ANNUAL REPORT 2015

Year Ended March 31, 2015

KANEKA CORPORATION

PROFILE

Kaneka Corporation was established in 1949 as a spin-off from the Kanegafuchi Spinning Co., Ltd. Initially, Kaneka's main products included caustic soda, soap, cosmetics, edible oils and fats and electrical wires. The Company later diversified into polymers, fermentation, biotechnology and electronics, as well as other fields. Business activities now span a broad spectrum of markets ranging from chemicals, functional plastics, expandable plastics and products, foodstuffs products, life science products, electronic products, synthetic fibers and others. The Company has been a leader among Japanese chemical companies in establishing overseas operations, beginning in 1970 with a subsidiary in Belgium. Kaneka now has overseas subsidiaries in Belgium, Germany, the United States, Brazil, Singapore, Malaysia, Vietnam, Indonesia, China, India, South Korea, Taiwan and Australia.

CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

KANEKA CORPORATION and Consolidated Subsidiaries

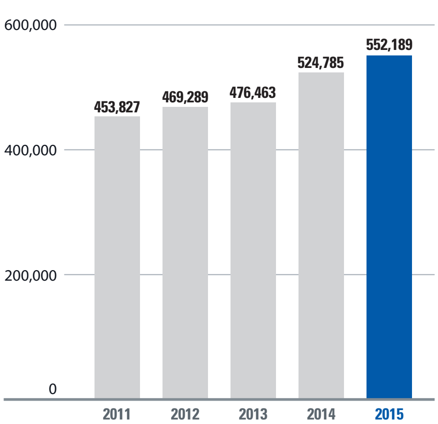
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	**2015**
Net sales	**¥552,189**	¥524,785	¥476,463	¥469,289	¥453,827	**$4,595,065**
Net income	**18,034**	13,650	9,326	5,402	11,625	**150,071**
Capital expenditures	**45,578**	41,971	29,924	33,108	29,250	**379,279**
Depreciation	**23,509**	20,429	28,996	29,409	28,717	**195,634**
Total assets	**557,963**	520,123	484,457	467,083	455,141	**4,643,114**
Net assets	**309,227**	285,133	270,450	257,461	261,829	**2,573,246**
Per Share of Common Stock:	Yen					U.S. dollars
Net income (basic)	**¥ 53.52**	¥ 40.50	¥ 27.68	¥ 15.96	¥ 34.28	**$ 0.45**
Net income (diluted)	**53.48**	40.47	27.65	15.95	34.26	**0.45**
Cash dividends	**16.00**	16.00	16.00	16.00	16.00	**0.13**
Net assets	**890.30**	814.35	773.39	734.61	743.88	**7.41**
	%					%
Shareholders' equity ratio	**53.5%**	52.8%	53.8%	53.0%	55.4%	**53.5%**
Return on equity (ROE)	**6.3**	5.1	3.7	2.2	4.6	**6.3**
Return on assets (ROA)	**3.3**	2.7	2.0	1.2	2.6	**3.3**

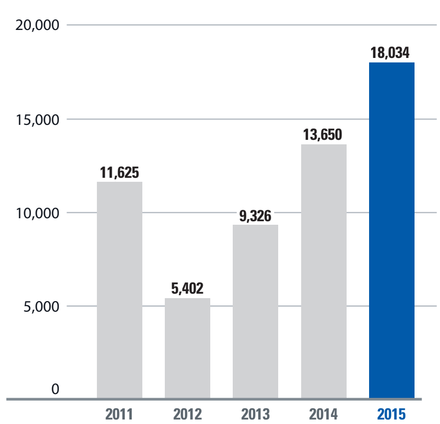
Note 1) The conversion of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the prevailing exchange rate on March 31, 2015, which was ¥120.17 to US$1.00.

Note 2) Return on equity is calculated on the basis of the average shareholders' equity at the current and previous fiscal year-ends.

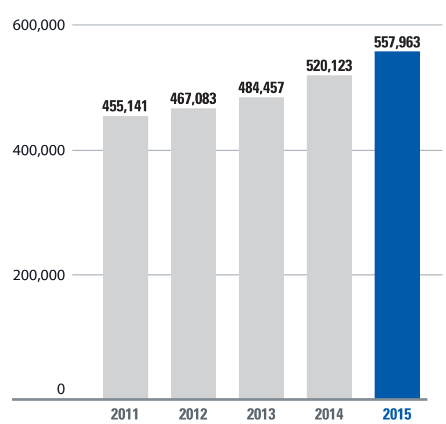
Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



TO OUR SHAREHOLDERS

BUSINESS PERFORMANCE IN FY2015

The global economic outlook was weak overall during the fiscal year ended March 31, 2015, due mainly to slowdown of the European economy and slowing growth in China and some other emerging countries, despite the continuation of the recovery trend in the U.S. economy.

Although continuing, gradual recovery in the Japanese economy was weighed by an increase in the consumption tax rate. The business environment of the Kaneka Group changed significantly due partly to further depreciation of the yen and a fall in the price of crude oil and naphtha that began in the second half of the fiscal year.

In this business environment, the Kaneka Group reported consolidated net sales of ¥552,189 million (up 5.2% year on year) for the fiscal year ended March 31, 2015, a new record, marking the fifth consecutive year of growth. This was mainly due to sales growth of the overseas business centering on Europe and the U.S. However, operating income was ¥24,635 million (down 0.8% year on year), about in line with the previous fiscal year. In the second half of the fiscal year, profitability recovered to a level that was higher than the year before, which to some extent offset factors behind temporarily weaker earnings in the first half of the fiscal year, such as slow recovery in demand in reaction to a rise in the consumption tax rate, a rise in the price of petrochemicals, oil and dairy raw materials, and a delay in ramping up some of the Group's production framework. In contrast, net income was ¥18,034 million (up 32.1% year on year) owing to the booking of extraordinary income such as gain on sales of noncurrent assets. We paid a dividend for the fiscal year ended March 31, 2015 of ¥16 per share.

MANAGEMENT POLICY

In September 2009, the Kaneka Group introduced "Declaration of Kaneka United for the future" as part of its long-term management vision. The declaration defines Kaneka's corporate philosophy as "With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to meeting the environmental challenges of our planet and helping to upgrade the quality of life." As a "dreamology company," a phrase we coined to express a "highly perceptive and collaborative value-creating group," we will create future-oriented businesses that leap beyond current market needs, as we pursue new product development. In the process, we will strive to protect the global environment and contribute to people's quality of life, while fostering an even greater presence as a global company, including in the markets of emerging countries.

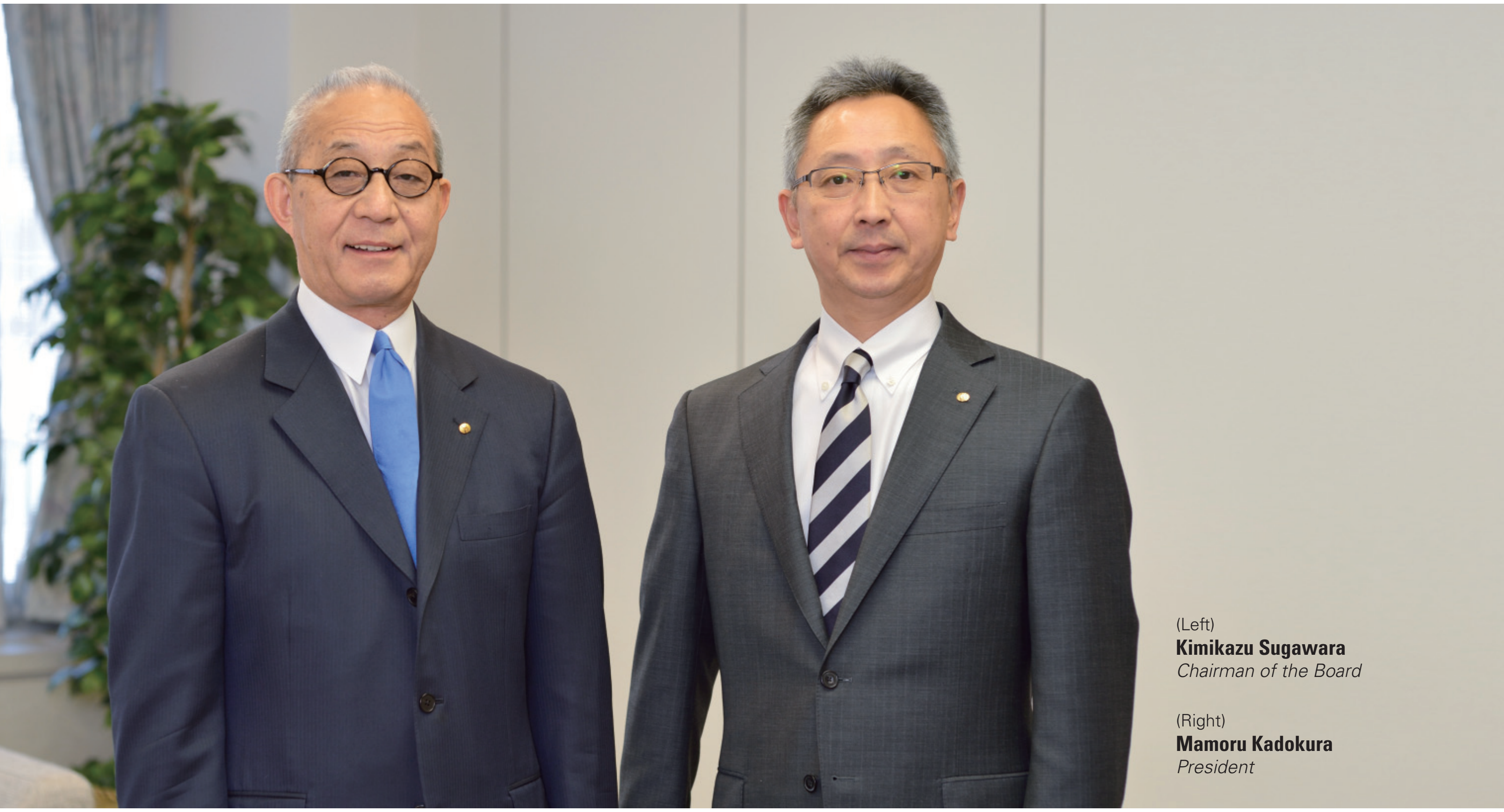
The Kaneka Group has defined the Environment and Energy, Health Care, Information and Communications and Food Production Support as important strategic domains. The Kaneka Group is executing the following key management strategies: (1) Moving toward an "R&D-type" company, (2) Growing in a global market, (3) Developing Group strategy, (4) Pursuing alliances, and (5) Prioritizing CSR. At the same time, the Kaneka Group is concentrating on transforming the Group's business portfolio and shifting into growth domains. The Group's aim is to achieve new growth and momentum, as set out in its long-term management vision. Under its mid-term management vision, the Kaneka Group will concentrate on establishing operations in new areas of business and making rapid progress globally by strengthening R&D, transforming business structure and accelerating the Group's transformation and growth.

In order to achieve the measures and Group performance targets set out in the long-term management vision, the Kaneka Group has positioned the following as key priorities in the short term: raise earnings power by further strengthening existing businesses and making new businesses commercially viable quickly; develop market- and customer-centric business models; raise overall cost performance across value chains, including production, research, technology and sales; and accelerate globalization of business operations from a local perspective. By addressing these priorities and implementing measures to create competitive business structures and a more attractive company, the Kaneka Group will meet the expectations of all stakeholders and transform itself into an even more highly admired company.

PERFORMANCE FORECASTS

The global economy will probably remain exposed to downside risks the next fiscal year due to delays in the recovery of the European economy, slowing growth in some emerging countries, and growing geopolitical risks, among other negative factors, despite the fact that the U.S. economy is forecast to firmly continue expanding.

Although the Japanese economy is expected to continue its process of recovering gradually on the back of the



(Left)
Kimikazu Sugawara
Chairman of the Board

(Right)
Mamoru Kadokura
President

Japanese government's economic policies, its future prospects remain uncertain as it is easily affected by trends in the global economy.

In this business environment, the Kaneka Group will accelerate business expansion by strengthening R&D to create new businesses and globalizing. We will also transform our business structure by launching new products and reducing costs to strengthen profitability resistant to market fluctuations in our existing business lines.

Our performance forecasts for the fiscal year ending March 31, 2016 are as follows:

CONSOLIDATED FORECASTS

Net sales: ¥600 billion (8.7% increase from the fiscal year ended March 31, 2015)
Operating income: ¥36 billion (46.1% increase from the fiscal year ended March 31, 2015)
Net income: ¥20 billion (10.9% increase from the fiscal year ended March 31, 2015)

In closing, we would like to thank you in advance for your continued understanding and confidence in the Kaneka Group.

August 2015

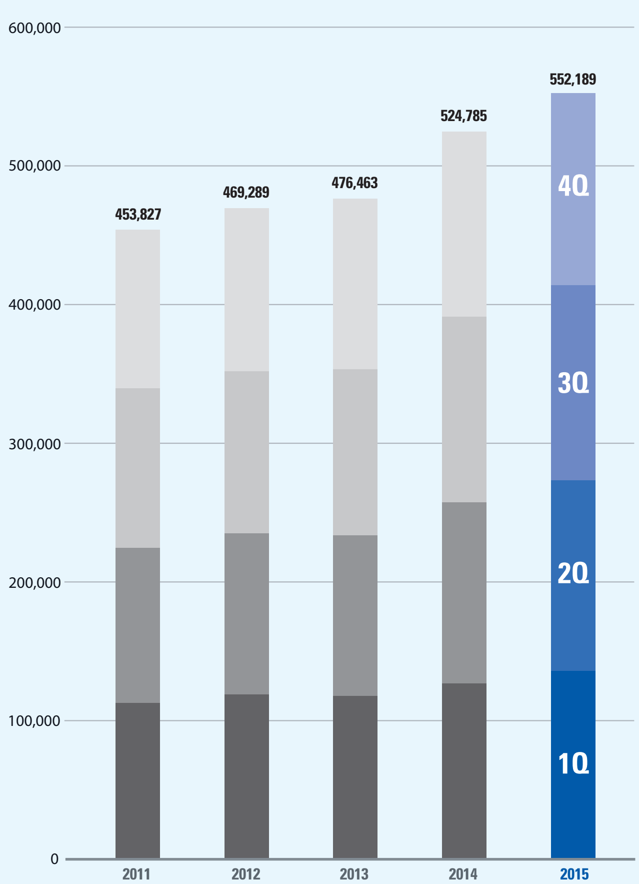
Kimikazu Sugawara, *Chairman of the Board*

Mamoru Kadokura, *President*

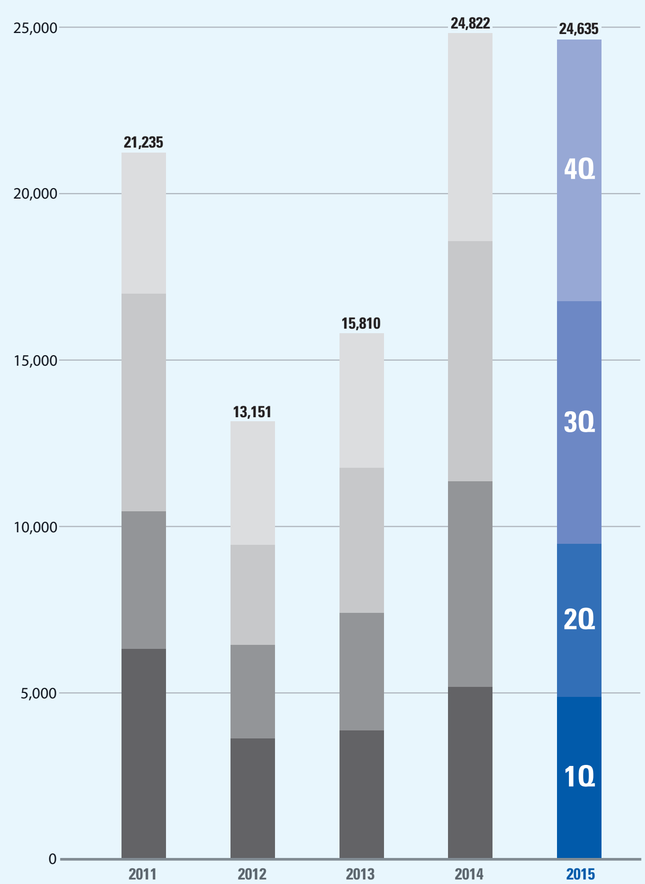
QUARTERLY PERFORMANCE

1Q	Net Sales	¥135,942 million
	Operating Income	¥4,877 million
2Q	Net Sales	¥137,427 million
	Operating Income	¥4,606 million
3Q	Net Sales	¥140,637 million
	Operating Income	¥7,281 million
4Q	Net Sales	¥138,183 million
	Operating Income	¥7,871 million

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



TOPIC 1

DEVELOPING THE FERTILIZER BUSINESS GLOBALLY USING THE KANEKA PEPTIDE® BRAND

Kaneka Corporation has started manufacturing a revolutionary type of fertilizer that contains oxidized glutathione (GSSG) in the field of agriculture. Using the Kaneka Peptide® brand, we have been developing this fertilizer for commercial customers.

GSSG, after being applied to plants, accelerates the photosynthesis and enables the efficient accumulation of sugar through the photosynthesis. GSSG is thus expected to increase the yield of produce and enhance its sugar concentration.

GSSG exists in all living organisms, not only plants, and is generally regarded as an adequately safe material. We have advanced production technology for GSSG through our long experience in life sciences. We have already registered five GSSG fertilizers in Japan. We are now globally conducting field studies of GSSG fertilizer, including in Canada, the United States, China, India, Thailand, and Vietnam, where consistently demonstrating significantly crop yield increases of 10–40% in most of the crops, typically potatoes, cassavas, sweet potatoes, corn, onions, and eggplants are observed. GSSG agriculture will be able to provide a solution to the worldwide demand for food.

In our Declaration of Kaneka United, which we formulated in 2009, we have positioned food production support as one of our strategic domains. We will continue to actively expand research and product development that contributes to food and agriculture in the world. With the introduction of GSSG as one small step, we will accelerate our business development globally, aiming to achieve sales of ¥10 billion by 2020 of the product named "Kaneka Peptide," striving to build a large-scale business of GSSG fertilizers.

- Kaneka and Okayama Barley Genome Technology Co., Ltd. (Head office: Saitama, Japan; Chief Executive Officer: Satoru Inoue) have signed an inclusive licensing agreement to exploit the invention of oxidized glutathione (GSSG) in the field of agriculture.

Global development (field studies of GSSG fertilizer)

TOPIC 2

HARMONIZED DEVELOPMENT OF REGENERATIVE MEDICINE BY COLLABORATION WITH PRESTIGIOUS RESEARCH INSTITUTES INCLUDING CiRA.

