

Financial Summary

Fiscal Year Ended March 31, 2018

May 11, 2018

Kaneka Corporation

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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.

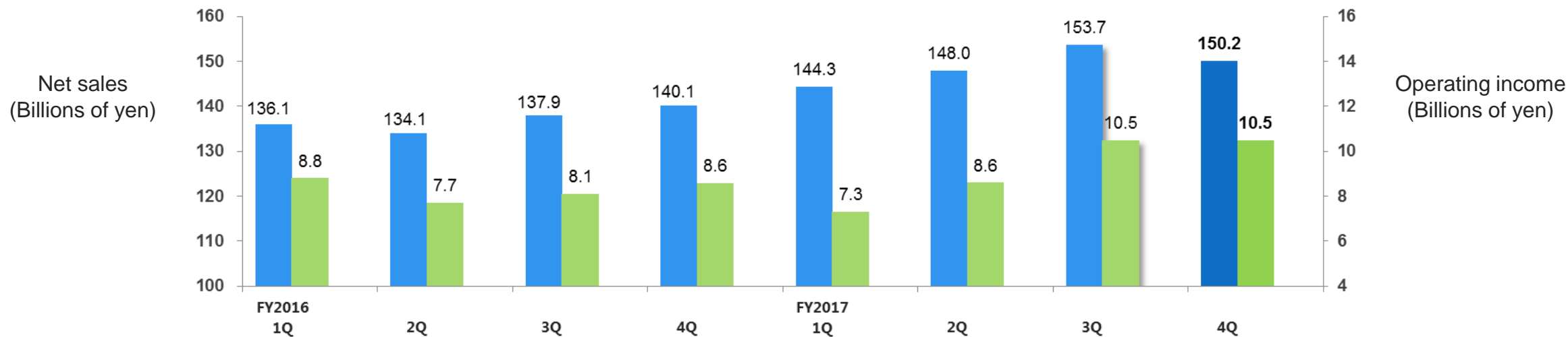
(Billions of yen)

	FY2016 Apr.2016-Mar.2017	FY2017 Apr.2017-Mar.2018	Difference		FY2017 (Forecast [※])
			Amount	%	
Net sales	548.2	596.1	47.9	8.7%	610.0
Operating income	33.2	36.9	3.7	11.2%	37.0
Ordinary income	27.4	32.8	5.3	19.5%	33.0
Net income attributable to owners of parent	20.5	21.6	1.1	5.3%	21.0
Net income per share	¥61.72	¥65.69			¥63.96
ROE	6.9%	6.8%			
ROA	4.7%	5.3%			

※ Announced Nov.9,2017

- Net sales reached a new record high, with increases in operating income, ordinary income, and net income attributable to owners of parent.
Sales and profits increased in line with earnings forecasts.
- Business expansion driven by overseas sales growth centered on Asia and launch of distinctive new products.

Net Sales, Operating Income by Quarter



(Billions of yen)	FY2016			FY2017			Difference		
	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year
Net sales	270.2	278.0	548.2	292.3	303.9	596.1	22.1	25.8	47.9
Operating income	16.5	16.7	33.2	15.9	21.0	36.9	△ 0.6	4.3	3.7

- Net sales expanded steadily, reaching the ¥150.0 billion/quarter level from 3Q onward. Operating income also exceeded ¥10.0 billion/quarter in both 3Q and 4Q.
- Production capacity enhancement, mainly overseas, and the effect of new product sales expansion changed the fundamentals for the Company's performance from second-half onward.

