



Quarterly Financial Results for the Second Quarter, Ended September 30, 2012 (Japanese GAAP, Consolidated)

November 8, 2012

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Osaka, 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: November 13, 2012 Scheduled date of dividend distribution: December 5, 2012

Supplementary materials available on quarterly financial results: Yes

Quarterly results briefing: Yes (For analysts)

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

1. Consolidated Business Performance for the Second Quarter, Ended September 30, 2012

(from April 1, 2012 to September 30, 2012)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2012 – Sep. 2012	233,760	(0.5)	7,407	15.0	6,784	17.5	3,534	24.4
Apr. 2011 – Sep. 2011	234,848	4.7	6,438	(38.4)	5,776	(46.5)	2,842	(54.8)

Note: Comprehensive income: (¥1,037) million (—%) six months ended September 30, 2012,
(¥2,823) million (—%) six months ended September 30, 2011

	Net income per share	Fully diluted net income per share
Apr. 2012 – Sep. 2012	¥ 10.49	¥ 10.48
Apr. 2011 – Sep. 2011	8.39	8.38

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2012	¥ million 456,106	¥ million 253,707	53.5%
As of March 31, 2012	467,082	257,460	53.0

(Reference) Shareholders' equity: ¥243,963 million as of September 30, 2012,
¥247,526 million as of March 31, 2012

2. Dividends

(Record date)	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2011 – Mar. 2012	¥ —	¥ 8.00	¥ —	¥ 8.00	¥ 16.00
Apr. 2012 – Mar. 2013	—	8.00			
Apr. 2012 – Mar. 2013 (Forecasts)			—	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, 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	%	¥
Full year	500,000	6.5	20,000	52.1	18,500	46.2	10,000	85.1	29.68

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: Yes

2. Changes other than 1. above: No

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):

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)

September 30, 2012	350,000,000 shares	March 31, 2012	350,000,000 shares
September 30, 2012	13,042,895 shares	March 31, 2012	13,049,811 shares
September 30, 2012	336,952,876 shares	September 30, 2011	338,938,266 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 4.

[Supplementary Materials]

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1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

During the first six months under review (April 1, 2012 to September 30, 2012), the Kaneka Group reported consolidated net sales of ¥233,760 million (down 0.5% year on year). Operating income, however, was ¥7,407 million (up 15.0% year on year), and ordinary income increased 17.5% to ¥6,784 million. Net income increased to ¥3,534 million, up 24.4% year on year.

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

Operating performance by business segment was as follows:

1) Chemicals

PVC resins saw sluggish demand in Japan. Specialty PVC resins saw sales volume increase in both the Japanese and overseas markets. In the caustic soda business, domestic market conditions held firm.

As a result of the foregoing, segment sales increased ¥1,026 million, or 2.2%, year on year to ¥46,921 million. The segment posted operating income of ¥2,167 million, an increase of ¥893 million, or 70.1%, 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. Business was strongly impacted, however, by sluggish demand in Japanese and overseas markets, leading to weak sales volumes. There was an increase in sales volume of modified silicone polymers for the Japanese market.

As a result of the foregoing, segment sales decreased ¥2,118 million, or 5.6%, year on year to ¥35,454 million. The segment posted operating income of ¥3,151 million, down ¥651 million, or 17.1%, year on year.

3) Expandable Plastics and Products

Sales volumes of expandable polystyrene resins and products, and extruded polystyrene foam boards decreased year on year. Polyolefin foam by beads method saw higher sales volume following the restoration of supply chains that had been disrupted by the Great East Japan Earthquake and the flooding in Thailand, among other developments.

As a result of the abovementioned factors, segment sales increased ¥312 million, or 1.1%, year on year to ¥29,046 million and operating income increased ¥260 million, or 13.7%, to ¥2,157 million.

4) Foodstuffs Products

Foodstuffs products faced an increasingly stronger shift to low-priced products. In this environment, although the Group strove to expand sales of new products and reduce costs, sales volumes were sluggish.

As a result of the foregoing, segment sales decreased ¥1,232 million, or 1.9%, year on year to ¥63,263 million. The segment posted operating income of ¥2,208 million, a decrease of ¥299 million, or 12.0%, year on year.