Kaneka has developed and started selling several separation and culture devices for stem cells (unspecialized cells that have potential to become tissue- or organ-specific cells). Kaneka's product line includes a closed circuit stem cell separation device and a closed circuit programmable cell culture system. The R&D and launch of key stem cell processing devices allows Kaneka to make important contributions in the fields of regenerative medicine and cell therapy. (Refer to diagram below.)

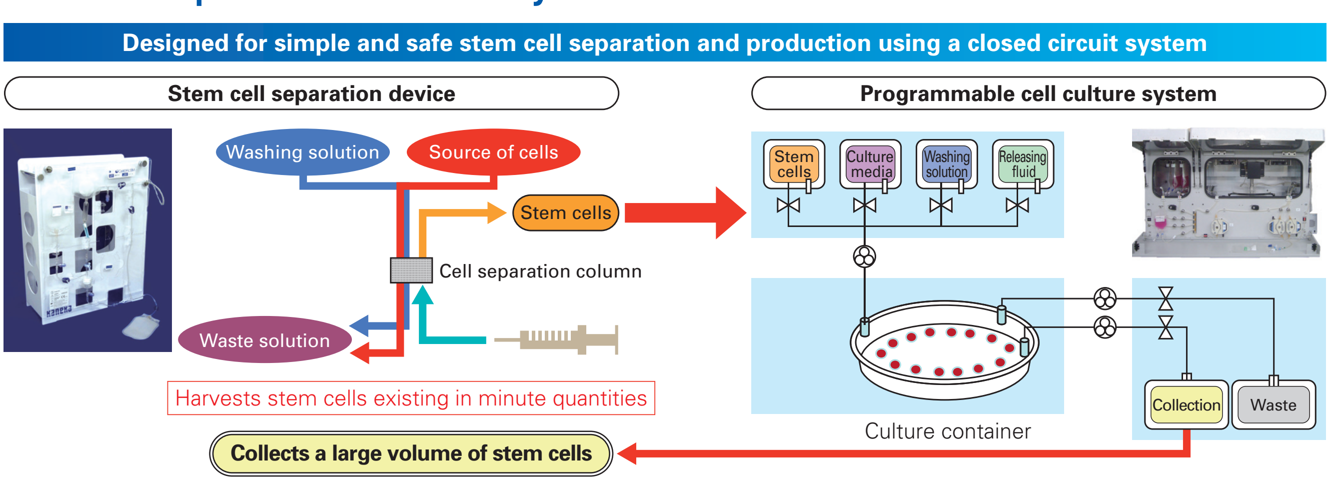
The accomplishments of this innovative R&D at Kaneka have led to the start of research collaboration with the Center for iPS Cell Research and Application (CiRA), Kyoto University involving iPS cells (a type of stem cell that is produced artificially). The project aims to create an automated cell culture device that will permit the use of iPS cells for identifying compounds with the potential for new drugs. As drug discovery research requires useful cells for evaluating a variety of drug candidate compounds, research scientists hope to develop a device that can accommodate large numbers of culture plates in order to prepare useful cells derived from iPS cells.

In addition, Kaneka, the National Cerebral and Cardiovascular Center, and other partners have been selected to participate in a JST (Japan Science and Technology Agency) academia-industry joint development program for realizing R&D. Development activities started on July 1, 2014 with the goal of receiving regulatory approval for production and sales of a cell medicine (a regenerative medicine product) containing amniotic membrane mesenchymal stem cells. This project is one more step in Kaneka to continue expanding activities involving regenerative medicine and cell therapy.

Stem cells found in the amniotic membrane (the thin tissue forming the sac containing amniotic fluid that surrounds the placenta) have a number of distinctive characteristics: a high growth rate; suitability for transplants because the recipient is unlikely to reject the stem cells; and no ethical problems because the amniotic membrane is not needed after birth. Medical and research institutes in Japan, including Hokkaido University and Hyogo College of Medicine, have been using stem cells from amniotic membranes for tests to treat acute graft versus host disease and Crohn's disease. Kaneka and these partners are determined to develop as quickly as possible safe and effective cell medicines targeting difficult diseases that currently have no effective treatments.

We have a strong commitment to developing devices for regenerative medicine and cell therapy as well as cell medicines and other products in order to accelerate the development in these important fields of medicine.

Stem cell separation and culture system



TOPIC 3

THREE AWARDS FOR PIXEO® POINT TO MORE GROWTH IN THE INFORMATION AND COMMUNICATIONS SECTOR

Pixeo® is a high-performance polyimide film that was developed by Kaneka for a variety of information and communication equipment. This versatile material has received three awards: the 47th Ichimura Prize in Industry for Excellent Achievement; a Technology Award at the 61st Society of Polymer Science Japan Award of; and a Grand Prize for Technology at the 46th Japan Chemical Industry Association Technology Awards. Innovative technologies used to create this material are one reason for this recognition. We also believe these awards recognize the significant role of Pixeo worldwide in numerous advances, such as helping make smartphones slimmer while improving performance.

The technology used in Pixeo originates from the launch of Apical polyimide film in the 1980s. Kaneka used the polyimide molecule design technology for Apical to create a thermoplastic polyimide resin. We used this breakthrough to make Pixeo BP-S, an adhesive insulating tape with a polyimide. The quality of this tape was demonstrated by its selection for use at the European Organization for Nuclear Research's (CERN's) Large Hadron Collider in Europe. Next, we created a three-layer film that combines thermoplastic polyimide and thermosetting polyimide. This film, which we call Pixeo, is used to make two-layer copper-clad laminated sheets for flexible printed circuits. By leveraging our expertise in molecule designs and resin processing, we expanded our polyimide operations beyond smartphones and other home electronics. Markets also include automobiles, railroad cars, aircraft and satellites, and other categories of the advanced industrial sector, as well as oil drilling, power generation and other categories of the energy sector.

In 2009, we announced a long-term management vision called "Kaneka United Declaration for the future." The vision names information and communications as one of our key strategic markets. In the Electrical & Electronic Materials Division, which is a major component of our growth in this strategic market, there are three core products: circuit materials, display materials and thermal management materials. The success of the polyimide business is just the first step. We want to achieve global growth of new businesses that bring together new and existing technologies. To accomplish this, we are making large investments. We have built facilities in Malaysia to produce polyimide and graphite sheets, a highly thermal conductive material. We are also building a production facility for indium tin oxide (ITO) film used in touch screens. All of these activities will give us a sound base for more growth in the information and communications sector.

Polyimide–A versatile material used in many products

Polyimide flexible printed circuits

Automobiles, Notebook PCs & Smartphones

Polyimide-covered wires

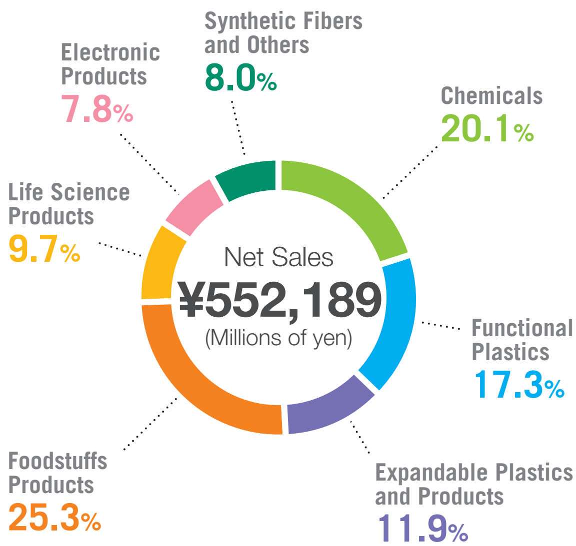
Aircraft

Polyimide thermal protection film

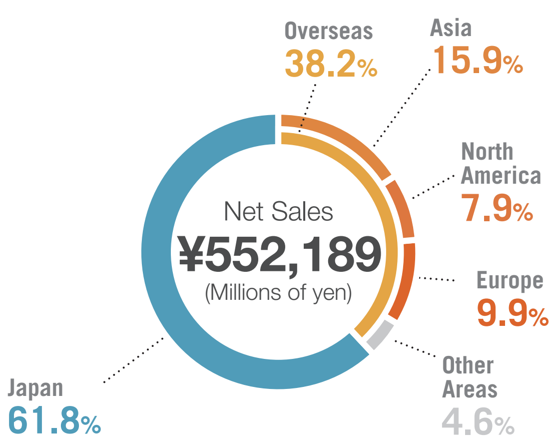
Satellites

KANEKA AT A GLANCE

SALES BY BUSINESS CATEGORY
(FY2015)



SALES BY GEOGRAPHIC AREA
(FY2015)



Chemicals

Functional Plastics

Expandable Plastics and Products

Foodstuffs Products

Life Science Products

Electronic Products

Synthetic Fibers and Others

Note: Effective from the fiscal year ended 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 were previously included in the Electronic Products segment, as expenses for basic R&D under Companywide expenses.
Segment information shown for the fiscal years ended March 31, 2011 and 2012 has been prepared based on the revised classification method for reporting segments.

MAJOR PRODUCTS

NET SALES

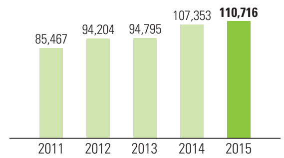
(Millions of yen)

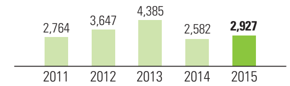
OPERATING INCOME

(Millions of yen)

Supporting people in their daily lives with the strengths of plastics.

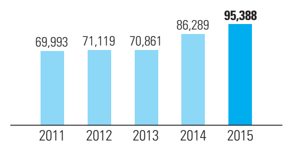
- Polyvinyl chloride (PVC)
- Caustic soda
- Hydrochloric acid
- Flexible PVC compounds
- Rigid PVC compounds
- Paste PVC
- Chlorinated PVC

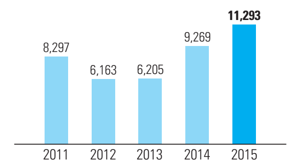




We want to keep changing conventional wisdom with new materials.

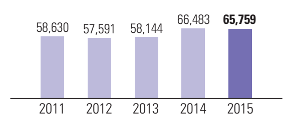
- Modifiers
- Liquid polymers (MS Polymer)
- Weather-resistant acrylic film
- Engineering plastic compounds

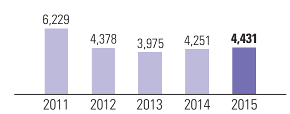




We want to contribute to the protection of the global environment through insulation and energy conservation.

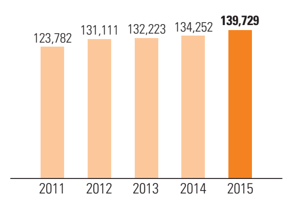
- Extruded polystyrene foam boards
- Polyolefin foam (beads and moldings)
- Expandable polystyrene

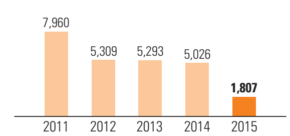




We want to support culinary culture by our advanced fermentation and oil and fat modifying technologies.

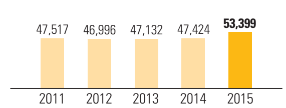
- Margarine and shortening
- Confectionery fats
- Bakery yeast
- Spices

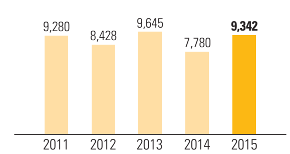




We want to make people smile using our biotechnologies.

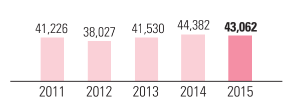
- Coenzyme Q10
- Active form of Coenzyme Q10
- Anti-hypertensive drug intermediates
- Intermediates for antibiotics
- Liposorber system (LDL-cholesterol adsorption system)
- Lixelle® (Adsorption column for dialysis-related amyloidosis)

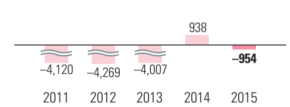




We want to expand the utilization of our capabilities with raw materials and processing technologies throughout society.

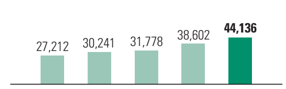
- Ultra heat-resistant polyimide film
- Bonded magnets
- PVC pipes for underground cables
- Solar modules
- Optical materials
- Super thermal-conductive graphite sheets

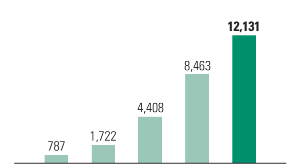




We want to expand the potentials of fibers using our macromolecular technologies.

- Modacrylic fibers





As a result of the Company's review of its organizational and management framework, from the beginning of the fiscal year ending March 31, 2015, the Company has revised its method of disclosing mega solar-related business information. This information, that used to be disclosed in the Synthetic Fibers and Others segment, has now been included in the Electronics Products segment. Furthermore, the Company has changed the divisions of some subsidiaries and as a result, their reporting segment has been revised from Electronics Products to Chemicals.

Segment information for the fiscal year ending March 31, 2014 in this report has been prepared based on the revised classification method.

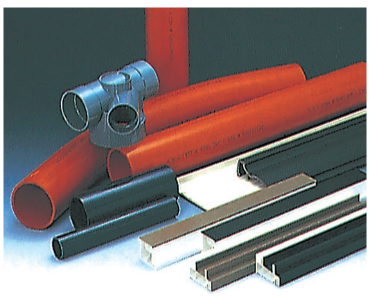
REVIEW OF OPERATIONS

Polyvinyl chloride

CHEMICALS

In PVC resins, sales in domestic and overseas markets remained sluggish and were strongly affected by slow domestic demand following an increase in Japan's consumption tax rate, and a rise in the price of raw materials. Nevertheless, profitability has improved owing to a fall in crude oil and naphtha prices since the third quarter. Specialty PVC resins posted a record high in sales volume, underpinned by firm conditions in the Japanese market and strong sales in the U.S. market. The Kaneka Group finished renovating a plant as scheduled in the U.S. to enhance production capacity of Chlorinated PVC and started commercial operation in March this year. In the caustic soda business, sales volume increased despite sluggish demand in Japan.

As a result of the foregoing, segment sales increased ¥3,364 million, or 3.1%, year on year to ¥110,716 million and the segment posted operating income of ¥2,927 million, an increase of ¥345 million, or 13.4%, year on year.



Impact modifiers

FUNCTIONAL PLASTICS

In modifiers, sales increased in all regions of the world as a result of progress made in new product development through enhanced product differentiation and cost reduction. Sales of modified silicone polymers saw a steady increase in mainly overseas markets, as the polymers were evaluated highly for their unique quality and displaced other materials for application in construction. In this segment in which business is expanding globally, the Group made a capital investment decision to enhance production capacity in Japan, the U.S., and Malaysia to take all possible measure to ensure a supply framework.

As a result of the foregoing, segment sales increased ¥9,098 million, or 10.5%, year on year to ¥95,388 million. The segment posted operating income of ¥11,293 million, up ¥2,024 million, or 21.8%, year on year.

Polystyrene foam boards with the extrusion method

EXPANDABLE PLASTICS AND PRODUCTS

Expandable polystyrene resins and products and extruded polystyrene foam boards saw lackluster sales, partly due to the absence of the housing demand that had accompanied the rise in the consumption tax rate. Nevertheless, profitability has improved since the third quarter owing to a fall in raw material prices and cost reduction. Polyolefin foam by beads method, meanwhile, saw an increase in sales volume centered on the automotive field in overseas markets.

As a result of the factors mentioned above, segment sales decreased ¥723 million, or 1.1%, year on year to ¥65,759 million. The segment posted operating income of ¥4,431 million, up ¥180 million, or 4.2%, year on year.

Whipping cream/Cooking cream

FOODSTUFFS PRODUCTS

In foodstuffs products, the Group expanded sales of new products that anticipated consumer needs by applying innovation for responding to food diversity, thereby countering sluggish domestic demand and the continued preference of consumers for low prices. In the first six months of the fiscal year, this business was significantly impacted by higher operating expenses due to a rise in oil, dairy and other raw material prices and the cost of building and enhancing a sales & distribution system and sales company network. However, this cost structure began to improve as the price of raw oil materials began to fall in the third quarter.

As a result of the foregoing, segment sales increased ¥5,476 million, or 4.1%, year on year to ¥139,729 million. The segment posted operating income of ¥1,807 million, a decrease of ¥3,219 million, or 64.0%, year on year.

Active form of Coenzyme Q10, Ubiquinol

LIFE SCIENCE PRODUCTS

In medical devices, blood purification systems and the vascular intervention business saw firm conditions in Japan and overseas markets and sought to expand business in overseas markets. In pharmaceutical intermediates, the sales volume increased while Eurogentec S.A., a Group company in Europe in the active pharmaceutical ingredients (API) market and biopharmaceutical market, experienced an increase in sales. Functional foodstuffs saw firm conditions in the supplement market as recognition of the healthcare benefits of reduced-form coenzyme Q10 spread.

As a result of the abovementioned factors, segment sales were ¥53,399 million, an increase of ¥5,975 million, or 12.6%, year on year. The segment posted operating income of ¥9,342 million, representing a year-on-year increase of ¥1,562 million, or 20.1%.

Photovoltaic modules designed specifically for decorative slate tiles

ELECTRONIC PRODUCTS

Optical materials saw sales volume increase in response to firm demand. Sales volumes of ultra-heat-resistant polyimide film and high thermal conductive graphite sheet fell behind expanding demand due to delays the Group incurred in establishing a supply framework in the first six month of the fiscal year. However, the global production framework for responding to demand was subsequently established in the third quarter after strengthening the production framework to a new plant in Malaysia. The Kaneka Group took all possible measures to supply unique materials to help make industries smarter. In solar cells, although market conditions were severe due to a large drop in the number of housing starts after the consumption tax rate in Japan rose, profitability improved in tandem with the implementation of business structure reforms, including cost reduction and the development of a new, technologically innovative solar cell with one of the world's highest conversion efficiencies. Sales benefited from growing recognition of the Kaneka Group's solar cells as a unique construction material product combining both aesthetic and functional value in the Japanese housing market.

As a result of the factors mentioned above, segment sales decreased ¥1,320 million, or 3.0%, to ¥43,062 million. The segment recorded an operating loss of ¥954 million.

Hair accessory products

SYNTHETIC FIBERS AND OTHERS

In synthetic fibers, both sales and profits increased. This was the result of emphasizing high quality and brand power in expanding sales, particularly in regard to materials for hair accessory products in the African market. Aggressive cost reductions and the yen's depreciation also contributed to the increase in profit. The construction of a new plant in Malaysia is proceeding as planned with operations scheduled to start this fall.

As a result of the foregoing, segment sales increased ¥5,533 million, or 14.3%, year on year to ¥44,136 million. The segment posted operating income of ¥12,131 million, a year-on-year increase of ¥3,669 million, or 43.4%.