Net Sales, Operating Income by Segments

(Millions of yen)

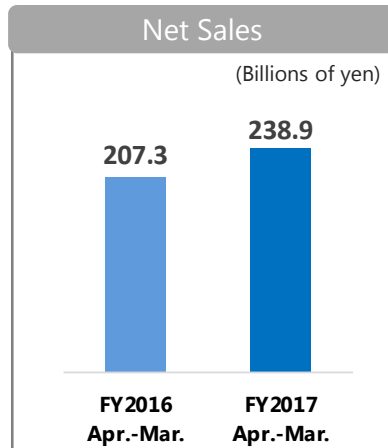
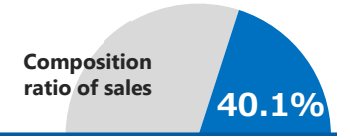
	Net sales				Operating income			
	FY2016 Apr.2016-Mar.2017	FY2017 Apr.2017-Mar.2018	Difference		FY2016 Apr.2016-Mar.2017	FY2017 Apr.2017-Mar.2018	Difference	
			Amount	%			Amount	%
Material Solutions Unit	207,296	238,880	31,584	15.2%	22,251	27,109	4,857	21.8%
Quality of Life Solutions Unit	136,849	149,360	12,510	9.1%	15,041	13,730	△ 1,310	△8.7%
Health Care Solutions Unit	45,141	45,856	715	1.6%	10,896	9,849	△ 1,047	△9.6%
Nutrition Solutions Unit	157,989	160,930	2,940	1.9%	5,280	6,531	1,251	23.7%
Others	945	1,114	168	17.9%	382	520	138	36.2%
Adjustment	-	-	-	-	△ 20,687	△ 20,853	△ 165	-
Total	548,222	596,142	47,920	8.7%	33,164	36,888	3,723	11.2%

Material	The Vinyls and Chlor-Alkali business operated at full capacity supported by strong demand in Asia. The Performance Polymers business expanded sales, mainly due to a contribution from a new production facility in Malaysia amid continued strong global demand.
Quality of Life	The E & I Technology business saw sales expansion centered on high functional products for new models of major smartphone manufacturers. In the Foam & Residential Techs business, sales volumes expanded steadily, but raw material costs increased. In the Performance Fibers business, hair accessory demand in Africa recovered, and sales expanded in the flame-retardant material and pile fields, but raw material prices increased.
Health Care	Sales in the Medical Devices business performed strongly in Japan and overseas, while the Pharma business saw steady expansion in sales of biopharmaceuticals, although sales volumes of low-molecular pharmaceutical materials declined after being shipped intensively in the the previous fiscal year.
Nutrition	In the Foods & Agris business, sales of unique new foodstuffs expanded, while in the Supplemental Nutrition business, sales of the reduced form of coenzyme Q10 grew dramatically, contributing to increased business performance.

Material Solutions Unit

Net Sales ¥238.9 billion (year-on-year + 15.2%)

Operating Income ¥27.1 billion (year-on-year + 21.8%)

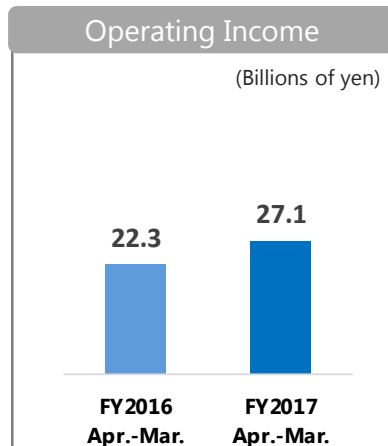


Vinyls and Chlor-Alkali

- The Group continued to operate at full capacity, supported by strong demand in Asia.
- The Group is now looking at bolstering production capacity for chlorinated PVC and paste PVC, which are seeing continued demand growth in overseas markets.

