Quarterly Financial Results for the Third Quarter, Ended December 31, 2015
(Japanese GAAP, Consolidated)

February 8, 2016

Name of Listed Company: **Kaneka Corporation** Stock Exchange Listings: Tokyo, Nagoya
Code Number: 4118 URL http://www.kaneka.co.jp
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Scheduled date for submitting financial statements: February 10, 2016 Scheduled date of dividend distribution: —

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

1. Consolidated Business Performance for the Third Quarter, Ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2015 – Dec. 2015	417,204	0.8	29,360	75.1	25,692	47.6	16,401	63.3
Apr. 2014 – Dec. 2014	414,005	5.9	16,764	(9.7)	17,406	(12.6)	10,045	(17.2)

Note: Comprehensive income: ¥20,346 million (-5.7%) three months ended December 31, 2015
¥21,581 million (-9.5%) three months ended December 31, 2014

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2015 – Dec. 2015	49.15	49.11
Apr. 2014 – Dec. 2014	29.81	29.79

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of December 31, 2015	589,622	321,440	52.6
As of March 31, 2015	557,962	309,227	53.5

(Reference) Shareholders' equity: ¥310,034 million as of December 31, 2015
¥298,260 million as of March 31, 2015

2. Dividends

	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Apr. 2014 – Mar. 2015	—	8.00	—	8.00	16.00
Apr. 2015 – Mar. 2016	—	8.00	—		
Apr. 2015 – Mar. 2016 (Forecasts)				10.00	18.00

Note: Changes in dividend forecast during the quarter under review: Yes

3. Forecast for consolidated business performance for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	560,000	1.4	39,000	58.3	34,000	37.4	20,000	10.9	60.00

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes

4. Other

(1) Changes in principal subsidiaries during the term: Yes
(Change in specified subsidiaries caused a change in the scope of consolidation)
Additional: 1 Kaneka Europe Holding Company N.V.

(Note) Please refer to “(1) Changes in Principal Subsidiaries during the Term” under “2. Other Information” on page 4 for further details.

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

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

(Note) Please refer to “(3) Changes in Accounting Principles, Changes in Estimates, or Restatements” under “2. Other Information” on page 4 for further details.

(4) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock):	December 31, 2015	350,000,000 shares	March 31, 2015	350,000,000 shares
2. Shares of treasury stock at the end of the period:	December 31, 2015	17,714,916 shares	March 31, 2015	14,987,342 Shares
3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)	December 31, 2015	333,682,914 shares	December 31, 2014	336,998,866 shares

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

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

Supplementary Materials

Contents

1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

In the global economy during the first nine months under review (April 1, 2015 to December 31, 2015), the U.S. economy continued to grow, driven mainly by consumption. Also, economic conditions in Europe experienced a modest recovery. The Japanese economy recovered, albeit it at a moderate pace, because it continued to improve in terms of investment environment, employment conditions, and household incomes. However, the global economy became more uncertain, partly because of the slowdown in the economies of emerging countries centering on China, a drastic decline in resource prices such as crude oil, and growing geopolitical risks among other negative factors.

In this business environment, the Kaneka Group reported consolidated net sales of ¥417,204 million (up 0.8% year on year), due to the expansion of overseas business. Operating income was ¥29,360 million (up 75.1% year on year), ordinary income was ¥25,692 million (up 47.6% year on year), and net income attributable to owners of the parent was ¥16,401 million (up 63.3% year on year).

By segment, while sales decreased in the Chemicals, Functional Plastics, and Electronic Products segments year on year; sales increased in the Expandable Plastics and Products, Foodstuffs Products, Life Science Products, and the Synthetic Fibers and Others segments year on year. Operating income increased in all segments due to favorable sales, centering on principal products, and improved profitability.

Operating performance by business segment was as follows:

1) Chemicals

In the PVC resins business, while sales for overseas markets continued to increase, domestic market conditions remained sluggish. In the Specialty PVC resins business, sales for overseas markets increased. In the caustic soda business, domestic market conditions remained sluggish.