CORPORATE GOVERNANCE

BASIC APPROACH TO CORPORATE GOVERNANCE

Kaneka believes that corporate governance is critical to its sweeping drive to increase corporate value based on its corporate philosophy of "With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to meeting the environmental challenges of our planet and helping to upgrade the quality of life."

1. CORPORATE GOVERNANCE FRAMEWORK AT KANEKA

(1) Regarding the Corporate Governance Framework

Corporate governance at Kaneka is underpinned by a Board of Directors and an Audit & Supervisory Board. Important management matters pertaining to management of the Kaneka Group are decided by resolution of the Board of Directors following deliberation by the Management Conference, a body consisting of the President and other executives of the Company.

Meetings of the Board of Directors are convened, in principle, at least once a month. The Board of Directors discusses important matters regulated by laws and regulations, the Articles of Incorporation and Board of Directors regulations, and decides on the execution thereof. In tandem, directors report to the Board of Directors on the status of execution of their prescribed duties, with the Board of Directors monitoring the legality and appropriateness of their actions. The number of directors is capped at 13, of which 2 members have been appointed as outside directors, whose purpose is to bolster the oversight functions of the Board of Directors. The terms of office of directors are limited to one year in order to clarify management accountability.

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, two of which are outside Audit & Supervisory Board Members. Audits are conducted in coordination with the accounting auditors and CSR Division Internal Control Department. The Audit & Supervisory Board Members meet periodically to exchange opinions with the Company's representative directors, and attend meetings of the Board of Directors, Management Conference, division manager meetings and other important meetings where key matters regarding business execution are decided. In this way, the Audit & Supervisory Board Members properly monitor the status of operational execution in the Company.

Additionally, Kaneka has introduced an executive officer system with the purpose of promoting swift and flexible responsiveness to changes in the business environment, as well as to separate and enhance business execution and oversight functions. While division managers, including executive officers selected by the Board of Directors, are given extensive authority over daily business execution, directors are responsible for or in charge of each division to supervise the execution of operations. Division managers hold monthly meetings to report on the status of operations in their respective divisions directly to all directors and Audit & Supervisory Board Members. CSR Division Internal Control Department independently monitors the operations of each division.

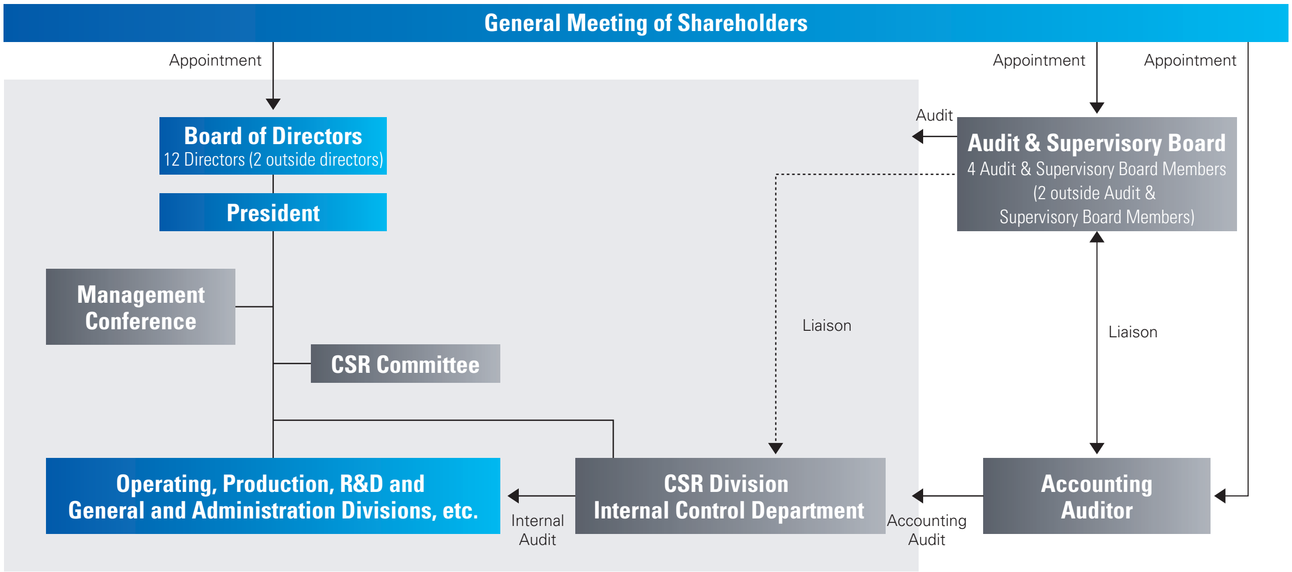
The CSR Committee, chaired by the President, has been established to promote activities that contribute to society's sustainable development, as well as to guide the Company in ensuring legal and regulatory compliance, and fulfilling its accountability to stakeholders.

Through adoption of the framework described below, the Company is pursuing the separation of business execution from oversight functions. At the same time, by taking on outside perspectives, the Company is improving oversight functions while enhancing its audit functions in the form of management monitoring, all while retaining flexible and agile business execution.

(2) Status of Internal Control System

By resolution of the Board of Directors, the Company has stipulated a basic policy concerning the system to ensure operational appropriateness (internal control system), as outlined below.

This basic policy is confirmed periodically and revised as necessary, in an effort to maintain the effectiveness of the internal control system.



At a meeting of the Board of Directors held on March 24, 2015, the Board resolved to re-examine its response to revisions to the Companies Act in fiscal 2015.

1) System to Ensure that Duties Performed by Directors and Employees Comply With Laws, Regulations and the Articles of Incorporation

a. To implement initiatives aimed at fulfilling our corporate social responsibility, we have established the CSR Committee, chaired by the President. The committee will promote responsible care and take overall charge of CSR activities

b. Regarding corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, supervises the promotion and auditing of essential activities, such as overseeing plans on a Companywide scale, tracking rates of progress, confirming the status of compliance and establishing and maintaining appropriate inquiry and notification functions.

c. Concerning companywide cross-divisional issues, the Company has established organizations with specific missions to oversee the promotion of plans and related matters. Such organizations, which are subordinate to the CSR Committee, include the Global Environment Committee, the Central Committee on Environment, and the Product Safety Examination Committee.

d. The Company develops internal regulations in regards to compliance, and rigorously confirms the dissemination and compliance with these regulations through such activities as education and training programs, self-assessments, and audits.

e. We maintain absolutely no relationships with antisocial forces, and we take a firm Companywide stand to thoroughly counter any illegal or inappropriate demands from such forces. We have also established an internal department to take overall charge of gathering and managing information related to such forces, and communicating and cooperating with police and other outside organizations and foundations. Through these efforts, we are enhancing the in-house structure for eliminating antisocial forces.

f. To ensure the reliability of our financial reporting, we are operating, internal controls related to such financial reporting. These activities are supervised by the Internal Control Department.

g. We have strengthened the oversight function of the Board of Directors by appointing outside directors.

2) Regulations and Other Systems to Manage Risk of Loss

a. As regards risk management, fundamentally, individual operating divisions estimate the risks that may be generated in the course of performing their work and take appropriate preventive measures. In the unlikely event of a risk being realized, they will deal with the situation appropriately while obtaining the support of related divisions.

b. Regarding measures to prevent the realization of potential risks, including corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, oversees the formulation and promotion of companywide plans.

c. As regards risks that have been realized and risks that are specifically deemed likely to be realized, the Risk Management Committee works with the division concerned in a timely fashion to mitigate the risks.

d. The Company regularly conducts inspections to confirm that the above three actions have been precisely carried out, and works to prevent the system becoming a mere façade and to maintain and improve its effectiveness.

3) System to Ensure Efficient Performance by Directors

a. Through the introduction of an executive officer system, Kaneka has separated director oversight and business execution functions, with the view to speeding up decision-making and clarifying roles and responsibilities.

b. Dynamic execution is ensured by giving division managers, including executive officers appointed by the Board of Directors, extensive authority over daily business operations, while a director remains in charge of each division and supervises the execution of operations.

c. The Board of Directors convenes a regular meeting once a month, at which important issues are decided and the status of the performance of the directors' duties and related matters are reported.

d. Important issues are first discussed at a Management Conference in accordance with internal proposal and decision-making procedures based on the decision-making standards, and then are resolved and implemented by the Board of Directors.

e. Division managers hold monthly meetings at which management policies, corporate performance and other matters are announced and business plans and status of progress are reported by designated division managers.

4) System to Store and Manage Information on Directors' Performance of Duties

Information on decision-making and execution of operations in the Company is stored and managed pursuant to the provisions of laws, regulations and internal rules.

5) System to Ensure Appropriate Operations Within the Enterprise Group Consisting of the Company and Its Subsidiaries

a. The organization and business operations of domestic and overseas subsidiaries as well as risk management are performed in accordance with the "Guidelines for the Organization Building and Operation of Affiliates."

b. To promote the establishment of a Compliance Committee at subsidiaries and to rigorously prepare and disseminate the basic CSR policy and internal company regulations such as Ethical Behavior Standards, the Company's relevant divisions will provide the necessary support. Furthermore, the Compliance Committee will confirm the status of compliance at each subsidiary.

c. The Company will appoint Audit & Supervisory Board Members at each domestic subsidiary, and the Company's related divisions will instruct and support the Audit & Supervisory Board Members in conducting effective audits. At the same time, the Kaneka Group will ensure operational appropriateness at domestic and overseas subsidiaries by means of the Company's internal control divisions that conduct internal audits and internal control evaluations.

d. The Company will regularly hold meetings and similar assemblies to report about each domestic subsidiary and communicate the Kaneka Group's management policy and other relevant matters. At the same time, each president will submit reports on their management policy, achievement status, and relevant matters.

At the global plant manager meeting, which includes overseas subsidiaries, we strive to raise functional business efficiency through such means as sharing plant safety measures.

6) System for Directors and Employees of Kaneka and Its Subsidiaries to Report to the Audit & Supervisory Board Members, Other Systems to Report to the Audit & Supervisory Board Members, and System to Ensure That They Do Not Receive Unfavorable Treatment Because They Made the Report

a. Persons who have received reports from directors and employees of Kaneka and its subsidiaries, and from directors and employees of subsidiaries, shall report the following items without delay to the Audit & Supervisory Board Members.

(i) Items that could cause considerable damage or potential damage to the Company or its subsidiaries.

(ii) The execution status of internal audits and internal control assessments.

(iii) Important items of compliance.
(iv) Other important items related to management.

b. Important decision-related documents are passed on to the Audit & Supervisory Board.
c. Kaneka shall ensure that persons who reported a. above do not receive unfavorable treatment because they made the report.

7) Matters Concerning Employees Assigned to Aid Audit & Supervisory Board Members in Performing Their Duties, Matters Concerning the Independence of These Employees From Directors, and Matters Concerning Ensuring the Execution of Instructions for These Employees

a. A secretariat will be established within the Audit & Supervisory Board to allocate assistants to aid Audit & Supervisory Board Members in performing their duties.
b. The appointment, transfer and evaluation of such assistants are decided with the approval of the Audit & Supervisory Board Members to ensure the independence of such assistants from the directors.
c. Candidates for Audit & Supervisory Board Members shall follow the directions and orders of Audit & Supervisory Board Members.

8) Other Systems to Ensure That Audits Are Conducted Effectively by the Audit & Supervisory Board Members

a. The representative directors and the Audit & Supervisory Board Members periodically meet to exchange opinions.
b. The Audit & Supervisory Board Members interview directors about the execution status of operations whenever necessary.
c. The Audit & Supervisory Board Members attend meetings of the Board of Directors, division manager meetings, Management Conferences and other important meetings.
d. The Audit & Supervisory Board Members periodically receive reports, such as the results of accounting audits, from and exchange opinions with the accounting auditors.
e. The Audit & Supervisory Board Members investigate the execution status of operations and the asset management status whenever necessary at Kaneka's places of business, including its head office and plants, as well as at its subsidiaries.
f. The Audit & Supervisory Board Members may, if necessary, consult with a certified public accountant, an attorney or other expert and the cost shall be borne by the Company.

(3) Basic Approach to and Status of Advancement of the Removal of Antisocial Forces

The Group has established a Basic Policy on Corporate Activities and Ethical Behavior Standards that provide the basic standards the Company's officers and employees are to adhere to in conducting business activities. These policies require absolutely no relationships with antisocial forces, that demands from antisocial forces are dealt with resolutely, and that unlawful or unjust demands are opposed on an individual level as well. The executive directors and others in top management discipline themselves to set an example in upholding these standards of behavior, working to develop internal structures and increase awareness within the Company.

To address this issue, the Company has established a division to collect and manage information on a daily basis and coordinate with law enforcement and other outside entities and related organizations. The Company remains committed to developing and reinforcing its internal structure for eliminating antisocial forces.

(4) Overview of Contracts for Limitation of Liability

The Company enters into contracts with each outside officer in order to limit their responsibility as regards the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act. The amount of such liability based on these contracts is equal to the minimum liability amount stipulated by law.

2. INTERNAL AUDITS AND AUDIT & SUPERVISORY BOARD MEMBERS' AUDITS

The Kaneka Group has established the Internal Control Department, under the direct authority of the President, as an internal auditing division. Along with ensuring the installation, the department is responsible for evaluating and monitoring the operation of the Group's internal control systems. In addition, the Group has established CSR Division Internal Control Department with a 13-member staff to conduct internal audits of business operations.

The standing Audit & Supervisory Board Members are elected based on their years of experience with the Company's accounting and auditing divisions, as well as their formidable insight with respect to financial and accounting matters. A secretariat is established within the Audit & Supervisory Board and staffed by assistants who aid the Audit & Supervisory Board Members in the performance of their duties. One replacement Audit & Supervisory Board Member is also appointed to assume audit duties in cases in which the number of Audit & Supervisory Board Members falls below the minimum number required by law.

The Audit & Supervisory Board periodically requests meetings to receive reports from CSR Division Internal Control Department regarding the status of internal audits. Similarly, the Audit & Supervisory Board holds meetings to receive regular audit reports from and exchange opinions with the accounting auditors, in an effort to perform audits in mutual cooperation with all audit-related entities.

3. RELATIONSHIP WITH OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Kaneka has two outside directors, Takeo Inokuchi and Mamoru Mohri, and two outside Audit & Supervisory Board Members, Hiroaki Tsukamoto and Hiroshi Fujiwara. The outside directors and outside Audit & Supervisory Board Members have no noteworthy special interest relationships with the Company in terms of personnel, capital, business or other relationships.

Outside director Takeo Inokuchi has many years of experience in the post of representative director of Mitsui Sumitomo Insurance Co., Ltd., which is a shareholder of Kaneka and has business relationships with the Company. Currently, Mr. Inokuchi is a senior advisor for Mitsui Sumitomo Insurance Co., Ltd. However, given the size and nature of the business transactions between Kaneka and Mitsui Sumitomo Insurance Co., Ltd., there are no material factors that would give rise to any special interest relationship between the two companies.

Mamoru Mohri is the Director of the Japan Science and Technology Agency of the National Museum of Emerging Science and Innovation. However, there are no material business transactions between this agency and the Company.

Mr. Inokuchi and Mr. Tsukamoto are sitting members of the special committee for determining basic policies to prevent any attempted large-scale acquisitions of Kaneka shares.

At Kaneka, the outside directors monitor the Board of Directors from an external viewpoint, by applying their tremendous insight as managers and wealth of practical experience to the Company's own management. The outside Audit & Supervisory Board Members conduct audits of the Company from an external perspective based on their high degree of insight and their abundant experience as attorneys.

The Company shall not appoint as an independent officer any person who meets any of following conditions:

a. Business executives of the Company and its Group companies (hereinafter, "the Group") and their close relatives, etc.
b. Any entity that considers the Group to be a principal business partner or any business executives thereof, etc.
c. Any principal business partner of the Group or any business executive thereof, etc.

d. Major shareholders of the Company (entities that directly or indirectly hold a voting interest of 10% or more) or business executives thereof, etc.
e. Directors and other business executives of organizations that have received a certain amount or more of donations or subsidies from the Group.
f. Business executives of companies with which there is a mutual secondment of directors and Audit & Supervisory Board Members between the Group, etc.
g. Persons belonging or who have belonged in the past to auditing firms conducting a statutory audit of the Company.
h. Consultants, certified public accountants and other accounting professionals, and lawyers and other legal professionals who have received a substantial amount of monetary compensation or other consideration other than corporate officer compensation from the Group (In case the entity receiving such consideration is a corporation, association or other group, persons belonging to the said group or persons who have belonged to the said group in the past).

Notes:
1. A business executive is someone who executes business such as a director (excluding outside director), an executive officer or an employee, and is someone who has worked for the Company in the past.
2. A close relative refers to a relative within the second degree or a relative living together with the person who executes important business for a director (excluding outside director), an executive officer, division manager or others.
3. A person who is a principal business partner of the Kaneka Group refers to a business partner group (a company that belongs to a consolidated group to which the direct business partner belongs; the same applies below) that provides products or services to the Kaneka Group, and the transaction amount of this business partner group with the Kaneka Group exceeded 2% of consolidated net sales of the business partner group in the immediately preceding fiscal year.
4. A principal business partner of the Kaneka Group refers to a person who falls under any of the following:
   (i) A business partner group to which the Kaneka Group is providing products or services and the transaction amount that this business partner group had with the Kaneka Group exceeded 2% of consolidated net sales of the business partner group in the immediately preceding fiscal year.
   (ii) A financial institution group (a company that belongs to a consolidated group that the direct lender belongs to) that the Kaneka Group borrows from and the total borrowings of the Kaneka Group from the financial institution group exceeded 2% of the consolidated total assets of the Kaneka Group at the end of the immediately preceding fiscal year.
5. An organization that has received donations or subsidies of a certain amount or more from the Kaneka Group refers to an organization such as a public interest incorporated association, a public interest incorporated foundation, or a non-profit corporation that has received donations or subsidies in excess of ¥10 million annually.
6. A consultant, an accounting professional such as a certified public accountant, and a legal expert such as an attorney who has obtained a large sum of money or other assets, excluding director compensation, from the Kaneka Group refers to a person who has obtained assets in excess of ¥10 million, excluding director compensation, from the Kaneka Group, or a person who belongs to an organization that has obtained assets in excess of 2% of that organization's consolidated net sales or total income from the Kaneka Group in the immediately preceding fiscal year.

The outside director attends meetings of the Board of Directors, and offers input as necessary based on his abundant experience as a manager. The outside director also receives business reports from the directors every month, and exchanges opinions with them as necessary. In addition, outside directors periodically hold interviews with representative directors and meetings for outside directors with outside auditors and they exchange opinions. Outside auditors attend meetings of the Board of Directors and Board of Auditors and speak when appropriate. In addition, outside auditors periodically hold interviews with representative directors and meetings for outside directors with outside auditors and exchange opinions. In addition to checking documents and other materials relating to key decisions, outside auditors receive monthly audit operations reports from the statutory corporate auditors, and exchange opinions about their contents.

