

Quarterly Financial Results for the Third Quarter, Ended December 31, 2017 (Japanese GAAP, Consolidated)

February 8, 2018

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

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

Representative: Mamoru Kadokura Title: President, Representative Director

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Scheduled date for submitting financial statements: February 13, 2018 Scheduled date of dividend distribution: —

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

1. Consolidated Business Performance for the Third Quarter, Ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|-----------------------|-----------|-------|------------------|--------|-----------------|--------|---|--------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % |
| Apr. 2017 – Dec. 2017 | 445,931 | 9.3 | 26,355 | 7.3 | 24,307 | 17.1 | 15,735 | 21.5 |
| Apr. 2016 – Dec. 2016 | 408,082 | (2.2) | 24,570 | (16.3) | 20,762 | (19.2) | 12,952 | (21.0) |

Note: Comprehensive income: ¥29,609 million (73.1%) nine months ended December 31, 2017

¥17,102 million (-15.9%) nine months ended December 31, 2016

| | Net income per share | Fully diluted net income per share |
|-----------------------|----------------------|------------------------------------|
| Apr. 2017 – Dec. 2017 | ¥ 47.89 | ¥ 47.83 |
| Apr. 2016 – Dec. 2016 | 39.03 | 38.99 |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|-------------------------|--------------|------------|----------------------------|
| | ¥ million | ¥ million | % |
| As of December 31, 2017 | 636,578 | 344,206 | 51.3 |
| As of March 31, 2017 | 592,900 | 321,551 | 51.5 |

(Reference) Shareholders' equity: ¥326,500 million as of December 31, 2017

¥305,149 million as of March 31, 2017

2. Dividends

| | Annual dividends | | | | |
|--------------------------------------|------------------|-------------|-------------|----------|---------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Annual |
| Apr. 2016 – Mar. 2017 | ¥ — | ¥ 9.00 | ¥ — | ¥ 9.00 | ¥ 18.00 |
| Apr. 2017 – Mar. 2018 | — | 9.00 | — | | |
| Apr. 2017 – Mar. 2018 (Forecasts) | | | | 9.00 | 18.00 |

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

3. Forecast for consolidated business performance for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|-----------|-----------|------|------------------|------|-----------------|------|---|-----|----------------------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Full year | 610,000 | 11.3 | 37,000 | 11.6 | 33,000 | 20.3 | 21,000 | 2.5 | 63.96 |

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: No

3. Changes in accounting estimates: No

4. Restatements: No

(4) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period
(including treasury stock):

| | | | |
|----------------------|-----------------------|----------------|-----------------------|
| December 31, 2017 | 350,000,000 shares | March 31, 2017 | 350,000,000 shares |
|----------------------|-----------------------|----------------|-----------------------|

2. Shares of treasury stock at the end of the period:

| | | | |
|----------------------|----------------------|----------------|----------------------|
| December 31, 2017 | 22,314,741 shares | March 31, 2017 | 19,834,211 shares |
|----------------------|----------------------|----------------|----------------------|

3. Average number of shares during the period (calculated
cumulatively from the beginning of the fiscal year)

| | | | |
|----------------------|-----------------------|----------------------|-----------------------|
| December 31, 2017 | 328,603,594 shares | December 31, 2016 | 331,831,487 shares |
|----------------------|-----------------------|----------------------|-----------------------|

(These financial statements are exempt from audit procedures)

(Explanations or other items pertaining to appropriate use of operating results forecasts)

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

Supplementary Materials

Contents

| | |
|---|------|
| 1. Quarterly Consolidated Business Performance ----- | P. 2 |
| (1) Consolidated Business Performance ----- | P. 2 |
| (2) Consolidated Financial Position ----- | P. 3 |
| (3) Consolidated Business Forecasts ----- | P. 3 |
| 2. Quarterly Consolidated Financial Statements ----- | P. 4 |
| (1) Quarterly Consolidated Balance Sheets ----- | P. 4 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income ----- | P. 6 |
| (3) Quarterly Consolidated Statements of Cash Flows ----- | P. 8 |
| (4) Notes to the Consolidated Financial Statements ----- | P. 9 |
| (Notes on the Premise of a Going Concern) ----- | P. 9 |
| (Notes in the Event of Significant Changes in the Amount of Shareholders' Equity) --- | P. 9 |
| (Segment Information) ----- | P. 9 |