As a result of the foregoing, segment sales decreased ¥4,202 million, or 5.1%, year on year to ¥78,172 million and the segment posted operating income of ¥3,491 million, an increase of ¥2,205 million, or 171.5%, year on year due to improved profitability.

2) Functional Plastics

In the modifiers business, profitability expanded as the Kaneka Group made progress with extensive steps to enhance product differentiation, reduce costs, and develop markets for new products. Modified silicone polymers saw a steady expansion in sales mainly overseas. This was because the polymers were evaluated highly for their unique quality and had displaced other materials for application in construction and moreover, developed the application in Asian markets.

As a result of the foregoing, segment sales decreased ¥1,189 million, or 1.7%, year on year to ¥69,954 million. The segment posted operating income of ¥10,974 million, up ¥2,998 million, or 37.6%, year on year.

3) Expandable Plastics and Products

The expandable polystyrene resins and products business saw an increase of sales not only in the agriculture and fisheries fields but also in the civil engineering field. The extruded polystyrene foam boards business saw a gradual recovery of the Japanese housing market in the wake of an increase in consumption tax. Meanwhile, the segment saw the sales volume of bead-method polyolefin foam increase, particularly in the automotive field in European markets despite the slowing down of demand in China.

As a result of the abovementioned factors, segment sales increased ¥294 million, or 0.6%, year on year to ¥50,413 million. The segment posted operating income of ¥5,151 million, up 2,119 million, or 69.9%, year on year.

4) Foodstuffs Products

In this business, profitability improved mainly due to the Group taking active measures to sell new products that anticipate consumer needs and to innovate the business structure, thereby countering sluggish domestic demand and the continued preference of consumers for low prices. The Group applied innovation for responding to food diversity.

As a result of the foregoing, segment sales increased ¥3,942 million, or 3.7%, year on year to ¥109,170 million. The segment posted operating income of ¥2,472 million, an increase of ¥906 million, or 57.9%, year on year.

5) Life Science Products
In the medical devices business, sales in the vascular intervention business expanded in Japan and overseas. The segment also concentrated on expanding sales of new products in global markets including U.S. and Europe, and on initiatives for expanding business in new domains including the endoscopic treatment of gastrointestinal systems and joint businesses involving other companies. The sales volumes of pharmaceutical intermediates increased while sales expanded steadily in the active pharmaceutical ingredients (API) and bio-pharmaceutical markets. The functional foodstuffs business saw its sales volume increase in step with steadily growing recognition of the healthcare benefits in the market for nutritional supplements and the system of “Foods with Function Claims” started in Japanese market.

As a result of the abovementioned factors, segment sales amounted to ¥43,452 million, an increase of ¥3,670 million, or 9.2%, year on year. The segment posted operating income of ¥8,638 million, representing a year-on-year increase of ¥1,933 million, or 28.8%.

6) Electronic Products
Sales of high thermal conductive graphite sheet increased because smartphone manufacturers launched new models while ultra-heat-resistant polyimide film was affected by sluggish demand in the smartphone market. Demand for the optical materials business remained firm. In the photovoltaic modules business, the profitability of the business improved in tandem with the implementation of business structure reforms. Moreover, the segment started sales of a new, technologically innovative photovoltaic module with heterojunction technology and one of the world’s highest conversion efficiencies.

As a result of the abovementioned factors, segment sales decreased ¥1,519 million, or 4.7%, to ¥30,685 million. The segment posted operating income of ¥552 million, an increase of ¥1,268 million year on year.

7) Synthetic Fibers and Others
In the synthetic fibers business, amid strong demand in materials for hair accessory products in the African market, the segment leveraged quality and its brand power to remain firm sales. Profits increased substantially with an additional boost from the yen’s depreciation. The segment strengthened initiatives to launch operations at a new plant in Malaysia although it was behind the schedule of the initial plan.

As a result of the foregoing, segment sales increased ¥2,203 million, or 6.6%, year on year to ¥35,356 million. The segment posted operating income of ¥12,645 million, a year-on-year increase of ¥3,700 million, or 41.4%.