4. STATUS OF ACCOUNTING AUDITS

The certified public accountants who provided the Company with accounting audit services during the year are Takashi Yoshida, Teruo Watanuma, and Tsuyoshi Ikeda, all belonging to KPMG AZSA LLC. Other personnel who assisted in accounting audit tasks include 14 certified public accountants and 11 junior certified public accountants.

5. BREAKDOWN OF CORPORATE OFFICER COMPENSATION

Corporate officer compensation for the fiscal year under review was as follows.

Position	Total Compensation (Millions of yen)	Breakdown of Compensation by Type (Millions of yen)			Persons Compensated
		Monthly (fixed) Compensation	Stock Option Equity Compensation	Bonuses	
Directors (excluding outside directors)	513	382	37	94	12
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	48	48	–	–	2
Outside directors	51	51	–	–	3

Notes:
1. Amounts less than the specified unit have been rounded off.
2. Persons compensated and monthly (fixed) compensation for directors include compensation paid to two directors who retired from their positions at the close of the 90th Ordinary General Meeting of Shareholders on June 27, 2014.
3. Maximum compensation to directors is ¥46 million per month (fixed salary) (resolved at the 76th Ordinary General Meeting of Shareholders on June 29, 2000), and annual stock option equity compensation is ¥75 million (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).
4. Maximum compensation to Audit & Supervisory Board Members is ¥7.8 million per month (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).

Total Amount of Consolidated Compensation per Corporate Officer Paid by the Company

Not applicable, since no one receives consolidated compensation or other compensation totaling ¥100 million or more.

Policy For Determining Corporate Officer Compensation

Compensation for directors is composed of fixed monthly compensation, together with bonuses linked to operating results and stock option equity compensation, and compensation for outside directors comprises fixed compensation. Each of these compensation components is maintained within caps approved by the General Meeting of Shareholders, and is decided after consideration of the Company's operating environment, business results and other factors. Compensation for individual directors is decided after conferring with the representative directors, and is provided at appropriate levels commensurate with the duties, responsibilities and performance of each director.

Compensation for Audit & Supervisory Board Members consists of fixed compensation maintained within a cap approved by the General Meeting of Shareholders. Compensation for individual Audit & Supervisory Board Members is decided after conferring with the Audit & Supervisory Board Members based on the duties and responsibilities of each individual Audit & Supervisory Board Member.

The Company abolished its system of retirement bonuses for directors and Audit & Supervisory Board Members at the conclusion of its 83rd Ordinary General Meeting of Shareholders.

6. STATUS OF STOCKHOLDING

Investment Stocks Held for Other Than Purely Investment Purposes

138 different stocks

Total reported balance sheet value: ¥52,062 million

Investment Stocks Held for Other Than Purely Investment Purposes by Classification, Stock Name, Number of Shares, Reported Value on the Balance Sheet, and Holding Purpose

(Fiscal year under review)

(Specific investment securities)

Stock Name	No. of Shares	Reported Balance Sheet Value (Millions of yen)	Holding Purpose
Nippon Shokubai Co., Ltd.	2,400,000	4,231	Stock held to maintain and enhance business relationships.
Kubota Corporation	1,952,966	3,716	Same as above
Sumitomo Mitsui Financial Group	803,112	3,695	Same as above
NOK Corporation	760,000	2,751	Same as above
Shionogi & Co., Ltd.	672,000	2,691	Same as above
Mitsubishi UFJ Financial Group, Inc.	3,297,700	2,452	Same as above
Nitto Denko Corporation	300,000	2,409	Same as above
Daiwa House Industry Co., Ltd.	767,000	1,818	Same as above
Mitsui & Co., Ltd.	1,031,093	1,662	Same as above
JMS Co., Ltd.	4,947,000	1,459	Stock held for business and capital alliance purposes.
MS&AD Insurance Group Holdings, Inc.	401,990	1,354	Stock held to maintain and enhance business relationships.
Nissin Foods Holdings Co., Ltd.	227,074	1,342	Same as above
Duskin Co., Ltd.	500,000	1,040	Same as above
Ibiden Co., Ltd.	500,000	1,013	Same as above
Ezaki Glico Co., Ltd.	206,195	1,002	Same as above
Mitsubishi Chemical Holdings Corporation	1,384,171	966	Same as above
Morinaga & Co., Ltd.	2,082,528	878	Same as above
Mitsui Chemicals, Inc.	2,053,000	792	Same as above
Konishi Co., Ltd.	342,000	694	Same as above
Takiron Co., Ltd.	1,318,201	690	Same as above
Yamazaki Baking Co., Ltd.	296,432	642	Same as above
Mitsubishi Corporation	259,251	627	Same as above
FVC Co., Ltd.	1,102,400	568	Same as above
Ihara Chemical Industry Co., Ltd.	308,000	542	Same as above
Dainichiseika Color & Chemicals Mfg. Co., Ltd.	809,000	499	Same as above
Okaya & Co., Ltd.	52,600	431	Same as above
Onamba Co., Ltd.	829,212	373	Same as above
Tokio Marine Holdings, Inc.	73,500	333	Same as above
Terumo Corporation	99,750	316	Same as above
Maezawakasei Industries Co., Ltd	213,600	260	Same as above

7. NUMBER OF DIRECTORS

The number of directors is limited to 13, as stipulated by the Company's Articles of Incorporation.

8. REQUIREMENTS FOR DETERMINATION OF DIRECTOR APPOINTMENTS

The Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the General Meeting of Shareholders shall attend the meeting and determine the appointment of directors based on a majority vote. The Articles of Incorporation further specify that the appointment of directors shall not be resolved by cumulative voting.

9. RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS THAT MAY BE DETERMINED BY THE BOARD OF DIRECTORS

In order to ensure an expeditious capital and profit redistribution policy, the Company has established in its Articles of Incorporation that any of the items provided in Article 459, Paragraph 1 (each item) of the Companies Act, including those concerning payment of dividends from retained earnings, may be determined by a resolution of the Board of Directors and that none of the items provided in Paragraph 1 of the same Article are to be determined by a resolution of the General Meeting of Shareholders.

10. REQUIREMENTS FOR SPECIAL RESOLUTIONS AT THE GENERAL MEETING OF SHAREHOLDERS

To ensure a smooth General Meeting of Shareholders, the Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at general meetings of shareholders" provided in Article 309, Paragraph 2 of the Companies Act.

11. COMPENSATION FOR AUDITS

1. Compensation for Audits and Other Activities by Certified Public Accountants

The certified public accountants who provided the Company with accounting audit services during the current fiscal year belonged to KPMG AZSA LLC. Compensation paid by the Company and its consolidated subsidiaries to KPMG AZSA LLC was as follows:

	Fiscal Year Ended March 31, 2014		Fiscal Year Ended March 31, 2015	
	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)
Kaneka	77	6	78	2
Consolidated Subsidiaries	13	0	16	0
Total	90	7	94	3

2. Other Significant Compensation

Previous fiscal year

The Company's consolidated overseas subsidiaries paid audit compensation of ¥127 million to KPMG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

Current fiscal year

The Company's consolidated overseas subsidiaries paid audit compensation of ¥155 million to KPMG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

3. Compensation for Activities Other Than Audits by Certified Public Accountants

Previous fiscal year

Compensation for non-audit services paid to the certified public accountants consisted mainly of payment for services related to confirmation procedures required when applying for certification under the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities, and for services supporting the installation of systems to increase the sophistication and efficiency of internal audit operations.

Current fiscal year

Compensation for non-audit services to the certified public accountants consisted of payment for services related to the confirmation procedures required when applying for certification under the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities, and the procedures requested for obtaining a tax incentive for investment in productivity improving assets.

4. Method of Determining Compensation for Audits

Nothing to report.

TAKEOVER DEFENSE MEASURES

At its Board of Directors meeting held on April 6, 2007, the Company introduced the Policy Regarding Countermeasures to Large-Scale Acquisitions of Kaneka Shares (hereinafter the "Policy"), and the Policy was approved by the shareholders at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007. With the aim of protecting and enhancing the corporate value of the Company and the collective interests of its shareholders over the medium- to long-term, the retention of the Policy was approved by the shareholders at the 86th Ordinary General Meeting of Shareholders held on June 25, 2010 and then at the 89th Ordinary General Meeting of Shareholders held on June 27, 2013.

An overview is provided below.

1. BASIC APPROACH OF THE POLICY (THE BASIC POLICY REGARDING PERSONS WHO CONTROL THE COMPANY'S DECISIONS ON FINANCIAL MATTERS AND BUSINESS POLICIES)

As a publicly held corporation, the Company recognizes that its shares should be freely traded. Thus, even in the event of a hostile takeover without the consent of the Board of Directors, the Company will not necessarily resist such an action, provided the takeover promises to enhance the corporate value of the Company and the collective interests of its shareholders. However, we consider it necessary to ensure that adequate information is provided to shareholders when attempts are made to acquire a large number of the Company's shares. We also believe that necessary and proper measures must be taken to protect the corporate value of the Company and the collective interests of its shareholders in the event that the Company is subject to a hostile and abusive takeover bid that threatens to harm corporate value and collective shareholder interests, such as any takeover bid that is intended solely to advance the personal gain of the bidder.

2. MEASURES TO EFFECTIVELY UTILIZE THE COMPANY'S RESOURCES, FORM AN APPROPRIATE CORPORATE GROUP AND REALIZE OTHER FUNDAMENTAL POLICIES

To commemorate its 60th anniversary in 2009, the Company formulated a long-term management vision for the next decade called "Declaration of Kaneka United for the Future." Sweeping reform of the Kaneka Group and its continuous growth are key objectives. To this end, the Company is now giving priority to the important strategic domains of "Environment and Energy," "Health Care," "Information and Communications," and "Food Production Support." As key management initiatives, the Company is (1) Moving toward an "R&D-type" company, (2) Growing in a global market, (3) Developing Group strategy, (4) Pursuing alliances, and (5) Prioritizing CSR. At the same time, under its new medium-term plan that started in fiscal 2014, the Kaneka Group will focus on creating new businesses by strengthening R&D activities and achieving global momentum, and transform its business structures to accelerate the transformation and growth of the Group.

3. THE COMPANY IS IMPLEMENTING THE FOLLOWING TAKEOVER DEFENSE MEASURES TO PREVENT ITS DECISIONS ON FINANCIAL AND BUSINESS POLICIES FROM BEING CONTROLLED BY ENTITIES REGARDED AS INAPPROPRIATE ACCORDING TO THE BASIC POLICY.

a. The Company shall stipulate in advance procedures to be observed in case of an attempted large-scale purchase of the Company's shares and other securities (hereinafter, "Large-Scale Purchase Rules"), demanding disclosure of necessary and adequate information regarding such a purchase, collecting and examining information related to the purchase and securing the opportunity and necessary time for the Board of Directors of the Company to present its opinion and alternative plans to shareholders or to negotiate with the purchaser.

b. Whether or not the large-scale purchaser observes the Large-Scale Purchase Rules, provisions to protect the corporate value of the Company and the collective interests of its shareholders may be taken against such large-scale purchases if they are deemed to cause irreparable damage to the Company or otherwise significantly harm the corporate value of the Company or the collective interests of its shareholders.

4. COMPLIANCE WITH REQUIREMENTS, JUDGMENT AND REASONING OF THE BOARD OF DIRECTORS

The Board of Directors of the Company judges that the measures in the preceding item comply with the following three requirements: they are in line with this Basic Policy, they do not harm the common interests of the Company's shareholders and they do not maintain the positions of the corporate officers of the Company. The reasoning behind this judgment is as follows:

a. The measures satisfy the requirements of the policies of the Ministry of Economy, Trade and Industry and the Ministry of Justice concerning takeover defense measures.

b. The measures will be implemented with the aim of securing and improving the common interests of the shareholders.

c. The measures place emphasis on the will of the shareholders.

d. The measures place emphasis on the judgment of highly independent external parties.

e. The measures provide rational and objective requirements.

f. The measures allow for the procurement of opinions from third-party experts.

g. The measures are not "dead-hand" or "slow-hand" takeover defense measures.

BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

BOARD OF DIRECTORS

Chairman of the Board
Kimikazu Sugawara*

President
Mamoru Kadokura*

Executive Vice President
Hirosaku Nagano

Member of the Board Senior Managing Executive Officers
Toshio Nakamura
Shigeru Kamemoto
Minoru Tanaka

Member of the Board Managing Executive Officers
Akira Iwazawa
Hidesuke Amachi
Shinichirou Kametaka
Shinobu Ishihara

Independent Member of the Board
Takeo Inokuchi
Mamoru Mohri

AUDIT & SUPERVISORY BOARD MEMBERS

Standing Audit & Supervisory Board Members
Hideyuki Matsui
Masami Kishine

Outside Audit & Supervisory Board Members
Hiroaki Tsukamoto
Hiroshi Fujiwara

EXECUTIVE OFFICERS

Managing Executive Officers
Akihiko Iguchi
Shinji Mizusawa
Atsushi Kawakatsu

Executive Officers
Yasuyoshi Ueda
Yoshiki Takeoka
Kazuo Ochiai
Minetoshi Marufuji
Kazuhiko Fujii
Yasuhiro Sumi
Haruhiko Maki
Fuminori Hoya
Jun Enoki
Ikuo Aoi
Katsunobu Doro
Masaaki Kimura
Riichi Nishimura
Kan Okabe
Toshio Komori

* Representative Directors (as of June 26, 2015)

FINANCIAL SECTION

FINANCIAL REVIEW

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SALES

In the fiscal year from April 1, 2014 to March 31, 2015 (FY2015), the Kaneka Group achieved a new record in sales, making the fifth consecutive year of growth. Overall, net sales for FY2015 increased 5.2% from the previous fiscal year to ¥552,189 million. With a focus on strengthening its global business structure, overseas sales rose 11.5% year on year to ¥211,065 million and the ratio of overseas sales to total sales increased from 36.1% to 38.2%.

OPERATING EXPENSES AND OPERATING INCOME

During FY2015, the cost of sales increased by 5.5% to ¥413,390 million. The cost of sales ratio increased from 74.7% to 74.9%. SG&A expenses increased 5.7% to ¥114,164 million, and the ratio of SG&A expenses to sales increased from 20.6% to 20.7%.

Operating income during FY2015 decreased 0.8% to ¥24,635 million. By segment, operating income decreased in the Foodstuffs Products and Electronic Products segments, but increased in the Chemicals, Functional Plastics, Expandable Plastics and Products, Life Science Products and Synthetic Fibers and Others segments.

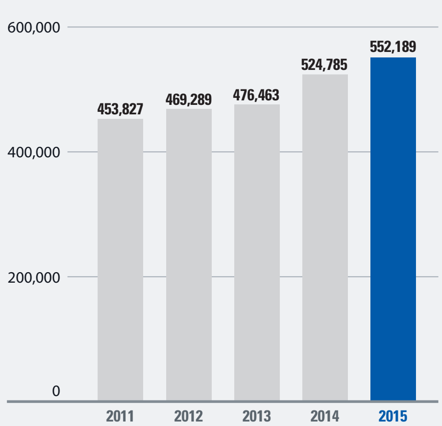
NET INCOME

For the year, the Group recorded net income of ¥18,034 million, up 32.1% from the previous fiscal year.

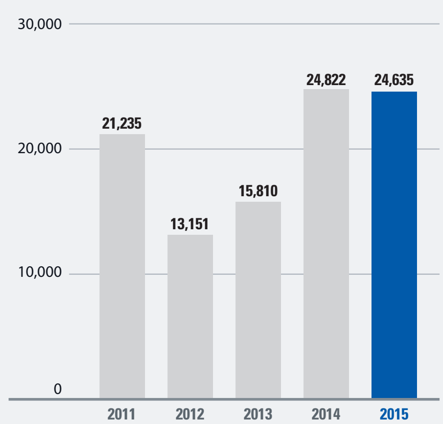
FINANCIAL CONDITION

As of March 31, 2015, total assets were ¥557,963 million, up ¥37,840 million from March 31, 2014 due to increases in property, plant and equipment and investments. The ratio of net income to total assets (ROA) was 3.3%, up 0.6% from the previous fiscal year. Interest-bearing debt stood at ¥110,431 million, up ¥9,639 million from March 31, 2014. Net assets increased ¥24,094 million to ¥309,227 million, reflecting increases in retained earnings and foreign currency translation adjustments. As a result, the equity ratio came to 53.5%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.37.

Net Sales
(¥ Million)



Operating Income
(¥ Million)



CASH FLOWS

Cash and cash equivalents at March 31, 2015 were ¥28,020 million, ¥5,784 million less than at March 31, 2014.

Net cash provided by operating activities was ¥33,603 million, ¥322 million less than in the previous fiscal year. The main contributors to the increase were income before income taxes and minority interests of ¥28,175 million and depreciation and amortization of ¥23,739 million, which were partially offset by working capital of ¥7,811 million and income taxes paid of ¥7,111 million.

Net cash used in investing activities amounted to ¥38,214 million, ¥503 million less than in the previous fiscal year. The principal use of cash was ¥41,720 million for the purchase of property, plant and equipment.

Financing activities provided net cash of ¥804 million, ¥6,662 million more than in the previous fiscal year. This mainly reflected ¥11,603 million in proceeds from loans payable, which was partially offset by redemption of bonds payable of ¥5,000 million and cash dividends paid of ¥5,392 million.

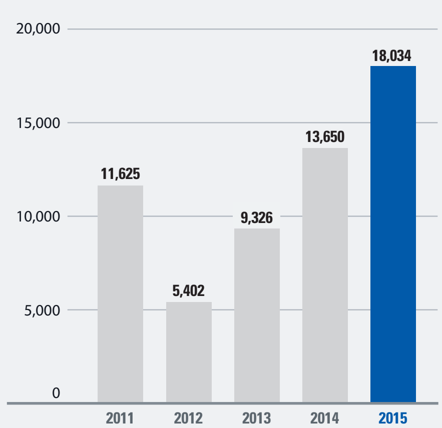
Financial Index Trends

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Shareholders' equity ratio	55.4%	53.0%	53.8%	52.8%	53.5%
Shareholders' equity ratio based on market value	43.1%	36.0%	37.9%	40.6%	50.8%
Interest-bearing debt coverage ratio	1.9	4.7	2.6	3.0	3.3
Interest coverage ratio	39.5	17.9	36.4	33.6	27.8

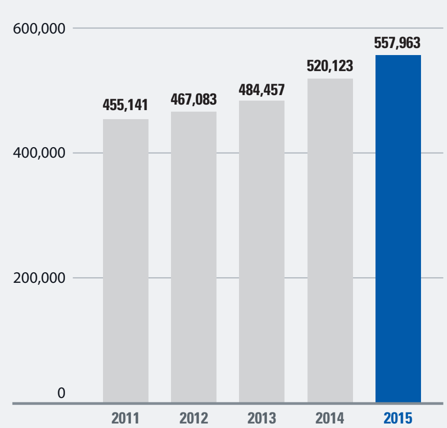
Shareholders' equity ratio: equity capital/total assets
Shareholders' equity ratio based on market value: total market value of stock/total assets
Interest-bearing debt coverage ratio: interest-bearing debt/cash flows
Interest coverage ratio: operating cash flows/interest expenses paid
Notes:

1. All items were calculated according to financial figures on a consolidated basis.
2. The calculation of the total market value of stock was based on the total number of shares outstanding, excluding treasury stock.
3. "Operating cash flows" refers to cash flows from operations.
4. The scope of interest-bearing debt is all liabilities in the Consolidated Balance Sheets for which interest is payable.
5. Paid interest is based on the amount of interest paid shown in the Consolidated Statements of Cash Flows.