Performance Polymers

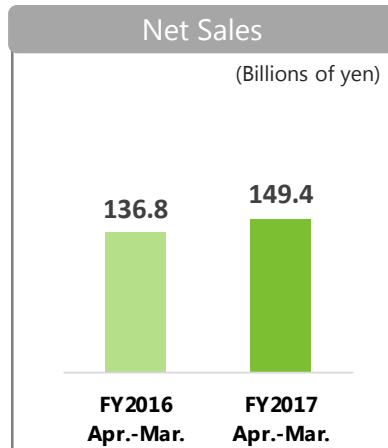
- Modifiers are enjoying strong demand in Europe and the U.S., and a new second production line has started up in Malaysia, alleviating a supply bottleneck.
- Regarding modified silicone polymers, a new production facility in Malaysia started operation in July 2017, and the Group started R&D in earnest to create new demand in China and ASEAN. Demand for globally unique products continued to expand, and the Group is moving rapidly to start up enhanced production capacity in Belgium as planned and to execute plans to construct new production line in the U.S.
- The Group has started serious examination of new plants for next-generation advanced technology materials such as the epoxy masterbatch, which is seeing progress in the development of automotive and electronics applications, composites for the aviation and aerospace industry, and biodegradable polymers.



Quality of Life Solutions Unit

Net Sales ¥149.4 billion (year-on-year + 9.1%)

Operating Income ¥13.7 billion (year-on-year Δ 8.7%)



E & I Technology

- Sales of ultra-heat-resistant polyimide films increased for new models and displays made by major smartphone manufacturers as they provide higher functionality.
- The new plant that started operations in 2016 started full operations, and the Group will increase production capacity in Japan, the U.S., and Malaysia in stages as demand for ultra-heat-resistant polyimide films and high thermal conductive graphite sheets expands with progress in downsizing and multifunctioning of digital devices.

Foam & Residential Techs

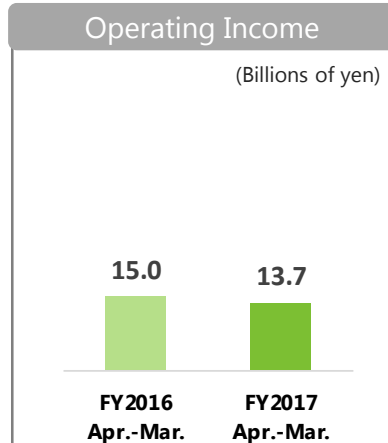
- Sales volume expanded steadily but was impacted by high raw material prices.
- The Group has improved profitability in the business by revising its cost structure and pricing.
- Looking ahead, the Group will work to create new demand by focusing on lightweight, heat-insulating unique expandable plastics and combining them with the housing, health care, automotive, and food production support business in order to contribute to the global spread of products related to the global environment, energy conservation, health, and food.

Performance Fibers

- Demand for hair accessories in the African market is recovering steadily, and the Group is strengthening its brand capabilities in high-functionality hair accessories to spearhead new demand creation in Africa and other markets.
- Sales expanded in the flame-retardant materials and pile fields but were impacted by high raw material prices.

PV & Energy management

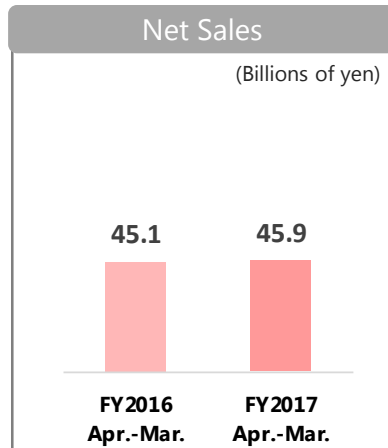
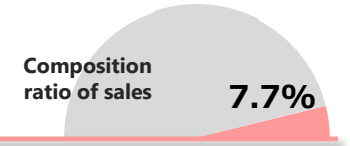
- Sales of high-efficiency photovoltaic modules expanded steadily, and the Group advanced its structural reforms.
- Development of net zero energy houses and buildings designed around photovoltaic modules is being reviewed worldwide, and the Group will proceed with plans that combine its diverse materials and multifaceted business models.