(2) Consolidated Financial Position
1) Status of Assets, Liabilities and Equity
Total assets were ¥589,622 million as of December 31, 2015, up ¥31,659 million compared with March 31, 2015. Interest-bearing debt totaled ¥116,566 million, up ¥6,134 million. Net assets (equity) increased ¥12,213 million, to ¥321,440 million, mainly due to an increase in the retained earnings.
2) Consolidated Cash Flows
Net cash provided by operating activities during the first nine months of the year was ¥46,561 million, mainly due to income before income taxes and minority interests and depreciation and amortization, while net cash used in investing activities amounted to ¥32,522 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥1,494 million, mainly owing to cash dividends paid and purchase of treasury stock. As a result, cash and cash equivalents as of December 31, 2015 totaled ¥40,443 million.

(3) Consolidated Business Forecasts
The Kaneka Group’s performance during the fiscal year ended December 31, 2015 continued solid because the Group has been accelerating business expansion by strengthening R&D to create new businesses and globalizing, and in existing businesses, the Group has also been transforming its business structure mainly by launching new products and reducing costs.
While the global economic outlook in the fourth quarter remains uncertain, the Group has revised its full-year consolidated business forecasts for the fiscal year ending March 31, 2016, released on May 14, 2015, as follows.

Revised forecast for consolidated business performance for the year ending March 31, 2016
(from April 1, 2015 to March 31, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	600,000	36,000	33,000	20,000	59.70
This forecast (B)	560,000	39,000	34,000	20,000	60.00
Amount of increase (decrease) (B-A)	(40,000)	3,000	1,000	—	
Percentage of increase (decrease) (%)	(6.7%)	8.3%	3.0%	—	
(Reference) Results from the previous fiscal year Apr. 2014 – Mar. 2015	552,189	24,635	24,752	18,033	53.52

The forecasts above are based on information currently available, and are subject to risks and uncertainties that may cause the actual results to vary.

2. Other Information

(1) Changes in Principal Subsidiaries during the Term

(Change in specified subsidiaries caused a change in the scope of consolidation)

Kaneka Europe Holding Company N.V. was newly established and included in the scope of consolidation from the current consolidated cumulative third quarter under review.

(2) Application of Specific Accounting Methods in Preparation of Financial Statements

Nothing to report

(3) Changes in Accounting Principles, Changes in Estimates, or Restatements

(Changes in accounting principles)

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 21 “Revised Accounting Standard for Business Combinations,” ASBJ Statement No. 22 “Revised Accounting Standard for Consolidated Financial Statements,” and ASBJ Statement No. 7 “Revised Accounting Standard for Business Divestitures.” These revised accounting standards are applied from the first quarter of the fiscal year ending March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recorded under capital surplus, and costs related to acquisition of increased ownership interest are recognized in the period in which they arise. Also, transitional accounting is applied to business combinations performed on or after the beginning of the first quarter of the fiscal year ending March 31, 2016, with revision of purchase price allocation applied to the quarterly consolidated financial statements during the quarter in which the date of the business combination occurs. The presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests.” For comparison purposes, information for the third quarter of the fiscal year ended March 31, 2015, and for the fiscal year ended March 31, 2015, is shown in accordance with the new standards in the accompanying consolidated financial statements.

In the consolidated statements of quarterly cash flows for the consolidated cumulative third quarter, cash flow associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) financing activities,” and cash flow associated with expenses associated with the acquisition of stocks of subsidiaries that affect the scope of consolidation or expenses associated with the acquisition or sale of stocks of subsidiaries that do not affect the scope of consolidation are reported in “net cash provided by (used in) operating activities.”

The application of the corporate accounting standards is in line with the transitional measures provided the Accounting Standard for Business Combinations Paragraph 58-2 (4), Accounting Standard for Consolidated Financial Statements Paragraph 44-5 (4), and Accounting Standard for Business Divestitures Paragraph 57-4 (4) and is effected beginning with the consolidated fiscal year period started on April 1, 2015.