Net Income
(¥ Million)



Total Assets
(¥ Million)



BUSINESS RISKS AND UNCERTAINTIES

Factors that may significantly affect the performance and the financial position of the Kaneka Group include those described below. Please note that the matters described are only those that we considered risks as of March 31, 2015 and that this is not an exhaustive list of risks borne by the Group.

(1) Risks related to the Group's ability to maintain operational advantages and trends in the Japanese and overseas economic environments

The Kaneka Group maintains its operational advantages by developing and commercializing high value-added products in a host of fields and consistently cultivating new markets and leveraging its ability to integrate and combine its expertise in core polymer and fermentation technologies. The Kaneka Group is working to ensure a corporate structure that is not affected by the entry of competitors into these markets, which could otherwise result in increased price competition and reduced profitability. Moreover, because the growth of generic products could cause a decrease in the demand for the Group's products and cause the Group to withdraw from or restructure certain operations, we are working to mitigate the potential effects of changes in the economic environment. However, such measures may not be sufficient to withstand a sudden downturn in the economic environment, obsolescence of the Company's technologies or an unexpected drop-off in demand for the Company's products. Such circumstances could seriously affect the Group's financial position and performance.

(2) Risks associated with the globalization of our business (fluctuations in foreign exchange rates and overseas business development)

For the Kaneka Group, globalization is a key element of its management strategy. However, overseas business operations face various risks, including unexpected changes in laws and regulations, tax systems, including transfer price taxation, and social and political disturbances resulting from terrorism or warfare. If these risks materialize, they may adversely affect the Group's performance and financial position. In addition, fluctuations in foreign exchange rates have the potential to significantly affect the Group's performance because of its revenue structure. Therefore, we employ foreign exchange forward contracts and other hedges in connection with foreign trade transactions to minimize the risk of foreign exchange rate fluctuations. However, sharp fluctuations in exchange rates beyond the coverage of hedge instruments could seriously affect the performance and financial position of the Group.

(3) Risks of price fluctuations of raw materials and fuels

Through the combination of medium- to long-term forward contracts and spot market purchases, the Kaneka Group has adopted a purchasing framework to achieve the most favorable purchasing cost for raw materials and fuels. However, since most of these commodities are subject to price fluctuations in the international market, there are still some risks involved. For example, there may be sharp fluctuations in prices which cannot be offset by cost reductions or price revisions. In particular, price fluctuations in petrochemical materials, fuels and edible oils and fats affect the production of PVC/caustic soda, modifier, expandable plastics and products and foodstuffs could significantly impact the Group's financial position and performance.

(4) Risks associated with product liability, industrial accidents and large scale disasters

The Kaneka Group implements comprehensive strategies to ensure the safe distribution of products that are safe to use. We maintain liability insurance covering the whole Group in the event of a product related accident. However, the possibility remains that unexpected problems with product quality could cause a large-scale product related accident. Moreover, despite our best efforts to ensure safety and prevent accidents by placing the highest priority on safety, risks remain. A major disaster such as an industrial accident or an earthquake could destroy manufacturing facilities and result in losses beyond the coverage of property insurance. In such circumstances, it is possible that the Group's financial position and performance could be significantly affected.

(5) Risks associated with the protection of intellectual property rights

To maintain its business advantages, the Kaneka Group attaches strategic importance to the protection of its patents on newly developed technologies. However, with globalization and the development of IT technologies, it is not possible for us to completely avoid the risk of external leaks of our proprietary technologies and expertise. Nor is it possible to avoid all disputes with other parties in connection with the conveyance of our intellectual property rights to others or our use of other companies' intellectual property. In such circumstances, it is possible that the Group's competitiveness could be undermined and its financial position and performance significantly affected.

(6) Impact of environment related regulations

To minimize the impact of its business activities on the global environment and the world's ecosystem, the Kaneka Group puts forth its best efforts to reduce its environmental footprint and to save resources and energy throughout the life cycle of its products. Nevertheless, environmental regulations are tightened every year, and depending on the nature of the regulations, expenses may be incurred in connection with the manufacture, storage and disposal of products that could significantly impact the Group's financial position and performance.

(7) Risks associated with legal action

The Group attaches great importance to compliance management regarding the observance of social rules, including the laws and regulations of the societies in which it conducts business. There are risks, however, of the Group becoming the subject of litigation or administrative measures in connection with operations in Japan or abroad. If a significant action is filed against the Group, it is possible that the Group's financial position and performance could be significantly affected.

(8) Other risks

To promote long-term business relationships, the Kaneka Group holds shares in its business partners and certain financial institutions. In the event that the market value of these shares decreased significantly at the end of the fiscal year, the Group could be required to report impairment loss pursuant to the application of the Accounting Standard for Financial Instruments. With regard to fixed assets, a substantial worsening in the operating environment could cause further decline in the market value of idle land held by the Group. Consequently, the Group could be required to report impairment loss pursuant to the application of the Accounting Standard for Impairment of Fixed Assets.

For retirement benefit obligations and retirement benefit expenses, actuarial calculations are used each year to determine the discount rate and other core ratios, incorporating the expected rate of investment return on core assets. However, a downturn in the discount rate or a decrease in investment yields on pension assets could affect the Kaneka Group's financial position and performance. Moreover, deferred tax assets are posted against future temporary differences with the assumption that they can be recovered by offsetting future taxable income. However, if future taxable income differs from expectations, the liquidation of deferred tax assets could affect the Group's financial position and performance. The Group's financial position and performance could also be significantly affected by factors such as fluctuations in the markets for its products, changes in laws and regulations, delays in research and development and technical innovations.

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2015**	2014	**2015**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 28,020**	¥ 33,804	**$ 233,170**
Notes and accounts receivable—trade (Note 4):			
Unconsolidated subsidiaries and affiliates	**743**	532	**6,183**
Other	**121,341**	118,213	**1,009,745**
Inventories (Note 7)	**91,185**	88,416	**758,800**
Short-term loans receivable from unconsolidated subsidiaries and affiliates	**714**	547	**5,942**
Deferred tax assets (Note 10)	**6,368**	7,085	**52,992**
Other current assets	**8,378**	7,932	**69,716**
Allowance for doubtful accounts (Note 4)	**(101)**	(89)	**(840)**
Total current assets	**256,648**	256,440	**2,135,708**
Property, plant and equipment (Note 11)**:**			
Land	**28,411**	28,670	**236,423**
Buildings and structures	**172,913**	162,912	**1,438,903**
Machinery, equipment and vehicles	**527,451**	504,455	**4,389,207**
Construction in progress	**16,222**	18,291	**134,992**
Other	**3,889**	4,771	**32,363**
	748,886	719,099	**6,231,888**
Less accumulated depreciation	**541,297**	534,855	**4,504,427**
Property, plant and equipment, net	**207,589**	184,244	**1,727,461**
Intangible assets (Note 11)**:**	**11,714**	12,113	**97,479**
Investments and other assets:			
Investment securities (Notes 4, 5 and 11):			
Unconsolidated subsidiaries and affiliates	**6,151**	5,968	**51,186**
Other	**55,564**	42,838	**462,378**
Long-term loans receivable (Note 4)	**1,413**	1,303	**11,758**
Net defined benefit asset (Note 12)	**8,132**	950	**67,671**
Deferred tax assets (Note 10)	**1,683**	7,039	**14,005**
Other	**9,289**	9,453	**77,299**
Allowance for doubtful accounts (Note 4)	**(220)**	(225)	**(1,831)**
Total investments and other assets	**82,012**	67,326	**682,466**
	¥ 557,963	¥ 520,123	**$ 4,643,114**

See accompanying notes.

Liabilities and net assets	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term loans payable (Notes 4 and 11)	¥ 45,951	¥ 44,572	$ 382,383
Current portion of long-term loans payable (Notes 4 and 11)	9,685	10,038	80,594
Notes and accounts payable (Note 4):			
Trade	63,072	66,462	524,856
Construction	8,241	7,577	68,578
Other	16,787	16,449	139,694
Income taxes payable	2,324	3,841	19,339
Accrued expenses	11,325	10,159	94,241
Other current liabilities	4,329	3,096	36,026
Total current liabilities	161,714	162,194	1,345,711
Noncurrent liabilities:			
Bonds payable (Notes 4 and 11)	10,000	10,000	83,215
Long-term loans payable (Notes 4 and 11)	47,274	38,445	393,393
Net defined benefit liability (Note 12)	25,338	21,363	210,851
Provision for directors' retirement benefits	280	248	2,330
Deferred tax liabilities (Note 10)	2,244	530	18,674
Other noncurrent liabilities	1,886	2,210	15,694
Total noncurrent liabilities	87,022	72,796	724,157
Contingent liabilities (Note 13)			
Net assets (Note 14):			
Shareholders' equity:			
Capital stock			
Authorized—750,000,000 shares Issued —350,000,000 shares	33,047	33,047	275,002
Capital surplus	34,837	34,837	289,898
Retained earnings	218,746	209,450	1,820,305
Less treasury stock, at cost—14,987,342 shares in 2015 13,034,982 shares in 2014	(12,072)	(10,521)	(100,458)
Total shareholders' equity	274,558	266,813	2,284,747
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	19,660	10,535	163,601
Deferred gains or losses on hedges	(105)	—	(874)
Foreign currency translation adjustments	2,975	353	24,757
Remeasurements of defined benefit plans	1,172	(3,293)	9,753
Total accumulated other comprehensive income	23,702	7,595	197,237
Subscription rights to shares (Note 15)	137	139	1,140
Minority interests	10,830	10,586	90,122
Total net assets	309,227	285,133	2,573,246
	¥ 557,963	¥ 520,123	$ 4,643,114

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Net sales	¥ 552,189	¥ 524,785	¥ 476,463	$ 4,595,065
Cost of sales	413,390	391,987	359,734	3,440,043
Gross profit	138,799	132,798	116,729	1,155,022
Selling, general and administrative expenses	114,164	107,976	100,919	950,021
Operating income	24,635	24,822	15,810	205,001
Other income (expenses):				
Interest and dividend income	1,576	1,895	1,145	13,115
Interest expenses	(1,224)	(1,013)	(891)	(10,186)
Gain on sales of investment securities	493	783	356	4,103
Gain (loss) on sales of property, plant and equipment, net	2,910	(331)	—	24,216
Loss on disposals of property, plant and equipment	(2,062)	(1,800)	(1,401)	(17,159)
Foreign exchange gains, net	2,432	1,842	2,072	20,238
Equity in earnings of affiliates, net	212	335	56	1,764
Amortization of negative goodwill	—	338	348	—
Compensation expenses	—	—	(1,012)	—
Litigation expenses	(940)	(1,275)	(680)	(7,822)
Retirement benefit expenses (Notes 8 and 12)	—	(363)	—	—
Restructuring charges (Note 9)	—	(9,121)	—	—
Subsidy income	1,617	—	—	13,456
Other, net	(1,474)	(511)	(873)	(12,266)
Income before income taxes and minority interests	28,175	15,601	14,930	234,460
Income taxes (Note 10)**:**				
Current	5,312	6,062	3,076	44,204
Deferred	4,283	(4,711)	2,377	35,641
Minority interests	546	600	151	4,544
Net income	¥ 18,034	¥ 13,650	¥ 9,326	$ 150,071

	Yen			U.S. dollars (Note 1)
Net income per share—basic	¥ 53.52	¥ 40.50	¥ 27.68	$ 0.45
Net income per share—diluted	53.48	40.47	27.65	0.45
Cash dividends applicable to the year	16.00	16.00	16.00	0.13

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Income before minority interests	**¥ 18,580**	¥ 14,250	¥ 9,477	**$ 154,615**
Other comprehensive income:				
Valuation difference on available-for-sale securities	**9,271**	2,307	3,614	**77,149**
Deferred gains or losses on hedges	**(105)**	—	—	**(874)**
Foreign currency translation adjustment	**2,395**	6,632	6,008	**19,930**
Remeasurements of defined benefit plans	**4,371**	—	—	**36,373**
Share of other comprehensive income of associates accounted for using equity method	**117**	16	21	**974**
Total other comprehensive income (Note 3)	**16,049**	8,955	9,643	**133,552**
Comprehensive income	**¥ 34,629**	¥ 23,205	¥ 19,120	**$ 288,167**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	**¥ 34,141**	¥ 22,267	¥ 18,774	**$ 284,106**
Comprehensive income attributable to minority interests	**488**	938	346	**4,061**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,047	¥ 33,047	¥ 33,047	$ 275,002
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	33,047	33,047	33,047	275,002
Capital surplus				
Balance at beginning of year	34,837	34,837	34,837	289,898
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	34,837	34,837	34,837	289,898
Retained earnings				
Balance at beginning of year	209,450	200,987	197,373	1,742,947
Cumulative effects of changes in accounting policies	(3,396)	—	—	(28,260)
Restated balance	206,054	200,987	197,373	1,714,687
Changes of items during the period				
Dividends from surplus—¥16.00 per share	(5,392)	(5,392)	(5,392)	(44,870)
Change of scope of consolidation	138	201	(271)	1,148
Net income	18,034	13,650	9,326	150,071
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	—	32	(44)	—
Change in retained earnings based on International Financial Reporting Standards used for foreign subsidiaries	(63)	—	—	(524)
Disposal of treasury stock	(25)	(28)	(5)	(207)
Total changes of items during the period	12,692	8,463	3,614	105,618
Balance at the end of current period	218,746	209,450	200,987	1,820,305
Treasury stock				
Balance at beginning of year	(10,521)	(10,548)	(10,553)	(87,551)
Changes of items during the period				
Purchase of treasury stock	(1,615)	(60)	(6)	(13,439)
Disposal of treasury stock	64	87	11	532
Total changes of items during the period	(1,551)	27	5	(12,907)
Balance at the end of current period	(12,072)	(10,521)	(10,548)	(100,458)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	10,535	8,262	4,664	87,667
Changes of items during the period				
Net changes of items other than shareholders' equity	9,125	2,273	3,598	75,934
Total changes of items during the period	9,125	2,273	3,598	75,934
Balance at the end of current period	19,660	10,535	8,262	163,601
Deferred gains or losses on hedges				
Balance at beginning of year	—	—	—	—
Changes of items during the period				
Net changes of items other than shareholders' equity	(105)	—	—	(874)
Total changes of items during the period	(105)	—	—	(874)
Balance at the end of current period	(105)	—	—	(874)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Foreign currency translation adjustment				
Balance at beginning of year	**353**	(5,990)	(11,841)	**2,938**
Changes of items during the period				
Net changes of items other than shareholders' equity	**2,622**	6,343	5,851	**21,819**
Total changes of items during the period	**2,622**	6,343	5,851	**21,819**
Balance at the end of current period	**2,975**	353	(5,990)	**24,757**
Remeasurements of defined benefit plans				
Balance at beginning of year	**(3,293)**	—	—	**(27,403)**
Changes of items during the period				
Net changes of items other than shareholders' equity	**4,465**	(3,293)	—	**37,156**
Total changes of items during the period	**4,465**	(3,293)	—	**37,156**
Balance at the end of current period	**1,172**	(3,293)	—	**9,753**
Subscription rights to shares				
Balance at beginning of year	**139**	159	137	**1,157**
Changes of items during the period				
Net changes of items other than shareholders' equity	**(2)**	(20)	22	**(17)**
Total changes of items during the period	**(2)**	(20)	22	**(17)**
Balance at the end of current period	**137**	139	159	**1,140**
Minority interests				
Balance at beginning of year	**10,586**	9,696	9,797	**88,092**
Changes of items during the period				
Net changes of items other than shareholders' equity	**244**	890	(101)	**2,030**
Total changes of items during the period	**244**	890	(101)	**2,030**
Balance at the end of current period	**10,830**	10,586	9,696	**90,122**
Total net assets				
Balance at beginning of year	**285,133**	270,450	257,461	**2,372,747**
Cumulative effects of changes in accounting policies	**(3,396)**	—	—	**(28,260)**
Restated balance	**281,737**	270,450	257,461	**2,344,487**
Changes of items during the period				
Dividends from surplus—¥16.00 per share	**(5,392)**	(5,392)	(5,392)	**(44,870)**
Change of scope of consolidation	**138**	201	(271)	**1,148**
Net income	**18,034**	13,650	9,326	**150,071**
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	**—**	32	(44)	**—**
Change in retained earnings based on International Financial Reporting Standards used for foreign subsidiaries	**(63)**	—	—	**(524)**
Purchase of treasury stock	**(1,615)**	(60)	(6)	**(13,439)**
Disposal of treasury stock	**39**	59	6	**325**
Net changes of items other than shareholders' equity	**16,349**	6,193	9,370	**136,048**
Total changes of items during the period	**27,490**	14,683	12,989	**228,759**
Balance at the end of current period	**¥ 309,227**	¥ 285,133	¥ 270,450	**$ 2,573,246**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Cash flows from operating activities				
Income before income taxes and minority interests	**¥ 28,175**	¥ 15,601	¥ 14,930	**$ 234,460**
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**23,739**	20,629	29,170	**197,545**
Restructuring charges	**—**	9,121	—	**—**
Increase (decrease) in provision for retirement benefits	**—**	(19,654)	259	**—**
Increase (decrease) in net defined benefit liability	**640**	20,389	—	**5,326**
Decrease (increase) in net defined benefit asset	**(2,450)**	(4,972)	—	**(20,388)**
Increase (decrease) in allowance for doubtful accounts	**6**	(26)	(356)	**50**
Interest and dividends income	**(1,576)**	(1,895)	(1,145)	**(13,115)**
Interest expenses	**1,224**	1,013	891	**10,186**
Loss on disposal of property, plant and equipment	**(2,009)**	1,706	768	**(16,718)**
Subsidy income	**(1,617)**	—	—	**(13,456)**
Gain on sales of investment securities	**—**	(728)	(278)	**—**
Equity in earnings of affiliates, net	**(212)**	(335)	(56)	**(1,764)**
Decrease (increase) in notes and accounts receivable—trade	**(2,500)**	173	3,495	**(20,804)**
Decrease (increase) in inventories	**(1,448)**	(9,371)	(3,547)	**(12,050)**
Increase (decrease) in notes and accounts payable—trade	**(3,863)**	1,227	(1,152)	**(32,146)**
Others	**2,128**	2,915	(5,357)	**17,708**
Subtotal	**40,237**	35,793	37,622	**334,834**
Interest and dividends income received	**1,684**	1,968	1,202	**14,014**
Interest expenses paid	**(1,207)**	(1,010)	(900)	**(10,044)**
Income taxes paid	**(7,111)**	(2,826)	(5,148)	**(59,175)**
Net cash provided by operating activities	**33,603**	33,925	32,776	**279,629**
Cash flows from investing activities				
Purchase of property, plant and equipment	**(41,720)**	(34,926)	(31,783)	**(347,175)**
Proceeds from sales of property, plant and equipment	**3,656**	538	614	**30,424**
Purchase of intangible assets	**(2,075)**	(2,712)	(2,159)	**(17,267)**
Proceeds from subsidy income	**1,465**	—	—	**12,191**
Purchase of investment securities	**(455)**	(79)	(295)	**(3,786)**
Proceeds from sales and distributions of investment securities	**1,073**	1,823	624	**8,929**
Purchase of stocks of subsidiaries and affiliates	**(105)**	(1,058)	(112)	**(874)**
Payments for transfer of business	**—**	(697)	—	**—**
Payments of loans receivable	**(862)**	(765)	(793)	**(7,173)**
Collection of loans receivable	**602**	758	1,050	**5,010**
Others	**207**	(1,599)	(84)	**1,721**
Net cash used in investing activities	**(38,214)**	(38,717)	(32,938)	**(318,000)**
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	**122**	4,184	8,007	**1,015**
Proceeds from long-term loans payable	**16,673**	17,083	9,325	**138,745**
Repayment of long-term loans payable	**(5,192)**	(9,707)	(7,449)	**(43,205)**
Redemption of bonds payable	**(5,000)**	—	—	**(41,608)**
Repayments of lease obligations	**(195)**	(333)	(414)	**(1,623)**
Proceeds from share issuance to minority shareholders	**—**	225	—	**—**
Cash dividends paid	**(5,392)**	(5,392)	(5,391)	**(44,870)**
Cash dividends paid to minority shareholders	**(205)**	(143)	(302)	**(1,706)**
Purchase of treasury stock	**(1,615)**	(60)	(6)	**(13,439)**
Proceeds from sales of treasury stock	**0**	1	1	**0**
Net cash provided by (used in) financing activities	**(804)**	5,858	3,771	**(6,691)**
Effect of exchange rate change on cash and cash equivalents	**(388)**	815	713	**(3,228)**
Net increase (decrease) in cash and cash equivalents	**(5,803)**	1,881	4,322	**(48,290)**
Cash and cash equivalents at beginning of period	**33,804**	31,748	27,158	**281,301**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**19**	175	268	**159**
Cash and cash equivalents at end of period	**¥ 28,020**	¥ 33,804	¥ 31,748	**$ 233,170**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kaneka Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations and accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accounts of major consolidated overseas subsidiaries after the year ended March 31, 2009 were prepared for consolidation purposes in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified items as applicable in compliance with ASBJ Practical Solution No. 18, "Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements."

