



## Quarterly Financial Results for the First Quarter, Ended June 30, 2013 (Japanese GAAP, Consolidated)

August 8, 2013

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

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

Representative: Kimikazu Sugawara Title: President, Representative Director

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Scheduled date for submitting financial statements: August 12, 2013 Scheduled date of dividend distribution: —

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

### 1. Consolidated Business Performance for the First Quarter, Ended June 30, 2013 (from April 1, 2013 to June 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2013 – Jun. 2013	126,815	7.8	5,173	33.6	5,708	46.6	3,905	112.9
Apr. 2012 – Jun. 2012	117,679	(1.1)	3,872	6.5	3,895	11.6	1,833	(17.1)

Note: Comprehensive income: ¥8,248 million (—%) three months ended June 30, 2013  
(¥ 1,643) million (—%) three months ended June 30, 2012

	Net income per share	Fully diluted net income per share
Apr. 2013 – Jun. 2013	¥ 11.59	¥ 11.58
Apr. 2012 – Jun. 2012	5.44	5.44

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2013	¥ million 498,279	¥ million 276,079	53.4%
As of March 31, 2013	484,456	270,449	53.8

(Reference) Shareholders' equity: ¥266,020 million as of June 30, 2013  
¥260,594 million as of March 31, 2013

### 2. Dividends

(Record date)	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2012 – Mar. 2013	¥ —	¥ 8.00	¥ —	¥ 8.00	¥ 16.00
Apr. 2013 – Mar. 2014	—				
Apr. 2013 – Mar. 2014 (Forecasts)		8.00	—	8.00	16.00

Note: Changes in dividend forecast during the quarter under review: No

### 3. Forecast for consolidated business performance for the year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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	2.7	12,000	62.0	11,000	62.1	6,000	69.8	17.81
Full year	530,000	11.2	30,000	89.8	28,000	71.3	15,000	60.9	44.52

Note: Revisions to consolidated business performance forecasts during the quarter under review: No

#### 4. Other

(1) Changes in principal subsidiaries during the term: No

(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: No

2. Changes other than 1. above: Yes

3. Changes in accounting estimates: Yes

4. Restatements: No

(Note) Changes were made in accordance with Article 10-5 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Financial Statements, etc. 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):

June 30, 2013	350,000,000 shares	March 31, 2013	350,000,000 shares
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2. Shares of treasury stock at the end of the period:

June 30, 2013	13,056,333 shares	March 31, 2013	13,049,280 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

June 30, 2013	336,948,052 shares	June 30, 2012	336,949,779 shares
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#### (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 4.

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## 1. Quarterly Consolidated Business Performance

### (1) Consolidated Business Performance

During the first three months under review (April 1, 2013 to June 30, 2013), the Kaneka Group reported consolidated net sales of ¥126,815 million (up 7.8% year on year). Operating income was ¥5,173 million (up 33.6% year on year), and ordinary income increased 46.6% to ¥5,708 million. Net income increased to ¥3,905 million, up 112.9% year on year.

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

Operating performance by business segment was as follows:

#### 1) Chemicals

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

As a result of the foregoing, segment sales increased ¥1,253 million, or 5.1%, year on year to ¥25,683 million. However, the segment posted operating income of ¥835 million, a decrease of ¥459 million, or 35.5%, year on year.

#### 2) 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 sales volume increased in both the Japanese and overseas markets. There was an increase in sales volume of modified silicone polymers, which received a high evaluation of unique quality, for the Japanese and overseas markets.

As a result of the foregoing, segment sales increased ¥2,287 million, or 12.6%, year on year to ¥20,447 million. The segment posted operating income of ¥2,019 million, up ¥453 million, or 29.0%, year on year.

#### 3) Expandable Plastics and Products

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

As a result of the abovementioned factors, segment sales increased ¥1,159 million, or 8.2%, year on year to ¥15,258 million. The segment posted operating income of ¥611 million, which was the same level as the first three months of the previous fiscal year.

#### 4) Foodstuffs Products

Foodstuffs products faced an increasingly stronger shift to low-priced products. In this environment, the Group strove to expand sales of new products which anticipated consumer needs and reduce costs.

