

# Financial Results for the Fiscal Year Ended March 2018 (Japanese GAAP, Consolidated)

May 11, 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 Ordinary General Meeting of Shareholders: June 28, 2018

Scheduled date of dividend distribution: June 6, 2018

Scheduled date for submitting financial statements: June 28, 2018

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

## 1. Consolidated Business Performance for the Fiscal Year Ended March 2018 (from April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2017 – Mar. 2018	596,142	8.7	36,888	11.2	32,775	19.5	21,571	5.3
Apr. 2016 – Mar. 2017	548,222	(1.3)	33,164	(13.2)	27,426	(17.0)	20,484	(2.4)

(Note) Comprehensive income: ¥29,462 million (25.2%) in the fiscal year ended March 31, 2018

¥23,531 million (784.5%) in the fiscal year ended March 31, 2017

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2017 – Mar. 2018	65.69	65.61	6.8	5.3	6.2
Apr. 2016 – Mar. 2017	61.72	61.65	6.9	4.7	6.0

(Reference) Equity in earnings (losses) of affiliates: ¥146 million in the fiscal year ended March 31, 2018

¥118 million in the fiscal year ended March 31, 2017

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2017 – Mar. 2018	641,009	346,599	50.9	995.33
Apr. 2016 – Mar. 2017	592,900	321,551	51.5	924.23

(Reference) Shareholders' equity: ¥326,186 million as of March 31, 2018, ¥305,149 million as of March 31, 2017

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 2017 – Mar. 2018	49,750	(38,796)	(5,390)	47,413
Apr. 2016 – Mar. 2017	48,119	(36,369)	(13,612)	41,018

## 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. 2016 – Mar. 2017	—	9.00	—	9.00	18.00	5,977	29.2	2.0
Apr. 2017 – Mar. 2018	—	9.00	—	9.00	18.00	5,906	27.4	1.9
Apr. 2018 – Mar. 2019 (Forecasts)	—	9.00	—	9.00	18.00		25.6	

## 3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2019

(from April 1, 2018 to March 31, 2019)

(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	650,000	9.0	42,000	13.9	37,000	12.9	23,000	6.6	70.18

#### 4. Other

(1) Changes in principal subsidiaries during the fiscal year: 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 fiscal year-end (including treasury stock):

2. Shares of treasury stock at the fiscal year-end:

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

March 31, 2018	350,000,000 shares	March 31, 2017	350,000,000 shares
March 31, 2018	22,284,691 shares	March 31, 2017	19,834,211 shares
March 31, 2018	328,380,287 shares	March 31, 2017	331,896,955 shares

(Reference): Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2017 – Mar. 2018	293,016	6.6	15,137	13.6	17,546	11.0	12,125	(23.8)
Apr. 2016 – Mar. 2017	274,866	(5.4)	13,330	(23.7)	15,810	(14.4)	15,904	64.1

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2017 – Mar. 2018	36.92	36.88
Apr. 2016 – Mar. 2017	47.92	47.87

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2017 – Mar. 2018	439,268	242,452	55.1	739.05
Apr. 2016 – Mar. 2017	418,229	236,148	56.4	714.57

(Reference) Shareholders' equity: ¥242,199 million as of March 31, 2018, ¥235,925 million as of March 31, 2017

(These financial statements are exempt from audit procedures)

(Explanations or other items pertaining to appropriate use of business performance forecasts)

The business performance 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 forecasts. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. For cautionary items used in business performance forecasts, please refer to the section entitled "(4) Performance Forecasts for the Fiscal Year Ending March 31, 2019" under "1. Overview of Business Performance and Financial Position" on page 4.

[Supplementary Materials]

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## 1. Overview of Business Performance and Financial Position

### (1) Overview of Results for the Fiscal Year Ended March 31, 2018

The global economy continued to experience a relatively modest recovery during the fiscal year ended March 31, 2018, led by strong economies in the U.S. and Europe, despite concerns over a policy shift in China towards a medium growth trajectory and increasing geopolitical risks. The Japanese economy continued to see upstream inflation coupled with downstream deflation with internal demand lacking vigor despite an increase in exports and was unable to break free of stagnation.

