### (3) Changes in accounting principles, changes in estimates, or restatements

Starting from the first quarter under review, due to the revision of corporate tax law, Kaneka and its domestic subsidiaries started to apply a depreciation method, according to the revised corporate tax law, on property, plant and equipment acquired on or after April 1, 2012.

Impact of this change on operating income, ordinary income and income before income taxes and minority interests are immaterial.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2011	FY2012 1st Quarter
	Term ended March 31, 2012	Term ended June 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	27,309	25,000
Notes and accounts receivable-trade	118,367	114,580
Short-term investment securities	322	322
Merchandise and finished goods	44,225	46,713
Work in process	8,823	8,499
Raw materials and supplies	23,753	22,794
Other	13,389	14,847
Allowance for doubtful accounts	(164)	(133)
<b>Total current assets</b>	<b>236,027</b>	<b>232,626</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	52,173	51,312
Machinery, equipment and vehicles, net	62,739	60,560
Other, net	49,524	50,866
<b>Total property, plant and equipment</b>	<b>164,437</b>	<b>162,739</b>
Intangible assets		
Goodwill	3,935	3,522
Other	3,035	2,932
<b>Total intangible assets</b>	<b>6,970</b>	<b>6,454</b>
Investments and other assets		
Investment securities	41,658	39,461
Other	18,514	19,208
Allowance for doubtful accounts	(527)	(536)
<b>Total investments and other assets</b>	<b>59,646</b>	<b>58,132</b>
<b>Total noncurrent assets</b>	<b>231,054</b>	<b>227,327</b>
<b>Total assets</b>	<b>467,082</b>	<b>459,954</b>

(Millions of yen)

	FY2011	FY2012 1st Quarter
	Term ended March 31, 2012	Term ended June 30, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	64,444	63,265
Short-term loans payable	37,061	37,760
Income taxes payable	2,834	1,572
Provision	710	16
Other	40,820	41,593
Total current liabilities	145,871	144,207
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	24,151	23,387
Provision for retirement benefits	19,008	18,835
Provision	336	300
Negative goodwill	430	378
Other	4,822	4,744
Total noncurrent liabilities	63,750	62,645
Total liabilities	209,621	206,853
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	197,372	196,540
Treasury stock	(10,552)	(10,552)
Total shareholders' equity	254,703	253,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,664	3,232
Foreign currency translation adjustment	(11,841)	(13,804)
Total accumulated other comprehensive income	(7,176)	(10,571)
Subscription rights to shares	137	137
Minority interests	9,796	9,663
Total net assets	257,460	253,100
Total liabilities and net assets	467,082	459,954



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

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2011 1st Quarter From April 1, 2011 to June 30, 2011	FY2012 1st Quarter From April 1, 2012 to June 30, 2012
Net sales	118,977	117,679
Cost of sales	90,802	89,031
Gross profit	28,174	28,647
Selling, general and administrative expenses	24,537	24,774
Operating income	3,637	3,872
Non-operating income		
Dividends income	498	490
Foreign exchange gains	2	89
Equity in earnings of affiliates	87	78
Other	234	243
Total non-operating income	823	901
Non-operating expenses		
Interest expenses	239	222
Loss on retirement of noncurrent assets	242	180
Other	487	475
Total non-operating expenses	969	879
Ordinary income	3,490	3,895
Extraordinary loss		
Compensation expenses	—	614
Patent protection court cost	—	141
Total extraordinary losses	—	755
Income before income taxes and minority interests	3,490	3,139
Income taxes-current	1,464	950
Income taxes-deferred	(331)	273
Total income taxes	1,132	1,224
Income before minority interests	2,357	1,914
Minority interests in income	145	81
Net income	2,212	1,833

Quarterly Consolidated Statements of Comprehensive Income	(Millions of yen)	
	FY2011 1st Quarter	FY2012 1st Quarter
	From April 1, 2011 to June 30, 2011	From April 1, 2012 to June 30, 2012
Income before minority interests	2,357	1,914
Other comprehensive income		
Valuation difference on available-for-sale securities	(674)	(1,426)
Foreign currency translation adjustment	(275)	(2,126)
Share of other comprehensive income of associates accounted for using equity method	(1)	(6)
Total other comprehensive income	(951)	(3,558)
Comprehensive income	1,406	(1,643)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,275	(1,560)
Comprehensive income attributable to minority interests	130	(83)

