

# Financial Results for the Term Ended March 2012 (Japanese GAAP, Consolidated)



May 11, 2012

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Osaka, Nagoya

Code Number: 4118

URL <http://www.kaneka.co.jp>

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Scheduled date for Ordinary General Meeting of Shareholders: June 28, 2012

Scheduled date of dividend distribution: June 8, 2012

Scheduled date for submitting financial statements: June 28, 2012

Supplementary materials available on financial results: Yes

Financial results briefing: Yes (For Analysts)

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

## 1. Consolidated Business Performance for the Term Ended March 2012 (from April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2011 – Mar. 2012	469,289	3.4	13,151	(38.1)	12,658	(39.7)	5,402	(53.5)
Apr. 2010 – Mar. 2011	453,826	10.0	21,235	21.3	20,983	28.4	11,625	38.3

(Reference) Comprehensive Income: ¥2,061million (-77.7%) as of March 31, 2012,

¥9,247 million (-25.8%) as of March 31, 2011

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary Income – total assets ratio	Operating Income – sales ratio
	¥	¥	%	%	%
Apr. 2011 – Mar. 2012	15.96	15.95	2.2	2.7	2.8
Apr. 2010 – Mar. 2011	34.28	34.26	4.6	4.7	4.7

(Reference) Profit based on equity-method investment balance: ¥383 million as of March 31, 2012,

¥1,117 million as of March 31, 2011

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2011 – Mar. 2012	467,082	257,460	53.0	734.61
Apr. 2010 – Mar. 2011	455,140	261,828	55.4	743.88

(Reference) Shareholders' equity: ¥247,526 million as of March 31, 2012, ¥252,114 million as of March 31, 2011

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Outstanding balance of cash and cash equivalents as of the end of term
	¥ million	¥ million	¥ million	¥ million
Apr. 2011 – Mar. 2012	15,842	(28,057)	2,025	27,157
Apr. 2010 – Mar. 2011	34,932	(34,933)	(4,342)	36,978

## 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. 2010 – Mar. 2011	—	8.00	—	8.00	16.00	5,424	46.7	2.2
Apr. 2011 – Mar. 2012	—	8.00	—	8.00	16.00	5,407	100.3	2.1
Apr. 2012 – Mar. 2013 (Forecasts)	—	8.00	—	8.00	16.00		53.9	

## 3. Forecast for consolidated business performance in the term ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
First half	240,000	2.2	8,000	24.3	7,500	29.8	4,000	40.7	11.87
Full year	500,000	6.5	20,000	52.1	18,500	46.2	10,000	85.1	29.68

#### 4. Other

(1) Changes in principal subsidiaries during the term  
(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: No  
2) Changes other than 1) above: No  
3) Changes in accounting estimates: No  
4) Restatements: No

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock):
2. Shares of treasury stock at the end of the period:
3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

March 31, 2012	350,000,000 shares	March 31, 2011	350,000,000 shares
March 31, 2012	13,049,811 shares	March 31, 2011	11,082,130 shares
March 31, 2012	338,450,168 shares	March 31, 2011	339,103,298 shares

(Reference): Overview of Non-Consolidated Operating Performance

1. For the Term Ended March 2012 (from April 1, 2011 to March 31, 2012)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2011 – Mar. 2012	266,859	3.5	1,239	(51.7)	4,206	29.2	2,000	4.5
Apr. 2010 – Mar. 2011	257,720	7.1	2,564	(32.6)	3,255	(48.3)	1,913	(43.3)

  

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2011 – Mar. 2012	5.91	5.91
Apr. 2010 – Mar. 2011	5.64	5.64

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2011 – Mar. 2012	362,569	202,331	55.8	600.04
Apr. 2010 – Mar. 2011	359,887	208,509	57.9	614.79

(Reference) Shareholders' equity: ¥202,194 million as of March 31, 2012, and ¥208,382 million as of March 31, 2011

(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 1. Business Performance (1) Analysis of Business Performance 3) Performance Forecasts for the Year Ending March 31, 2013 on page 4.