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2015 which was ¥120.17 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control (together, the "Companies"). Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method, except for insignificant investments which are recorded at cost.

The Company has 62 consolidated subsidiaries (60 in FY2014 and 59 in FY2013) and 3 affiliates accounted for by the equity method (3 in FY2014 and 3 in FY2013). For the year ended March 31, 2015, the accounts of 5 consolidated subsidiaries were included based on a fiscal year that ended on December 31. When significant transactions occur at those subsidiaries between their fiscal year end and that of the Company, the transactions are included in consolidation. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Securities

The Companies hold equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available fair value are stated at moving average cost.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories

Inventories are principally valued at cost as determined by the average cost method. If the profitability of the inventories decreases, the book value is reduced accordingly.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment loss are deducted from acquisition costs. Depreciation is computed over the estimated useful life of the asset by the straight-line method. Repairs, maintenance and minor renewals are charged to expenses as incurred. Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life as measured by the lease term of the respective asset.

Goodwill

Goodwill, except for minor goodwill, is amortized by the straight-line method within twenty years. Minor goodwill is expensed as incurred.

Liability (asset) for retirement benefits

The Company has an unfunded lump-sum benefit plan generally covering all employees. Under the terms of the plan, eligible employees are entitled upon mandatory retirement at age 60 or earlier voluntary termination to a lump-sum severance payment based on compensation at the time of severance and years of service.

In addition to the unfunded lump-sum plan, the Company participates in a noncontributory funded pension plan, which covers substantially all employees. Consolidated domestic subsidiaries have similar lump-sum benefit plans and pension plans. Certain overseas consolidated subsidiaries have defined contribution plans.

The Companies provide employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets. The estimated benefit is attributed to each period based on the plan's benefit formula. Prior service costs are recognized as expense using the straight-line method over 5 years, a term within the average of the estimated remaining service years of the current employees. Actuarial gains and losses are recognized using the straight-line method over 10 years, a term also within the average of the estimated remaining service years of employees, commencing with the following period.

Provision for directors' retirement benefits

Directors and statutory auditors terminating their service with certain consolidated domestic subsidiaries are entitled to receive retirement benefits based on compensation and years of service, subject to the approval of shareholders. Certain consolidated domestic subsidiaries accrue the liability for their plans in amounts sufficient to provide for benefits arising from services performed through the balance sheet date.

Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses for the years ended March 31, 2015, 2014 and 2013 were ¥23,319 million ($194,050 thousand), ¥21,096 million and ¥21,385 million, respectively.

Income taxes

The tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized as deferred income taxes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Net income per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Application of consolidated taxation system

Effective from the year ended March 31, 2013, the Company and certain domestic consolidated subsidiaries apply a consolidated taxation system.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2015 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Changes in accounting policies

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

The depreciation method used for property, plant and equipment, excluding some categories, for the Company, consolidated domestic subsidiaries and some consolidated overseas subsidiaries, was changed from the declining balance method to the straight-line method starting from the year ended March 31, 2014.

The Kaneka Group is striving to globalize in accordance with its targets for fiscal 2020 set forth in its long-term management vision, "Declaration of Kaneka United for the future," formulated by the Company in 2009. From the year ended March 31, 2014, onward, the Company will begin making significant foreign investments mainly to establish new manufacturing and marketing bases overseas and bolstering manufacturing capacity. Kaneka has decided to unify the Group's depreciation method for calculating depreciation under the straight-line method. Depreciation of the Group's property, plant and equipment is commensurate with the straight-line method given that those assets can all be used over a relative long term and because economic realities conform with that method. Moreover, unification under this method will enhance the Company's ability to make decisions regarding asset distribution by enabling it to compare costs among Group companies. It will also make it easier to compare the Kaneka Group's earnings performance against other multinational companies. Overall, the Kaneka Group sees this change in depreciation method as a step toward the globalization of the Kaneka Group.

As a result of this change, in comparison with the former calculation method, Kaneka's operating income, income before income taxes and minority interests for the year ended March 31, 2014 increased by ¥8,368 million.

(Application of Accounting Standard for Retirement Benefits)
Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")), except Article 35 of the Statement No. 26 and Article 67 of Guidance No. 25, and actuarial gains and losses and past service costs that had yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with Article 37 of the Statement No. 26, the effect of the change in accounting policies arising from the initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income.

As a result of the application, net defined benefit liability in the amount of ¥21,363 million and net defined benefit asset in the amount of ¥950 million have been recognized and accumulated other comprehensive income has decreased by ¥3,293 million from the year ended March 31, 2014.

Moreover, the Company and its consolidated domestic subsidiaries adopted Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 (amended March 26, 2015) from the current fiscal year and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis and determining the discount rates.

In accordance with Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result, net defined benefit liability increased by ¥4,194 million ($34,901 thousand), net defined benefit asset decreased by ¥950 million ($7,905 thousand) and retained earnings decreased by ¥3,396 million ($28,260 thousand) in the beginning balance of the fiscal year ended March 31, 2015. The impact on operating income, and income before income taxes and minority interests for the fiscal year ended March 31, 2015 was immaterial.

New accounting pronouncements

On September 13, 2013, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 21, "Accounting Standard for Business Combinations," ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," ASBJ Statement No. 2, "Accounting Standard for Earnings per Share," ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" and ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings Per Share." These Accounting Standards and Guidance contain amendments to the accounting treatment for:

(1) Changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary through the acquisition of additional shares,
(2) Acquisition related costs,
(3) Presentation method for net income and reclassification of "minority interests" to "non-controlling interests," and
(4) Transitional provisions for accounting treatment.

The revised Accounting Standards and Guidance are scheduled to take effect from the end of the year ending March 31, 2016. The transitional provisions for accounting treatment are scheduled to take effect for business combinations performed on or after the beginning of the year ending March 31, 2016. The impact of the revision on consolidated financial statements is currently being evaluated.

3. COMPREHENSIVE INCOME

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Valuation difference on available-for-sale securities				
Decrease during the year	**¥ 13,134**	¥ 3,475	¥ 5,927	**$ 109,295**
Reclassification adjustments	**(480)**	(625)	(321)	**(3,994)**
Subtotal, before tax	**12,654**	2,850	5,606	**105,301**
Tax expense	**(3,383)**	(543)	(1,992)	**(28,152)**
Subtotal, net of tax	**9,271**	2,307	3,614	**77,149**
Deferred gains or losses on hedges				
Decrease during the year	**(43)**	—	—	**(358)**
Reclassification adjustments	**(94)**	—	—	**(782)**
Subtotal, before tax	**(137)**	—	—	**(1,140)**
Tax expense	**32**	—	—	**266**
Subtotal, net of tax	**(105)**	—	—	**(874)**
Foreign currency translation adjustments				
Decrease during the year	**2,395**	6,632	6,008	**19,930**
Reclassification adjustments	**—**	—	—	**—**
Subtotal, before tax	**2,395**	6,632	6,008	**19,930**
Tax expense	**—**	—	—	**—**
Subtotal, net of tax	**2,395**	6,632	6,008	**19,930**
Remeasurements of defined benefit plans, net of tax				
Decrease during the year	**5,783**	—	—	**48,123**
Reclassification adjustments	**902**	—	—	**7,507**
Subtotal, before tax	**6,685**	—	—	**55,630**
Tax expense	**(2,314)**	—	—	**(19,257)**
Subtotal, net of tax	**4,371**	—	—	**36,373**
Share of other comprehensive income of associates accounted for using equity method				
Decrease during the year	**48**	25	21	**400**
Reclassification adjustments	**69**	(9)	—	**574**
Subtotal, net of tax	**117**	16	21	**974**
Total other comprehensive income	**¥ 16,049**	¥ 8,955	¥ 9,643	**$ 133,552**

4. FINANCIAL INSTRUMENTS

1. Matters regarding financial instruments

(1) Policy for handling financial instruments

The Companies procure funds necessary for the manufacturing and sales business primarily through borrowings from financial institutions or by issuing corporate bonds based upon the plan and budget for capital investments. In principle, temporary surplus funds are centralized by the Cash Management System (CMS) and invested in highly safe financial assets. In addition, the Companies procure short-term operating capital from financial institutions. Derivative transactions are used to hedge against risks described below, but never for speculative purposes.

(2) Description of financial instruments and inherent risks

Notes and accounts receivable—trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies generated from global business operations are exposed to foreign exchange fluctuation risk. Marketable securities and investment securities, primarily shares of companies with which the Companies maintain business relations, are exposed to the risk of market price fluctuations.

Notes and accounts payable, which are operating payables, are basically settled in the short-term with a deadline set within a year. Operating payables include payables denominated in foreign currencies for importing materials and are exposed to foreign exchange fluctuation risk. However, they remain within the range of the balance of operating receivables denominated in the same foreign currencies. Short-term borrowings are primarily for procuring operating capital and long-term debt, and bonds are issued to obtain necessary funds mainly for capital expenditures. A portion of the long-term debt is exposed to interest rate fluctuation risk, but the effect is limited.

Derivative transactions such as foreign exchange forward contracts, currency options, currency swaps and interest rate swaps are used to hedge against the foreign currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies, investment assets, loans receivable, etc. Since all derivative transactions correspond to assets and liabilities on the balance sheets, foreign exchange fluctuation risk is hedged and the fluctuation risk of market interest rates is rendered insignificant.

(3) Risk management system related to financial instruments

(a) Credit risk management (risk pertaining to breach of contract on the part of business partners)

The Company aims to mitigate credit risk by quickly identifying any concerns about the collection of operating receivables resulting from the deterioration of a business partner's financial position or other factors. Also, each business division periodically reviews the status of our main business partners and regularly monitors deadlines, balances and credit status for each partner. The consolidated subsidiaries also manage operating receivables in accordance with the practices of the Company.

As for debt securities, the credit risk is insignificant since the Company only handles those with high ratings or issued by companies with existing business relations with the Company and whose creditability is verifiable. Further, the Company periodically verifies the financial position of issuers to mitigate risk. Since the counterparties to the derivative transactions are highly creditworthy financial institutions, the Company considers the risk of their breach of contract as almost nil.

The maximum credit risk exposure of financial assets is represented by their carrying amounts on the balance sheet as of March 31, 2015.

(b) Market risk management (foreign exchange and interest rate fluctuation risk)

The Company and some consolidated subsidiaries identify foreign exchange fluctuation risk associated with operating receivables and payables denominated in foreign currencies by currency and by month. Such risk is hedged by using foreign exchange forward contracts, principally up to the amounts to be settled after netting operating payables denominated in foreign currencies. Note that the Company defines the monthly execution limit and the operating standard based upon its Procedures for Foreign Exchange Management and enters into foreign exchange forward contracts within the scope provided by the procedures. Also, the Companies utilize interest rate swaps mainly to reduce procurement costs.

For marketable securities and investment securities, the Company periodically identifies fair values and the financial positions of the issuers (business partner companies). For securities other than held-to-maturity bonds, the Company continuously revises the holding status taking into consideration the business relationship with the business partner companies.

The Financial Department of the Company executes derivative transactions based upon its Transaction Regulations for Derivative Financial Products, which defines the basic policy, the scope of operations, the personnel responsible for execution, the basis for decision making and the management system. Consolidated subsidiaries enter into derivative transactions based upon resolutions passed by their respective bodies upon the Company's approval. The Company ensures an effective internal checking system by segregating the execution function from the monitoring and managing function. Also, the Director of the Company's Financial Department performs evaluations for hedge effectiveness of all derivative transactions entered into by the Companies and reports the results together with a description of the underlying assets and liabilities to the President and the CFO on a monthly basis and periodically to the Board of Directors.

(c) Liquidity risk management relating to fund procurement (risk of non-execution of payments by deadlines)

The Company manages liquidity risk by timely preparing and updating cash flow plans by the Financial Department and by maintaining a liquidity facility, which is the sum of liquidity on hand and commitment lines, in the approximate amount of one month's consolidated net sales. In addition, the Companies mitigate liquidity risk in principle by centralizing the Companies' funds using CMS. Accordingly, the Companies consider that no significant liquidity risk exists.

(4) Supplementary explanation for matters regarding fair value of financial instruments

The fair value of financial instruments is based on market price. If a market price is not available, another valuation method is used. Such methods include variable factors and assumptions, and the results of a valuation may differ depending on which factors and assumptions are used.

The contract amounts related to the derivative transactions shown in "Derivative Transactions" do not indicate the market risks associated with the derivative transactions themselves.

2. Matters regarding the fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2015 (the consolidated accounts settlement date of the year ending March 31, 2015), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 28,020	¥ 28,020	¥ —
(2) Notes and accounts receivable—trade	122,084	122,084	—
(3) Marketable and investment securities			
Available-for-sale securities	51,415	51,398	(17)
(4) Long-term loans receivable	1,413		
Allowance for doubtful receivables (*1)	(0)		
	1,413	1,379	(34)
Total assets	202,932	202,881	(51)
(1) Notes and accounts payable—trade	63,072	63,072	—
(2) Short-term loans payable	55,636	55,636	—
(3) Accounts payable—other	24,912	24,912	—
(4) Bonds payable	10,000	10,634	634
(5) Long-term loans payable	47,274	47,196	(78)
Total liabilities	200,894	201,450	556
Derivative transactions (*2)			
– Hedge accounting applied	(44)	(44)	—
– Hedge accounting not applied	(99)	(99)	—

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2014 (the consolidated accounts settlement date for the year ending March 31, 2014), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 33,804	¥ 33,804	¥ —
(2) Notes and accounts receivable—trade	118,745	118,745	—
(3) Marketable and investment securities			
Available-for-sale securities	38,504	38,115	(389)
(4) Long-term loans receivable	1,303		
Allowance for doubtful receivables (*1)	(0)		
	1,303	1,240	(63)
Total assets	192,356	191,904	(452)
(1) Notes and accounts payable—trade	66,462	66,462	—
(2) Short-term loans payable	49,610	49,610	—
(3) Accounts payable—other	23,902	23,902	—
(4) Bonds payable	15,000	15,718	718
(5) Long-term loans payable	38,445	37,804	(641)
Total liabilities	193,419	193,496	77
Derivative transactions (*2)			
– Hedge accounting applied	—	—	—
– Hedge accounting not applied	(63)	(63)	—

The table below shows the amounts as of March 31, 2015 calculated into U.S. dollars.

Thousands of U.S. dollars (Note 1)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	$ 233,170	$ 233,170	$ —
(2) Notes and accounts receivable - trade	1,015,928	1,015,928	—
(3) Marketable and investment securities			
Available-for-sale securities	427,852	427,711	(141)
(4) Long-term loans receivable	11,758		
Allowance for doubtful receivables (*1)	(0)		
	11,758	11,475	(283)
Total assets	1,688,708	1,688,284	(424)
(1) Notes and accounts payable—trade	524,856	524,856	—
(2) Short-term loans payable	462,977	462,977	—
(3) Accounts payable—other	207,306	207,306	—
(4) Bonds payable	83,215	88,491	5,276
(5) Long-term loans payable	393,393	392,744	(649)
Total liabilities	1,671,747	1,676,374	4,627
Derivative transactions (*2)			
– Hedge accounting applied	(366)	(366)	—
– Hedge accounting not applied	(824)	(824)	—

(*1) The amount of allowance for doubtful accounts, which is recorded for each long-term loan receivable, is excluded.

(*2) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

Note 1.

Matters regarding the determination of fair value for financial instruments, marketable securities and derivative transactions

Assets

(1) Cash and cash equivalents

The fair value of time deposits approximates book value because of their short-term nature. Thus, the book value is used as the fair value.

(2) Notes and accounts receivable—trade

The fair value of notes and accounts receivable—trade settled in a short period of time approximates book value. Therefore, the book value is used as the fair value. The fair value of long-term notes and accounts receivable—trade is based on the present value calculated by discounting receivable amounts classified by certain periods at a rate that takes into account the time to maturity and credit risk.

