



Quarterly Financial Results for the Third Quarter, Ended December 31, 2012 (Japanese GAAP, Consolidated)

February 8, 2013

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

Contact Person: Shinobu Ishihara Title: Executive Officer, General Manager - Accounting Department

Phone: +81-6-6226-5169

Scheduled date for submitting financial statements: February 13, 2013 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 Third Quarter, Ended December 31, 2012 (from April 1, 2012 to December 31, 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 – Dec. 2012	353,262	0.4	11,757	24.4	12,049	33.2	6,622	120.3
Apr. 2011 – Dec. 2011	351,907	3.6	9,450	(44.4)	9,044	(47.3)	3,005	(71.2)

Note: Comprehensive income: ¥8,998 million (—%) nine months ended December 31, 2012,
¥5,558 million (—%) nine months ended December 31, 2011

	Net income per share	Fully diluted net income per share
Apr. 2012 – Dec. 2012	¥ 19.65	¥ 19.64
Apr. 2011 – Dec. 2011	8.87	8.86

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2012	¥ million 467,689	¥ million 260,666	53.6%
As of March 31, 2012	467,082	257,460	53.0

(Reference) Shareholders' equity: ¥250,815 million as of December 31, 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	—	8.00	—		
Apr. 2012 – Mar. 2013 (Forecasts)				8.00	16.00

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

3. Forecast for consolidated business performance for the year 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	%	¥
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 details.

(4) Number of shares outstanding (common stock)

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

2. Shares of treasury stock at the end of the period:

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

December 31, 2012	350,000,000 shares	March 31, 2012	350,000,000 shares
December 31, 2012	13,043,888 shares	March 31, 2012	13,049,811 shares
December 31, 2012	336,954,333 shares	December 31, 2011	338,864,592 shares

(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 "(3) Consolidated Business Forecasts" under "1. Quarterly Consolidated Business Performance" on page 4.

[Supplementary Materials]

Contents

1. Quarterly Consolidated Business Performance	P. 2
(1) Consolidated Business Performance	P. 2
(2) Consolidated Financial Position	P. 3
(3) Consolidated Business Forecasts	P. 4
2. Other Information	P. 4
3. Quarterly Consolidated Financial Statements	P. 5
(1) Quarterly Consolidated Balance Sheets	P. 5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	P. 7
(3) Quarterly Consolidated Statements of Cash Flows	P. 9
(4) Notes on the Premise of a Going Concern	P.11
(5) Segment Information	P.11
(6) Notes in the Event of Significant Changes in the Amount of Shareholders' Equity	P.12

1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

During the first nine months under review (April 1, 2012 to December 31, 2012), the Kaneka Group reported consolidated net sales of ¥353,262 million (up 0.4% year on year). Operating income was ¥11,757 million (up 24.4% year on year), and ordinary income increased 33.2% to ¥12,049 million. Net income increased to ¥6,622 million, up 120.3% year on year.

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

Operating performance by business segment was as follows:

1) Chemicals

PVC resins saw sluggish conditions in the Japanese and overseas markets, but efforts were made to reduce costs. Specialty PVC resins saw sales volume increase in both the Japanese and overseas markets. In the caustic soda business, domestic market conditions held firm, but sales volume decreased.

As a result of the foregoing, segment sales increased ¥795 million, or 1.1%, year on year to ¥70,132 million. The segment posted operating income of ¥2,813 million, an increase of ¥745 million, or 36.0%, 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 and overseas markets.

As a result of the foregoing, segment sales decreased ¥918 million, or 1.7%, year on year to ¥51,912 million. The segment posted operating income of ¥4,460 million, down ¥130 million, or 2.9%, year on year.

3) Expandable Plastics and Products

Expandable polystyrene resins and products, and extruded polystyrene foam boards were affected by the sudden rise in raw material and fuel costs from the latter half of the third quarter. However, efforts were made to increase management efficiency, including the reorganization of certain Group companies and indirectly held firms. Polyolefin foam by beads method saw higher sales volume following the restoration of supply chains that had been disrupted by the Great East Japan Earthquake and the flooding in Thailand, among other developments.

As a result of the abovementioned factors, segment sales increased ¥480 million, or 1.1%, year on year to ¥44,628 million and operating income increased ¥93 million, or 2.7%, to ¥3,592 million.

4) Foodstuffs Products

Foodstuffs products faced an increasingly stronger shift to low-priced products. In this environment, although the Group strove to expand sales of new products and reduce costs, sales volumes were sluggish.

As a result of the foregoing, segment sales decreased ¥1,195 million, or 1.2%, year on year to ¥97,636 million. The segment posted operating income of ¥3,797 million, a decrease of ¥261 million, or 6.4%, year on year.

5) Life Science Products

In medical devices, sales in the vascular intervention business were affected by a reduction in official prices. In bulk and intermediate pharmaceuticals, sales volume was lackluster. In functional foodstuffs, sales volume of high-performance products was higher than the same period of the previous fiscal year, mainly in the domestic market.