[Supplementary Materials]

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## 1. Business Performance

### (1) Analysis of Business Performance

#### 1) Overview of Results for the Term Ended March 31, 2012

During the year under review, the global economy appeared to slow. This was due to slowing growth in Asia, including China, and other emerging markets that had driven the global economy up to now, in addition to a deepening sovereign debt crisis in Europe and protracted economic sluggishness in the U.S. The Japanese economy, meanwhile, made little progress escaping the grip of deflation. The economy was also heavily impacted by the Great East Japan Earthquake that occurred on March 11, 2011, supply chain disruptions caused by the flooding in Thailand, the yen's appreciation, and rising material and fuel costs, among other factors. Looking ahead, full-scale demand stoked by reconstruction efforts after the Great East Japan Earthquake and a rebound in exports to emerging markets are expected. However, the economic outlook is filled with uncertainty, including protracted economic malaise in Europe, the yen's strength, persistently high material and fuel costs, power supply constraints and other factors. In addition, there is an increasing risk of an economic slowdown in Japan amid ongoing upheavals in the structure of industry as the hollowing out of industry continues due to Japanese corporations shifting offshore.

In this difficult environment, the Kaneka Group is investing management resources in key strategic fields, seeking to establish operations in the new areas of business that we expect to drive growth and reinforcing global development. We are also focusing on restructuring our businesses. Similarly, in existing businesses we are working to boost sales volumes and striving to enhance competitiveness by lowering manufacturing and overhead costs in a bid to recover profitability. During the fiscal year ended March 31, 2012, the Kaneka Group reported net sales of ¥469,289 million, up 3.4% year on year. However, operating income was ¥13,151 million, down 38.1%, and ordinary income was ¥12,658 million, down 39.7%. Net income was ¥5,402 million, down 53.5%, despite the recording of ¥3,111 million in extraordinary income, such as gain on sales of investment securities. This decline reflected ¥4,417 million in extraordinary losses, including business structure improvement expenses, as well as an increase in income taxes – deferred in connection with a change in the corporate income tax rate in April 2012.

#### 2) Segment Trends

##### (Chemicals)

Profitability of PVC resins was affected by rising raw material and fuel costs, as well as the yen appreciating. However, sales volume expanded in the Japanese market and we concentrated on revising selling prices upward. Specialty PVC resins were boosted by increased sales volume in the Japanese market, coupled with contributions to performance from cost reductions, among other factors. In caustic soda, demand in the Japanese market increased.

As a result, segment sales increased ¥8,736 million, or 10.2%, to ¥94,204 million. The segment posted operating income of ¥3,646 million, up ¥883 million, or 32.0%, year on year.

##### (Functional Plastics)

In modifiers, in response to weak demand in Japanese and overseas markets, the Kaneka Group took extensive steps to differentiate its products to generate higher sales and to bolster the earnings structure in this business, including through cost reductions. Business was strongly impacted, however, by higher raw material and fuel costs, and the strong yen, which led to lower

earnings. Modified silicone polymers recorded higher sales and earnings. Construction-related demand was strong in Japan, and sales volume grew year on year in Japan as well as in Europe and North America, covering the effects of higher raw material and fuel costs and the yen's appreciation.

As a result, segment sales edged up ¥1,126 million, or 1.6%, to ¥71,118 million. However, operating income dropped ¥2,133 million, or 25.7%, to ¥6,162 million.

(Expandable Plastics and Products)

Sales of expandable polystyrene resins and products were strongly impacted by lower demand for fishing industry applications in Japan's Tohoku and Kanto regions due to the March 2011 earthquake and by higher raw material and fuel costs. In extruded polystyrene foam boards, the Group worked extensively to lower manufacturing costs and expenses in response to rising raw material and fuel costs, amid a year-on-year decline in sales volume in housing construction in Japan due to the conclusion of the eco-points housing system and other factors. Polyolefin foam by beads method, meanwhile, was impacted by supply chain stoppages and other disruptions in the automobile sector from the Great East Japan Earthquake and the floods in Thailand, culminating in lackluster demand in the Japanese, Asian and European markets.

As a result, segment sales declined ¥1,039 million, or 1.8%, year on year to ¥57,590 million. Operating income dropped ¥1,851 million, or 29.7%, to ¥4,377 million.

(Foodstuffs Products)

In this business, we focused on expanding sales of new products, revising selling prices and reducing costs. Despite these efforts, the business was severely impacted by higher prices of oils, fats and other raw materials, and a shift to low-priced products as consumers tightened their belts.