1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

The global economy continued to experience a modest recovery during the first nine months under review (April 1, 2017 to December 31, 2017), and the Kaneka Group exceeded the previous fiscal year's results in all areas. Consolidated net sales were ¥445,931 million (up 9.3% year on year), the highest on record, mainly driven by its overseas business. Operating income was ¥26,355 million (up 7.3% year on year), absorbing the impacts of a sharp increase in certain raw material prices in the first quarter and hurricanes in the U.S. in the second quarter. Ordinary income was ¥24,307 million (up 17.1% year on year), and net income attributable to owners of parent was ¥15,735 million (up 21.5% year on year).

Operating performance by business segment was as follows:

1) Material Solutions Unit

In the Vinyls and Chlor-Alkali business, exports of general PVC resins and caustic soda to Asia continued to be strong, while domestic sales for those were also brisk. Sales of chlorinated PVC and paste PVC expanded steadily, mainly in overseas markets.

In the Performance Polymers business, although first-half sales of modifiers were affected by an abrupt change in the market price of raw materials, hurricanes, and other factors, strong demand continued globally, and sales expanded with the full contribution of a new production facility in Malaysia. Looking ahead, the Group expects to see earnings continue to grow with progress on expanding applications such as non-PVC fields. Sales also expanded steadily in modified silicone polymers, with the contribution of a new production facility in Malaysia that commenced operation in July 2017 in response to global demand.

Looking forward, the Group will advance the development of new highly functional materials in the aerospace field which is expected to grow to provide valuable solutions.

2) Quality of Life Solutions Unit

In the E & I Technology business, sales of ultra-heat-resistance polyimide films grew steadily due to the contribution from strengthening the supply system in response to strong demand for new models from major smartphone manufacturers. Profits also rose with an increase in models adopting new products using polyimide resin technologies for displays and so forth. Looking ahead, it is expected that the downsizing and multifunctioning of digital devices, such as smartphones, will create higher demand for ultra-heat-resistant polyimide films and high thermal conductive graphite sheets, and the Group is considering increasing its production capacity.

In the Foam & Residential Techs business, sales volume grew at a sluggish pace due to diminished hauls and delays in construction and civil engineering work caused by bad weather. Looking ahead, the Group will put more highly functional expandable plastics products on the market that are lightweight, energy saving, resource saving, and heat insulating, seeking to expand sales in the automobile field where the adoption of EVs is advancing and strengthen development of the housing solutions business.

In the Performance Fibers business, sales volume increased due to strong demand in the pile and flame-retardant materials fields. Demand for hair accessories in the African market has bottomed out and begun to recover, however the pace of recovery has been slower than anticipated, and a full-scale recovery is now expected from the fourth quarter onward. As demand in the hair accessory market continues to expand, the Group will continue to develop its new markets in Africa and other regions.

In the PV & Energy management business, sales of new products in high-efficiency photovoltaic modules and others expanded steadily, and the Group advanced its structural reforms. The Group will focus on providing energy solutions that contribute to net zero energy houses and buildings, centering on the photovoltaic module business.

3) Health Care Solutions Unit

In the Medical Devices business, sales remained solid in the domestic and overseas markets. Sales of new products, such as high-pressure balloon catheters to enlarge peripheral vessels, proceeded steadily, absorbing a fall in reimbursement pricing to secure earnings on par with the previous fiscal year. Looking ahead, the Group will expand new therapeutic fields such as drug-coated balloon treatments and strengthen the sales and marketing system of the blood purification business in the U.S.

In the Pharma business, sales of biopharmaceuticals expanded steadily, and production expansion is proceeding. However, the sales volume of low-molecular pharmaceutical materials decreased since these products were shipped intensively during the same period of the previous fiscal year. The Group expects sales will recover going forward.

The Group will strengthen open innovation using the Kaneka U.S. Innovation Center, which was established in 2016 on the U.S. West Coast.