(3) Marketable and investment securities

The fair value of equity securities is measured by market prices on exchanges. The fair value of debt securities is based on market prices on exchanges or by prices obtained from financial institutions. Debt securities without available market prices are measured at present value by discounting future cash flows generated by the financial assets. Refer to "Securities" for matters regarding securities classified by the purpose for which they are held.

(4) Long-term loans receivable

The fair value of long-term loans receivable is measured at the present value of future cash flows classified by the length of term and by risk category, according to the Company's credit risk management, at a rate with credit spread added to appropriate indices such as JGB yields. The fair value of borrowings with special concern is measured at the amounts deemed collectable because of the existence of collateral and/or guarantees.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Accounts payable—other

The fair value of notes and accounts payable—trade, short-term loans payable and accounts payable—other approximate book value because they are mostly settled in a short period of time. As a result, the book value is used as the fair value. When it cannot be determined whether or not the settlement is made in a short period of time, the fair value is measured at the present value of future cash flows classified by a certain period at a rate that takes into account the time to maturity and credit risk.

(4) Bonds payable

The fair value of bonds payable issued by the Company is measured based on the market price.

(5) Long-term loans payable

The fair value of long-term loans payable is measured at the present value calculated by discounting the total amount of principle and interest at an interest rate for similar new borrowings.

Derivative transactions

Refer to Note 6, "Derivative financial instruments and hedging transactions."

Note 2.

Financial instruments whose fair values are deemed extremely difficult to assess

Type	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Unlisted equity securities	**¥ 10,300**	¥ 10,302	**$ 85,712**

The financial instruments shown above are not included in the tables in "(3) Marketable securities and investment securities" because their market prices were not available and their fair values were deemed extremely difficult to assess.

Note 3.

Redemption schedules after the consolidated balance sheet date for monetary receivables and securities with maturity dates

	Millions of yen			
	2015			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	**¥ 28,020**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable—trade	**122,084**	**—**	**—**	**—**
Long-term loans receivable	**43**	**527**	**462**	**381**
Total	**¥ 150,147**	**¥ 527**	**¥ 462**	**¥ 381**

	Millions of yen			
	2014			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 33,804	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	118,745	—	—	—
Long-term loans receivable	39	318	469	477
Total	¥ 152,588	¥ 318	¥ 469	¥ 477

	Thousands of U.S. dollars (Note 1)			
	2015			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	**$ 233,170**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable—trade	**1,015,928**	**—**	**—**	**—**
Long-term loans receivable	**358**	**4,385**	**3,845**	**3,170**
Total	**$ 1,249,456**	**$ 4,385**	**$ 3,845**	**$ 3,170**

Note 4.

Maturity schedules after the consolidated balance sheet date for bonds and long-term debt

Refer to Note 11, "Short-term loans payable and long-term debt."

5. SECURITIES

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2015:

Securities with book value exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2015			**2015**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥ 18,065**	**¥ 47,236**	**¥ 29,171**	**$ 150,329**	**$ 393,076**	**$ 242,747**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 18,065	**¥ 47,236**	**¥ 29,171**	**$ 150,329**	**$ 393,076**	**$ 242,747**

Securities with book value not exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2015			**2015**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥ 2,539**	**¥ 1,931**	**¥ (608)**	**$ 21,128**	**$ 16,069**	**$ (5,059)**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 2,539	**¥ 1,931**	**¥ (608)**	**$ 21,128**	**$ 16,069**	**$ (5,059)**

The following table summarizes sales of available-for-sale securities as of March 31, 2015:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2015			**2015**		
	Sales	Gain on sales	Loss on sales	Sales	Gain on sales	Loss on sales
Equity securities	**¥ 719**	**¥ 493**	**¥ —**	**$ 5,983**	**$ 4,103**	**$ —**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 719	**¥ 493**	**¥ —**	**$ 5,983**	**$ 4,103**	**$ —**

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2014:

Securities with book value exceeding acquisition cost:

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥ 16,399	¥ 32,980	¥ 16,581
Bonds	—	—	—
	¥ 16,399	¥ 32,980	¥ 16,581

Securities with book value not exceeding acquisition cost:

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,989	¥ 3,313	¥ (676)
Bonds	—	—	—
	¥ 3,989	¥ 3,313	¥ (676)

The following table summarizes sales of available-for-sale securities as of March 31, 2014:

	Millions of yen		
	2014		
	Sales	Gain on sales	Loss on sales
Equity securities	¥ 2,060	¥ 783	¥ (25)
Bonds	—	—	—
	¥ 2,060	¥ 783	¥ (25)

6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedge accounting was not applied as of March 31, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Writing U.S. dollar	¥ 1,555	¥ (6)	$ 12,940	$ (50)
Writing pound sterling	87	(1)	724	(8)
Currency swaps	2,662	(65)	22,152	(541)

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay fixed and receive floating	¥ 2,403	¥ (27)	$ 19,997	$ (225)

Derivative transactions to which hedge accounting was applied as of March 31, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Currency swaps				
Pay euro and receive ringgit Malaysia	¥ 940	¥ (46)	$ 7,822	$ (383)
Pay U.S. dollars and receive ringgit Malaysia	3,845	2	31,996	17

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay floating and receive fixed	¥ 3,000	(*)	$ 24,965	(*)
Pay fixed and receive floating	18	(*)	150	(*)

Derivative transactions to which hedge accounting was not applied as of March 31, 2014 were as follows:

	Millions of yen	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Writing U.S. dollar	¥ 1,332	¥ (5)
Writing pound sterling	240	1
Currency swaps	2,190	(46)

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay fixed and receive floating	¥ 2,058	¥ (12)

Derivative transactions to which hedge accounting was applied as of March 31, 2014 were as follows:

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay floating and receive fixed	¥ 3,000	(*)
Pay fixed and receive floating	97	(*)

(*) Because interest rate swaps are processed with loans payable, the fair value is included in the fair value of the loans payable (Note 4).

7. INVENTORIES

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Merchandise and finished goods	**¥ 51,610**	¥ 51,333	**$ 429,475**
Work-in-process	**9,517**	8,775	**79,196**
Raw materials and supplies	**30,058**	28,308	**250,129**
	¥ 91,185	¥ 88,416	**$ 758,800**

8. RETIREMENT BENEFIT EXPENSES

Since the number of employees exceeded 300 after the merger between consolidated subsidiaries, the newly formed consolidated subsidiary changed its calculation method for retirement benefit obligations to the principle method from the simplified method. The Companies recognized the difference resulting from the change in calculation method as retirement benefit expense for the year ended March 31, 2014.

9. RESTRUCTURING CHARGES

The Companies recognized restructuring charges in other expenses for the year ended March 31, 2014.

(1) ¥3,194 million of loss on valuation of inventories.

(2) ¥5,927 million of impairment loss on noncurrent assets.

Location	Use	Type
Toyooka, Hyogo	Business assets (production facility for thin-film silicon solar panel)	Machinery, equipment, vehicles, etc.

The Companies groups its assets mainly according to business units.

Because profitability worsened, the book value of the production facilities for thin-film silicon solar panel was written down to its recoverable value, and the Companies posted an impairment loss of ¥5,927 million. Of this amount, machinery, equipment and vehicles accounted for ¥5,690 million.

The recoverable value of the above asset groups were estimated by net sales values based mainly on appraisal values determined by real property appraisers.

10. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 35.59% for the year ended March 31, 2015 and approximately 37.96% for the years ended March 31, 2014 and 2013 .

The significant differences between the statutory and effective tax rate for the years ended March 31, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Statutory tax rate	This information is not required as the differences between the statutory tax rates and the Companies' effective tax rates are not more than 5% of the statutory tax rates.	37.96%	This information is not required as the differences between the statutory tax rates and the Companies' effective tax rates are not more than 5% of the statutory tax rates.
Change in valuation allowance		(16.20%)	
Permanently non-taxable income		(12.16%)	
Elimination of dividends on consolidation		9.62%	
Tax credits primarily for research and development expenses		(15.11%)	
Adjustment of deferred tax assets by the changes of tax rate		2.87%	
Other		1.68%	
Effective tax rate		8.66%	

Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 5,559	¥ 6,895	$ 46,259
Tax loss carryforwards	5,029	5,089	41,849
Loss on valuation of investment securities	895	999	7,448
Excess bonuses accrued	1,645	1,751	13,689
Impairment loss on noncurrent assets	4,349	4,974	36,190
Valuation difference on available-for-sale securities	213	252	1,772
Other	8,557	7,666	71,209
Subtotal	26,247	27,626	218,416
Valuation allowance	(6,243)	(3,335)	(51,952)
Total deferred tax assets	20,004	24,291	166,464
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	8,758	5,416	72,880
Other	5,493	5,364	45,710
Total deferred tax liabilities	14,251	10,780	118,590
Net deferred tax assets (liabilities)	¥ 5,753	¥ 13,511	$ 47,874

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:
On March 31, 2014, amendments to the Japanese tax regulations were enacted. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 37.96% to 35.59% for years beginning on or after April 1, 2014. Due to this change in the statutory income tax rate, net deferred tax assets decreased by ¥448 million and deferred income tax expense increased by the same amount.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 were changed for the fiscal year ended March 31, 2015 from 35.59% to 33.02% and 32.22%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) increased by ¥21 million ($175 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥935 million ($7,781 thousand), evaluation differences of other securities increased by ¥892 million ($7,423 thousand) and accumulated adjustments for employee retirement benefits increased by ¥64 million ($533 thousand).

11. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable are generally unsecured notes for three months with average interest rates of 0.70% and 1.15% at March 31, 2015 and 2014, respectively. Such borrowings are generally renewable at maturity.

Long-term loans payable and bonds payable at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Secured:			
Loans principally from banks and insurance companies at interest rates from 0.05% to 5.42% in 2015 and 2014, maturing serially through 2019	¥ 613	¥ 1,266	$ 5,101
Unsecured:			
Loans from banks and insurance companies at interest rates from 0.05% to 4.32% in 2015 and 2014, maturing serially through 2033	56,346	42,217	468,886
Bonds at interest rate of 0.86%, due September 16, 2014	—	5,000	—
Bonds at interest rate of 1.67%, due September 13, 2019	10,000	10,000	83,215
	66,959	58,483	557,202
Less amounts due within one year	9,685	10,038	80,594
	¥ 57,274	¥ 48,445	$ 476,608

At March 31, 2015, assets pledged as collateral for secured long-term loans payable, short-term loans payable and trade payables totaling ¥1,702 million ($14,163 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Property, plant and equipment, net	¥ 6,621	$ 55,096
Land	1,625	13,523
Investment securities and intangible assets	64	533
	¥ 8,310	$ 69,152

The aggregate annual maturities of long-term loans payable and bonds payable were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥ 9,685	$ 80,594
2017	6,235	51,885
2018	9,111	75,818
2019	8,410	69,984
2020	10,481	87,218
2021 and thereafter	23,037	191,703
	¥ 66,959	$ 557,202

12. PROVISION FOR RETIREMENT BENEFITS

Defined benefit plans

(1) Movement in retirement benefit obligations, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	¥ 85,343	¥ 84,219	$ 710,186
Cumulative effects of changes in accounting policies	5,144	—	42,806
Restated balance	90,487	84,219	752,992
Service cost	2,963	2,885	24,657
Interest cost	1,514	1,277	12,599
Actuarial loss (gain)	(573)	(724)	(4,768)
Benefits paid	(3,158)	(3,586)	(26,279)
Other	1,490	1,272	12,398
Balance at the end of year	¥ 92,723	¥ 85,343	$ 771,599

(2) Movements in plan assets, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	¥ 68,875	¥ 61,252	$ 573,146
Expected return on plan asset	1,157	919	9,628
Actuarial loss (gain)	5,210	3,909	43,355
Contributions paid by the employer	5,217	5,095	43,413
Benefits paid	(2,288)	(2,300)	(19,039)
Balance at the end of year	¥ 78,171	¥ 68,875	$ 650,503

(3) Movement in liability for retirement benefits of defined benefit plan applying the simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	¥ 3,945	¥ 4,384	$ 32,828
Retirement benefit cost	346	579	2,879
Benefits paid	(253)	(232)	(2,105)
Other	(1,384)	(786)	(11,518)
Balance at the end of year	¥ 2,654	¥ 3,945	$ 22,084

(4) Reconciliation from retirement benefit obligations and plan assets to liability and asset for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded retirement benefit obligation	¥ 70,039	¥ 67,925	$ 582,832
Plan asset	(78,171)	(68,875)	(650,503)
	(8,132)	(950)	(67,671)
Unfunded retirement benefit obligations	25,338	21,363	210,851
Total net liability (asset) for retirement benefits	17,206	20,413	143,180
Liability for retirement benefits	25,338	21,363	210,851
Asset for retirement benefits	(8,132)	(950)	(67,671)
Total net liability (asset) for retirement benefits	¥ 17,206	¥ 20,413	$ 143,180

(5) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Service cost	¥ 2,963	¥ 2,885	¥ 3,501	$ 24,657
Interest cost	1,514	1,277	1,556	12,599
Expected return on plan assets	(1,157)	(919)	(1,051)	(9,628)
Net actuarial loss amortization	902	1,573	1,874	7,507
Other	344	942	—	2,861
	¥ 4,566	¥ 5,758	¥ 5,880	$ 37,996

(6) Remeasurements for retirement benefits

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
Actuarial gains and losses	¥ 6,685	¥ —	¥ —	$ 55,630

(7) Accumulated remeasurements for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial gains and losses that are yet to be recognized	¥ (1,688)	¥ 4,996	$ (14,047)

(8) Plan assets

1. Plan assets comprise:

	2015	2014
Bonds	52%	51%
Equity securities	29%	29%
General account	15%	16%
Other	4%	4%
	100%	100%

2. Long-term expected rate of return
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions
The principal actuarial assumptions

	2015	2014	2013
Discount rate	**1.28% – 3.64%**	1.5%	1.5%
Long-term expected rate of return	**1.68%**	1.5%	1.5%

Defined contribution plans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
The amount of contributions to the defined contribution plan	**¥ 500**	¥ 433	**$ 4,161**

13. CONTINGENT LIABILITIES

At March 31, 2015 and 2014, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Notes discounted	**¥ 242**	¥ 202	**$ 2,014**
Guarantees	**281**	269	**2,338**
Letters of awareness	**257**	309	**2,139**
	¥ 780	¥ 780	**$ 6,491**

14. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of legal earnings reserve and additional paid-in capital must be set aside as legal earnings reserve or additional paid-in capital. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

On May 14, 2015, the Board of Directors authorized cash dividends to shareholders of record at March 31, 2015 on the shares of stock then outstanding at the rate of ¥8.0 ($0.07) per share or a total of ¥2,680 million ($22,302 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

15. STOCK OPTIONS

The Company has implemented a stock option plan by which subscription rights to shares were granted to directors of the Company.

The following table summarizes the Company's stock option plan:

	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Category and number of people granted stock options	Company directors, 10	Company directors, 10	Company directors, 12	Company directors, 12	Company directors, 13	Company directors, 12	Company directors, 13	Company directors, 13
Number of stock options granted by category of stock	75,000 shares of common stock	65,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	57,000 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision	No provision	No provision	No provision	No provision
Exercise period	From August 12, 2014 through August 11, 2039 (*)	From August 10, 2013 through August 9, 2038 (*)	From August 10, 2012 through August 9, 2037 (*)	From August 11, 2011 through August 10, 2036 (*)	From August 11, 2010 through August 10, 2035 (*)	From August 12, 2009 through August 11, 2034 (*)	From August 12, 2008 through August 11, 2033 (*)	From September 11, 2007 through September 10, 2032 (*)

(*) If a holder of subscription rights to shares loses his/her position as Company director during the above stated exercise period, the holder may exercise those rights only within the 10-day period beginning the day after losing such position.

The following table summarizes the movements and prices of subscription rights to shares:

	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Beginning of term	—	65,000	53,000	51,000	40,000	34,000	30,000	6,000
Vested	75,000	—	—	—	—	—	—	—
Exercised	—	15,000	14,000	14,000	11,000	12,000	10,000	3,000
Expired or forfeited	—	—	—	—	—	—	—	—
Unexercised balance	75,000	50,000	39,000	37,000	29,000	22,000	20,000	3,000
Exercise price (yen)	1	1	1	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	634	634	634	634	634	634	634
Fair value per stock at the date granted (yen)	502	558	363	412	456	622	600	883
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	5.28	5.28	5.28	5.28	5.28	5.28	5.28
Fair value per stock at the date granted (USD)	4.18	4.64	3.02	3.43	3.79	5.18	4.99	7.35

Expenses relating to stock options were included in selling, general and administrative expenses and amounted to ¥38 million ($316 thousand), ¥36 million and ¥27 million for the years ended March 31, 2015, 2014 and 2013, respectively.

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions:

	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013
Expected volatility	29.71%	31.46%
Expected holding period	6 years	5 years
Expected dividend	16 yen	16 yen
Risk free interest rate	0.179%	0.288%

16. SEGMENT INFORMATION

1) Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

Technology is the common foundation of all the Company's operations. These operations are divided into segments by product and service type, application and market similarity. Each segment develops its operations in accordance with a global group strategy for the Company's products and services that has unified subsidiaries in Japan and overseas.

Accordingly, the Company has categorized its operations by products and services, based on its business divisions. The corresponding seven reporting segments are Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others. The Company establishes or abolishes business divisions as needed in order to facilitate a swift and flexible response to changes in the business environment. Accordingly, when determining reporting segments, the Company gives emphasis to continuity over a considerable period.

In the Chemicals segment, the Kaneka Group manufactures and sells products with a broad range of applications, from daily-use products to industrial materials, such as high-value-added specialty PVC resins and other PVC resins. In the Functional Plastics segment, the Group manufactures polymers that have been functionally modified for such qualities as superior heat resistance, weather resistance, flame resistance and elasticity. The resins it produces with these augmented functions are sold to the construction, automotive, home electronics and communication equipment industries. In the Expandable Plastics and Products segment, the Group manufactures and sells cushioning materials for electrical products, shock-absorbing materials for automotive and fishery applications, and expandable plastics and products used in housing insulation. In the Foodstuffs Products segment, the Group produces mainly bakery yeast and margarine for sale to commercial confectioneries, bakeries and others in the food products industry. In Life Science Products, the Group has leveraged its expertise in fermentation and high-polymer technologies into pharmaceutical intermediates (bulk and intermediate pharmaceuticals), functional foodstuffs, and catheters and other medical devices, which it manufactures and sells to medical product manufacturers and medical institutions. In the Electronic Products segment, the Group manufactures and sells highly functional films for electronic equipment manufacturers, as well as solar cells. In the Synthetic Fibers and Others segment, the Group is mainly involved in the production and sale of synthetic fibers used in wigs, apparel and other applications.

2) Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

Accounting treatment and procedures for reported business segments are the same as those shown in the "Notes to the Consolidated Financial Statements."

