Financial Results for the Fiscal Year Ended March 2014
(Japanese GAAP, Consolidated)

May 13, 2014

Name of Listed Company: **Kaneka Corporation** Stock Exchange Listings: Tokyo, Nagoya
Code Number: 4118 URL http://www.kaneka.co.jp
Representative: Mamoru Kadokura Title: President, Representative Director
Contact Person: Shinobu Ishihara Title: Executive Officer, General Manager – Accounting Department
Phone: +81-6-6226-5169

Scheduled date for Ordinary General Meeting of Shareholders: June 27, 2014 Scheduled date of dividend distribution: June 6, 2014
Scheduled date for submitting financial statements: June 27, 2014

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

1. Consolidated Business Performance for the Fiscal Year Ended March 2014 (from April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2013 – Mar. 2014	524,785	10.1	24,821	57.0	25,961	58.8	13,650	46.4
Apr. 2012 – Mar. 2013	476,462	1.5	15,809	20.2	16,344	29.1	9,325	72.6

(Reference) Comprehensive Income: ¥23,204 million (21.4%) in the fiscal year ended March 31, 2014,
¥19,120 million (827.6%) in the fiscal year ended March 31, 2013

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2013 – Mar. 2014	40.50	40.47	5.1	5.2	4.7
Apr. 2012 – Mar. 2013	27.68	27.65	3.7	3.4	3.3

(Reference) Equity in earnings (losses) of affiliates: ¥335 million in the fiscal year ended March 31, 2014,
¥55 million in the fiscal year ended March 31, 2013

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2013 – Mar. 2014	520,123	285,133	52.8	814.35
Apr. 2012 – Mar. 2013	484,456	270,449	53.8	773.39

(Reference) Shareholders' equity: ¥274,408 million as of March 31, 2014, ¥260,594 million as of March 31, 2013

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 2013 – Mar. 2014	33,924	(38,716)	5,858	33,803
Apr. 2012 – Mar. 2013	32,775	(32,937)	3,770	31,747

2. Dividends

	Annual dividends					Total cash dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
Apr. 2012 – Mar. 2013	—	8.00	—	8.00	16.00	5,391	57.8	2.1
Apr. 2013 – Mar. 2014	—	8.00	—	8.00	16.00	5,392	39.5	2.0
Apr. 2014 – Mar. 2015 (Forecasts)	—	8.00	—	8.00	16.00		31.7	

3. Forecast for Consolidated Business Performance in the Fiscal Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
First half	270,000	5.0	12,000	5.6	12,000	1.8	7,500	6.1	22.26
Full year	560,000	6.7	30,000	20.9	29,000	11.7	17,000	24.5	50.45

4. Other

(1) Changes in principal subsidiaries during the fiscal year
(Changes in the scope of consolidation of specific subsidiaries): No

(2) Changes in accounting principles, changes in estimates, or restatements
1) Changes owing to revisions in accounting standards: Yes
2) Changes other than 1) above: Yes
3) Changes in accounting estimates: Yes
4) Restatements: No

(Note) Changes were made in accordance with Article 14-7 of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. Please refer to “Changes in Accounting Principles” under “(5) Notes to the Consolidated Financial Statements” under “3. Consolidated Financial Statements” on page 16 for further details.

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the fiscal year-end (including treasury stock):	March 31, 2014	350,000,000 shares	March 31, 2013	350,000,000 shares
2. Shares of treasury stock at the fiscal year-end:	March 31, 2014	13,034,982 shares	March 31, 2013	13,049,280 shares
3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)	March 31, 2014	337,002,406 shares	March 31, 2013	336,954,517 shares

(Reference): Overview of Non-Consolidated Operating Performance

1. For the Fiscal Year Ended March 2014 (from April 1, 2013 to March 31, 2014)

(1) Non-consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2013 – Mar. 2014	291,662	8.6	10,708	116.4	14,888	28.4	6,733	(6.0)
Apr. 2012 – Mar. 2013	268,496	0.6	4,948	299.3	11,597	175.7	7,164	258.1

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2013 – Mar. 2014	19.98	19.96
Apr. 2012 – Mar. 2013	21.26	21.24

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2013 – Mar. 2014	390,135	211,016	54.1	625.79
Apr. 2012 – Mar. 2013	369,586	207,587	56.1	615.58

(Reference) Shareholders' equity: ¥210,877 million as of March 31, 2014, and ¥207,428 million as of March 31, 2013

(Disclosure of Implementation Status of Review Procedures)
As of the date of this report, the review procedures prescribed in the Financial Instruments and Exchange Act were not complete.