4) Nutrition Solutions Unit

In the Food & Agris business, sales expanded due to proactive proposal-based sales leveraging new foodstuffs and targeting major suppliers of bakery products, convenience stores, and food product manufacturers. Sales of Group companies in and outside Japan also performed steadily. The Group is advancing market development of new solutions aiming to develop new business models in the agriculture and livestock produce field.

In the Supplemental Nutrition business, the sales volume of the reduced form of coenzyme Q10 continued to increase, mainly in the U.S. market, contributing significantly to business performance. The Group reached a partial settlement regarding U.S. patent infringement claims related to oxidized coenzyme Q10 and is working to grow its share of the North American oxidized coenzyme Q10 market and increased sales in reduced coenzyme Q10 in the Chinese market.

(2) Consolidated Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥636,578 million as of December 31, 2017, up ¥43,678 million compared with March 31, 2017, due to increases in receivable-trade and investment securities. Interest-bearing debt totaled ¥292,372 million, up ¥21,023 million due to an increase in accrued expenses. Net assets (equity) increased by ¥22,655 million to ¥344,206 million, due to an increase in retained earnings.

2) Consolidated Cash Flows

Net cash provided by operating activities during the first nine months of the year was ¥35,152 million, mainly due to income before income taxes and depreciation and amortization, while net cash used in investing activities amounted to ¥29,442 million, mainly due to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥8,503 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of December 31, 2017 totaled ¥39,153 million mainly due to cash dividends paid and purchase of treasury stock.

(3) Consolidated Business Forecasts

Looking ahead, the global economy is expected to continue expanding steadily overall, uncertainties remain, such as political and economic trends in key countries, business trends in emerging nations, and geopolitical risks.

In the third quarter, the impacts of the raw materials issue and hurricane that occurred in the first half passed, and the Group returned to a growth trajectory with the contribution from production capacity enhancements in mainstay businesses and full rollout of new products. From the fourth quarter onward, the Group will implement timely pricing corrections for increases in raw materials prices. It will also expand sales of modifiers, modified silicon polymers, and others making use of the new production facility in Malaysia. Furthermore, the Group will strengthen the business foundations of its focus areas for strategic growth, namely the Medical Devices, Pharma and Supplemental Nutrition, and E & I Technology solutions vehicles, the latter of which is experiencing market growth for smartphones. Through these initiatives, the Group will promote its strengths in global business expansion. As a solutions provider with a market-oriented perspective, the Group will aggressively pursue open innovation, alliances, and M&As in a concentrated effort to transform its business portfolio and achieve growth.

In light of the above, the Group has left its forecast for consolidated business performance unchanged from the forecast announced on November 9, 2017.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | FY2016 Term ended March 31, 2017 | FY2017 3rd Quarter Term ended December 31, 2017 |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 41,116 | 39,916 |
| Notes and accounts receivable—trade | 125,482 | 140,573 |
| Short-term investment securities | 110 | 110 |
| Merchandise and finished goods | 52,493 | 56,723 |
| Work in process | 10,148 | 9,340 |
| Raw materials and supplies | 34,106 | 38,468 |
| Other | 17,334 | 19,365 |
| Allowance for doubtful accounts | (353) | (339) |
| Total current assets | 280,439 | 304,156 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 74,073 | 75,788 |
| Machinery, equipment and vehicles, net | 98,666 | 103,754 |
| Other, net | 52,803 | 55,551 |
| Total property, plant and equipment | 225,544 | 235,095 |
| Intangible assets | | |
| Goodwill | 3,322 | 4,196 |
| Other | 6,929 | 7,069 |
| Total intangible assets | 10,251 | 11,265 |
| Investments and other assets | | |
| Investment securities | 62,584 | 73,813 |
| Other | 14,309 | 12,521 |
| Allowance for doubtful accounts | (228) | (273) |
| Total investments and other assets | 76,665 | 86,061 |
| Total noncurrent assets | 312,461 | 332,421 |
| Total assets | 592,900 | 636,578 |