Segment sales increased ¥7,329 million, or 5.9%, to ¥131,111 million. Operating income dropped ¥2,651 million, or 33.3%, to ¥5,308 million.

(Life Science Products)

In medical devices, sales in the vascular intervention business increased steadily. In bulk and intermediate pharmaceuticals, sales volumes were lackluster. In functional foodstuffs, sales volume rose for high-performance products in the U.S. market, as well as in Europe and Japan, even as the Group focused on reducing costs.

Segment sales declined ¥520 million, or 1.1%, to ¥46,996 million. Operating income decreased ¥851 million, or 9.2%, to ¥8,428 million.

(Electronic Products)

Although sales volume for optical films increased atop growth in new applications, ultra heat-resistant polyimide film sales volume declined year on year on falling demand caused by disruptions to the supply chain from the Great East Japan Earthquake and the flooding in Thailand, and the global economic slowdown. In solar cells, sales volume in the Japanese market steadily increased. However, sales volume decreased to overseas markets amid falling demand in the European market. Downward pressure on prices triggered by intensified competition, and the yen's appreciation also affected performance. Sales volume of solar cell-related material overseas was also lackluster.

Segment sales fell ¥3,198 million, or 7.8%, to ¥38,027 million. The segment recorded an

operating loss of ¥6,312 million.

(Synthetic Fibers and Others)

Sales volume for synthetic fibers increased year on year, buoyed by firm demand in overseas markets, despite being significantly impacted by a strong yen and rising raw material and fuel costs. In parallel, the Group sought to improve profitability by revising selling prices and cutting costs. This led to higher sales and earnings. Earnings were also higher for the Others segment.

Segment sales increased ¥3,029 million, or 11.1%, to ¥30,240 million. Operating income rose ¥935 million, or 118.9%, to ¥1,722 million.

(International Sales)

International sales dropped year on year to ¥149,493 million due to the heavy impact of the yen's appreciation. As a percentage of net sales, international sales came to 31.9%, below the 35.4% in the previous fiscal year.

3) Performance Forecasts for the Year Ending March 31, 2013

The world economy is expected to hold to a gentle recovery path on the back of improving economic conditions in the U.S., ongoing growth in emerging markets and other factors. At the same time, downside risks for the world economy include the sovereign debt crisis reigniting, soaring material and fuel costs, and monetary tightening in emerging markets. These and other factors are making the outlook more uncertain. Amid this economic environment, the Kaneka Group is redoubling its efforts to shore up its sales and income-generation capacity and accelerating its initiatives targeting business structure reform.

Our performance forecasts for the year ending March 31, 2013 are as follows:

[Consolidated Forecasts]

Net sales: ¥500 billion (6.5% increase from the Term ended March 31, 2012)

Operating income: ¥20 billion (52.1% increase from the Term ended March 31, 2012)

Ordinary income: ¥18.5 billion (46.2% increase from the Term ended March 31, 2012)

Net income: ¥10 billion (85.1% increase from the Term ended March 31, 2012)

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 from these forecasts because of various uncertainties. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. The forecasts are based on exchange rates of ¥80 to the U.S. dollar, ¥105 to the euro and a domestic naphtha price of ¥60,000 per kiloliter.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥467,082 million as of March 31, 2012, up ¥11,941 million compared with March 31, 2011 due to increases in notes and accounts receivable—trade and other factors. The ratio of ordinary income to total assets (ROA) was 2.7%, down from 4.7% in the previous fiscal year.

Interest-bearing debt stood at ¥74,678 million, up ¥8,083 million from March 31, 2011. Net assets decreased ¥4,368 million to ¥257,460 million, which reflected a decrease in valuation difference on available-for-sale securities, an increase in foreign currency translation adjustment,

and an increase in treasury stock. As a result, the equity ratio came to 53.0%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.30.

## 2) Analysis of Consolidated Cash Flows

Cash and cash equivalents on March 31, 2012 stood at ¥27,157 million, ¥9,820 million less than at March 31, 2011.

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 ¥15,842 million, down ¥19,090 million year on year.

The main contributors were income before income taxes and minority interests of ¥11,352 million, and depreciation and amortization of ¥29,593 million. Major uses of cash were a ¥15,024 million increase in notes and accounts receivable—trade and income taxes paid of ¥6,750 million.