(Explanations or other items pertaining to appropriate use of operating results forecasts)
The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. For cautionary items used in operating results forecasts, please refer to the section entitled “3) Performance Forecasts for the Fiscal Year Ending March 31, 2015” under “(1) Analysis of Business Performance” under “1. Analysis of Business Performance and Financial Position” on page 4.

[Supplementary Materials]

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

1) Overview of Results for the Fiscal Year Ended March 31, 2014

The global economic outlook remained highly uncertain during the fiscal year ended March 31, 2014, due mainly to concerns about slowing growth in China, India and some other emerging countries, despite the continuation of the gradual recovery trend in the U.S. economy and the signs of recovery in the European economy.

In the Japanese economy, business activities are in the process of recovering gradually against a backdrop of a correction in the yen's appreciation and the economic policies being implemented by the Cabinet of Japan. That said, Japan's economic outlook still remains uncertain, especially because of the downside risks in the global economy.

In this environment, in line with "Declaration of Kaneka United for the future", its long-term management vision, the Kaneka Group has been transforming its business structures, including by strengthening R&D and stepping up initiatives such as promoting global development.

As a result, the Kaneka Group delivered higher earnings on top-line growth for the fiscal year ended March 31, 2014. Net sales rose 10.1% year on year to ¥524,785 million. Operating income was ¥24,821 million, up 57.0%, and ordinary income was ¥25,961 million, up 58.8%. The Group reported an extraordinary loss that included restructuring charges, but net income rose 46.4% to ¥13,650 million.

By segment, sales increased in all the segments, while operating income declined in the Chemicals, Foodstuffs Products, and Life Science Products segments, operating income rose in the Functional Plastics, Expandable Plastics and Products, and Synthetic Fibers and Others segments. The Electronic Products segment returned to profit.

Operating performance by business segment was as follows:

2) Segment Trends

(Chemicals)

PVC resins saw firm conditions in the Japanese market but these were affected by a rise in raw materials. Specialty PVC resins saw sales volume increase in overseas markets. In the caustic soda business, domestic market conditions remained sluggish and sales volume decreased.

As a result of the foregoing, segment sales increased ¥9,191 million, or 9.7%, year on year to ¥103,985 million. However, the segment posted operating income of ¥2,813 million, a decrease of ¥1,571 million, or 35.8%, year on year.

(Functional Plastics)

In modifiers, the Kaneka Group took extensive steps to enhance product differentiation and bolster the earnings structure in this business, including through cost reductions, and made progress with business expansion in both the Japanese and overseas markets. In the overseas market in particular, we expanded our market share through business transfers. Modified silicone polymers, which received a high evaluation for their unique quality as the only one product, expanded steadily in both the Japanese and overseas markets.

As a result of the foregoing, segment sales greatly increased ¥15,428 million, or 21.8%, year on year to ¥86,289 million. The segment posted operating income of ¥9,268 million, up ¥3,063 million, or 49.4%, year on year.

(Expandable Plastics and Products)

Expandable polystyrene resins and products, and extruded polystyrene foam boards saw sales volume increase, but these were affected by a rise in raw materials. Polyolefin foam by the beads method saw higher sales volume mainly in the overseas markets.

As a result of the abovementioned factors, segment sales increased ¥8,338 million, or 14.3%, year on year to ¥66,482 million. The segment posted operating income of ¥4,250 million, an increase of ¥275 million, or 6.9%, year on year.

(Foodstuffs Products)

In foodstuffs products, the Group responded to diversification in food and expanded sales of new products that anticipated consumer needs. In an increasingly stronger shift to low-priced products, the Group strove to reduce costs, however products were affected by a rise in raw materials.

As a result of the foregoing, segment sales increased ¥2,029 million, or 1.5%, year on year to ¥134,253 million. The segment posted operating income of ¥5,026 million, a decrease of ¥266 million, or 5.0%, year on year.

(Life Science Products)

In medical devices, blood purification systems sales were sluggish despite sales promotions in Japan and overseas and efforts to reduce costs. Although the sales volume of pharmaceutical intermediates was also sluggish, the sales volume of active pharmaceutical ingredients (API) expanded. Functional foodstuffs saw a steady expansion of demand in the supplement market with the healthcare effects of reduced-form coenzyme Q10 widely passed on as an increase in sales volume.