In this business environment, the Kaneka Group's business performance for the period was driven by a strong contribution from production capacity increases at its main overseas production facilities in Europe, the U.S., Malaysia, and so forth. Growth in net sales was also led by the launch of distinctive new products resulting from R&D activities. As a result, operating results all increased year on year. Consolidated net sales were ¥596,142 million (up 8.7% year on year), and operating income was ¥36,888 million (up 11.2% year on year). Ordinary income was ¥32,775 million (up 19.5% year on year), and net income attributable to owners of parent was ¥21,571 million (up 5.3% year on year).

From the fiscal year under review, the Company has reorganized itself into four new business domains known as "Solutions Units" to strengthen its growth strategy from the perspective of achieving solutions. Below is an overview of the growth strategy.

#### ① Material Solutions Unit

In the Vinyls and Chlor-Alkali business, the Group continued to operate at full capacity, supported by strong demand in Asia. The Group is now looking at bolstering production capacity for chlorinated PVC and paste PVC, which are seeing continued demand growth in overseas markets.

In the Performance Polymers business, modifiers are enjoying strong demand in Europe and the U.S., and a new second production line has started up in Malaysia, alleviating a supply bottleneck.

Regarding modified silicone polymers, a new production facility in Malaysia started operation in July 2017, and the Group started R&D in earnest to create new demand in China and ASEAN. Demand for globally unique products continued to expand, and the Group is moving rapidly to start up enhanced production capacity in Belgium as planned and to execute plans to construct new production line in the U.S.

The Group has started serious examination of new plants for next-generation advanced technology materials such as the epoxy masterbatch, which is seeing progress in the development of automotive and electronics applications, composites for the aviation and aerospace industry, and biodegradable polymers.

As a result, the Material Solutions Unit posted significant growth in sales and profits.

#### ② Quality of Life Solutions Unit

In the E & I Technology business, sales of ultra-heat-resistant polyimide films increased for new models and displays made by major smartphone manufacturers as they provide higher functionality. The new plant that started operations in 2016 started full operations, and the Group will increase production capacity in Japan, the U.S., and Malaysia in stages as demand for ultra-heat-resistant polyimide films and high thermal conductive graphite sheets expands with progress in downsizing and multifunctioning of digital devices.

In the Foam & Residential Techs business, sales volume expanded steadily but was impacted by high raw material prices. The Group has improved profitability in the business by revising its cost structure and pricing. Looking ahead, the Group will work to create new demand by focusing on lightweight, heat-insulating unique expandable plastics and combining them with the housing, health care, automotive, and food production support business in order to contribute to the global spread of products related to the global environment, energy conservation, health, and food.

In the Performance Fibers business, demand for hair accessories in the African market is recovering steadily, and the Group is strengthening its brand capabilities in high-functionality hair accessories to spearhead new demand creation in Africa and other markets. Sales expanded in the flame-retardant materials and pile fields but were impacted by high raw material prices.

In the PV & Energy Management business, sales of high-efficiency photovoltaic modules expanded steadily, and the Group advanced its structural reforms.

Development of net zero energy houses and buildings designed around photovoltaic modules is being reviewed worldwide, and the Group will proceed with plans that combine its diverse materials and multifaceted business models.

As a result, the Quality of Life Solutions Unit achieved higher sales with lower profits.

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-functionality balloon catheters, also proceeded steadily. Looking ahead, the Group will focus on expanding its business by developing new therapeutic fields such as drug-coated balloon catheter treatments and digestive system catheters.

In the Pharma business, sales of biopharmaceuticals made by Kaneka Eurogentec S.A. expanded steadily, but overall sales were significantly affected by a decline in sales volume of low-molecular pharmaceutical materials, which were shipped intensively during the same period of the previous fiscal year. The Group will work to start up enhanced production capacity in Belgium as planned and to expand its business globally.

As a result, the Health Care Solutions Unit recorded higher sales with lower profits. However, the Group will expand its business by strengthening open innovation using the Kaneka U.S. Innovation Center.

