

Quarterly Financial Summary

1st Quarter, Ended June 30, 2018

August 8, 2018
Kaneka Corporation

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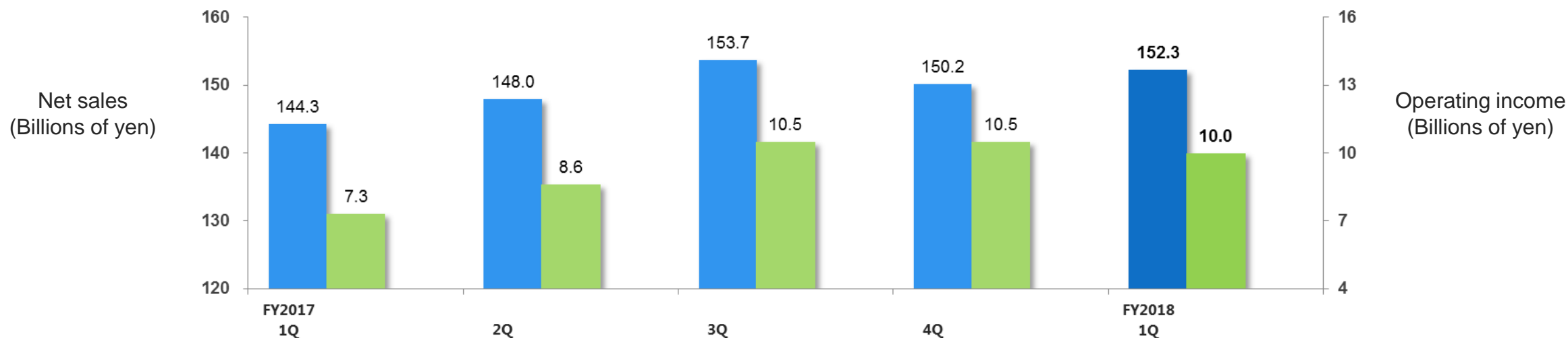
The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements.

(Billions of yen)

	FY2017 1Q (Apr.-Jun.)	FY2018 1Q (Apr.-Jun.)	Difference	
			Amount	%
Net sales	144.3	152.3	8.0	5.5%
Operating income	7.3	10.0	2.7	37.9%
Ordinary income	7.2	9.1	2.0	27.8%
Net income attributable to owners of parent	4.8	6.3	1.5	32.0%
Net income per share	¥14.43	¥19.18		

- Net sales increased 5.5%. This increase was driven by growth in global businesses, where production capacity was bolstered.
- Operating income, ordinary income, and net income attributable to owners of parent each increased significantly.
- The Group has been transforming its business portfolio in line with the management system revised in the previous year. This transformation of the business portfolio is steadily producing results.

Net Sales, Operating Income by Quarter



(Billions of yen)	FY2017				FY2018
	1 Q	2 Q	3 Q	4 Q	1 Q
Net sales	144.3	148.0	153.7	150.2	152.3
Operating income	7.3	8.6	10.5	10.5	10.0

- Net sales of over ¥150.0 billion and operating income of over ¥10.0 billion were achieved for three consecutive quarters.
- Profitability has improved dramatically, mainly as the benefits of bolstering production capacity became apparent amid growth in overseas demand.

Net Sales, Operating Income by Segments

(Millions of yen)

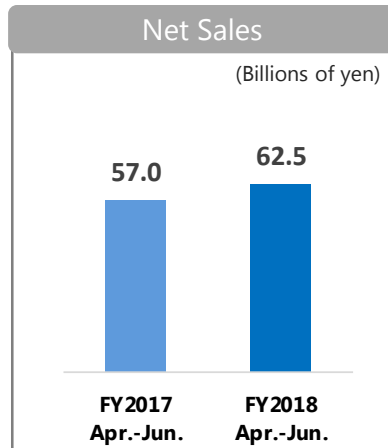
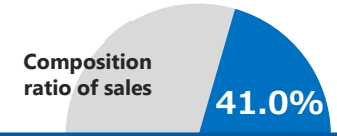
	Net sales				Operating income			
	FY2017 1Q (Apr.-Jun.)	FY2018 1Q (Apr.-Jun.)	Difference		FY2017 1Q (Apr.-Jun.)	FY2018 1Q (Apr.-Jun.)	Difference	
			Amount	%			Amount	%
Material Solutions Unit	57,034	62,491	5,456	9.6%	5,747	7,837	2,090	36.4%
Quality of Life Solutions Unit	35,618	38,601	2,982	8.4%	2,839	3,695	856	30.1%
Health Care Solutions Unit	11,209	11,415	205	1.8%	2,364	2,382	18	0.8%
Nutrition Solutions Unit	40,051	39,454	△ 597	△1.5%	1,220	1,197	△ 22	△1.9%
Others	387	307	△ 79	△20.6%	244	164	△ 79	△32.7%
Adjustment	-	-	-	-	△ 5,164	△ 5,277	△ 113	-
Total	144,302	152,271	7,968	5.5%	7,252	10,000	2,747	37.9%