5) Life Science Products

In medical devices, sales in the vascular intervention business were affected by a reduction in official prices. In bulk and intermediate pharmaceuticals, sales volume was lackluster. In functional foodstuffs, sales volume was higher than the same period of the previous fiscal year.

As a result of the abovementioned factors, segment sales decreased ¥1,185 million, or 5.1%, year on year to ¥22,104 million. However, the segment posted operating income of ¥3,948 million, representing a year-on-year increase of ¥79 million, or 2.0%.

6) Electronic Products

Sales volumes for ultra-heat-resistant polyimide film and optical materials increased year on year, supported mainly by expanding demand in the electronic product market and the adoption of these materials by customers in new products. In solar cells, efforts were focused on expanding sales in the Japanese market and rigorously cutting costs. Sales volume of solar cell-related materials was lackluster.

As a result of the abovementioned factors, segment sales increased ¥802 million, or 4.1%, to ¥20,189 million. The segment posted an operating loss of ¥1,689 million, which was smaller than the operating loss recorded in the first half of the previous fiscal year.

7) Synthetic Fibers and Others

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

As a result of the foregoing, segment sales increased ¥1,306 million, or 8.4%, year on year to ¥16,780 million. The segment posted operating income of ¥2,565 million, a year-on-year increase of ¥1,909 million, or 290.8%.

(2) Consolidated Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥456,106 million as of September 30, 2012, down ¥10,976 million compared with March 31, 2012. Interest-bearing debt totaled ¥76,309 million, up ¥1,630 million. Net assets decreased ¥3,753 million, to ¥253,707 million, mainly from decreases in the valuation difference on available-for-sale securities and foreign currency translation adjustment.

2) Consolidated Cash Flows

Net cash provided by operating activities during the first six months of the year was ¥13,875 million, mainly due to income before income taxes and minority interests and depreciation and amortization, while net cash used in investing activities amounted to ¥17,036 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥641 million, used mainly for cash dividends paid. As a result, cash and cash equivalents as of September 30, 2012, totaled ¥23,323 million.

(3) Consolidated Business Forecasts

In the first half of the fiscal year ending March 31, 2013, the global economy experienced a broader slowdown on the whole mainly reflecting the drawn-out weakness of European economies and a slower pace of growth in China, India and various other Asian countries.

The Japanese economy had staged a gradual recovery on the back of post-earthquake reconstruction demand and other factors. However, the Japanese economy currently faces a large number of uncertainties, including the yen's appreciation, rising raw material and fuel costs, and the deteriorating relationship between Japan and China. As a result, the outlook for the Japanese economy is highly uncertain.

In this challenging economic environment, the Kaneka Group will work to expand business in important strategic domains, while promoting the transformation of its business structure through measures such as creating new businesses, expanding globally and bolstering alliances. In addition, the Group will vigorously strive to enhance its ability to generate earnings through measures to boost sales volumes in existing businesses, along with promoting Group-wide technology development and business innovation activities directed at achieving across-the-board cost reductions spanning production to sales.

The Group has not revised its full-year consolidated business forecasts for the fiscal year ending March 31, 2013.

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 half 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)

Starting from the first quarter under review, due to the revision of the corporate tax law, Kaneka and its domestic subsidiaries started to apply a depreciation method, according to the revised corporate tax law, on property, plant and equipment acquired on or after April 1, 2012.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the first half under review is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2011 Term ended March 31, 2012	FY2012 2nd Quarter Term ended September 30, 2012
Assets		
Current assets		
Cash and deposits	27,309	23,458
Notes and accounts receivable-trade	118,367	112,294
Short-term investment securities	322	322
Merchandise and finished goods	44,225	46,474
Work in process	8,823	8,716
Raw materials and supplies	23,753	23,463
Other	13,389	12,886
Allowance for doubtful accounts	(164)	(126)
Total current assets	236,027	227,490
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	52,173	52,587
Machinery, equipment and vehicles, net	62,739	61,336
Other, net	49,524	49,348
Total property, plant and equipment	164,437	163,272
Intangible assets		
Goodwill	3,935	3,480
Other	3,035	3,762
Total intangible assets	6,970	7,243
Investments and other assets		
Investment securities	41,658	38,196
Other	18,514	20,393
Allowance for doubtful accounts	(527)	(488)
Total investments and other assets	59,646	58,100
Total noncurrent assets	231,054	228,616
Total assets	467,082	456,106