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

Net cash used in investing activities amounted to ¥28,057 million, or ¥6,875 million less than in the preceding fiscal year. The principal use of cash was ¥30,643 million for the purchase of property, plant and equipment. On the other hand, ¥4,032 million in cash was mainly provided by proceeds from sales and distributions of investment securities.

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

Financing activities provided net cash of ¥2,025 million, a change of ¥6,368 million from the net cash used in the previous fiscal year. Cash was mainly provided by the net increase in short-term loans payable and proceeds from long-term loans payable.

### Reference) Trends in Cash Flow-Related Indicators

	Term ended March 31, 2008	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011	Term ended March 31, 2012
Shareholders' equity ratio	57.7%	58.1%	57.6%	55.4%	53.0%
Shareholders' equity ratio based on market value	46.8%	39.2%	47.5%	43.1%	36.0%
Interest-bearing debt coverage ratio	1.4	2.7	1.1	1.9	4.7
Interest coverage ratio	24.9	19.7	61.6	39.5	17.9

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 paid

Notes:

1. All calculated according to financial figures on a consolidated basis
2. The calculation of the total market value of stock is based on the total number of shares outstanding, excluding treasury stock.
3. "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.

## 2. Management Policy

### (1) Basic Management Policies

In September 2009, the Kaneka Group introduced the 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 challenge the environmental issues of our planet and contribute 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, back them up with new product development, in turn, protecting the global environment and contributing to the quality of life, and foster 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 in March 2012 formulated NEW ACT2014, a medium-term management plan running from the fiscal year ending March 31, 2013 to the fiscal year ending March 31, 2015, and embarked on initiatives. Under this plan, the Kaneka Group has set the consolidated targets of net sales of ¥630 billion and operating income of ¥50 billion in the year ending March 31, 2015.

### (3) Medium to Long-Term Management Strategies

The Kaneka Group has earmarked the environment and energy, health care, information and communications and food production support as important strategic domains. As key management strategies, the Kaneka Group 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, 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 NEW ACT2014, the Kaneka Group will transform business structures, R&D and production, and step up initiatives such as promoting global development in order to quickly move onto a growth trajectory.

### (4) Management Tasks

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 themes in the interim: 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 from a local perspective. By addressing these themes 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 regarded company.



## 3. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

	FY2010	FY2011
	Term ended March 31, 2011	Term ended March 31, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	37,685	27,309
Notes and accounts receivable—trade	103,891	118,367
Short-term investment securities	322	322
Merchandise and finished goods	38,023	44,225
Work in process	8,017	8,823
Raw materials and supplies	22,112	23,753
Deferred tax assets	6,142	6,841
Other	6,630	6,548
Allowance for doubtful accounts	(400)	(164)
Total current assets	222,425	236,027
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	53,856	52,173
Machinery, equipment and vehicles, net	64,264	62,739
Land	30,210	29,324
Construction in progress	9,952	15,885
Other, net	4,782	4,314
Total property, plant and equipment	163,065	164,437
Intangible assets		
Goodwill	4,436	3,935
Other	2,763	3,035
Total intangible assets	7,199	6,970
Investments and other assets		
Investment securities	46,438	41,658
Investments in capital	931	1,312
Long-term loans receivable	1,775	1,719
Long-term prepaid expenses	2,481	1,918
Deferred tax assets	5,167	6,218
Other	6,225	7,345
Allowance for doubtful accounts	(568)	(527)
Total investments and other assets	62,450	59,646
Total noncurrent assets	232,715	231,054
Total assets	455,140	467,082

## Financial Results for the Term Ended March 31, 2012, Kaneka Corporation (4118)

(Millions of yen)