As a result of the abovementioned factors, segment sales decreased ¥930 million, or 2.7%, year on year to ¥34,191 million. However, the segment posted operating income of ¥6,881 million, representing a year-on-year increase of ¥937 million, or 15.8%.

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 increased ¥1,769 million, or 6.2%, to ¥30,374 million. The segment posted an operating loss of ¥2,808 million, which was smaller than the operating loss recorded in the first nine months 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 ¥1,355 million, or 5.9%, year on year to ¥24,387 million. The segment posted operating income of ¥3,420 million, a year-on-year increase of ¥2,227 million, or 186.6%.

(2) Consolidated Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥467,689 million as of December 31, 2012, up ¥606 million compared with March 31, 2012. Interest-bearing debt totaled ¥81,850 million, up ¥7,172 million. Net assets increased ¥3,205 million, to ¥260,666 million, mainly due to an increase in foreign currency translation adjustment.

2) Consolidated Cash Flows

Net cash provided by operating activities during the first nine months of the year was ¥19,832 million, mainly due to income before income taxes and minority interests and depreciation and amortization, while net cash used in investing activities amounted to ¥25,949 million, mainly owing to the purchase of property, plant and equipment. Net cash provided by financing activities came to ¥905 million, owing to cash provided by proceeds from loans payable, and partially offset by cash used for cash dividends paid. As a result, cash and cash equivalents as of December 31, 2012, totaled ¥22,686 million.

(3) Consolidated Business Forecasts

Looking at the global economy, the U.S. and emerging markets are showing signs of economic recovery, despite concerns about a downturn in the European economy. In Japan, although some uncertainty remains, economic recovery is expected based on recent progress with the correction of the yen's appreciation and weak stock prices following the implementation of economic policies by the new government administration.

In this 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 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 nine months under review.

(2) Application of specific accounting methods in preparation of financial statements

Nothing to report

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Starting from the first quarter under review, due to the revision of the 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.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the first nine months under review is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2011 Term ended March 31, 2012	FY2012 3rd Quarter Term ended December 31, 2012
Assets		
Current assets		
Cash and deposits	27,309	22,757
Notes and accounts receivable-trade	118,367	115,907
Short-term investment securities	322	322
Merchandise and finished goods	44,225	48,371
Work in process	8,823	8,950
Raw materials and supplies	23,753	23,389
Other	13,389	13,140
Allowance for doubtful accounts	(164)	(125)
Total current assets	236,027	232,714
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	52,173	53,428
Machinery, equipment and vehicles, net	62,739	63,730
Other, net	49,524	49,787
Total property, plant and equipment	164,437	166,947
Intangible assets		
Goodwill	3,935	3,979
Other	3,035	3,939
Total intangible assets	6,970	7,918
Investments and other assets		
Investment securities	41,658	41,514
Other	18,514	19,068
Allowance for doubtful accounts	(527)	(472)
Total investments and other assets	59,646	60,109
Total noncurrent assets	231,054	234,975
Total assets	467,082	467,689

	(Millions of yen)	
	FY2011 Term ended March 31, 2012	FY2012 3rd Quarter Term ended December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	64,444	64,354
Short-term loans payable	37,061	46,206
Income taxes payable	2,834	1,558
Provision	710	7
Other	40,820	33,124
Total current liabilities	145,871	145,250
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	24,151	22,495
Provision for retirement benefits	19,008	19,023
Provision	336	310
Negative goodwill	430	274
Other	4,822	4,668
Total noncurrent liabilities	63,750	61,772
Total liabilities	209,621	207,023
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	197,372	198,327
Treasury stock	(10,552)	(10,545)
Total shareholders' equity	254,703	255,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,664	4,891
Foreign currency translation adjustment	(11,841)	(9,741)
Total accumulated other comprehensive income	(7,176)	(4,850)
Subscription rights to shares	137	159
Minority interests	9,796	9,690
Total net assets	257,460	260,666
Total liabilities and net assets	467,082	467,689

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2011 3rd Quarter From April 1, 2011 to December 31, 2011	FY2012 3rd Quarter From April 1, 2012 to December 31, 2012
Net sales	351,907	353,262
Cost of sales	270,242	266,735
Gross profit	81,665	86,526
Selling, general and administrative expenses	72,215	74,769
Operating income	9,450	11,757
Non-operating income		
Dividends income	1,015	951
Foreign exchange gains	299	1,145
Equity in earnings of affiliates	233	—
Other	849	999
Total non-operating income	2,398	3,096
Non-operating expenses		
Interest expenses	664	652
Loss on retirement of noncurrent assets	856	863
Equity in losses of affiliates	—	21
Other	1,283	1,267
Total non-operating expenses	2,804	2,804
Ordinary income	9,044	12,049
Extraordinary income		
Gain on sales of investment securities	2,294	277
Total extraordinary income	2,294	277
Extraordinary loss		
Loss on sales of noncurrent assets	243	—
Compensation expenses	—	931
Patent protection court cost	997	464
Business structure improvement expenses	2,330	—
Total extraordinary losses	3,570	1,395
Income before income taxes and minority interests	7,769	10,931
Income taxes-current	3,480	1,918
Income taxes-deferred	908	2,403
Total income taxes	4,388	4,321
Income before minority interests	3,380	6,609
Minority interests in income (loss)	375	(13)
Net income	3,005	6,622