As a result of the abovementioned factors, segment sales increased ¥291 million (up 0.6%) compared with the preceding fiscal year, resulting in net sales of ¥47,423 million. However, the segment posted decreased operating income of ¥7,780 million, ¥1,864 million (down 19.3%) less than in the preceding fiscal year.

(Electronic Products)

Sales volume of ultra-heat-resistant polyimide film increased year on year. This was mainly due to the launch of new product lineups and the new adoption of these materials in the electronic products market where demand is expanding. Optical materials saw a steady demand and the sales volume increased. Moreover, Kaneka commercialized Transparent Conductive Film (ITO film) for the touch panels of smartphones and tablet PCs starting this fiscal year in response to the acutely rising demand for those devices. In solar cells, sales expanded for use in housing in Japan in step with growing recognition of the Kaneka Group's solar cells as a unique construction material product combining both aesthetic and functional value. Efforts were also focused on rigorously cutting costs in the solar cell business. Sales volumes of solar cell-related materials were roughly on par with the previous fiscal year.

As a result of the abovementioned factors, segment sales increased ¥6,003 million, or 14.5%, to ¥47,533 million. The segment restored operating profitability, posting operating income of ¥599 million.

(Synthetic Fibers and Others)

In synthetic fibers, the Kaneka Group achieved results from its market development efforts over many years, with materials for hair accessory products in the African market at the forefront. The Group sought to ensure profits mainly by expanding sales of high value-added products and cutting costs.

Segment sales greatly increased ¥7,039 million, or 22.2%, to ¥38,816 million. Operating income greatly rose ¥4,161 million, or 94.4%, to ¥8,569 million.

(International Sales)

International sales increased year on year to ¥189,231 million due to measures to strengthen the global business base. As a percentage of net sales, international sales came to 36.1%, above the 32.3% recorded in the previous fiscal year.

3) Performance Forecasts for the Fiscal Year Ending March 31, 2015

There will continue to be concerns about the downside risks in the global economy. Although there is a continued recovery trend in the U.S. economy and signs of a gradual recovery in the European economy, there is slowing growth in some emerging countries and growing geopolitical risks worldwide, among other negative factors.

Although the Japanese economy is expected to continue its process of recovering gradually, its future prospects remain uncertain, partly due to the downside risks in the global economy and the rise in the consumption tax in Japan.

In this business environment, the Kaneka Group will invest management resources in important strategic domains, seeking to establish operations in the new areas of business that we expect to drive growth and further strengthening global development by strengthening R&D. We will also focus on transforming business structure. Similarly, in existing businesses we will work to achieve business expansion mainly by launching new products, while striving to strengthen competitiveness by lowering manufacturing and overhead costs in a measure to improve profitability.

Our performance forecasts for the fiscal year ending March 31, 2015 are as follows:

〔Consolidated Forecasts〕

Net sales: ¥560 billion (6.7% increase from the fiscal year ended March 31, 2014)
Operating income: ¥30 billion (20.9% increase from the fiscal year ended March 31, 2014)
Ordinary income: ¥29 billion (11.7% increase from the fiscal year ended March 31, 2014)
Net income: ¥17 billion (24.5% increase from the fiscal year ended March 31, 2014)

The above performance forecasts for the Kaneka Group are regarded as reasonable based on information available at the time of announcement. Readers should be aware that actual results might vary significantly from these forecasts due to various factors.

The forecasts are based on exchange rates of ¥102 to the U.S. dollar, ¥140 to the euro and a domestic naphtha price of ¥70,000 per kiloliter.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥520,123 million as of March 31, 2014, up ¥35,666 million compared with March 31, 2013, due mainly to increases in property, plant and equipment, and investments. The ratio of ordinary income to total assets (ROA) was 5.2%, up from 3.4% in the previous fiscal year.

Interest-bearing debt stood at ¥100,792 million, up ¥14,359 million from March 31, 2013. Net assets increased ¥14,683 million to ¥285,133 million, which reflected increases in valuation difference on retained earnings and foreign currency translation adjustment. As a result, the equity ratio came to 52.8%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.37.

2) Analysis of Consolidated Cash Flows

Cash and cash equivalents on March 31, 2014 stood at ¥33,803 million, ¥2,056 million more than at March 31, 2013.

The following is an overview of cash flows by category.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was ¥33,924 million, up ¥1,148 million year on year.