	FY2010	FY2011
	Term ended March 31, 2011	Term ended March 31, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	60,771	64,444
Short-term loans payable	21,176	37,061
Current portion of bonds	5,006	—
Accounts payable-other	22,074	28,740
Accrued expenses	8,901	9,096
Income taxes payable	4,145	2,834
Accrued consumption taxes	496	358
Provision for directors' bonuses	117	106
Administrative fine reserve	604	604
Provision for loss on disaster	381	—
Other	2,890	2,624
<b>Total current liabilities</b>	<b>126,566</b>	<b>145,871</b>
<b>Noncurrent liabilities</b>		
Bonds payable	15,143	15,000
Long-term loans payable	26,095	24,151
Deferred tax liabilities	1,083	1,221
Provision for retirement benefits	19,228	19,008
Provision for directors' retirement benefits	320	336
Negative goodwill	639	430
Other	4,234	3,601
<b>Total noncurrent liabilities</b>	<b>66,745</b>	<b>63,750</b>
<b>Total liabilities</b>	<b>193,311</b>	<b>209,621</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	197,462	197,372
Treasury stock	(9,760)	(10,552)
<b>Total shareholders' equity</b>	<b>255,585</b>	<b>254,703</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,677	4,664
Foreign currency translation adjustment	(10,148)	(11,841)
<b>Total accumulated other comprehensive income</b>	<b>(3,471)</b>	<b>(7,176)</b>
Subscription rights to shares	127	137
Minority interests	9,587	9,796
<b>Total net assets</b>	<b>261,828</b>	<b>257,460</b>
<b>Total liabilities and net assets</b>	<b>455,140</b>	<b>467,082</b>

## (2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income	(Millions of yen)	
	FY2010 From April 1, 2010 to March 31, 2011	FY2011 From April 1, 2011 to March 31, 2012
Net sales	453,826	469,289
Cost of sales	339,381	359,544
Gross profit	114,444	109,744
Selling, general and administrative expenses	93,209	96,592
Operating income	21,235	13,151
Non-operating income		
Interest income	121	116
Dividends income	995	1,522
Foreign exchange gains	114	888
Amortization of negative goodwill	249	236
Equity in earnings of affiliates	1,117	383
Other	839	880
Total non-operating income	3,437	4,027
Non-operating expenses		
Interest expenses	892	885
Loss on retirement of noncurrent assets	1,080	1,156
Compensation expenses	85	637
Other	1,630	1,840
Total non-operating expenses	3,689	4,520
Ordinary income	20,983	12,658
Extraordinary income		
Gain on sales of noncurrent assets	—	172
Gain on sales of investment securities	—	2,939
Gain on negative goodwill	192	—
Total extraordinary income	192	3,111
Extraordinary loss		
Loss on sales of noncurrent assets	—	243
Patent protection court cost	—	1,829
Business structure improvement expenses	—	2,344
Loss on disaster	1,220	—
Loss on valuation of investment securities	518	—
Total extraordinary losses	1,738	4,417
Income before income taxes and minority interests	19,436	11,352
Income taxes—current	6,817	5,093
Income taxes—deferred	(36)	381
Total income taxes	6,781	5,474
Income before minority interests	12,655	5,877
Minority interests in income	1,030	475
Net income	11,625	5,402

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2010	FY2011
	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Income before minority interests	12,655	5,877
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,450)	(2,033)
Foreign currency translation adjustment	(1,948)	(1,780)
Share of other comprehensive income of associates accounted for using equity method	(9)	(2)
Total other comprehensive income	(3,408)	(3,816)
Comprehensive income	9,247	2,061
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	8,295	1,697
Comprehensive income attributable to minority interests	951	364

## (3) Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Previous fiscal year	Current fiscal year
	From April 1, 2010 To March 31, 2011	From April 1, 2011 To March 31, 2012
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the beginning of current period	33,046	33,046
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	33,046	33,046
<b>Capital surplus</b>		
Balance at the beginning of current period	34,836	34,836
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	34,836	34,836
<b>Retained earnings</b>		
Balance at the beginning of current period	191,250	197,462
Changes of items during the period		
Dividends from surplus	(5,426)	(5,423)
Net income	11,625	5,402
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	20	(55)
Disposal of treasury stock	(6)	(12)
Total changes of items during the period	6,212	(89)
Balance at the end of current period	197,462	197,372
<b>Treasury stock</b>		
Balance at the beginning of current period	(9,599)	(9,760)
Changes of items during the period		
Purchase of treasury stock	(187)	(836)
Disposal of treasury stock	26	43
Total changes of items during the period	(161)	(792)
Balance at the end of current period	(9,760)	(10,552)
<b>Total shareholders' equity</b>		
Balance at the beginning of current period	249,534	255,585
Changes of items during the period		
Dividends from surplus	(5,426)	(5,423)
Net income	11,625	5,402
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	20	(55)
Purchase of treasury stock	(187)	(836)
Disposal of treasury stock	19	30
Total changes of items during the period	6,051	(882)
Balance at the end of current period	255,585	254,703

(Millions of yen)