As a result of the Company's review of its organizational and management framework, from the beginning of the fiscal year ended March 31, 2015, the Company has revised its method of displaying mega solar-related business information. This information, that used to be displayed in the Synthetic Fibers and Others segment, has now been included in the Electronics Products segment. Furthermore, the Company has changed the divisions of a subsidiary and as a result, their reporting segment has been revised from Electronics Products to Chemicals.

Segment information for the fiscal year ended March 31, 2014 has been prepared based on the revised classification method for reporting segments.

3) Segment Information by Business Category

Millions of yen

	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
Sales										
Customers	¥ 110,716	¥ 95,388	¥ 65,759	¥ 139,729	¥ 53,399	¥ 43,062	¥ 44,136	¥ 552,189	¥ —	¥ 552,189
Intersegment	1,267	626	157	1	62	440	1,212	3,765	(3,765)	—
Total	111,983	96,014	65,916	139,730	53,461	43,502	45,348	555,954	(3,765)	552,189
Segment profit/loss	2,927	11,293	4,431	1,807	9,342	(954)	12,131	40,977	(16,342)	24,635
Segment assets	108,198	74,369	50,296	79,991	67,692	73,485	28,906	482,937	75,026	557,963
Other Items										
Depreciation	4,421	2,939	2,064	2,302	2,912	4,360	2,420	21,418	2,091	23,509
Amortization of goodwill	—	37	—	—	473	—	—	510	—	510
Investment in equity method affiliates	—	2,247	1,702	—	—	—	—	3,949	—	3,949
Increase in assets	10,577	3,350	3,004	2,817	3,255	5,670	13,903	42,576	3,002	45,578

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	¥ 107,353	¥ 86,289	¥ 66,483	¥ 134,252	¥ 47,424	¥ 44,382	¥ 38,602	¥ 524,785	¥ —	¥ 524,785
Intersegment	1,801	749	243	1	3	569	1,881	5,247	(5,247)	—
Total	109,154	87,038	66,726	134,253	47,427	44,951	40,483	530,032	(5,247)	524,785
Segment profit/loss	2,582	9,269	4,251	5,026	7,780	938	8,463	38,309	(13,487)	24,822
Segment assets	98,066	70,482	49,641	73,202	65,254	70,737	22,570	449,952	70,171	520,123
Other Items										
Depreciation	3,528	2,659	1,740	1,989	2,585	4,457	2,070	19,028	1,401	20,429
Amortization of goodwill	—	36	—	—	428	—	—	464	—	464
Investment in equity method affiliates	—	2,211	1,547	—	—	—	—	3,758	—	3,758
Increase in assets	8,160	3,502	2,917	3,059	2,544	16,112	4,050	40,344	1,627	41,971

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

2013	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	¥ 94,795	¥ 70,861	¥ 58,144	¥ 132,223	¥ 47,132	¥ 41,530	¥ 31,778	¥ 476,463	¥ —	¥ 476,463
Intersegment	1,154	645	148	1	203	648	1,538	4,337	(4,337)	—
Total	95,949	71,506	58,292	132,224	47,335	42,178	33,316	480,800	(4,337)	476,463
Segment profit/loss	4,385	6,205	3,975	5,293	9,645	(4,007)	4,408	29,904	(14,094)	15,810
Segment assets	85,096	58,402	46,616	71,076	62,851	69,642	21,105	414,788	69,669	484,457
Other Items										
Depreciation	5,429	3,469	2,424	3,009	2,840	6,659	2,778	26,608	2,388	28,996
Amortization of goodwill	—	29	—	—	270	—	—	299	—	299
Investment in equity method affiliates	—	2,102	1,420	—	—	—	—	3,522	—	3,522
Increase in assets	5,709	2,569	2,879	3,957	2,436	5,916	2,397	25,863	4,061	29,924

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Thousands of U.S. dollars (Note 1)

2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	**$ 921,329**	**$ 793,776**	**$ 547,216**	**$1,162,761**	**$ 444,362**	**$ 358,342**	**$ 367,279**	**$4,595,065**	**$ —**	**$4,595,065**
Intersegment	**10,543**	**5,209**	**1,307**	**8**	**516**	**3,662**	**10,086**	**31,331**	**(31,331)**	**—**
Total	**931,872**	**798,985**	**548,523**	**1,162,769**	**444,878**	**362,004**	**377,365**	**4,626,396**	**(31,331)**	**4,595,065**
Segment profit/loss	**24,357**	**93,975**	**36,873**	**15,037**	**77,740**	**(7,939)**	**100,949**	**340,992**	**(135,991)**	**205,001**
Segment assets	**900,374**	**618,865**	**418,540**	**665,649**	**563,302**	**611,509**	**240,543**	**4,018,782**	**624,332**	**4,643,114**
Other Items										
Depreciation	**36,790**	**24,457**	**17,176**	**19,156**	**24,232**	**36,282**	**20,138**	**178,231**	**17,403**	**195,634**
Amortization of goodwill	**—**	**308**	**—**	**—**	**3,936**	**—**	**—**	**4,244**	**—**	**4,244**
Investment in equity method affiliates	**—**	**18,699**	**14,163**	**—**	**—**	**—**	**—**	**32,862**	**—**	**32,862**
Increase in assets	**88,017**	**27,877**	**24,998**	**23,442**	**27,087**	**47,185**	**115,692**	**354,298**	**24,981**	**379,279**

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

4) Reconciliation Between Segment Total and Consolidated Statements of Income (Adjustments)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Income				
Segment total	**¥ 40,977**	¥ 38,309	¥ 29,904	**$ 340,992**
Elimination of intersegment transactions	**(1)**	6	(22)	**(8)**
Companywide expenses (Note)	**(16,336)**	(13,559)	(14,023)	**(135,941)**
Other adjustments	**(5)**	66	(49)	**(42)**
Operating income in the quarterly consolidated statements of income	**¥ 24,635**	¥ 24,822	¥ 15,810	**$ 205,001**

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Assets				
Segment total	**¥ 482,937**	¥ 449,952	¥ 414,788	**$ 4,018,782**
Elimination of intersegment transactions	**(12,431)**	(10,301)	(6,879)	**(103,445)**
Companywide assets (Note)	**87,306**	79,584	75,468	**726,521**
Other adjustments	**151**	888	1,080	**1,256**
Total assets in the quarterly consolidated statements of income	**¥ 557,963**	¥ 520,123	¥ 484,457	**$ 4,643,114**

(Note) Companywide assets are working capital, investment securities and land that are not allocable to any reporting segment.

	Segment total			Other			Adjustments			Consolidated (Millions of yen)		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Other Items												
Depreciation	**¥ 21,418**	¥ 19,028	¥ 26,608	**¥ 2,091**	¥ 1,401	¥ 2,388	**¥ —**	¥ —	¥ —	**¥ 23,509**	¥ 20,429	¥ 28,996
Increase in assets	**42,576**	40,344	25,863	**3,002**	1,627	4,061	**—**	—	—	**45,578**	41,971	29,924

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

	Segment total	Other	Adjustments	Consolidated
	Thousands of U.S. dollars (Note 1)			
	2015	**2015**	**2015**	**2015**
Other Items				
Depreciation	**$ 178,231**	**$ 17,403**	**$ —**	**$ 195,634**
Increase in assets	**354,298**	**24,981**	**—**	**379,279**

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

(Related Information)

Related information at March 31, 2015 and 2014 consisted of the following:

1) Information by Product and Service

No information is reported because product and service classifications are the same as the reporting segment classifications.

2) Geographic Area

(1) Sales

2015 (Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
¥ 341,124	**¥ 87,822**	**¥ 43,478**	**¥ 54,628**	**¥ 25,137**	**¥ 552,189**

2014 (Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
¥ 335,554	¥ 83,744	¥ 35,939	¥ 48,346	¥ 21,202	¥ 524,785

2015 (Thousands of U.S. dollars (Note 1))

Japan	Asia	North America	Europe	Other areas	Total
$ 2,838,679	**$ 730,815**	**$ 361,804**	**$ 454,589**	**$ 209,178**	**$ 4,595,065**

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

(2) Property, plant and equipment

2015					Millions of yen
	Japan	Asia	North America	Europe	Total
	¥ 147,415	**¥ 31,021**	**¥ 21,572**	**¥ 7,581**	**¥ 207,589**

2014					Millions of yen
	Japan	Asia	North America	Europe	Total
	¥ 136,066	¥ 24,000	¥ 17,119	¥ 7,059	¥ 184,244

2015					Thousands of U.S. dollars (Note 1)
	Japan	Asia	North America	Europe	Total
	$ 1,226,720	**$ 258,143**	**$ 179,512**	**$ 63,086**	**$ 1,727,461**

3) Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

(Information on Impairment Loss on Fixed Assets by Reporting Segment)

Information on impairment loss on fixed assets by reporting segment at March 31, 2015 and 2014 consisted of the following:

										Millions of yen
	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

										Millions of yen
	Segment Information									
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	¥ —	¥ —	¥ —	¥ —	¥ —	¥5,927	¥ —	¥5,927	¥ —	¥5,927

										Thousands of U.S. dollars (Note 1)
	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)

Information on amortization of goodwill and unamortized balances by reporting segment at March 31, 2015 and 2014 consisted of the following:

Millions of yen

	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	**¥ —**	**¥ 37**	**¥ —**	**¥ —**	**¥ 473**	**¥ —**	**¥ —**	**¥ 510**	**¥ —**	**¥ 510**
Balance	**—**	**224**	**—**	**—**	**4,478**	**—**	**—**	**4,702**	**—**	**4,702**

Millions of yen

	Segment Information									
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	¥ —	¥ 36	¥ —	¥ —	¥ 428	¥ —	¥ —	¥ 464	¥ —	¥ 464
Balance	—	282	—	—	5,105	—	—	5,387	—	5,387
(Negative goodwill)										
Amortization	152	—	—	56	—	—	—	208	—	208
Balance	—	—	—		—	—	—	—	—	—

Thousands of U.S. dollars (Note 1)

	Segment Information									
2015	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	**$ —**	**$ 308**	**$ —**	**$ —**	**$ 3,936**	**$ —**	**$ —**	**$ 4,244**	**$ —**	**$ 4,244**
Balance	**—**	**1,864**	**—**	**—**	**37,264**	**—**	**—**	**39,128**	**—**	**39,128**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kaneka Corporation:

We have audited the accompanying consolidated financial statements of Kaneka Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2015 , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kaneka Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended March 31, 2015, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. From the year ended March 31, 2014, the Company, consolidated domestic subsidiaries and some consolidated overseas subsidiaries, changed the depreciation method of property, plant and equipment, excluding some categories.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August,11, 2015
Osaka, Japan

GLOBAL NETWORK

● Major Overseas Consolidated Subsidiaries
● Major Overseas Non-Consolidated Subsidiaries
■ Major Domestic Consolidated Subsidiaries
▲ Equity Method Affiliates

EUROPE

● **Kaneka Belgium N.V. <Belgium>**
Sales and manufacture of functional plastics and expandable plastics and products, and sales of solar cells

● **Kaneka Pharma Europe N.V. <Belgium>**
Sales of functional foodstuffs and medical devices

● **Eurogentec S.A. <Belgium>**
Sales and manufacture of biopharmaceuticals, diagnostic and biotech products

● **Kaneka Modifiers Deutschland GmbH <Germany>**
Manufacture of functional plastics

AMERICA

● **Kaneka Americas Holding, Inc. <U.S.A.>**
Operating headquarters in the Americas

● **Kaneka North America LLC <U.S.A.>**
Sales and manufacture of specialty PVC resins, functional plastics, electronic products and functional foodstuffs

● **Kaneka Pharma America LLC <U.S.A.>**
Sales of medical devices

● **Kaneka South America Representative Ltd. <Brazil>**
Promotion of Kaneka-affiliated product sales, market survey activities and provision of technical services.

ASIA OUTSIDE OF JAPAN / OCEANIA

● **Kaneka (Malaysia) Sdn. Bhd. <Malaysia>**
Sales and manufacture of functional plastics

● **Kaneka Paste Polymers Sdn. Bhd. <Malaysia>**
Sales and manufacture of specialty PVC resins

● **Kaneka Eperan Sdn. Bhd. <Malaysia>**

● **Kaneka Eperan (Suzhou) Co., Ltd. <P.R. China>**

● **Kaneka (Foshan) High Performance Materials Co., Ltd. <P.R. China>**
Sales and manufacture of expandable plastics and products

● **Kaneka Singapore Co. (Pte) Ltd. <Singapore>**
Sales and manufacture of pharmaceutical intermediates

● **HiHua Fiber Co., Ltd. <P.R. China>**

● **Kaneka Innovative Fibers Sdn. Bhd. <Malaysia>**
Sales and manufacture of synthetic fibers

● **Kaneka Trading (Shanghai) Co., Ltd. <P.R. China>**
Market research, sales activities and technical service centers

● **Kaneka Asia Co., Ltd. <P.R. China>**
Operating headquarters in Asia

● **Kaneka Apical Malaysia Sdn. Bhd. <Malaysia>**
Sales and manufacture of electronic products

● **PT. Kaneka Foods Indonesia <Indonesia>**

● **TGA Pastry Company Pty Ltd. <Australia>**
Sales and manufacture of foodstuffs products

● **Kaneka Pharma Vietnam Co., Ltd. <Vietnam>**
Manufacture of medical devices

● **Kaneka India Pvt. Ltd. <India>**
Market survey and sales support activities

● **Kaneka Taiwan Corporation <Taiwan>**
Sales activity and market research

● **Kaneka Korea Corporation <South Korea>**
Market research, sales and business support activities

JAPAN

■ **Kaneka Hokkaido Styrol Co., Ltd.**
■ **Kaneka Tohoku Styrol Co., Ltd.**
■ **Kaneka Kanto Styrol Co., Ltd.**
■ **Kaneka Chubu Styrol Co., Ltd.**
■ **Kaneka Nishinippon Styrol Co., Ltd.**
■ **Sanwa Kasei Kogyo Co., Ltd.**
■ **Hokkaido Kanelite Co., Ltd.**
■ **Kyushu Kanelite Co., Ltd.**
Manufacture of expandable plastics and products

■ **Kaneka Foods Manufacturing Corporation**
■ **Tokyo Kaneka Foods Manufacturing Corporation**
Manufacture of oils and fats

■ **Kaneka Solartech Corporation**
Manufacture of solar cells

■ **Tochigi Kaneka Corporation**
Manufacture of electronic products

■ **Kaneka Foam Plastics Co., Ltd.**
■ **Hane Co., Ltd.**
Sales of expandable plastics and products

■ **Kaneka Kentech Co., Ltd.**
Sales of construction materials

■ **Kaneka Foods Corporation**
Sales of foodstuffs products

■ **Kaneka Solar Marketing Co., Ltd.**
Sales of solar cells

■ **Tatsuta Chemical Co., Ltd.**
Sales and manufacture of PVC products

■ **Showa Kaseikogyo Co., Ltd.**
Sales and manufacture of PVC compounds

■ **Kanto Styrene Co., Ltd.**
■ **Kochi Styrol Co., Ltd.**
■ **Tamai Kasei Co., Ltd.**
Sales and manufacture of expandable plastics and products

■ **Kaneka Sun Spice Corporation**
Sales and manufacture of spices

■ **Taiyo Yushi Corporation**
Sales and manufacture of oils and fats

■ **Shinka Shokuhin Co., Ltd.**
■ **Nagashima Shokuhin Co., Ltd.**
Sales and manufacture of foodstuffs products

■ **Sanvic Inc.**
■ **Vienex Corporation**
Sales and manufacture of electronic products

■ **SC Housing System Corporation**
Architectural construction method licensing and sales of construction materials

■ **Kaneka Medix Corporation**
Sales and manufacture of medical devices

■ **RIVER Co., Ltd.**
Manufacture of medical devices

■ **Osaka Synthetic Chemical Laboratories, Inc.**
Sales and manufacture of pharmaceuticals

■ **Your Health Care Co., Ltd.**
Sales of functional foodstuffs

■ **Kaneka Takasago Service Center Co., Ltd.**
Providing services related to Takasago Plant

■ **OLED Aomori Co., Ltd.**
Manufacture and development of organic EL light-emitting devices

■ **Kaneka Hoken Center Co., Ltd.**
Property and casualty insurance, life insurance and travel agency

▲ **Ibidenjushi Co., Ltd.**
▲ **EPE Co., Ltd.**
Sales and manufacture of expandable plastics and products

▲ **Cemedine Co., Ltd.**
Processing and sales of functional plastics

CORPORATE DATA

KANEKA CORPORATION

OFFICES

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Telephone: +81-3-5574-8000
Facsimile: +81-3-5574-8121

DATE OF ESTABLISHMENT

September 1, 1949

NUMBER OF EMPLOYEES (as of March 31, 2015)

3,344 (Kaneka Corporation)
8,529 (including consolidated subsidiaries)

PLANTS

Takasago: Takasago, Hyogo
Osaka: Settsu, Osaka
Shiga: Otsu, Shiga
Kashima: Kamisu, Ibaraki

RESEARCH INSTITUTES

Frontier Materials Development Laboratories
Medical Device Development Laboratories
Biotechnology Development Laboratories
Photovoltaic & Thin Film Device Research Laboratories
Molding & Processing Development Center
Thin Film Process Technology Development Center
Process Technology Laboratories

Please refer to the Kaneka Group CSR report 2015 for information on Kaneka's CSR activities.
http://www.kaneka.co.jp/kaneka-e/csr/index.html

INVESTOR INFORMATION (as of March 31, 2015)

COMMON STOCK TRADED

Tokyo, Nagoya

TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch

3-6-3, Fushimimachi, Chuo-ku, Osaka 541-8502

ACCOUNTING AUDITOR

KPMG AZSA LLC

Ginsen Bingomachi Bldg. 3-6-5, Kawaramachi,
Chuo-ku, Osaka 541-0048, Japan

AUTHORIZED CAPITAL

750,000,000 shares

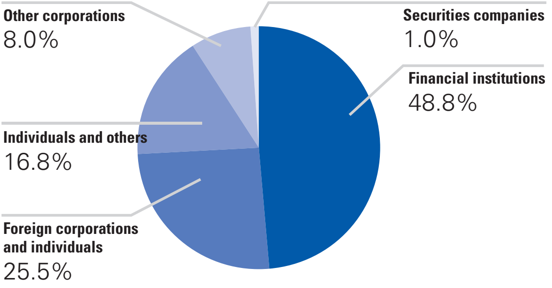
ISSUED SHARES

350,000,000 shares

NUMBER OF SHAREHOLDERS

18,197

DISTRIBUTION OF STOCKHOLDERS



COMMON STOCK PRICE RANGE (Tokyo Stock Exchange: in yen)

Fiscal Year	2011	2012	2013	2014	**2015**
High	623	601	567	710	**898**
Low	420	397	370	495	**558**

KANEKA CORPORATION
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