These changes had no material effect on the operating income, ordinary income, or income before income taxes and non-controlling interests for the current consolidated cumulative third quarter or on the capital surplus amount at the end of the current consolidated cumulative third quarter.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2014 Term ended March 31, 2015	FY2015 3rd Quarter Term ended December 31, 2015
Assets		
Current assets		
Cash and deposits	28,070	41,087
Notes and accounts receivable – trade	122,083	125,672
Short-term investment securities	110	110
Merchandise and finished goods	51,610	52,640
Work in process	9,516	10,371
Raw materials and supplies	30,057	31,148
Other	15,299	15,292
Allowance for doubtful accounts	(100)	(349)
Total current assets	256,647	275,973
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	64,804	64,963
Machinery, equipment and vehicles, net	91,752	89,483
Other, net	51,031	59,077
Total property, plant and equipment	207,588	213,524
Intangible assets		
Goodwill	4,701	4,411
Other	7,012	7,508
Total intangible assets	11,714	11,920
Investments and other assets		
Investment securities	61,344	67,916
Other	20,887	20,510
Allowance for doubtful accounts	(220)	(223)
Total investments and other assets	82,012	88,203
Total noncurrent assets	301,315	313,648
Total assets	557,962	589,622

(Millions of yen)

	FY2014 Term ended March 31, 2015	FY2015 3rd Quarter Term ended December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable – trade	63,071	71,266
Short-term loans payable	55,636	53,170
Income taxes payable	2,323	2,860
Provision	113	9
Other	40,568	41,599
Total current liabilities	161,713	168,906
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	47,274	55,907
Provision	280	285
Net defined benefit liability	25,338	25,758
Other	4,129	7,325
Total noncurrent liabilities	87,022	99,276
Total liabilities	248,735	268,182
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,937
Retained earnings	218,746	229,794
Treasury stock	(12,071)	(14,815)
Total shareholders' equity	274,558	282,963
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,659	24,280
Deferred gains or losses on hedges	(104)	(63)
Foreign currency translation adjustment	2,975	1,518
Remeasurements of defined benefit plans	1,172	1,336
Total accumulated other comprehensive income	23,702	27,071
Subscription rights to shares	136	193
Noncontrolling interests	10,829	11,212
Total net assets	309,227	321,440
Total liabilities and net assets	557,962	589,622

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014	FY2015 3rd Quarter From April 1, 2015 to December 31, 2015
Net sales	414,005	417,204
Cost of sales	312,230	297,346
Gross profit	101,775	119,858
Selling, general and administrative expenses	85,011	90,497
Operating income	16,764	29,360
Non-operating income		
Dividends income	1,096	1,189
Foreign exchange gains	2,465	–
Equity in earnings of affiliates	209	245
Other	696	603
Total non-operating income	4,467	2,038
Non-operating expenses		
Interest expenses	876	873
Loss on retirement of noncurrent assets	1,233	2,417
Foreign exchange losses	–	786
Other	1,714	1,629
Total non-operating expenses	3,824	5,706
Ordinary income	17,406	25,692
Extraordinary loss		
Patent protection court cost	743	947
Total extraordinary losses	743	947
Income before income taxes	16,662	24,745
Income taxes-current	2,567	5,254
Income taxes-deferred	3,725	2,526
Total income taxes	6,293	7,781
Net income	10,369	16,963
Net income attributable to non-controlling interests	324	562
Net income attributable to owners of parent	10,045	16,401

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014	FY2015 3rd Quarter From April 1, 2015 to December 31, 2015
Net income	10,369	16,963
Other comprehensive income		
Valuation difference on available-for-sale securities	5,303	4,630
Deferred gains or losses on hedges	–	40
Foreign currency translation adjustment	5,392	(1,456)
Remeasurements of defined benefit plans, net of tax	435	174
Share of other comprehensive income of associates accounted for using equity method	80	(5)
Total other comprehensive income	11,211	3,382
Comprehensive income	21,581	20,346
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,117	19,770
Comprehensive income attributable to noncontrolling interests	464	575