Material	In the Vinyls and Chlor-Alkali business, sales were favorable for PVC resins and caustic soda both in Japan and overseas. In the Performance Polymers business, sales expanded as production capacity was bolstered to meet growing global demand.
Quality of Life	In the E & I Technology business, sales were favorable, supported by increased demand for smartphones with higher functionality. In the Performance Fibers business, demand for the hair accessories in the African market is steadily recovering.
Health Care	Sales in the Medical Devices business increased in Japan and overseas, offsetting the negative impact of the revision of medical reimbursement prices in Japan. The Pharma business saw steady expansion in sales of biopharmaceuticals.
Nutrition	The Foods & Agris business worked to stimulate demand through proactive proposal-based sales, amid sluggish conditions in the markets for confectionery and bakery products. In the Supplemental Nutrition business, sales of the reduced form of coenzyme Q10 continued to increase.

Material Solutions Unit

Net Sales ¥62.5 billion (year-on-year + 9.6%)

Operating Income ¥7.8 billion (year-on-year + 36.4%)

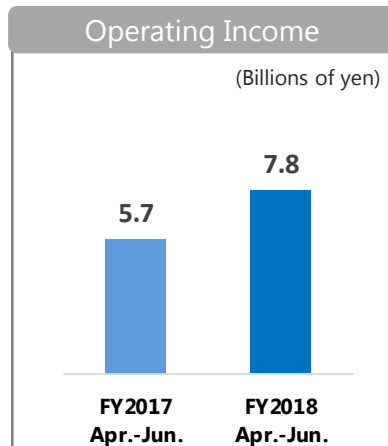


Vinyls and Chlor-Alkali

- Sales were favorable for PVC resins and caustic soda both in Japan and overseas.
- This business posted a firm performance, including for chlorinated PVC and paste PVC, which have continued to enjoy strong demand.

Performance Polymers

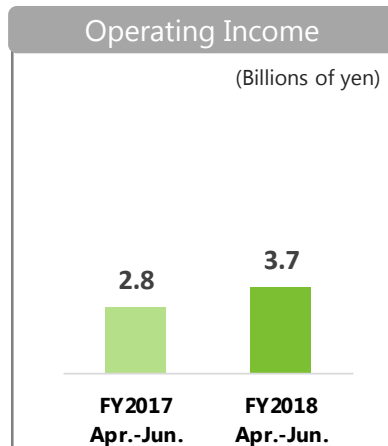
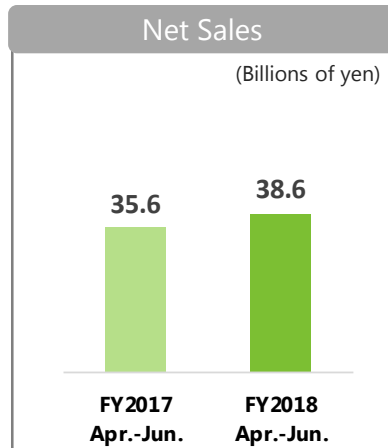
- Modifiers saw progress on the expansion of applications for non-PVC and other uses and recorded favorable sales primarily in the Asian market.
- Demand for modified silicone polymers, a globally unique product, has been increasing globally. In this environment, sales of modified silicone polymers increased substantially as new production facilities in Malaysia started contributing to sales in earnest. Going forward, the Group will address further growth in demand by bringing enhanced production capacity online in Belgium as planned.
- The Group has decided to bolster the production capacity of biodegradable polymers, which are being adopted for use in fruit and vegetable bags in the European market. Considering that this material is biodegradable even in seawater, the Group will develop the market for this product as a solution to the problem of microplastic pollution.
- The Group has been making progress on the development of applications for epoxy masterbatch for use in automobiles and electronic components. In composites for the aerospace industry, which will serve as next-generation, cutting-edge high-tech materials, the Group will focus on speedy business expansion through the installation of prepreg production facilities.