| | (Millions of yen) | |
|---|------------------------------|---------------------------------|
| | FY2016 | FY2017 3rd Quarter |
| | Term ended March 31, 2017 | Term ended December 31, 2017 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 73,058 | 86,497 |
| Short-term loans payable | 52,294 | 59,735 |
| Income taxes payable | 3,390 | 2,626 |
| Provision | 135 | 11 |
| Other | 40,122 | 43,916 |
| Total current liabilities | 169,001 | 192,788 |
| Noncurrent liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 50,336 | 44,336 |
| Provision | 319 | 329 |
| Net defined benefit liability | 37,310 | 37,582 |
| Other | 4,381 | 7,334 |
| Total noncurrent liabilities | 102,347 | 99,583 |
| Total liabilities | 271,349 | 292,372 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 33,046 | 33,046 |
| Capital surplus | 32,813 | 32,799 |
| Retained earnings | 248,523 | 259,127 |
| Treasury stock | (16,753) | (18,726) |
| Total shareholders' equity | 297,630 | 306,247 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 22,338 | 29,224 |
| Deferred gains or losses on hedges | (61) | (70) |
| Foreign currency translation adjustment | (5,105) | (608) |
| Remeasurements of defined benefit plans | (9,653) | (8,293) |
| Total accumulated other comprehensive income | 7,518 | 20,252 |
| Subscription rights to shares | 271 | 298 |
| Noncontrolling interests | 16,130 | 17,407 |
| Total net assets | 321,551 | 344,206 |
| Total liabilities and net assets | 592,900 | 636,578 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

| Quarterly Consolidated Statements of Income | | (Millions of yen) | |
|--|--|--|--|
| | FY2016 3rd Quarter | FY2017 3rd Quarter | |
| | From April 1, 2016 to December 31, 2016 | From April 1, 2017 to December 31, 2017 | |
| Net sales | 408,082 | 445,931 | |
| Cost of sales | 286,416 | 320,104 | |
| Gross profit | 121,665 | 125,826 | |
| Selling, general and administrative expenses | 97,095 | 99,471 | |
| Operating income | 24,570 | 26,355 | |
| Non-operating income | | | |
| Dividends income | 1,469 | 1,313 | |
| Gain on sales of investment securities | 480 | 14 | |
| Foreign exchange gains | — | 794 | |
| Equity in earnings of affiliates | 95 | 97 | |
| Other | 681 | 593 | |
| Total non-operating income | 2,727 | 2,813 | |
| Non-operating expenses | | | |
| Interest expenses | 1,020 | 1,242 | |
| Loss on retirement of noncurrent assets | 2,107 | 1,243 | |
| Foreign exchange losses | 2,210 | — | |
| Other | 1,196 | 2,375 | |
| Total non-operating expenses | 6,535 | 4,861 | |
| Ordinary income | 20,762 | 24,307 | |
| Extraordinary loss | | | |
| Patent protection court cost | 594 | 783 | |
| Total extraordinary losses | 594 | 783 | |
| Income before income taxes | 20,168 | 23,523 | |
| Income taxes—current | 5,020 | 5,455 | |
| Income taxes—deferred | 1,421 | 1,488 | |
| Total income taxes | 6,442 | 6,944 | |
| Net income | 13,725 | 16,579 | |
| Net income attributable to non-controlling interests | 772 | 843 | |
| Net income attributable to owners of parent | 12,952 | 15,735 | |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | FY2016 3rd Quarter From April 1, 2016 to December 31, 2016 | FY2017 3rd Quarter From April 1, 2017 to December 31, 2017 |
|---|--|--|
| Net income | 13,725 | 16,579 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,502 | 7,059 |