④ Nutrition Solutions Unit

In the Foods & Agris business, sales of unique new foodstuffs expanded with progress in proactive proposal-based sales to major suppliers of bakery products, convenience stores, and food product manufacturers. The Group entered the dairy products business, such as milk and butter, by licensing in technology from Pur Natur Invest BVBA in Belgium. The Group will expand the nutrition business, pursuing good taste and health. In conjunction with the food production support business, the Group will contribute to productivity improvements for dairy farmers and recycling-oriented dairy farming.

In the Supplemental Nutrition business, sales of the mainstay reduced form of coenzyme Q10 grew dramatically, contributing to increased business performance. The Group will work to promote sales as the market continues to expand and increase its business by developing new supplement materials such as lactic acid bacteria.

As a result, the Nutrition Solutions Unit recorded higher sales and profits.

(2) Overview of Consolidated Financial Position

Total assets were ¥641,009 million as of March 31, 2018, up ¥48,109 million compared with March 31, 2017, due mainly to increases in notes and accounts receivable-trade and property, plant and equipment. Liabilities stood at ¥294,410 million, up ¥23,061 million from March 31, 2017, due mainly to an increase in notes and accounts payable-trade. Net assets were ¥346,599 million, up ¥25,047 million from March 31, 2017, due mainly to an increase in retained earnings.

(3) Overview of Consolidated Cash Flows

Net cash provided by operating activities was ¥49,750 million, mainly due to income before income taxes and depreciation and amortization. Net cash used in investing activities amounted to ¥38,796 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥5,390 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of March 31, 2018 totaled ¥47,413 million.

(4) Performance Forecasts for the Fiscal Year Ending March 31, 2019

Despite a sense of uncertainty surrounding geopolitical risks and so forth, business confidence is expected to expand steadily overall due to economic growth in the U.S. and Europe and stable growth in emerging economies such as China.

Changes in the fabric of society and the business climate are proceeding with dramatic speed. Initiatives to realize sustainable societies in terms of energy, resources, food supply, and other aspects are expected to accelerate globally. As paradigms shift, advances in the IoT, AI, and bioscience are yielding new business opportunities for chemical companies. The Company will work to harness global trends, provide solutions as an R&D-oriented materials manufacturer, and transform its business portfolio.

Our consolidated forecasts for the fiscal year ending March 31, 2019 are as follows:

[Consolidated Forecasts]

Net sales:	¥650 billion fiscal year (9.0% increase year on year)
Operating income:	¥42 billion fiscal year (13.9% increase year on year)
Ordinary income:	¥37 billion fiscal year (12.9% increase year on year)
Net income attributable to owners of parent:	¥23 billion fiscal year (6.6% increase year on year)

The forecasts above are based on exchange rates of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥50,000 per kiloliter.

The above performance forecasts for the Kaneka Group are regarded as reasonable based on information available at the time of the announcement. Readers should be aware that actual results might vary significantly from these forecasts due to various factors.

## 2. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP). The timing of the adoption of International Financial Reporting Standards (IFRS) has not yet been determined at this time. However, we are collecting information and have begun examining the issues in preparation for implementing the adoption of IFRS in the future.

## 3. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

	FY2016 Term ended March 31, 2017	FY2017 Term ended March 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	41,116	47,647
Notes and accounts receivable-trade	125,482	142,194
Short-term investment securities	110	110
Merchandise and finished goods	52,493	55,955
Work in process	10,148	9,527
Raw materials and supplies	34,106	38,732
Deferred tax assets	5,871	5,638
Other	11,463	13,076
Allowance for doubtful accounts	(353)	(972)
Total current assets	280,439	311,908
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	74,073	77,592
Machinery, equipment and vehicles, net	98,666	106,298
Land	31,071	32,545
Construction in progress	13,430	12,711
Other, net	8,301	8,326
Total property, plant and equipment	225,544	237,475
Intangible assets		
Goodwill	3,322	3,476
Other	6,929	6,415
Total intangible assets	10,251	9,892
Investments and other assets		
Investment securities	62,584	68,888
Investments in capital	987	698
Long-term loans receivable	1,300	1,229
Long-term prepaid expenses	1,759	2,106
Deferred tax assets	2,611	1,259
Other	7,650	7,821
Allowance for doubtful accounts	(228)	(270)
Total investments and other assets	76,665	81,733
Total noncurrent assets	312,461	329,101
Total assets	592,900	641,009