As a result of the foregoing, segment sales increased ¥640 million, or 2.0%, year on year to ¥32,901 million. The segment posted operating income of ¥1,487 million, an increase of ¥228 million, or 18.1%, year on year.

#### 5) Life Science Products

In medical devices, blood purification systems sales were sluggish despite sales promotions around the world and efforts to reduce costs. By contrast, sales volume of bulk and intermediate pharmaceuticals rose year on year for mainly the subsidiaries. Functional foodstuffs saw growing market recognition of reduced-form coenzyme Q10 as a food supplement drive an increase in sales volume from the first quarter of the previous fiscal year.

As a result of the abovementioned factors, segment sales were about ¥10,493 million, which was the same level as the first three months of the previous fiscal year. However, the segment posted operating income of ¥1,043 million, representing a year-on-year decrease of ¥884 million, or 45.9%.

## 6) Electronic Products

Sales volume of ultra-heat-resistant polyimide film increased year on year. This was mainly due to measures to bolster R&D activities, which led to the launch of new product lineups and the new adoption of these materials in the electronic products market where demand is expanding. 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 in step with growing recognition of the Kaneka Group's solar cells as a unique construction material product combining both aesthetic and functional value in the Japanese housing market. Efforts were also focused on rigorously cutting costs in the solar cell business. As a result, sales volume of solar cell-related materials increased year on year. Sales volume of solar cell-related materials was higher than the same period of the previous fiscal year.

As a result of the abovementioned factors, segment sales increased ¥2,532 million, or 25.8%, to ¥12,335 million. The segment restored operating profitability, posting operating income of ¥523 million.

## 7) Synthetic Fibers and Others

In synthetic fibers, the Group sought to secure profits mainly by expanding sales of high value-added products and cutting costs.

As a result of the foregoing, segment sales increased ¥1,286 million, or 15.3%, year on year to ¥9,696 million. The segment posted operating income of ¥2,115 million, a year-on-year increase of ¥878 million, or 70.9%.

## (2) Consolidated Financial Position

### 1) Status of Assets, Liabilities and Equity

Total assets were ¥498,279 million as of June 30, 2013, up ¥13,823 million compared with March 31, 2013. Interest-bearing debt totaled ¥88,383 million, up ¥1,951 million. Net assets increased ¥5,630 million, to ¥276,079 million, mainly due to an increase in valuation difference on available-for-sale securities and a foreign currency translation adjustment.

### 2) Consolidated Cash Flows

Net cash provided by operating activities during the first three months of the year was ¥10,264 million, mainly due to income before income taxes and minority interests and depreciation and amortization, while net cash used in investing activities amounted to ¥7,754 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥1,627 million, used mainly for cash dividends paid. As a result, cash and cash equivalents as of June 30, 2013, totaled ¥32,976 million.

### (3) Consolidated Business Forecasts

The global economic outlook remained highly uncertain during the first quarter ended June 30, 2013, due mainly to concerns about protracted European economic weakness and slowing growth in China, India and other Asian countries, despite a gradual recovery trend in the U.S. economy.

Business environments in the Japanese economy are in the process of recovering gradually against a backdrop of a correction in the yen's appreciation and the economic policies Japan's newly elected cabinet is implementing. That said, the prospects for a full-fledged recovery still remain tenuous and overshadowed by downside risks in the global economy.

In this business environment, the Kaneka Group will invest management resources in key strategic fields, seeking to establish operations in the new areas of business that we expect to drive growth and further strengthening global development. We will also focus on restructuring our businesses. Similarly, in existing businesses we will work to boost sales volumes mainly by launching new products, while striving to enhance competitiveness by lowering manufacturing and overhead costs in a bid to recover profitability.

The Group has not revised its first-half or full-year consolidated business forecasts for the fiscal year ending March 31, 2014.

## 2. Other Information

### (1) Changes in Principal Subsidiaries During the Term

There were no changes in the scope of consolidation of specific subsidiaries during the first three months 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 policies that are difficult to distinguish from changes in accounting estimates)

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 in the three months ended June 30, 2013.

The Kaneka Group is pressing forward strongly to globalize, based on the targets for fiscal 2020 in the Declaration of Kaneka United 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 previous depreciation method, Kaneka's operating income, ordinary income and income before income taxes and minority interests for the three months ended June 30, 2013 all increased ¥1,677 million.