	Previous fiscal year From April 1, 2010 To March 31, 2011	Current fiscal year From April 1, 2011 To March 31, 2012
<b>Accumulated other comprehensive income</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the beginning of current period	8,147	6,677
<b>Changes of items during the period</b>		
Net changes of items other than shareholders' equity	(1,470)	(2,012)
Total changes of items during the period	(1,470)	(2,012)
Balance at the end of current period	6,677	4,664
<b>Foreign currency translation adjustment</b>		
Balance at the beginning of current period	(8,289)	(10,148)
<b>Changes of items during the period</b>		
Net changes of items other than shareholders' equity	(1,859)	(1,692)
Total changes of items during the period	(1,859)	(1,692)
Balance at the end of current period	(10,148)	(11,841)
<b>Total accumulated other comprehensive income</b>		
Balance at the beginning of current period	(142)	(3,471)
<b>Changes of items during the period</b>		
Net changes of items other than shareholders' equity	(3,329)	(3,705)
Total changes of items during the period	(3,329)	(3,705)
Balance at the end of current period	(3,471)	(7,176)
<b>Subscription rights to shares</b>		
Balance at the beginning of current period	109	127
<b>Changes of items during the period</b>		
Net changes of items other than shareholders' equity	17	10
Total changes of items during the period	17	10
Balance at the end of current period	127	137
<b>Minority interests</b>		
Balance at the beginning of current period	7,672	9,587
<b>Changes of items during the period</b>		
Net changes of items other than shareholders' equity	1,915	209
Total changes of items during the period	1,915	209
Balance at the end of current period	9,587	9,796

Financial Results for the Term Ended March 31, 2012, Kaneka Corporation (4118)

(Millions of yen)

	Previous fiscal year From April 1, 2010 To March 31, 2011	Current fiscal year From April 1, 2011 To March 31, 2012
<b>Total net assets</b>		
Balance at the beginning of current period	257,174	261,828
<b>Changes of items during the period</b>		
Dividends from surplus	(5,426)	(5,423)
Net income	11,625	5,402
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	20	(55)
Purchase of treasury stock	(187)	(836)
Disposal of treasury stock	19	30
Net changes of items other than shareholders' equity	(1,396)	(3,486)
Total changes of items during the period	4,654	(4,368)
Balance at the end of current period	261,828	257,460

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2010 From April 1, 2010 to March 31, 2011	FY2011 From April 1, 2011 to March 31, 2012
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	19,436	11,352
Depreciation and amortization	28,891	29,593
Increase (decrease) in provision for retirement benefits	(156)	(290)
Increase (decrease) in allowance for doubtful accounts	279	(271)
Interest and dividend income	(1,116)	(1,638)
Interest expenses	892	885
Loss (gain) on disposal of noncurrent assets	855	1,006
Loss (gain) on valuation of investment securities	518	—
Loss (gain) on sales of investment securities	—	(2,939)
Equity in (earnings) losses of affiliates	(1,117)	(383)
Decrease (increase) in notes and accounts receivable—trade	(8,923)	(15,024)
Decrease (increase) in inventories	(5,975)	(9,065)
Increase (decrease) in notes and accounts payable—trade	6,907	3,934
Other, net	65	4,602
Subtotal	40,557	21,761
Interest and dividend income received	1,179	1,715
Interest expenses paid	(883)	(883)
Income taxes paid	(5,921)	(6,750)
Net cash provided by (used in) operating activities	34,932	15,842
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(26,385)	(30,643)
Proceeds from sales of property, plant and equipment	—	929
Purchase of intangible assets	(1,133)	(1,488)
Purchase of investment securities	(1,552)	(201)
Proceeds from sales and distributions of investment securities	14	4,032
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(4,019)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	219	—
Purchase of stocks of subsidiaries and affiliates	(1,424)	(944)
Proceeds from sales of stocks of subsidiaries and affiliates	108	174
Payments of loans receivable	(637)	(496)
Collection of loans receivable	96	391
Other, net	(220)	187
Net cash provided by (used in) investing activities	(34,933)	(28,057)



Financial Results for the Term Ended March 31, 2012, Kaneka Corporation (4118)

(Millions of yen)