The main contributors were income before income taxes and minority interests of ¥15,600 million and depreciation and amortization of ¥20,628 million. Major uses of cash were an increase in inventories of ¥9,371 million and income taxes paid of ¥2,826 million.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥38,716 million, or ¥5,779 million more than in the preceding fiscal year.

The principal use of cash was ¥34,926 million for the purchase of property, plant and equipment.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities was ¥5,858 million, ¥2,087 million more than in the previous fiscal year.

This mainly reflected ¥11,559 million in proceeds from loans payable, which was partially offset by cash dividends paid of ¥5,392 million.

Reference) Trends in Cash Flow-Related Indicators

	FY ended March 31, 2010	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014
Shareholders' equity ratio	57.6%	55.4%	53.0%	53.8%	52.8%
Shareholders' equity ratio based on market value	47.5%	43.1%	36.0%	37.9%	40.6%
Interest-bearing debt coverage ratio	1.1	1.9	4.7	2.6	3.0
Interest coverage ratio	61.6	39.5	17.9	36.4	33.6

Shareholders' equity ratio: Equity capital/total assets
Shareholders' equity ratio based on market value: Market Capitalization/total assets
Interest-bearing debt coverage ratio: Interest-bearing debt/cash flows
Interest coverage ratio: Operating cash flows/interest paid
Notes:
1. All indicators are calculated according to financial figures on a consolidated basis.
2. Market capitalization is calculated based on the total number of shares outstanding, excluding treasury stock.
3. "Cash flows" refers to cash flows from operating activities.
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.

2. Management Policy

(1) Basic Management Policies

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.

(2) Target Management Indexes

Aiming to achieve its long-term management vision, the Kaneka Group is targeting consolidated net sales of ¥1,000 billion in the year ending March 31, 2020.

(3) Medium to Long-Term Management Strategies

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.

(4) Management Priorities

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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2012 Term ended March 31, 2013	FY2013 Term ended March 31, 2014
Assets		
Current assets		
Cash and deposits	32,038	34,042
Notes and accounts receivable-trade	116,705	118,745
Short-term investment securities	110	110
Merchandise and finished goods	47,409	51,333
Work in process	8,451	8,774
Raw materials and supplies	24,417	28,308
Deferred tax assets	5,076	7,084
Other	8,770	8,130
Allowance for doubtful accounts	(110)	(89)
Total current assets	242,869	256,440
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	53,484	57,400
Machinery, equipment and vehicles, net	64,185	74,247
Land	28,987	28,670
Construction in progress	17,892	18,277
Other, net	4,997	5,648
Total property, plant and equipment	169,547	184,244
Intangible assets		
Goodwill	4,014	5,387
Other	4,589	6,725
Total intangible assets	8,603	12,112
Investments and other assets		
Investment securities	46,862	48,436
Investments in capital	1,135	736
Long-term loans receivable	1,440	1,302
Long-term prepaid expenses	1,462	2,856
Net defined benefit asset	—	949
Deferred tax assets	3,356	7,039
Other	9,403	6,229
Allowance for doubtful accounts	(226)	(224)
Total investments and other assets	63,435	67,326
Total noncurrent assets	241,586	263,683
Total assets	484,456	520,123

(Millions of yen)

	FY2012 Term ended March 31, 2013	FY2013 Term ended March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	64,238	66,461
Short-term loans payable	48,226	49,610
Current portion of bonds	—	5,000
Accounts payable-other	21,948	23,901
Accrued expenses	9,123	10,043
Income taxes payable	1,622	3,841
Accrued consumption taxes	614	299
Provision for directors' bonuses	115	115
Other	3,238	2,922
Total current liabilities	149,128	162,194
Noncurrent liabilities		
Bonds payable	15,000	10,000
Long-term loans payable	25,442	38,445
Deferred tax liabilities	873	530
Provision for retirement benefits	19,497	—
Net defined benefit liability	—	21,362
Provision for directors' retirement benefits	322	247
Negative goodwill	208	—
Other	3,534	2,209
Total noncurrent liabilities	64,878	72,795
Total liabilities	214,006	234,990
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	200,986	209,449
Treasury stock	(10,547)	(10,520)
Total shareholders' equity	258,322	266,812
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,261	10,534
Foreign currency translation adjustment	(5,989)	353
Remeasurements of defined benefit plans	—	(3,293)
Total accumulated other comprehensive income	2,271	7,595
Subscription rights to shares	159	139
Minority interests	9,695	10,586
Total net assets	270,449	285,133
Total liabilities and net assets	484,456	520,123