## (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY2011 1st Quarter From April 1, 2011 to June 30, 2011	FY2012 1st Quarter From April 1, 2012 to June 30, 2012
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	3,490	3,139
Depreciation and amortization	6,859	6,578
Increase (decrease) in provision for retirement benefits	(190)	(136)
Increase (decrease) in allowance for doubtful accounts	(66)	(18)
Interest and dividend income	(526)	(510)
Interest expenses	239	222
Equity in (earnings) losses of affiliates	(87)	(78)
Loss (gain) on disposal of noncurrent assets	382	110
Decrease (increase) in notes and accounts receivable-trade	(1,400)	3,001
Decrease (increase) in inventories	(5,007)	(1,745)
Increase (decrease) in notes and accounts payable-trade	1,899	(943)
Other, net	3,356	1,129
Subtotal	8,949	10,749
Interest and dividend income received	554	532
Interest expenses paid	(132)	(160)
Income taxes paid	(4,141)	(2,883)
Net cash provided by (used in) operating activities	5,230	8,237
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(5,849)	(7,611)
Purchase of intangible assets	(169)	(319)
Purchase of investment securities	(11)	(43)
Proceeds from sales of investment securities	410	4
Purchase of stocks of subsidiaries and affiliates	(328)	—
Proceeds from sales of stocks of subsidiaries and affiliates	98	—
Payments of loans receivable	(27)	(179)
Collection of loans receivable	193	301
Other, net	225	19
Net cash provided by (used in) investing activities	(5,458)	(7,828)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	871	367
Proceeds from long-term loans payable	771	—
Repayment of long-term loans payable	(469)	(82)
Redemption of bonds	(89)	—
Repayments of lease obligations	(116)	(105)
Cash dividends paid	(2,711)	(2,695)
Cash dividends paid to minority shareholders	(41)	(49)
Purchase of treasury stock	(4)	(0)
Proceeds from sales of treasury stock	0	0
Net cash provided by (used in) financing activities	(1,788)	(2,567)

	(Millions of yen)	
	FY2011 1st Quarter From April 1, 2011 to June 30, 2011	FY2012 1st Quarter From April 1, 2012 to June 30, 2012
Effect of exchange rate change on cash and cash equivalents	467	(213)
Net increase (decrease) in cash and cash equivalents	(1,549)	(2,371)
Cash and cash equivalents at beginning of period	36,978	27,157
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	182
Cash and cash equivalents at end of period	35,428	24,968

(4) Notes on the Premise of a Going Concern  
No corresponding transactions

(5) Segment Information

Term from April 1, 2011 to June 30, 2011

1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	22,727	20,032	13,873	33,070	11,532	9,939	7,803	118,977	—	118,977
Intersegment	633	160	56	0	8	362	387	1,609	(1,609)	—
Total	23,360	20,193	13,929	33,070	11,540	10,301	8,190	120,587	(1,609)	118,977
Segment income (loss)	1,020	2,088	670	1,623	1,685	(1,018)	399	6,468	(2,831)	3,637

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

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

Income	Amount
Segment total	6,468
Elimination of intersegment transactions	(2)
Companywide expenses (Note)	(2,825)
Other adjustments	(4)
Operating income in the quarterly consolidated statements of income	3,637

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

Term from April 1, 2012 to June 30, 2012

1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	24,430	18,160	14,098	32,261	10,515	9,803	8,409	117,679	—	117,679
Intersegment	398	140	37	—	202	222	398	1,400	(1,400)	—
Total	24,828	18,300	14,136	32,261	10,718	10,026	8,808	119,079	(1,400)	117,679
Segment income (loss)	1,294	1,566	616	1,259	1,927	(658)	1,237	7,244	(3,371)	3,872

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

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

(Millions of yen)

Income	Amount
Segment total	7,244
Elimination of intersegment transactions	(14)
Companywide expenses (Note)	(3,338)
Other adjustments	(17)
Operating income in the quarterly consolidated statements of income	3,872

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

3) Notes Concerning Changes in Reporting Segments, etc.

Effective from the first quarter of the fiscal year ending March 31, 2013, the Company has revised part of its R&D framework. Accordingly, the Company has reclassified a portion of R&D expenses, which was previously included in the Electronic Products segment, as expenses for basic R&D under companywide expenses.

Segment information for the first quarter of the fiscal year ended March 31, 2012 has been prepared based on the revised classification method. This information is shown under "1) Sales and Income (Loss) by Segments" for the first quarter of the fiscal year ended March 31, 2012.

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

Nothing to report