## 3. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2012 Term ended March 31, 2013	FY2013 1st Quarter Term ended June 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	32,038	33,260
Notes and accounts receivable-trade	116,705	119,154
Short-term investment securities	110	110
Merchandise and finished goods	47,409	48,967
Work in process	8,451	8,675
Raw materials and supplies	24,417	25,214
Other	13,847	15,902
Allowance for doubtful accounts	(110)	(85)
<b>Total current assets</b>	<b>242,869</b>	<b>251,199</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	53,484	53,966
Machinery, equipment and vehicles, net	64,185	64,361
Other, net	51,877	54,032
<b>Total property, plant and equipment</b>	<b>169,547</b>	<b>172,361</b>
Intangible assets		
Goodwill	4,014	4,174
Other	4,589	5,495
<b>Total intangible assets</b>	<b>8,603</b>	<b>9,669</b>
Investments and other assets		
Investment securities	46,862	49,340
Other	16,799	15,930
Allowance for doubtful accounts	(226)	(222)
<b>Total investments and other assets</b>	<b>63,435</b>	<b>65,049</b>
<b>Total noncurrent assets</b>	<b>241,586</b>	<b>247,080</b>
<b>Total assets</b>	<b>484,456</b>	<b>498,279</b>

(Millions of yen)

	FY2012 Term ended March 31, 2013	FY2013 1st Quarter Term ended June 30, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	64,238	66,421
Short-term loans payable	48,226	51,527
Income taxes payable	1,622	1,525
Provision	115	16
Other	34,924	39,857
Total current liabilities	149,128	159,348
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	25,442	24,119
Provision for retirement benefits	19,497	19,164
Provision	322	249
Negative goodwill	208	156
Other	4,407	4,160
Total noncurrent liabilities	64,878	62,851
Total liabilities	214,006	222,199
<b>Net assets</b>		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	200,986	202,397
Treasury stock	(10,547)	(10,552)
Total shareholders' equity	258,322	259,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,261	9,891
Foreign currency translation adjustment	(5,989)	(3,600)
Total accumulated other comprehensive income	2,271	6,290
Subscription rights to shares	159	159
Minority interests	9,695	9,900
Total net assets	270,449	276,079
Total liabilities and net assets	484,456	498,279



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

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2012 1st Quarter From April 1, 2012 to June 30, 2012	FY2013 1st Quarter From April 1, 2013 to June 30, 2013
Net sales	117,679	126,815
Cost of sales	89,031	95,270
Gross profit	28,647	31,545
Selling, general and administrative expenses	24,774	26,372
Operating income	3,872	5,173
Non-operating income		
Dividends income	490	577
Foreign exchange gains	89	556
Equity in earnings of affiliates	78	113
Other	243	318
Total non-operating income	901	1,565
Non-operating expenses		
Interest expenses	222	237
Loss on retirement of noncurrent assets	180	423
Other	475	369
Total non-operating expenses	879	1,030
Ordinary income	3,895	5,708
Extraordinary loss		
Compensation expenses	614	—
Patent protection court cost	141	178
Total extraordinary losses	755	178
Income before income taxes and minority interests	3,139	5,530
Income taxes-current	950	1,572
Income taxes-deferred	273	(166)
Total income taxes	1,224	1,405
Income before minority interests	1,914	4,124
Minority interests in income	81	219
Net income	1,833	3,905

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2012 1st Quarter From April 1, 2012 to June 30, 2012	FY2013 1st Quarter From April 1, 2013 to June 30, 2013
Income before minority interests	1,914	4,124
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,426)	1,620
Foreign currency translation adjustment	(2,126)	2,490
Share of other comprehensive income of associates accounted for using equity method	(6)	12
Total other comprehensive income	(3,558)	4,123
Comprehensive income	(1,643)	8,248
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,560)	7,924
Comprehensive income attributable to minority interests	(83)	323