(Millions of yen)

	FY2011 Term ended March 31, 2012	FY2012 2nd Quarter Term ended September 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	64,444	60,345
Short-term loans payable	37,061	33,017
Income taxes payable	2,834	2,210
Provision	710	38
Other	40,820	37,430
Total current liabilities	145,871	133,041
Noncurrent liabilities		
Bonds payable	15,000	15,000
Long-term loans payable	24,151	29,903
Provision for retirement benefits	19,008	19,201
Provision	336	299
Negative goodwill	430	326
Other	4,822	4,626
Total noncurrent liabilities	63,750	69,357
Total liabilities	209,621	202,398
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	34,836	34,836
Retained earnings	197,372	198,236
Treasury stock	(10,552)	(10,545)
Total shareholders' equity	254,703	255,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,664	2,401
Foreign currency translation adjustment	(11,841)	(14,012)
Total accumulated other comprehensive income	(7,176)	(11,611)
Subscription rights to shares	137	159
Minority interests	9,796	9,584
Total net assets	257,460	253,707
Total liabilities and net assets	467,082	456,106

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income	(Millions of yen)	
	FY2011 2nd Quarter From April 1, 2011 to September 30, 2011	FY2012 2nd Quarter From April 1, 2012 to September 30, 2012
Net sales	234,848	233,760
Cost of sales	179,795	176,792
Gross profit	55,053	56,967
Selling, general and administrative expenses	48,614	49,560
Operating income	6,438	7,407
Non-operating income		
Dividends income	651	624
Foreign exchange gains	—	256
Equity in earnings of affiliates	183	—
Other	574	457
Total non-operating income	1,410	1,338
Non-operating expenses		
Interest expenses	449	435
Loss on retirement of noncurrent assets	512	509
Foreign exchange losses	91	—
Equity in losses of affiliates	—	41
Other	1,019	974
Total non-operating expenses	2,072	1,961
Ordinary income	5,776	6,784
Extraordinary income		
Gain on sales of investment securities	—	277
Total extraordinary income	—	277
Extraordinary loss		
Loss on sales of noncurrent assets	243	—
Compensation expenses	—	796
Patent protection court cost	—	345
Total extraordinary losses	243	1,141
Income before income taxes and minority interests	5,533	5,921
Income taxes-current	2,412	1,425
Income taxes-deferred	3	942
Total income taxes	2,415	2,367
Income before minority interests	3,117	3,553
Minority interests in income	275	18
Net income	2,842	3,534

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2011 2nd Quarter From April 1, 2011 to September 30, 2011	FY2012 2nd Quarter From April 1, 2012 to September 30, 2012
Income before minority interests	3,117	3,553
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,477)	(2,272)
Foreign currency translation adjustment	(3,460)	(2,313)
Share of other comprehensive income of associates accounted for using equity method	(2)	(4)
Total other comprehensive income	(5,941)	(4,590)
Comprehensive income	(2,823)	(1,037)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(2,890)	(900)
Comprehensive income attributable to minority interests	66	(137)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY2011 2nd Quarter From April 1, 2011 to September 30, 2011	FY2012 2nd Quarter From April 1, 2012 to September 30, 2012
Net cash provided by operating activities		
Income before income taxes and minority interests	5,533	5,921
Depreciation and amortization	14,047	13,402
Increase (decrease) in provision for retirement benefits	113	231
Increase (decrease) in allowance for doubtful accounts	(164)	(73)
Interest and dividends income	(709)	(666)
Interest expenses	449	435
Equity in (earnings) losses of affiliates	(183)	41
Loss (gain) on disposal of noncurrent assets	620	239
Decrease (increase) in notes and accounts receivable-trade	(3,884)	5,316
Decrease (increase) in inventories	(7,905)	(2,621)
Increase (decrease) in notes and accounts payable-trade	(521)	(3,785)
Other, net	(687)	(2,750)
Subtotal	6,707	15,690
Interest and dividends income received	740	684
Interest expenses paid	(453)	(435)
Income taxes paid	(4,160)	(2,063)
Net cash provided by operating activities	2,833	13,875
Net cash used in investing activities		
Purchase of property, plant and equipment	(13,635)	(15,840)
Proceeds from sales of property, plant and equipment	849	—
Purchase of intangible assets	(1,176)	(1,098)
Purchase of investment securities	(129)	(74)
Proceeds from sales of investment securities	528	338
Purchase of stocks of subsidiaries and affiliates	(928)	(7)
Proceeds from sales of stocks of subsidiaries and affiliates	98	—
Payments of loans receivable	(50)	(1,056)
Collection of loans receivable	158	912
Other, net	(142)	(210)
Net cash used in investing activities	(14,428)	(17,036)