Quality of Life Solutions Unit

Net Sales ¥38.6 billion (year-on-year + 8.4%)

Operating Income ¥3.7 billion (year-on-year + 30.1%)



E & I Technology

- Sales of ultra-heat-resistant polyimide films were favorable, supported by increased demand for smartphones with higher functionality.
- Sales of new polyimide products for use in displays also expanded.
- The Group has decided to dramatically increase the production capacity of high thermal conductive graphite sheets and ultra-heat-resistant polyimide films, the raw material of the former, as demand for those materials is expected to increase dramatically as digital devices become more compact and offer higher functionality.
- The Group is the only manufacturer of those materials that conducts integrated production from raw materials to products. Leveraging these strengths, the Group will work to expand this business.

Performance Fibers

- Demand for the hair accessories in the African market has continued to steadily recover, and the Group is strengthening its brand capabilities in high-functionality hair accessories to spearhead further demand creation in Africa and other markets.
- In the flame-retardant material field, sales increased atop surging demand for uniforms in Europe and the Americas.

Foam & Residential Techs

- Sales grew steadily. The Group is striving to pass surging raw materials costs on to selling prices and implement cost reductions.
- In bead-method polyolefin foam, the Group is working to strengthen its global supply structure through measures including starting operations at a plant in Thailand and enhancing production capacity in Belgium, in order to address growing demand in the automotive field and other areas.

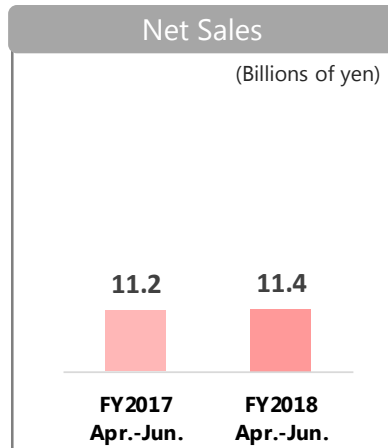
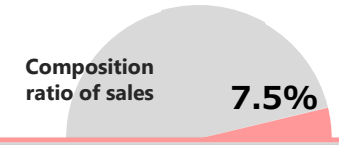
PV & Energy management

- Sales of high-efficiency photovoltaic module products expanded, and the Group steadily advanced its structural reforms.
- The Group will develop net zero energy management systems for houses and buildings by using its proprietary photovoltaic modules integrated with construction materials such as windows and walls.

Health Care Solutions Unit

Net Sales ¥11.4 billion (year-on-year + 1.8%)

Operating Income ¥2.4 billion (year-on-year + 0.8%)

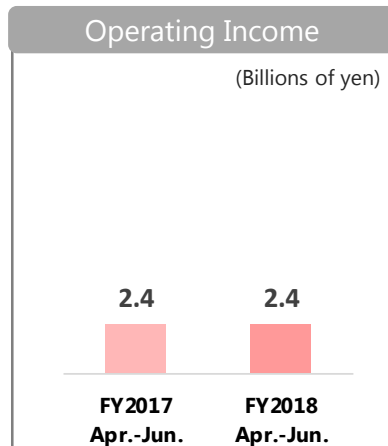


Medical Devices

- Sales of new products, such as high-functionality balloon catheters and electrode catheters, proceeded steadily. Meanwhile, sales increased in overseas markets, offsetting the negative impact of the revision of medical reimbursement prices in Japan.
- Looking ahead, the Group will focus on expanding its business by developing therapeutic fields such as drug-coated balloon catheter treatments and digestive system catheters.

Pharma

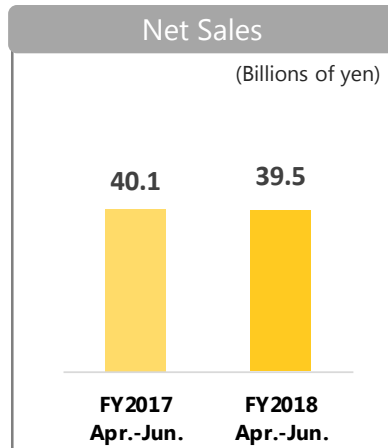
- Sales of biopharmaceuticals made by Kaneka Eurogentec S.A. expanded steadily. The Group will work to bolster production capacity as planned.
- The Group installed continuous manufacturing equipment for the manufacture of pharmaceutical intermediates and active pharmaceutical ingredients at Kaneka Singapore Co. (Pte.) Ltd., and started commercial production in June 2018. Leveraging its system for efficiently manufacturing a wide variety of pharmaceutical products, the Group will strive to strengthen its business in the small molecule pharmaceutical sector and accelerate comprehensive business expansion in the Health Care field.