(Millions of yen)

	FY2016 Term ended March 31, 2017	FY2017 Term ended March 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	73,058	84,914
Short-term loans payable	52,294	59,653
Accounts payable-other	22,149	26,983
Accrued expenses	13,339	13,387
Income taxes payable	3,390	4,481
Accrued consumption taxes	1,051	805
Provision for directors' bonuses	135	126
Other	3,582	4,530
<b>Total current liabilities</b>	<b>169,001</b>	<b>194,881</b>
<b>Noncurrent liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	50,336	45,847
Deferred tax liabilities	2,098	2,670
Net defined benefit liability	37,310	37,324
Provision for directors' retirement benefits	319	297
Provision for loss on guarantees	-	346
Other	2,282	3,043
<b>Total noncurrent liabilities</b>	<b>102,347</b>	<b>99,528</b>
<b>Total liabilities</b>	<b>271,349</b>	<b>294,410</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	33,046	33,046
Capital surplus	32,813	32,799
Retained earnings	248,523	264,963
Treasury stock	(16,753)	(18,683)
<b>Total shareholders' equity</b>	<b>297,630</b>	<b>312,125</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	22,338	24,730
Deferred gains or losses on hedges	(61)	(108)
Foreign currency translation adjustment	(5,105)	(3,035)
Remeasurements of defined benefit plans	(9,653)	(7,526)
<b>Total accumulated other comprehensive income</b>	<b>7,518</b>	<b>14,060</b>
Subscription rights to shares	271	300
<b>Noncontrolling interests</b>	<b>16,130</b>	<b>20,112</b>
<b>Total net assets</b>	<b>321,551</b>	<b>346,599</b>
<b>Total liabilities and net assets</b>	<b>592,900</b>	<b>641,009</b>

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

Consolidated Statements of Income		(Millions of yen)	
	FY2016	FY2017	
	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018	
Net sales	548,222	596,142	
Cost of sales	385,362	426,959	
Gross profit	162,859	169,183	
Selling, general and administrative expenses	129,695	132,294	
Operating income	33,164	36,888	
Non-operating income			
Interest income	87	107	
Dividends income	1,695	1,495	
Foreign exchange gains	-	454	
Equity in earnings of affiliates	118	146	
Other	909	898	
Total non-operating income	2,811	3,102	
Non-operating expenses			
Interest expenses	1,428	1,692	
Loss on retirement of noncurrent assets	2,534	1,748	
Foreign exchange losses	2,270	-	
Other	2,316	3,774	
Total non-operating expenses	8,548	7,215	
Ordinary income	27,426	32,775	
Extraordinary income			
Gain on sales of noncurrent assets	625	-	
Gain on sales of investment securities	1,602	-	
Gain on bargain purchase	-	954	
Gain on step acquisitions	-	1,429	
Total extraordinary income	2,228	2,383	
Extraordinary losses			
Patent protection court costs	962	1,087	
Restructuring charges	-	1,781	
Provision of allowance for doubtful accounts	-	637	
Environmental expenses	-	566	
Total extraordinary losses	962	4,074	
Income before income taxes	28,692	31,085	
Income taxes-current	7,088	8,371	
Income taxes-deferred	88	(83)	
Total income taxes	7,177	8,288	
Net income	21,514	22,796	
Net income attributable to noncontrolling interests	1,030	1,224	
Net income attributable to owners of parent	20,484	21,571	