(Millions of yen)

	FY2011 2nd Quarter From April 1, 2011 to September 30, 2011	FY2012 2nd Quarter From April 1, 2012 to September 30, 2012
Net cash used in financing activities		
Net increase (decrease) in short-term loans payable	2,325	1,516
Proceeds from long-term loans payable	2,066	6,826
Repayment of long-term loans payable	(782)	(6,017)
Redemption of bonds	(5,149)	—
Repayments of lease obligations	(210)	(211)
Cash dividends paid	(2,711)	(2,695)
Cash dividends paid to minority shareholders	(77)	(56)
Purchase of treasury stock	(8)	(2)
Proceeds from sales of treasury stock	0	0
Net cash used in financing activities	(4,547)	(641)
Effect of exchange rate change on cash and cash equivalents	514	(214)
Net increase (decrease) in cash and cash equivalents	(15,627)	(4,016)
Cash and cash equivalents at beginning of period	36,978	27,157
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	182
Cash and cash equivalents at end of period	21,350	23,323

(4) Notes on the Premise of a Going Concern
No corresponding transactions

(5) Segment Information
Term from April 1, 2011 to September 30, 2011
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	45,895	37,572	28,734	64,495	23,289	19,387	15,474	234,848	—	234,848
Intersegment	1,185	295	100	0	8	692	779	3,062	(3,062)	—
Total	47,081	37,867	28,834	64,496	23,298	20,079	16,253	237,910	(3,062)	234,848
Segment income (loss)	1,274	3,802	1,897	2,508	3,869	(1,720)	656	12,288	(5,850)	6,438

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

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

Income	Amount
Segment total	12,288
Elimination of intersegment transactions	(3)
Companywide expenses (Note)	(5,831)
Other adjustments	(14)
Operating income in the quarterly consolidated statements of income	6,438

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

Term from April 1, 2012 to September 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		
Sales										
Customers	46,921	35,454	29,046	63,263	22,104	20,189	16,780	233,760	—	233,760
Intersegment	658	290	66	0	5	376	792	2,188	(2,188)	—
Total	47,580	35,744	29,113	63,263	22,109	20,565	17,572	235,949	(2,188)	233,760
Segment income (loss)	2,167	3,151	2,157	2,208	3,948	(1,689)	2,565	14,510	(7,103)	7,407

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

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

(Millions of yen)

Income	Amount
Segment total	14,510
Elimination of intersegment transactions	(26)
Companywide expenses (Note)	(7,054)
Other adjustments	(21)
Operating income in the quarterly consolidated statements of income	7,407

(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, etc.

Effective from the first quarter of the fiscal year ending March 31, 2013, the Company has revised part of its R&D framework. Accordingly, the Company has reclassified a portion of R&D expenses, which was previously included in the Electronic Products segment, as expenses for basic R&D under companywide expenses.

Segment information for the first half of the fiscal year ended March 31, 2012 has been prepared based on the revised classification method. This information is shown under "1) Sales and Income (Loss) by Segments" for the first half of the fiscal year ended March 31, 2012.

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

Nothing to report