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY2014 3rd Quarter From April 1, 2014 to December 31, 2014	FY2015 3rd Quarter From April 1, 2015 to December 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	16,662	24,745
Depreciation and amortization	17,298	19,504
Increase (decrease) in net defined benefit liability	288	126
Decrease (increase) in net defined benefit asset	(1,838)	317
Increase (decrease) in allowance for doubtful accounts	4	20
Interest and dividends income	(1,173)	(1,230)
Interest expenses	876	873
Equity in (earnings) losses of affiliates	(209)	(245)
Loss (gain) on disposal of noncurrent assets	526	494
Decrease (increase) in notes and accounts receivable-trade	(12,616)	(3,962)
Decrease (increase) in inventories	(3,560)	(3,601)
Increase (decrease) in notes and accounts payable-trade	8,725	8,434
Other, net	2,465	5,572
Subtotal	27,450	51,050
Interest and dividends income received	1,228	1,274
Interest expenses paid	(654)	(758)
Income taxes paid	(6,305)	(5,004)
Net cash provided by (used in) operating activities	21,719	46,561
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(29,129)	(29,538)
Proceeds from sales of property, plant and equipment	–	375
Purchase of intangible assets	(1,559)	(2,135)
Purchase of investment securities	(445)	(63)
Proceeds from sales of investment securities	366	365
Purchase of stocks of subsidiaries and affiliates	(104)	–
Payments of loans receivable	(651)	(1,386)
Collection of loans receivable	439	824
Other, net	246	(963)
Net cash provided by (used in) investing activities	(30,837)	(32,522)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,049	1,666
Proceeds from long-term loans payable	10,999	13,140
Repayments of long-term loans payable	(3,246)	(7,950)
Redemption of bonds	(5,000)	–
Repayments of lease obligations	(152)	(73)
Purchase of treasury stock	(13)	(2,769)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(5,392)	(5,344)
Dividends paid to noncontrolling interests	(116)	(152)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(11)
Net cash provided by (used in) financing activities	127	(1,494)
Effect of exchange rate change on cash and cash equivalents	359	(121)
Net increase (decrease) in cash and cash equivalents	(8,631)	12,422
Cash and cash equivalents at beginning of period	33,803	28,020
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	19	–
Cash and cash equivalents at end of period	25,192	40,443

(4) Notes on Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

No corresponding transactions

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

No corresponding transactions

(Segment Information)

Term from April 1, 2014 to December 31, 2014

1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	82,375	71,143	50,118	105,228	39,782	32,205	33,152	414,005	—	414,005
Intersegment	980	465	91	0	29	211	934	2,713	(2,713)	—
Total	83,355	71,608	50,210	105,228	39,811	32,416	34,087	416,719	(2,713)	414,005
Segment income (loss)	1,285	7,976	3,031	1,566	6,704	(716)	8,944	28,793	(12,029)	16,764

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

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

(Millions of yen)

Income	Amount
Segment total	28,793
Elimination of intersegment transactions	(2)
Companywide expenses (Note)	(12,012)
Other adjustments	(14)
Operating income in the quarterly consolidated statements of income	16,764

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

Term from April 1, 2015 to December 31, 2015

1) Sales and Income (Loss) by Segments

(Millions of yen)

	Reporting Segment								Adjustment	Total
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Segment Total		
Sales										
Customers	78,172	69,954	50,413	109,170	43,452	30,685	35,356	417,204	—	417,204
Intersegment	704	526	40	5	23	188	952	2,441	(2,441)	—
Total	78,876	70,480	50,454	109,176	43,475	30,874	36,308	419,646	(2,441)	417,204
Segment income	3,491	10,974	5,151	2,472	8,638	552	12,645	43,927	(14,566)	29,360

(Note) Segment income is reconciled with operating income in the quarterly consolidated financial statements.