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2012 1st Quarter From April 1, 2012 to June 30, 2012	FY2013 1st Quarter From April 1, 2013 to June 30, 2013
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	3,139	5,530
Depreciation and amortization	6,578	4,800
Increase (decrease) in provision for retirement benefits	(136)	(413)
Increase (decrease) in allowance for doubtful accounts	(18)	(31)
Interest and dividends income	(510)	(591)
Interest expenses	222	237
Equity in (earnings) losses of affiliates	(78)	(113)
Loss (gain) on disposal of noncurrent assets	110	240
Decrease (increase) in notes and accounts receivable-trade	3,001	(1,447)
Decrease (increase) in inventories	(1,745)	(1,872)
Increase (decrease) in notes and accounts payable-trade	(943)	1,795
Other, net	1,129	3,486
Subtotal	10,749	11,619
Interest and dividends income received	532	631
Interest expenses paid	(160)	(159)
Income taxes paid	(2,883)	(1,828)
Net cash provided by (used in) operating activities	8,237	10,264
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(7,611)	(6,382)
Purchase of intangible assets	(319)	(969)
Purchase of investment securities	(43)	(10)
Proceeds from sales of investment securities	4	—
Purchase of stocks of subsidiaries and affiliates	—	(23)
Payments of loans receivable	(179)	(451)
Collection of loans receivable	301	35
Other, net	19	47
Net cash provided by (used in) investing activities	(7,828)	(7,754)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	367	1,835
Proceeds from long-term loans payable	—	26
Repayment of long-term loans payable	(82)	(641)
Repayments of lease obligations	(105)	(93)
Cash dividends paid	(2,695)	(2,695)
Cash dividends paid to minority shareholders	(49)	(54)
Purchase of treasury stock	(0)	(4)
Proceeds from sales of treasury stock	0	—
Net cash provided by (used in) financing activities	(2,567)	(1,627)

	(Millions of yen)	
	FY2012 1st Quarter From April 1, 2012 to June 30, 2012	FY2013 1st Quarter From April 1, 2013 to June 30, 2013
Effect of exchange rate change on cash and cash equivalents	(213)	342
Net increase (decrease) in cash and cash equivalents	(2,371)	1,224
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	182	3
Cash and cash equivalents at end of period	24,968	32,976

## (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, 2012 to June 30, 2012

## 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		
<b>Sales</b>										
Customers	24,430	18,160	14,098	32,261	10,515	9,803	8,409	117,679	—	117,679
Intersegment	398	140	37	—	202	222	398	1,400	(1,400)	—
<b>Total</b>	<b>24,828</b>	<b>18,300</b>	<b>14,136</b>	<b>32,261</b>	<b>10,718</b>	<b>10,026</b>	<b>8,808</b>	<b>119,079</b>	<b>(1,400)</b>	<b>117,679</b>
<b>Segment income (loss)</b>	<b>1,294</b>	<b>1,566</b>	<b>616</b>	<b>1,259</b>	<b>1,927</b>	<b>(658)</b>	<b>1,237</b>	<b>7,244</b>	<b>(3,371)</b>	<b>3,872</b>

(Note) Segment profit or 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	7,244
Elimination of intersegment transactions	(14)
Companywide expenses (Note)	(3,338)
Other adjustments	(17)
<b>Operating income in the quarterly consolidated statements of income</b>	<b>3,872</b>

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

Term from April 1, 2013 to June 30, 2013

## 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	25,683	20,447	15,258	32,901	10,493	12,335	9,696	126,815	—	126,815
Intersegment	690	175	50	0	0	390	507	1,814	(1,814)	—
Total	26,373	20,622	15,308	32,901	10,494	12,726	10,203	128,630	(1,814)	126,815
Segment income (loss)	835	2,019	611	1,487	1,043	523	2,115	8,636	(3,463)	5,173

(Note) Segment profit or 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	8,636
Elimination of intersegment transactions	(6)
Companywide expenses (Note)	(3,477)
Other adjustments	21
Operating income in the quarterly consolidated statements of income	5,173

(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 recorded under (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 in the three months ended June 30, 2013.

As a result of this change, in comparison with the previous depreciation method, Kaneka's segment profit for the three months ended June 30, 2013 increased ¥390 million in the Chemicals segment, ¥165 million in the Functional Plastics segment, ¥123 million in the Expandable Plastics and Products segment, ¥198 million in the Foodstuffs Products segment, ¥116 million in the Life Science Products segment, ¥412 million in the Electronic Products segment, and ¥133 million in the Synthetic Fibers and Others segment. In addition, ¥137 million has been included in the adjustment amount for segment earnings not attributed to a reporting segment.