Health Care Solutions Unit

Net Sales ¥45.9 billion (year-on-year + 1.6%)

Operating Income ¥9.8 billion (year-on-year Δ 9.6%)

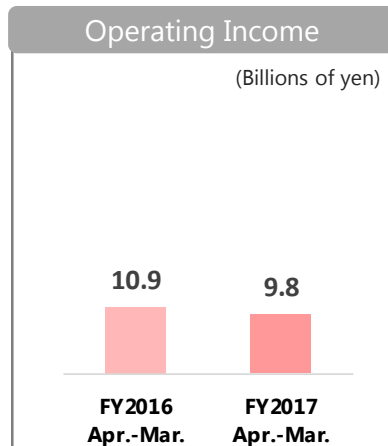


Medical Devices

- Sales remained solid in the domestic and overseas markets. Sales of new products, such as high-functionality balloon catheters, also proceeded steadily.
- Looking ahead, the Group will focus on expanding its business by developing new therapeutic fields such as drug-coated balloon catheter treatments and digestive system catheters.

Pharma

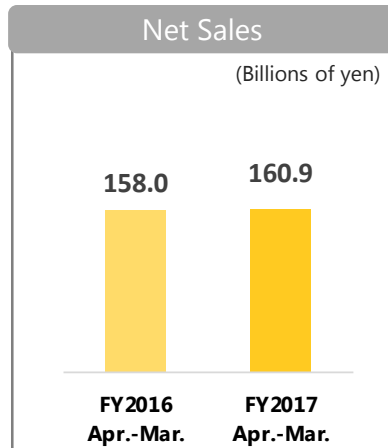
- Sales of biopharmaceuticals made by Kaneka Eurogentec S.A. expanded steadily, but overall sales were significantly affected by a decline in sales volume of low-molecular pharmaceutical materials, which were shipped intensively during the same period of the previous fiscal year.
- The Group will work to start up enhanced production capacity in Belgium as planned and to expand its business globally.



Nutrition Solutions Unit

Net Sales ¥160.9 billion (year-on-year + 1.9%)

Operating Income ¥6.5 billion (year-on-year + 23.7%)

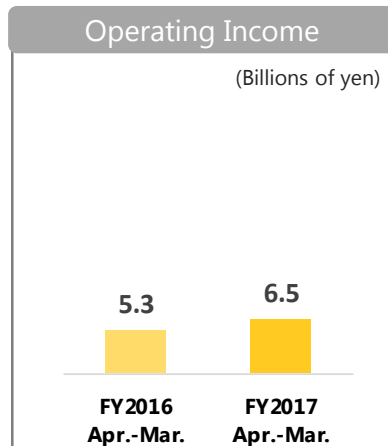


Foods & Agris

- Sales of unique new foodstuffs expanded with progress in proactive proposal-based sales to major suppliers of bakery products, convenience stores, and food product manufacturers.
- The Group entered the dairy products business, such as milk and butter, by licensing in technology from Pur Natur Invest BVBA in Belgium.
- The Group will expand the nutrition business, pursuing good taste and health. In conjunction with the food production support business, the Group will contribute to productivity improvements for dairy farmers and recycling-oriented dairy farming.

Supplemental Nutrition

- Sales of the mainstay reduced form of coenzyme Q10 grew dramatically, contributing to increased business performance.
- The Group will work to promote sales as the market continues to expand and increase its business by developing new supplement materials such as lactic acid bacteria.



(Billions of yen)

	March 31, 2017	March 31, 2018	Difference
Assets			
Current Assets	280.4	311.9	31.5
Noncurrent Assets	312.5	329.1	16.6
Total assets	592.9	641.0	48.1
Liabilities			
Interest bearing debt	110.1	113.1	3.1
Others	161.3	181.3	20.0
Total liabilities	271.3	294.4	23.1
Net assets			
Shareholders' equity	305.1	326.2	21.0
Others	16.4	20.4	4.0
Total net assets	321.6	346.6	25.0
Total liabilities and net assets	592.9	641.0	48.1
Shareholders' equity ratio	51.5%	50.9%	
Net assets per share	¥924.23	¥995.33	

- Total assets increased due to increases in notes and accounts receivable–trade and inventories accompanying an increase in net sales, along with an increase in property, plant and equipment through capital investment.