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2016 From April 1, 2016 to March 31, 2017	FY2017 From April 1, 2017 to March 31, 2018
Net income	21,514	22,796
Other comprehensive income		
Valuation difference on available-for-sale securities	5,047	2,440
Deferred gains or losses on hedges	(9)	(47)
Foreign currency translation adjustment	(4,268)	2,116
Remeasurements of defined benefit plans, net of tax	1,248	2,153
Share of other comprehensive income of associates accounted for using equity method	(2)	2
Total other comprehensive income	2,016	6,665
Comprehensive income	23,531	29,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,596	27,958
Comprehensive income attributable to noncontrolling interests	934	1,503

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

Previous fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	34,936	234,377	(15,558)	286,801
Changes of items during period					
Dividends of surplus			(6,328)		(6,328)
Net income attributable to owners of parent			20,484		20,484
Purchase of treasury stock				(1,812)	(1,812)
Disposal of treasury stock			(10)	617	607
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		(2,123)			(2,123)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2,123)	14,145	(1,194)	10,828
Balance at end of the period	33,046	32,813	248,523	(16,753)	297,630

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	17,450	(51)	(1,082)	(10,909)	5,406	228	16,285	308,722
Changes of items during period								
Dividends of surplus								(6,328)
Net income attributable to owners of parent								20,484
Purchase of treasury stock								(1,812)
Disposal of treasury stock								607
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(2,123)
Net changes of items other than shareholders' equity	4,887	(9)	(4,022)	1,256	2,112	43	(154)	2,000
Total changes of items during period	4,887	(9)	(4,022)	1,256	2,112	43	(154)	12,828
Balance at end of the period	22,338	(61)	(5,105)	(9,653)	7,518	271	16,130	321,551

Current fiscal year (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	32,813	248,523	(16,753)	297,630
Changes of items during period					
Dividends of surplus			(5,933)		(5,933)
Change in scope of consolidation			823		823
Net income attributable to owners of parent			21,571		21,571
Purchase of treasury stock				(2,618)	(2,618)
Disposal of treasury stock			(21)	687	666
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		(14)			(14)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(14)	16,440	(1,930)	14,495
Balance at end of the period	33,046	32,799	264,963	(18,683)	312,125

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	22,338	(61)	(5,105)	(9,653)	7,518	271	16,130	321,551
Changes of items during period								
Dividends of surplus								(5,933)
Change in scope of consolidation								823
Net income attributable to owners of parent								21,571
Purchase of treasury stock								(2,618)
Disposal of treasury stock								666
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(14)
Net changes of items other than shareholders' equity	2,392	(47)	2,069	2,126	6,541	29	3,981	10,552
Total changes of items during period	2,392	(47)	2,069	2,126	6,541	29	3,981	25,047
Balance at end of the period	24,730	(108)	(3,035)	(7,526)	14,060	300	20,112	346,599

## (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2016	FY2017
	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	28,692	31,085
Depreciation and amortization	27,808	30,323
Restructuring charges	–	1,781
Loss (gain) on step acquisitions	–	(1,429)
Gain on bargain purchase	–	(954)
Increase (decrease) in net defined benefit liability	2,515	3,026
Increase (decrease) in allowance for doubtful accounts	34	638
Interest and dividends income	(1,783)	(1,602)
Interest expenses	1,428	1,692
Equity in (earnings) losses of affiliates	(118)	(146)
Loss (gain) on disposal of noncurrent assets	102	531
Loss (gain) on sales of investment securities	(1,602)	–
Decrease (increase) in notes and accounts receivable–trade	(4,609)	(12,053)
Decrease (increase) in inventories	(4,056)	(6,176)
Increase (decrease) in notes and accounts payable–trade	7,303	8,568
Other, net	18	1,704
Subtotal	55,733	56,988
Interest and dividends income received	1,904	1,752
Interest expenses paid	(1,404)	(1,681)
Income taxes paid	(8,113)	(7,309)
Net cash provided by (used in) operating activities	48,119	49,750
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(36,726)	(34,113)
Proceeds from sales of property, plant and equipment	1,092	61
Purchase of intangible assets	(1,474)	(1,405)
Purchase of investment securities	(75)	(1,384)
Proceeds from sales and distributions of investment securities	1,585	156
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(102)	(1,463)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	780
Payments for transfer of business	–	(331)
Payments of loans receivable	(314)	(933)
Collection of loans receivable	212	895
Other, net	(567)	(1,057)
Net cash provided by (used in) investing activities	(36,369)	(38,796)