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

(Millions of yen)

Income	Amount
Segment total	43,927
Elimination of intersegment transactions	(1)
Companywide expenses (Note)	(14,556)
Other adjustments	(8)
Operating income in the quarterly consolidated statements of income	29,360

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

3) Notes Concerning Changes in Reporting Segments

As a result of the Company's review of its organizational and management framework, from the first quarter of the fiscal year ending March 31, 2016, the Company has changed the divisions of some subsidiaries and, as a result, their reporting segment has been revised from Electronics Products to Expandable Plastics and Products.

Segment information for the third quarter of the fiscal year ending March 31, 2015 has been prepared based on the revised classification method. This information is shown under "1) Sales and Income (Loss) by Segments" for the third quarter of the fiscal year ending March 31, 2015.

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(Significant Subsequent Event)
(Business Combination due to Acquisition)
At a meeting held on December 8, 2015, the company's Board of Directors resolved to consolidate equity-method affiliate CEMEDINE CO., LTD. as a subsidiary by conducting a tender offer to acquire the affiliate's common shares in accordance with the Financial Instruments and Exchange Act of Japan. The tender offer, which began on the day following the resolution on December 9, was completed on January 13, 2016. The following is an overview.

1. Summary of Business Combination
(1) Name of acquired company and its business

Name of acquired company	CEMEDINE CO., LTD.
Business	Manufacture and sale of adhesives, sealer, special paints, adhesive tapes

(2) Reasons for executing business combination
Since first accepting a third-party allotment of shares for recapitalizing CEMEDINE CO., LTD. in April 1990, Kaneka had strengthened its capital relationship with the affiliate in stages, cooperating in a mutual effort to expand business. However, Kaneka's Board reached a unanimous agreement that making CEMEDINE into a consolidated subsidiary would be an extremely effective means of raising the Kaneka Group's corporate value further. This is because such a move would promote the mutual provision and effective use of management resources in areas encompassing the assets, technologies, expertise, and overseas networks of the two companies. As a result, the two companies each held a Board of Directors meeting on December 8, 2015, and resolved to conduct a tender offer for Kaneka to consolidate CEMEDINE as a subsidiary.

(3) Date of business combination
January 20, 2016

(4) Legal form of business combination
Share acquisition in exchange for cash

(5) Name of company after combination
There was no change in the company name.

(6) Share of voting rights acquired

Share of voting rights held immediately before the date of business combination	29.61%
Share of voting rights additionally acquired on the date of business combination	21.39%
Share of voting rights held after acquisition	51.00%

(Note) Kaneka's ratio of voting rights in CEMEDINE CO., LTD. was calculated based on a denominator of 150,129 individual voting rights attached to 15,012,901 shares of outstanding CEMEDINE stock adjusted for dilution. This figure was calculated by adjusting the 15,167,000 nominal shares of outstanding stock as of September 30, 2015, recorded in CEMEDINE's "Quarterly Financial Results for the Second Quarter, Ended September 30, 2015," by adding 105,000 shares of unissued stock underlying 105 stock acquisition rights that had remained unexercised as of September 30, 2015, and subtracting a balance of 259,099 shares of treasury stock that CEMEDINE had recorded as of September 30, 2015. (CEMEDINE had recorded the issuance of 26 new stock issuance rights in its "Quarterly Financial Results for the Second Quarter, Ended September 30, 2015," and had reported a balance of 176 outstanding stock acquisition rights as of March 31, 2015 in the securities report it filed on June 19, 2015 for the year ended March 31, 2015. From this total of 202 stock acquisition rights, the exercise of 97 stock acquisition rights as of January 14, 2016 was subtracted to arrive at the net figure of 105 outstanding stock acquisition rights.)

(7) Rational behind determining the company to be acquired
The Kaneka Group acquired a majority of the voting rights and clearly has control over the decision-making body of the acquiree.

2. Items related to calculation of the acquisition cost
They are currently being evaluated.

3. Items related to allocation of the acquisition cost
They are currently being evaluated.