	FY2010	FY2011
	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	825	10,439
Proceeds from long-term loans payable	4,066	5,647
Repayment of long-term loans payable	(3,008)	(2,108)
Redemption of bonds	—	(5,149)
Repayments of lease obligations	(536)	(421)
Cash dividends paid	(5,426)	(5,423)
Cash dividends paid to minority shareholders	(158)	(123)
Purchase of treasury stock	(107)	(836)
Proceeds from sales of treasury stock	3	1
<b>Net cash provided by (used in) financing activities</b>	<b>(4,342)</b>	<b>2,025</b>
Effect of exchange rate change on cash and cash equivalents	807	369
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,535)</b>	<b>(9,820)</b>
Cash and cash equivalents at beginning of period	40,513	36,978
<b>Cash and cash equivalents at end of period</b>	<b>36,978</b>	<b>27,157</b>

(5) Notes on the Premise of a Going Concern

Not applicable

(6) Notes to the Consolidated Financial Statements

The Scope of Consolidation

(Changes in the Scope of Consolidation)

Number of consolidated subsidiaries: 65

In the year ended March 31, 2012, Kaneka Modifiers Deutschland GmbH was established and included within the scope of consolidation. On the other hand, Quantigen Ltd. was liquidated, while shares of Nippon EGT Co., Ltd. were sold, leading to these entities being excluded from the scope of consolidation.

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 29, 2011).

(7) Significant Changes for the Consolidated Financial Statements

(Additional Information)

1) Application of accounting and other standards concerning accounting changes and error corrections

In anticipation of accounting changes and error corrections for past years that may occur after the first quarter under review, the Company has applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on the Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009).

2) Impact from a change in the corporate income tax rate and others

Following the official proclamation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate tax rate will be reduced and a special recovery tax will be imposed from the fiscal year beginning April 1, 2012 onward. In accordance with this reform, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities will be reduced to 37.96% from 40.64% between the fiscal year beginning April 1, 2012 and the fiscal year ending March 31, 2015 for temporary differences that are expected to be eliminated during this period, and to 35.59% for temporary differences that are expected to be eliminated from the fiscal year beginning April 1, 2015 onward. The changes in this tax rate led to a ¥656 million decrease in deferred tax assets (after deducting deferred tax liabilities) and a ¥1,028 million increase in income tax and other adjustments.

(8) Notes to the Consolidated Financial Statements  
(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 its periodic review of business performance. Technology is the common thread running throughout 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 established to unify subsidiaries in Japan and overseas for the products and services it handles.

Accordingly, the Company has categorized its operations by products and services, based on its business divisions. These 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 considers continuity over a considerable term.

The Chemicals segment 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. The Functional Plastics segment 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. The Expandable Plastics and Products segment 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 parlayed its expertise in fermentation and high-polymer technologies into pharmaceutical intermediates, 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. The Synthetic Fibers and Others segment mainly engages 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."

## 3) Segment Information by Business Category

Previous fiscal year (from April 1, 2010 to March 31, 2011)

(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	85,467	69,992	58,630	123,781	47,517	41,225	27,211	453,826	—	453,826
Intersegment	2,999	512	193	0	107	595	1,433	5,842	(5,842)	—
Total	88,466	70,504	58,824	123,782	47,625	41,821	28,644	459,669	(5,842)	453,826
Segment profit / loss	2,763	8,296	6,229	7,960	9,279	(5,815)	787	29,502	(8,267)	21,235
Segment assets	73,364	54,817	45,996	69,249	63,208	67,510	20,379	394,527	60,613	455,140
Other Item										
Depreciation	4,982	3,525	2,406	2,588	2,966	7,754	3,650	27,875	841	28,716
Amortization of goodwill	—	—	47	—	224	—	—	272	—	272
Investment in equity method	—	1,786	1,142	—	—	—	—	2,929	—	2,929
Increase in assets	5,535	2,022	1,914	2,578	2,028	10,175	1,623	25,879	3,371	29,250

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

Current fiscal year (from April 1, 2011 to March 31, 2012)