Financial Results for the Term Ended March 31, 2018, Kaneka Corporation (4118)

(Millions of yen)

	FY2016 From April 1, 2016 to March 31, 2017	FY2017 From April 1, 2017 to March 31, 2018
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,858)	6,702
Proceeds from long-term loans payable	6,251	5,628
Repayment of long-term loans payable	(5,986)	(9,169)
Proceeds from sales and leasebacks	-	232
Repayments of lease obligations	(171)	(266)
Purchase of treasury stock	(1,812)	(2,618)
Proceeds from sales of treasury stock	410	475
Proceeds from stock issuance to noncontrolling shareholders	53	-
Cash dividends paid	(6,328)	(5,933)
Dividends paid to noncontrolling interests	(399)	(358)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,772)	(82)
Net cash provided by (used in) financing activities	(13,612)	(5,390)
Effect of exchange rate change on cash and cash equivalents	(280)	231
Net increase (decrease) in cash and cash equivalents	(2,143)	5,795
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 as of the fiscal year end	41,018	47,413

## (5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Consolidated Statements of Income)

Restructuring changes is as follows:

	FY2016 From April 1, 2016 to March 31, 2017	FY2017 From April 1, 2017 to March 31, 2018
Loss on valuation of inventories	-	996
Impairment loss	-	785
<b>Total</b>	-	<b>1,781</b>

(Segment Information)

(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 the Board's regular review of business performance.

The Company has established the "Solutions Vehicle" as organizations for executing its growth strategies from a solutions perspective. There are nine Solutions Vehicles grouped into four solution domains called "Solutions Unit." Each Solutions Unit has established a global Group strategy for its products and services, bringing together subsidiaries in Japan and overseas as one to develop its business activities.

The Company therefore comprises four reporting segments categorized by solution: the "Material Solutions Unit," "Quality of Life Solutions Unit," "Health Care Solutions Unit," and "Nutrition Solutions Unit."

The Material Solutions Unit contributes to environmental protection and comfortable living by providing solutions in the form of high-performance materials to support the development of social infrastructure and mobility (i.e. weight reduction and improved fuel economy), and cutting-edge materials such as biopolymers that assist directly with the realization of environmental societies. The Quality of Life Solutions Unit contributes to energy conservation and the creation of high quality lifestyles by providing solutions in the form of high performance materials and unique services that respond to the need for energy conservation and adoption of smart technologies in housing and daily infrastructure. The unit is also responding to innovation in information -driven societies, such as the advance of the IoT and AI. The Health Care Solutions Unit contributes to a society with better longevity and more sophisticated medical care by providing valuable solutions that combine devices and pharmaceuticals in fields such as medicine, health, and nursing care. The unit is also developing a unique healthcare business based on advanced medical technologies such as biopharmaceuticals and regenerative and cellular medicine. The Nutrition Solutions Unit contributes to health and high-quality food by providing a wide range of solutions in the form of distinctive materials and supplements that meet needs around food diversification and health promotion. The unit also provides solutions that contribute to food production support in the fields of agriculture, livestock, and fishery.

## (Concerning Changes in Reporting Segments)

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

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 reporting 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, 2016 to March 31, 2017)

(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	207,296	136,849	45,141	157,989	547,276	945	548,222	—	548,222
Intersegment	1,357	10	—	38	1,406	1,374	2,781	(2,781)	—
Total	208,653	136,859	45,141	158,028	548,683	2,319	551,003	(2,781)	548,222
Segment profit	22,251	15,041	10,896	5,280	53,469	382	53,852	(20,687)	33,164
Segment assets	205,506	153,811	52,707	101,361	513,387	1,293	514,680	78,219	592,900
Others									
Depreciation	9,029	9,937	2,094	3,699	24,762	60	24,822	2,820	27,642
Amortization of goodwill	32	56	430	—	519	—	519	—	519
Investment in equity method	68	1,953	—	—	2,021	—	2,021	—	2,021
Increase in assets	14,427	9,607	3,174	2,701	29,911	113	30,024	7,955	37,980

(Notes) 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.