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income (Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013	FY2013 From April 1, 2013 to March 31, 2014
Net sales	476,462	524,785
Cost of sales	359,733	391,987
Gross profit	116,728	132,798
Selling, general and administrative expenses	100,919	107,976
Operating income	15,809	24,821
Non-operating income		
Interest income	63	65
Dividends income	1,080	1,829
Foreign exchange gains	2,072	1,842
Amortization of negative goodwill	348	337
Equity in earnings of affiliates	55	335
Other	938	1,124
Total non-operating income	4,559	5,535
Non-operating expenses		
Interest expenses	890	1,012
Loss on retirement of noncurrent assets	1,401	1,800
Other	1,732	1,582
Total non-operating expenses	4,024	4,395
Ordinary income	16,344	25,961
Extraordinary income		
Gain on sales of noncurrent assets	—	195
Gain on sales of investment securities	277	728
Total extraordinary income	277	923
Extraordinary losses		
Loss on sales of noncurrent assets	—	525
Patent protection court cost	680	1,274
Compensation expenses	1,011	—
Retirement benefit expenses	—	363
Restructuring charges	—	9,120
Total extraordinary losses	1,692	11,284
Income before income taxes and minority interests	14,930	15,600
Income taxes-current	3,076	6,062
Income taxes-deferred	2,376	(4,711)
Total income taxes	5,452	1,350
Income before minority interests	9,477	14,250
Minority interests in income	151	599
Net income	9,325	13,650

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013	FY2013 From April 1, 2013 to March 31, 2014
Income before minority interests	9,477	14,250
Other comprehensive income		
Valuation difference on available-for-sale securities	3,613	2,306
Foreign currency translation adjustment	6,008	6,632
Share of other comprehensive income of associates accounted for using equity method	20	16
Total other comprehensive income	9,642	8,954
Comprehensive income	19,120	23,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	18,774	22,267
Comprehensive income attributable to minority interests	346	937

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,836	197,372	(10,552)	254,703
Changes of items during period					
Dividends of surplus			(5,391)		(5,391)
Change of scope of consolidation			(271)		(271)
Net income			9,325		9,325
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries			(44)		(44)
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock			(5)	10	5
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,614	5	3,619
Balance at end of the period	33,046	34,836	200,986	(10,547)	258,322

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	4,664	(11,841)	—	(7,176)	137	9,796	257,460
Changes of items during period							
Dividends of surplus							(5,391)
Change of scope of consolidation							(271)
Net income							9,325
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries							(44)
Purchase of treasury stock							(5)
Disposal of treasury stock							5
Net changes of items other than shareholders' equity	3,597	5,851	—	9,448	22	(100)	9,370
Total changes of items during period	3,597	5,851	—	9,448	22	(100)	12,989
Balance at end of the period	8,261	(5,989)	—	2,271	159	9,695	270,449

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,836	200,986	(10,547)	258,322
Changes of items during period					
Dividends of surplus			(5,392)		(5,392)
Change of scope of consolidation			201		201
Net income			13,650		13,650
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries			32		32
Purchase of treasury stock				(59)	(59)
Disposal of treasury stock			(28)	86	57
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	8,463	27	8,490
Balance at end of the period	33,046	34,836	209,449	(10,520)	266,812

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	8,261	(5,989)	—	2,271	159	9,695	270,449
Changes of items during period							
Dividends of surplus							(5,392)
Change of scope of consolidation							201
Net income							13,650
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries							32
Purchase of treasury stock							(59)
Disposal of treasury stock							57
Net changes of items other than shareholders' equity	2,273	6,343	(3,293)	5,323	(20)	890	6,193
Total changes of items during period	2,273	6,343	(3,293)	5,323	(20)	890	14,683
Balance at end of the period	10,534	353	(3,293)	7,595	139	10,586	285,133