(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	94,204	71,118	57,590	131,111	46,996	38,027	30,240	469,289	—	469,289
Intersegment	2,008	655	194	0	13	476	1,541	4,891	(4,891)	—
Total	96,212	71,774	57,785	131,112	47,010	38,503	31,782	474,180	(4,891)	469,289
Segment profit / loss	3,646	6,162	4,377	5,308	8,428	(6,312)	1,722	23,334	(10,183)	13,151
Segment assets	82,325	56,874	46,314	71,315	59,790	70,275	19,609	406,504	60,578	467,082
Other Item										
Depreciation	5,104	3,276	2,518	2,732	2,946	8,364	3,007	27,950	1,458	29,409
Amortization of goodwill	—	19	—	—	264	—	—	284	—	284
Investment in equity method	—	1,950	1,325	—	—	—	—	3,276	—	3,276
Increase in assets	7,630	4,269	2,746	3,992	2,256	7,142	3,646	31,684	1,423	33,108

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, 2010 to March 31, 2011	from April 1, 2011 to March 31, 2012
Segment total	29,502	23,334
Elimination of intersegment transactions	(3)	(1)
Companywide expenses (Note)	(8,217)	(10,088)
Other adjustments	(46)	(93)
Operating income in the quarterly consolidated statements of income	21,235	13,151

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

(Millions of yen)

Income	from April 1, 2010 to March 31, 2011	from April 1, 2011 to March 31, 2012
Segment total	394,527	406,504
Elimination of intersegment transactions	(5,244)	(5,174)
Companywide assets (Note)	66,146	64,548
Other adjustments	(288)	1,204
Total assets in the quarterly consolidated statements of income	455,140	467,082

(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	27,875	27,950	841	1,458	—	—	28,716	29,409
Increase in assets	25,879	31,684	3,371	1,423	—	—	29,250	33,108

(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, 2010 to March 31, 2011)

## 1) Information by Product and Service

No information is reported because product and service classifications are the same as Reporting Segment classifications.

## 2) Geographic Area

## (1) Sales

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
293,001	69,242	29,133	45,044	17,404	453,826

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
136,554	6,445	14,180	5,884	163,065

## 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, 2011 to March 31, 2012)

## 1) Information by Product and Service

No information is reported because product and service classifications are the same as Reporting Segment classifications.

## 2) Geographic Area

## (1) Sales

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
319,796	62,708	28,151	42,384	16,249	469,289

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
133,848	11,238	13,296	6,055	164,437

## 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, 2010 to March 31, 2011)

Nothing to report

Current fiscal year (from April 1, 2011 to March 31, 2012)

Nothing to report

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

Previous fiscal year (from April 1, 2010 to March 31, 2011)

	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	—	—	47	—	224	—	—	272	—	272
Balance	—	—	—	—	4,436	—	—	4,436	—	4,436
(Negative goodwill)										
Amortization	—	—	14	83	—	151	—	249	—	249
Balance	—	—	—	184	—	454	—	639	—	639

Current fiscal year (from April 1, 2011 to March 31, 2012)

	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	—	19	—	—	264	—	—	284	—	284
Balance	—	277	—	—	3,657	—	—	3,935	—	3,935
(Negative goodwill)										
Amortization	—	—	—	56	—	151	—	208	—	208
Balance	—	—	—	127	—	303	—	430	—	430

(Information on Gain on Negative Goodwill by Reporting Segment)

Previous fiscal year (from April 1, 2010 to March 31, 2011)

In the Foodstuffs Products segment, the Company recorded negative goodwill of ¥192 million in conjunction with the acquisition of additional shares of an equity-method affiliate and its conversion into a consolidated subsidiary on March 31, 2011.

Current fiscal year (from April 1, 2011 to March 31, 2012)

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

Item	Previous fiscal year From April 1, 2010 to March 31, 2011	Current fiscal year From April 1, 2011 to March 31, 2012
(1) Net assets per share	¥743.88	¥734.61

Item	Previous fiscal year From April 1, 2010 to March 31, 2011	Current fiscal year From April 1, 2011 to March 31, 2012
(2) Net income per share	¥34.28	¥15.96
(Basis for computation)		
Net income (Millions of yen)	11,625	5,402
Net income ascribed to common stock (Millions of yen)	11,625	5,402
Average number of shares of common stock during the period (Thousands of shares)	339,103	338,450
(3) Fully diluted net income per share	¥34.26	¥15.95
(Basis for computation)		
Increase in shares of common stock (Thousands of shares)	223	237
(Of which, subscription rights to shares) (Thousands of shares)	(223)	(237)
Overview of dilutive shares not included as the calculation of fully diluted net income per share, as the shares have no dilutive effect	—	—

## (Subsequent Events)

Nothing to report