(Billions of yen)

	FY2016 Apr.2016-Mar.2017	FY2017 Apr.2017-Mar.2018
Cash flows from operating activities	48.1	49.8
Cash flows from investing activities	Δ 36.4	Δ 38.8
Free cash flow	11.7	11.0
Cash flows from financing activities	Δ 13.6	Δ 5.4
Net increase (decrease) in cash and cash equivalents (*)	Δ 2.1	6.4
Cash and cash equivalents at end of period	41.0	47.4

* Including Effect of exchange rate change on cash and cash equivalents and Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation

- Net cash provided by operating activities came to ¥49.8 billion, mainly due to income before income taxes and depreciation and amortization, partly offset by an increase in operating capital due to sales expansion and so forth
- Net cash used in investing activities was ¥38.8 billion, reflecting aggressive ongoing capital expenditure

- Changes in the fabric of society and the business climate are proceeding with dramatic speed. Initiatives to realize sustainable societies in terms of energy, resources, food supply, and other aspects are expected to accelerate globally.
- As paradigms shift, advances in the IoT, AI, and bioscience are yielding new business opportunities for chemical companies.
- The Company will work to harness global trends, provide solutions as an R&D-oriented materials manufacturer, and transform its business portfolio.

(Billions of yen)

	FY2017 result	FY2018 forecast	Difference
Net sales	596.1	650.0	53.9 (9.0%)
Operating income	36.9	42.0	5.1 (13.9%)
Ordinary income	32.8	37.0	4.2 (12.9%)
Net income attributable to owners of parent	21.6	23.0	1.4 (6.6%)

The forecasts above are based on exchange rates of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥50,000 per kiloliter.

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Consolidated Business Forecasts by Segments

- In the Material Solutions Unit, the Company will see full-scale contribution from production capacity enhancements in modifiers and modified silicon polymers. The Company will also expand sales of new products such as epoxy masterbatch, etc.
- In the Quality of Life Solutions Unit, the Company will advance efforts to strengthen the production system in the E & I Technology business, start operations at the new plant in Thailand in the Foam & Residential Techs business, and develop markets in Africa and other regions for the Performance Fibers business.
- In the Health Care and Nutrition Solutions Units (especially the Supplemental Nutrition business), the Company will accelerate the global development of mainstay products such as biopharmaceuticals and supplements.

(Billions of yen)

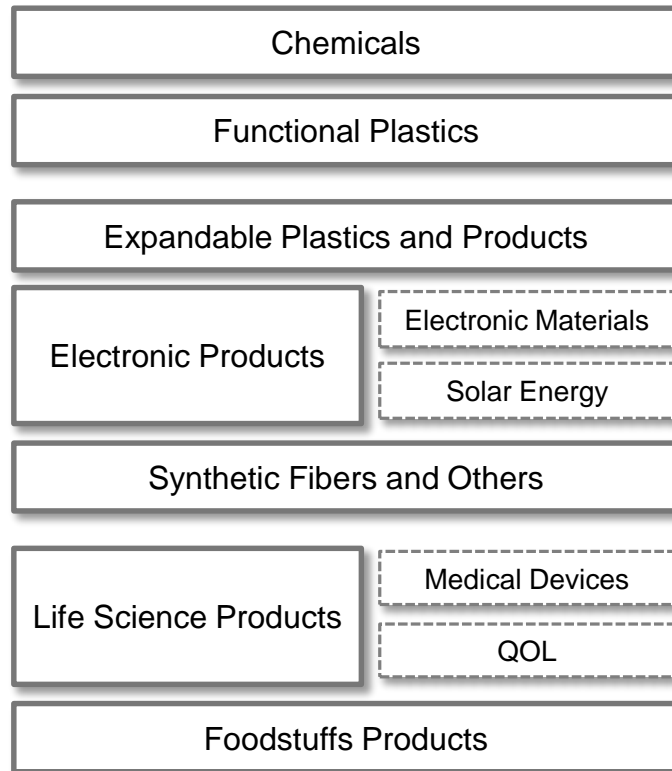
	Net Sales			Operating Income		
	FY2017 result	FY2018 forecast	Difference	FY2017 result	FY2018 forecast	Difference
Material Solutions Unit	238.9	259.5	20.6	27.1	30.0	2.9
Quality of Life Solutions Unit	149.4	162.5	13.1	13.7	17.3	3.6
Health Care Solutions Unit	45.9	54.0	8.1	9.8	10.5	0.7
Nutrition Solutions Unit	160.9	173.0	12.1	6.5	8.0	1.5
Others	1.1	1.0	△ 0.1	0.5	0.5	0.0
Adjustment	-	-	-	△ 20.9	△ 24.3	△ 3.4
Total	596.1	650.0	53.9	36.9	42.0	5.1