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013	FY2013 From April 1, 2013 to March 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	14,930	15,600
Depreciation and amortization	29,170	20,628
Restructuring charges	—	9,120
Increase (decrease) in provision for retirement benefits	259	(19,653)
Increase (decrease) in net defined benefit liability	—	20,389
Increase (decrease) in net defined benefit asset	—	(4,972)
Increase (decrease) in allowance for doubtful accounts	(356)	(25)
Interest and dividends income	(1,144)	(1,895)
Interest expenses	890	1,012
Equity in (earnings) losses of affiliates	(55)	(335)
Loss (gain) on disposal of noncurrent assets	767	1,705
Loss (gain) on sales of investment securities	(277)	(728)
Decrease (increase) in notes and accounts receivable-trade	3,494	172
Decrease (increase) in inventories	(3,547)	(9,371)
Increase (decrease) in notes and accounts payable-trade	(1,151)	1,227
Other, net	(5,356)	2,916
Subtotal	37,622	35,793
Interest and dividends income received	1,201	1,967
Interest expenses paid	(900)	(1,010)
Income taxes paid	(5,148)	(2,826)
Net cash provided by (used in) operating activities	32,775	33,924
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(31,782)	(34,926)
Proceeds from sales of property, plant and equipment	613	538
Purchase of intangible assets	(2,158)	(2,711)
Purchase of investment securities	(295)	(79)
Proceeds from sales and distributions of investment securities	623	1,822
Purchase of stocks of subsidiaries and affiliates	(112)	(1,057)
Payments for transfer of business	—	(697)
Payments of loans receivable	(792)	(765)
Collection of loans receivable	1,049	757
Other, net	(83)	(1,597)
Net cash provided by (used in) investing activities	(32,937)	(38,716)

(Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013	FY2013 From April 1, 2013 to March 31, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,006	4,183
Proceeds from long-term loans payable	9,325	17,083
Repayment of long-term loans payable	(7,448)	(9,707)
Repayments of lease obligations	(413)	(332)
Proceeds from stock issuance to minority shareholders	―	224
Cash dividends paid	(5,391)	(5,392)
Cash dividends paid to minority shareholders	(302)	(143)
Purchase of treasury stock	(6)	(59)
Proceeds from sales of treasury stock	0	1
Net cash provided by (used in) financing activities	3,770	5,858
Effect of exchange rate change on cash and cash equivalents	713	815
Net increase (decrease) in cash and cash equivalents	4,321	1,880
Cash and cash equivalents at beginning of period	27,157	31,747
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	268	175
Cash and cash equivalents at end of period	31,747	33,803

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes to the Consolidated Financial Statements)

The Scope of Consolidation

Number of consolidated subsidiaries: 60

In the year ended March 31, 2014, PT. Kaneka Foods Indonesia was established and included within the scope of consolidation. River Seiko Co., Ltd. was included within the scope of consolidation through the acquisition of shares. The importance of Nagashima Shokuhin Co., Ltd. and Kaneka (Foshan) Chemical Industries Co., Ltd. increased and they were included within the scope of consolidation.

As of July 1, 2013, an absorption-type merger with Kaneka Shokuhin Corporation as the surviving company was conducted with Tokyo Kaneka Shokuhin Corporation, Tokai Kaneka Shokuhin Corporation, and Kyusyu Kaneka Shokuhin Corporation, and the new entity was named Kaneka Shokuhin Co., Ltd.

Fiscal Year, Etc. of Consolidated Subsidiaries

Among the consolidated subsidiaries of the Kaneka Group, Kaneka Eperan (Suzhou) Co., Ltd., HiHua Fiber Co., Ltd., Kaneka Trading (Shanghai) Co., Ltd., Kaneka Asia Co., Ltd. and Kaneka (Foshan) Chemical Industries Co., Ltd. have a fiscal year that ends on December 31. When preparing consolidated financial statements, Kaneka uses the December 31 settlement dates shown in the current financial statements for these subsidiaries, and the necessary adjustments are made for any important transactions that occur between this settlement date and the Kaneka Group's March 31 settlement date.

No information other than the above is reported because there were no material changes to the information shown in the Company's most recent securities report (submitted June 27, 2013).

(Changes in Accounting Principles)

(Changes in accounting estimates and changes in accounting principles that are difficult to distinguish)

The depreciation method of property, plant and equipment, excluding some categories, for the Company and its consolidated domestic subsidiaries, and some overseas consolidated subsidiaries, was changed from the declining-balance method to the straight-line method starting from the fiscal year under review.

The Kaneka Group is pressing forward strongly to globalize, based on the targets for fiscal 2020 in "Declaration of Kaneka United for the future", its long-term management vision, the Company formulated in 2009. From this fiscal year onward, the Company will begin making foreign investments in earnest for mainly establishing new manufacturing and marketing bases overseas and bolstering manufacturing capacity. Kaneka reached the conclusion of unifying depreciation under the straight-line method after having reviewed the Group's depreciation method, with this change in asset distribution as the impetus. Depreciation of the Group's property, plant and equipment is commensurate with the straight-line method given that those assets can all be utilized steadily over the longer term, and because their economic realities conform with the 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 developing globally. In summation, this change in depreciation method should contribute to globalization of the Kaneka Group.