| Deferred gains or losses on hedges | (28) | (9) |
| Foreign currency translation adjustment | (3,415) | 4,610 |
| Remeasurements of defined benefit plans, net of tax | 1,319 | 1,366 |
| Share of other comprehensive income of associates accounted for using equity method | (1) | 2 |
| Total other comprehensive income | 3,376 | 13,030 |
| Comprehensive income | 17,102 | 29,609 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 16,424 | 28,314 |
| Comprehensive income attributable to noncontrolling interests | 677 | 1,295 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | FY2016 3rd Quarter From April 1, 2016 to December 31, 2016 | FY2017 3rd Quarter From April 1, 2017 to December 31, 2017 |
|---|--|--|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 20,168 | 23,523 |
| Depreciation and amortization | 20,503 | 22,282 |
| Increase (decrease) in net defined benefit liability | 1,843 | 2,137 |
| Increase (decrease) in allowance for doubtful accounts | 12 | 0 |
| Interest and dividends income | (1,530) | (1,382) |
| Interest expenses | 1,020 | 1,242 |
| Equity in (earnings) losses of affiliates | (95) | (97) |
| Loss (gain) on disposal of noncurrent assets | 526 | 558 |
| Decrease (increase) in notes and accounts receivable-trade | (11,628) | (13,598) |
| Decrease (increase) in inventories | (1,256) | (5,172) |
| Increase (decrease) in notes and accounts payable-trade | 13,578 | 12,312 |
| Other, net | 663 | (1,210) |
| Subtotal | 43,805 | 40,596 |
| Interest and dividends income received | 1,529 | 1,402 |
| Interest expenses paid | (891) | (1,128) |
| Income taxes paid | (6,734) | (5,717) |
| Net cash provided by (used in) operating activities | 37,709 | 35,152 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (26,893) | (25,067) |
| Proceeds from sales of property, plant and equipment | 55 | 42 |
| Purchase of intangible assets | (993) | (976) |
| Purchase of investment securities | (56) | (1,073) |
| Proceeds from sales of investment securities | 511 | 156 |
| Purchase of stocks of subsidiaries and affiliates | (102) | (1,475) |
| Payments of loans receivable | (363) | (898) |
| Collection of loans receivable | 187 | 859 |
| Other, net | (952) | (1,009) |
| Net cash provided by (used in) investing activities | (28,606) | (29,442) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (2,128) | 4,272 |
| Proceeds from long-term loans payable | 4,911 | 756 |
| Repayments of long-term loans payable | (4,502) | (4,986) |
| Proceeds from sales and leasebacks | - | 230 |
| Repayments of lease obligations | (119) | (231) |
| Purchase of treasury stock | (7) | (2,576) |
| Proceeds from sales of treasury stock | 346 | 400 |
| Proceeds from stock issuance to noncontrolling shareholders | 53 | - |
| Cash dividends paid | (6,328) | (5,933) |
| Dividends paid to noncontrolling interests | (398) | (356) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (2,686) | (78) |
| Net cash provided by (used in) financing activities | (10,860) | (8,503) |
| Effect of exchange rate change on cash and cash equivalents | (283) | 329 |
| Net increase (decrease) in cash and cash equivalents | (2,041) | (2,464) |
| Cash and cash equivalents at beginning of period | 43,161 | 41,018 |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | - | 600 |
| Cash and cash equivalents at end of period | 41,120 | 39,153 |