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2011 3rd Quarter From April 1, 2011 to December 31, 2011	FY2012 3rd Quarter From April 1, 2012 to December 31, 2012
Income before minority interests	3,380	6,609
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,516)	214
Deferred gains or losses on hedges	0	—
Foreign currency translation adjustment	(4,407)	2,167
Share of other comprehensive income of associates accounted for using equity method	(16)	7
Total other comprehensive income	(8,939)	2,388
Comprehensive income	(5,558)	8,998
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(5,679)	8,949
Comprehensive income attributable to minority interests	120	49

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2011 3rd Quarter From April 1, 2011 to December 31, 2011	FY2012 3rd Quarter From April 1, 2012 to December 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,769	10,931
Depreciation and amortization	21,674	21,101
Increase (decrease) in provision for retirement benefits	(665)	(58)
Increase (decrease) in allowance for doubtful accounts	(172)	(94)
Interest and dividends income	(1,103)	(1,001)
Interest expenses	664	652
Equity in (earnings) losses of affiliates	(233)	21
Loss (gain) on disposal of noncurrent assets	813	449
Loss (gain) on sales of investment securities	(2,294)	(277)
Decrease (increase) in notes and accounts receivable-trade	(11,902)	3,101
Decrease (increase) in inventories	(8,214)	(3,636)
Increase (decrease) in notes and accounts payable-trade	5,367	(416)
Other, net	2,286	(7,023)
Subtotal	13,989	23,750
Interest and dividends income received	1,150	1,039
Interest expenses paid	(609)	(596)
Income taxes paid	(6,224)	(4,361)
Net cash provided by (used in) operating activities	8,306	19,832
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(22,232)	(24,903)
Proceeds from sales of property, plant and equipment	849	470
Purchase of intangible assets	(1,322)	(1,504)
Purchase of investment securities	(147)	(139)
Proceeds from sales of investment securities	3,117	338
Purchase of stocks of subsidiaries and affiliates	(929)	(18)
Proceeds from sales of stocks of subsidiaries and affiliates	143	—
Payments of loans receivable	(117)	(524)
Collection of loans receivable	155	574
Other, net	(103)	(243)
Net cash provided by (used in) investing activities	(20,587)	(25,949)

	(Millions of yen)	
	FY2011 3rd Quarter From April 1, 2011 to December 31, 2011	FY2012 3rd Quarter From April 1, 2012 to December 31, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,913	6,750
Proceeds from long-term loans payable	3,330	7,066
Repayment of long-term loans payable	(1,284)	(7,143)
Redemption of bonds	(5,149)	—
Repayments of lease obligations	(312)	(312)
Cash dividends paid	(5,423)	(5,391)
Cash dividends paid to minority shareholders	(82)	(61)
Purchase of treasury stock	(529)	(3)
Proceeds from sales of treasury stock	1	0
Net cash provided by (used in) financing activities	(536)	905
Effect of exchange rate change on cash and cash equivalents	376	471
Net increase (decrease) in cash and cash equivalents	(12,441)	(4,739)
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	—	268
Cash and cash equivalents at end of period	24,537	22,686

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

(5) Segment Information
Term from April 1, 2011 to December 31, 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	69,337	52,831	44,148	98,831	35,121	28,604	23,031	351,907	—	351,907
Intersegment	1,558	477	146	0	9	350	1,173	3,717	(3,717)	—
Total	70,895	53,308	44,295	98,832	35,131	28,955	24,205	355,625	(3,717)	351,907
Segment income (loss)	2,068	4,591	3,499	4,058	5,943	(3,071)	1,193	18,283	(8,833)	9,450

(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	18,283
Elimination of intersegment transactions	1
Companywide expenses (Note)	(8,809)
Other adjustments	(25)
Operating income in the quarterly consolidated statements of income	9,450

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

Term from April 1, 2012 to December 31, 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	70,132	51,912	44,628	97,636	34,191	30,374	24,387	353,262	—	353,262
Intersegment	924	469	131	0	5	473	1,220	3,224	(3,224)	—
Total	71,057	52,382	44,760	97,636	34,196	30,847	25,607	356,487	(3,224)	353,262
Segment income (loss)	2,813	4,460	3,592	3,797	6,881	(2,808)	3,420	22,158	(10,400)	11,757

(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	22,158
Elimination of intersegment transactions	(22)
Companywide expenses (Note)	(10,336)
Other adjustments	(42)
Operating income in the quarterly consolidated statements of income	11,757

(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 nine months 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 nine months 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