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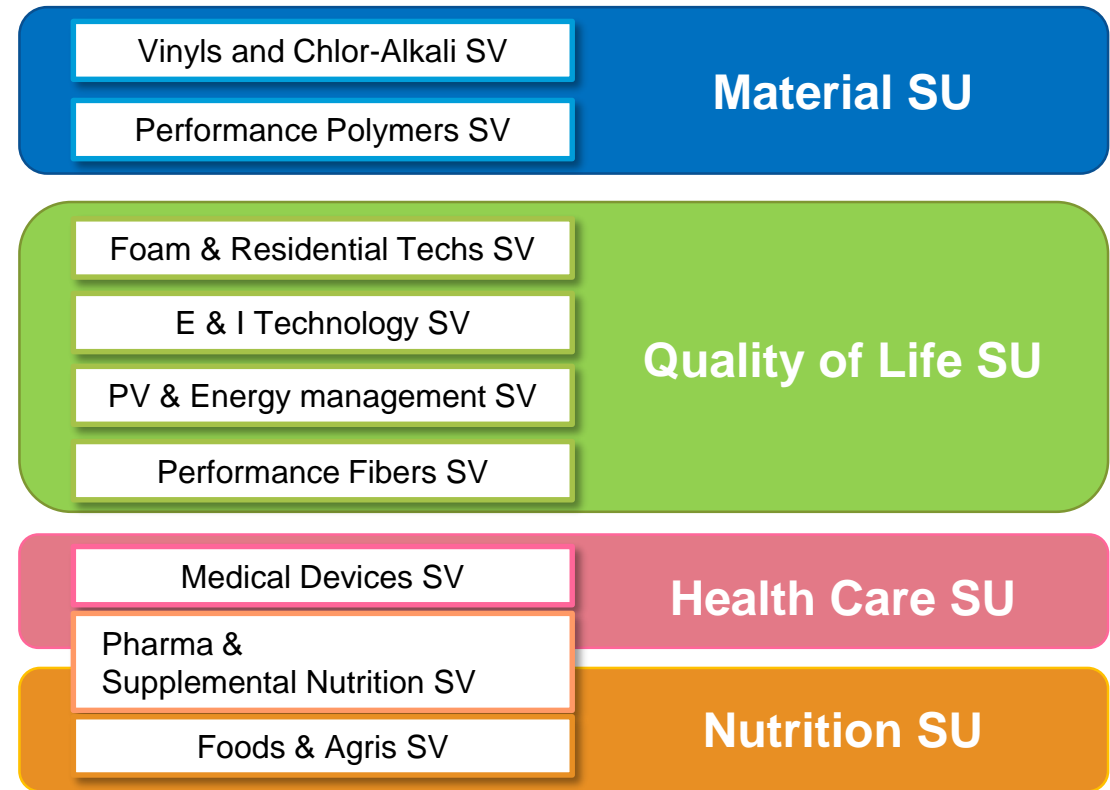
Appendix (Revised segments and business categories)

- Reporting segments and business categories have been revised from 1st Quarter, ended June 30, 2017

Previous reporting segments



New reporting segments [FY2017 Onwards]



*SU . . . Solutions Unit (Segment)

*SV . . . Solutions Vehicle (Business Unit)

KANEKA CORPORATION
<http://www.kaneka.co.jp/en/>