(4) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

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

Not applicable

(Segment Information)

I Term from April 1, 2016 to December 31, 2016

1) Sales and Income (Loss) by Segments

(Millions of yen)

| | Segment Information | | | | | Others (Note)1 | Total | Adjustment | Figures in consolidated financial statements (Note)2 |
|----------------|-------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------|-------------------|---------|------------|---|
| | Material Solutions Unit | Quality of Life Solutions Unit | Health Care Solutions Unit | Nutrition Solutions Unit | Total | | | | |
| Sales | | | | | | | | | |
| Customers | 149,803 | 104,386 | 34,042 | 119,123 | 407,356 | 725 | 408,082 | — | 408,082 |
| Intersegment | 961 | 9 | — | 19 | 990 | 1,084 | 2,074 | (2,074) | — |
| Total | 150,764 | 104,396 | 34,042 | 119,143 | 408,346 | 1,810 | 410,157 | (2,074) | 408,082 |
| Segment profit | 15,417 | 12,304 | 7,972 | 3,933 | 39,628 | 309 | 39,937 | (15,367) | 24,570 |

(Note) 1 "Others" is a business segment that is not included in the reporting segments and includes property insurance and life insurance business.

2 Segment profit 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 | 39,628 |
| Segment profit of Others | 309 |
| Elimination of intersegment transactions | (3) |
| Companywide expenses (Note) | (15,352) |
| Other adjustments | (10) |
| Operating income in the quarterly consolidated statements of income | 24,570 |

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

II Term from April 1, 2017 to December 31, 2017

1) Sales and Income (Loss) by Segments

(Millions of yen)

| | Segment Information | | | | | Others (Note)1 | Total | Adjustment | Figures in consolidated financial statements (Note)2 |
|----------------|-------------------------------|--------------------------------------|----------------------------------|--------------------------------|---------|-------------------|---------|------------|---|
| | Material Solutions Unit | Quality of Life Solutions Unit | Health Care Solutions Unit | Nutrition Solutions Unit | Total | | | | |
| Sales | | | | | | | | | |
| Customers | 175,192 | 115,116 | 32,787 | 121,950 | 445,047 | 884 | 445,931 | — | 445,931 |
| Intersegment | 939 | 25 | 0 | 28 | 994 | 917 | 1,911 | (1,911) | — |
| Total | 176,131 | 115,142 | 32,787 | 121,979 | 446,041 | 1,801 | 447,843 | (1,911) | 445,931 |
| Segment profit | 18,871 | 11,615 | 6,618 | 4,657 | 41,762 | 441 | 42,204 | (15,848) | 26,355 |

(Note) 1 "Others" is a business segment that is not included in the reporting segments and includes property insurance and life insurance business.

2 Segment profit 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 | 41,762 |
| Segment profit of Others | 441 |
| Elimination of intersegment transactions | (8) |
| Companywide expenses (Note) | (15,883) |
| Other adjustments | 43 |
| Operating income in the quarterly consolidated statements of income | 26,355 |

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

3) Concerning Changes in Reporting Segments, etc.

In the Kaneka Group's mid-term management vision newly started in fiscal 2017, we radically reformed our management system in order to accelerate contribution to development of society through creating new value by technological innovation, including "IoT" and "AI," and solving various problems facing society: issues of global environmental protection, population growth, food supply, and improving public health in an ageing society.

Our business divisions have been renamed "Solutions Vehicle" that aim to become organizations implementing growth strategy from the perspective of achieving solutions. In addition, we reorganized our business structure so as to make these nine "Solutions Vehicle" be consistent with four new business domains known as "Solutions Unit."

As a result of this reform of management system, the conventional reporting segments of Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others have reclassified into new reporting segments which reflected the new business domains from the first quarter of the fiscal year.

Segment information for the third quarter of the fiscal year ended March 31, 2017 has been prepared based on the segment classification after the change.

The Solutions Vehicles and main products that belong to each reporting segment are as follows.

| Solutions Unit (Reporting Segments) | Solutions Vehicle | Main products |
|--|---|---|
| Material Solutions Unit | Vinyls and Chlor-Alkali | General PVC resins, Caustic soda, Specialty PVC resins |
| | Performance Polymers | Modifiers, Modified silicone polymers, Biopolymers |
| Quality of Life Solutions Unit | Foam & Residential Techs | Expandable polystyrene resins and products, Extruded polystyrene foam boards, Bead-method polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products |
| | E&I Technology | Ultra-heat-resistant polyimide films, Optical materials, High thermal conductive graphite sheets |
| | PV & Energy management | Photovoltaic modules, Energy storage batteries for residences |
| | Performance Fibers | Acrylic synthetic fibers |
| Health Care Solutions Unit | Medical Devices | Medical devices |
| | Pharma & Supplemental Nutrition (Pharma) | Low-molecular pharmaceutical materials, API, Biopharmaceuticals |
| Nutrition Solutions Unit | Pharma & Supplemental Nutrition (Supplemental Nutrition) | Functional foodstuffs |
| | Foods & Agris | Margarine, Shortening, Bakery yeast, Spices, Antifreeze proteins, Functional fertilizers, Feeds |

4) Impairment Loss on Fixed Assets or Goodwill by Reporting Segment (Significant changes in Goodwill)

In the second quarter of the fiscal year ended March 31, 2018, the Company recorded goodwill of ¥827 million in conjunction with the acquisition of shares of Applied Poleramic Inc. (currently Kaneka Aerospace LLC) in September 2017. This goodwill was not allocated to any reporting segment.