As a result of this change, in comparison with the former calculation method, Kaneka's operating income, ordinary income and income before income taxes and minority interests for the fiscal year under review are all increased ¥8,367 million.

(Application of accounting standard for retirement benefits)

From the end of the fiscal year under review Kaneka has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 of May 17, 2012) and the Guideline on Accounting Standard for Retirement Benefits (ASJB Guideline No. 25 of the May 17, 2012). (However, the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guideline on Accounting Standard for Retirement Benefits have been excluded.) Kaneka has changed its accounting method to record net defined benefit liability and net defined benefit asset for the amounts obtained by deducting plan assets from defined benefit obligations. Accordingly, Kaneka recorded in net defined benefit liability and net defined benefit asset unrecognized actuarial gains and losses due to the revised accounting standard.

As regards the application of the Accounting Standard for Retirement Benefits, the current consolidated financial statements conform to the transitional treatment as defined in Article 37 of the Accounting Standard for Retirement Benefits, and the impact of the accounting change has been reflected in the remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the fiscal year.

As a result, at the end of the fiscal year, Kaneka recorded a net defined benefit asset of ¥949 million and a net defined benefit liability of ¥21,362 million. In addition, accumulated other comprehensive income decreased by ¥3,293 million.

(Notes to the Consolidated Statement of Income)

Restructuring charges is as follows:

	Previous fiscal year From April 1, 2012 to March 31, 2013	Current fiscal year From April 1, 2013 to March 31, 2014
Impairment loss	¥ - million	¥5,927 million
Loss on valuation of inventories	¥ - million	¥3,193 million
Total	¥ - million	¥9,120 million

(Segment Information)

(Segment Information)

1) Overview of Reporting Segments

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

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

Accordingly, the Company has categorized its operations by products and services, based on its business divisions. The corresponding seven reporting segments are Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others. The Company establishes or abolishes business divisions as needed in order to facilitate a swift and flexible response to changes in the business environment. Accordingly, when determining reporting segments, the Company gives emphasis to 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 described in "(Changes in accounting estimates and changes in accounting principles that are difficult to distinguish)," the depreciation method of property, plant and equipment, excluding some categories, for the Company and its consolidated domestic subsidiaries, and some overseas consolidated subsidiaries, was changed from the declining-balance method to the straight-line method starting from the fiscal year under review.

As a result of this change, in comparison with the former calculation method, Kaneka's segment profit for the fiscal year under review increased ¥1,945 million in the Chemicals segment, ¥808 million in the Functional Plastics segment, ¥614 million in the Expandable Plastics and Products segment, ¥847 million in the Foodstuffs Products segment, ¥530 million in the Life Science Products segment, ¥2,188 million in the Electronic Products segment and ¥698 million in the Synthetic Fibers and Others segment. In addition, Kaneka's companywide expenses not allocable to any reporting segment decreased ¥735 million.

3) Segment Information by Business Category

Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Sales										
Customers	94,794	70,860	58,143	132,223	47,132	41,530	31,777	476,462	—	476,462
Intersegment	1,153	645	147	0	203	647	1,538	4,337	(4,337)	—
Total	95,948	71,505	58,291	132,224	47,335	42,178	33,316	480,800	(4,337)	476,462
Segment profit / loss	4,385	6,205	3,975	5,292	9,644	(4,006)	4,408	29,904	(14,094)	15,809
Segment assets	85,096	58,402	46,616	71,076	62,850	69,641	21,104	414,787	69,669	484,456
Other Items										
Depreciation	5,429	3,468	2,424	3,009	2,840	6,658	2,777	26,607	2,388	28,996
Amortization of goodwill	—	28	—	—	270	—	—	298	—	298
Investment in equity method	—	2,101	1,420	—	—	—	—	3,521	—	3,521
Increase in assets	5,708	2,568	2,878	3,957	2,436	5,916	2,396	25,863	4,060	29,923

Note: Segment profit /loss is reconciled with operating income on the consolidated financial statements.