Fiscal year under review (from April 1, 2017 to March 31, 2018)

(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	238,880	149,360	45,856	160,930	595,028	1,114	596,142	—	596,142
Intersegment	1,267	27	0	30	1,325	1,209	2,534	(2,534)	—
Total	240,148	149,387	45,856	160,960	596,353	2,324	598,677	(2,534)	596,142
Segment profit	27,109	13,730	9,849	6,531	57,221	520	57,741	(20,853)	36,888
Segment assets	230,668	158,739	57,972	109,017	556,398	829	557,227	83,782	641,009
Others									
Depreciation	10,157	10,458	2,376	3,751	26,743	17	26,760	3,360	30,121
Amortization of goodwill	35	—	448	—	483	—	483	46	529
Investment in equity method	70	2,085	—	1,436	3,591	—	3,591	—	3,591
Increase in assets	13,202	10,439	4,321	3,616	31,580	73	31,654	9,263	40,917

(Notes) 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.

#### 4) Reconciliation between Segment Totals and Amounts on Consolidated Financial Statements (Adjustments)

(Millions of yen)

Income	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Segment total	53,469	57,221
Segment profit of Others	382	520
Elimination of intersegment transactions	(5)	(7)
Companywide expenses (Note)	(20,695)	(20,909)
Other adjustments	14	63
Operating income in the consolidated statements of income	33,164	36,888

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

Financial Results for the Term Ended March 31, 2018, Kaneka Corporation (4118)

(Millions of yen)

Assets	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Segment total	513,387	556,398
Segment assets of Others	1,293	829
Elimination of intersegment transactions	(13,574)	(13,530)
Companywide assets (Note)	91,211	96,745
Other adjustments	582	566
Total assets in the consolidated balance sheets	592,900	641,009

(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		Others		Adjustments (Note)		Consolidated	
	Previous fiscal year	Current fiscal year						
Depreciation	24,762	26,743	60	17	2,820	3,360	27,642	30,121
Increase in assets	29,911	31,580	113	73	7,955	9,263	37,980	40,917

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

(Related Information)

Geographic Area

(Sales)

Previous fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
344,890	86,188	42,702	51,067	23,373	548,222

(Note) Sales are classified into countries or regions based on the geographic location of customers.

Fiscal year under review (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
359,739	109,961	44,724	58,813	22,902	596,142

(Note) Sales are classified into countries or regions based on the geographic location of customers.

## (Per Share Information)

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

Item	Previous fiscal year From April 1, 2016 to March 31, 2017	Fiscal year under review From April 1, 2017 to March 31, 2018
Net assets per share	¥924.23	¥995.33
Net income per share	¥61.72	¥65.69
Fully diluted net income per share	¥61.65	¥65.61

Item	Previous fiscal year From April 1, 2016 to March 31, 2017	Fiscal year under review From April 1, 2017 to March 31, 2018
Net income per share		
Net income attributable to owners of parent (Millions of yen)	20,484	21,571
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	20,484	21,571
Average number of shares of common stock during the period (Thousands of shares)	331,896	328,380
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	(1)	(2)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-1)	(-2)
Increase in shares of common stock (Thousands of shares)	338	356
(Of which, subscription rights to shares) (Thousands of shares)	(338)	(356)

(Note) Regarding the calculation of net income per share and fully diluted net income per share, the number of Kaneka shares held by the Kaneka Employee Stock Ownership Association Trust has been included in the treasury stock that was deducted during the calculation of the average number of shares during the period. Moreover, the average number of shares of the deducted corresponding treasury stock used to calculate net income per share and fully diluted net income per share was 687 thousand shares for FY2018 and 1,186 thousand shares for FY2017.

## (Subsequent Events)

Nothing to report