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Sales										
Customers	103,985	86,289	66,482	134,253	47,423	47,533	38,816	524,785	—	524,785
Intersegment	2,207	748	243	0	2	1,046	1,880	6,129	(6,129)	—
Total	106,192	87,038	66,725	134,253	47,426	48,580	40,697	530,915	(6,129)	524,785
Segment profit	2,813	9,268	4,250	5,026	7,780	599	8,569	38,309	(13,487)	24,821
Segment assets	92,793	70,482	49,640	73,201	65,253	72,119	26,583	450,074	70,049	520,123
Other Items										
Depreciation	3,357	2,658	1,740	1,989	2,584	4,527	2,170	19,028	1,400	20,428
Amortization of goodwill	—	36	—	—	427	—	—	464	—	464
Investment in equity method	—	2,210	1,546	—	—	—	—	3,757	—	3,757
Increase in assets	8,137	3,502	2,917	3,058	2,544	12,497	7,686	40,343	1,627	41,971

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

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

(Millions of yen)

Income	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014
Segment total	29,904	38,309
Elimination of intersegment transactions	(21)	6
Companywide expenses (Note)	(14,023)	(13,559)
Other adjustments	(48)	65
Operating income in the consolidated statements of income	15,809	24,821

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

(Millions of yen)

Asset	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014
Segment total	414,787	450,074
Elimination of intersegment transactions	(6,879)	(10,422)
Companywide assets (Note)	75,468	79,584
Other adjustments	1,080	887
Total assets in the consolidated statements of income	484,456	520,123

(Note) Companywide assets are Working capital, Investment securities and Land that are not allocable to any Reporting Segment.

(Millions of yen)

Other Items	Segment total		Other (Note)		Adjustments		Consolidated	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	26,607	19,028	2,388	1,400	—	—	28,996	20,428
Increase in assets	25,863	40,343	4,060	1,627	—	—	29,923	41,971

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

(Related Information)

Previous fiscal year (from April 1, 2012 to March 31, 2013)

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

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
322,535	68,138	28,784	41,047	15,958	476,462

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

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Asia	North America	Europe	Other areas
131,548	17,152	14,599	6,247	169,547

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.

Current fiscal year (from April 1, 2013 to March 31, 2014)

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

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
335,553	83,743	35,939	48,346	21,202	524,785

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

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Asia	North America	Europe	Other areas
136,066	23,999	17,119	7,059	184,244

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)
Previous fiscal year (from April 1, 2012 to March 31, 2013)
Nothing to report

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
Impairment Loss	—	—	—	—	—	5,927	—	5,927	—	5,927

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)
Previous fiscal year (from April 1, 2012 to March 31, 2013)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
(Goodwill)										
Amortization	—	28	—	—	270	—	—	298	—	298
Balance	—	272	—	—	3,741	—	—	4,014	—	4,014
(Negative goodwill)										
Amortization	—	—	—	70	—	151	—	222	—	222
Balance	—	—	—	56	—	151	—	208	—	208

Current fiscal year (from April 1, 2013 to March 31, 2014)

(Millions of yen)

	Segment Information								Adjustments	Consolidated
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total		
(Goodwill)										
Amortization	—	36	—	—	427	—	—	464	—	464
Balance	—	281	—	—	5,105	—	—	5,387	—	5,387
(Negative goodwill)										
Amortization	—	—	—	56	—	151	—	—	—	208
Balance	—	—	—	—	—	—	—	—	—	—

(Information on Gain on Negative Goodwill by Reporting Segment)
Previous fiscal year (from April 1, 2012 to March 31, 2013)
No information is reported due to a lack of materiality in monetary terms

Current fiscal year (from April 1, 2013 to March 31, 2014)
No information is reported due to a lack of materiality in monetary terms

(Per Share Information)

Net assets per share and net income per share and the corresponding basis for computation, and fully diluted net income per share and the corresponding basis for computation are shown below.

Item	Previous fiscal year From April 1, 2012 to March 31, 2013	Current fiscal year From April 1, 2013 to March 31, 2014
Net assets per share	¥773.39	¥814.35
Net income per share	¥27.68	¥40.50
Fully diluted net income per share	¥27.65	¥40.47

Item	Previous fiscal year From April 1, 2012 to March 31, 2013	Current fiscal year From April 1, 2013 to March 31, 2014
Net income per share		
Net income (Millions of yen)	9,325	13,650
Net income ascribed to common stock (Millions of yen)	9,325	13,650
Average number of shares of common stock during the period (Thousands of shares)	336,954	337,002
Fully diluted net income per share		
Increase in shares of common stock (Thousands of shares)	294	281
(Of which, subscription rights to shares) (Thousands of shares)	(294)	(281)

(Subsequent Events)

Nothing to report