Nutrition Solutions Unit

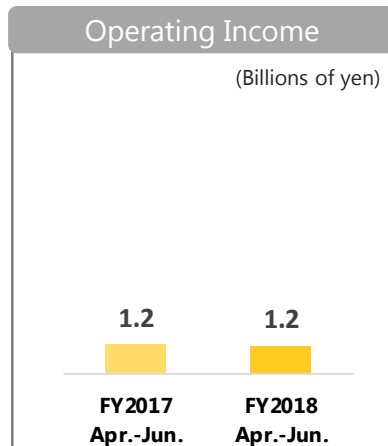
Net Sales ¥39.5 billion (year-on-year Δ 1.5%)

Operating Income ¥1.2 billion (year-on-year Δ 1.9%)



Foods & Agris

- Amid sluggish conditions in the markets for confectionery and bakery products, the Group worked to stimulate demand through proactive proposal-based sales to major suppliers of bakery products, convenience stores and food product manufacturers.
- The Indonesian business expanded steadily.
- The Group newly entered the dairy products business. In this business, the Group started sales of fermented butter, in addition to milk. Going forward, the Group will continue to enhance its lineup of new dairy products. In conjunction with the food production support business, the Group will also contribute to productivity improvements for dairy farmers and recycling-oriented dairy farming.



Supplemental Nutrition

- Sales of the mainstay reduced form of coenzyme Q10 continued to increase, primarily in the U.S. market.
- The Group recently invested in a company specializing in lactic acid bacteria in Spain. The Group will work closely with this company to increase its lineup of supplement materials and expand business globally.

(Billions of yen)

	March 31, 2018	June 30, 2018	Difference
Assets			
Current Assets	306.3	312.6	6.4
Noncurrent Assets	333.5	336.5	3.0
Total assets	639.8	649.1	9.4
Liabilities			
Interest bearing debt	113.1	115.5	2.3
Others	180.0	182.7	2.6
Total liabilities	293.2	298.1	4.9
Net assets			
Shareholders' equity	326.2	330.4	4.3
Others	20.4	20.6	0.2
Total net assets	346.6	351.0	4.4
Total liabilities and net assets	639.8	649.1	9.4

* Shareholders' equity : Net assets deducting Noncontrolling interests and Subscription rights to shares

- Total assets increased due to an increase in property, plant and equipment through continued proactive capital investment, and an increase in inventories accompanying an increase in net sales.

- In the near term, the global economy presents concerns about the negative impact of the protectionist trade policies of various countries, including the policies of the Trump administration. In today's highly interconnected world, the global economic outlook is shrouded in increasing uncertainty.
- In this highly unpredictable and challenging business environment, the Company will accelerate its transformation to a new, resilient portfolio structure by further enhancing R&D and global business initiatives based on its new management system.
- In the second quarter onward, the Group will continuously work to revise prices in response to rising raw materials prices. At the same time, the Group will strive to increase sales of modifiers and modified silicone polymers, where global competitiveness will be enhanced by bolstering production capacity at overseas sites. Along with this, the Group will work to drive growth in key strategic businesses such as E & I Technology, where demand is expected to rapidly increase with the arrival of the IoT- and AI-driven society, and the Health Care and Supplemental Nutrition businesses, where new products are being developed.
- Together with those measures, the Group will focus on strengthening its business platform by pushing ahead with open innovation, alliances and M&As.
- As a result, the Group has not revised its business forecast for the fiscal year ending March 31, 2019.

<reference>Consolidated business forecast for the fiscal year ending March 31, 2019 announced May 11, 2018

(Billions of yen)

	FY2017 result	FY2018 forecast	Difference
Net sales	596.1	650.0	53.9 (9.0%)
Operating income	36.9	42.0	5.1 (13.9%)
Ordinary income	32.8	37.0	4.2 (12.9%)
Net income attributable to owners of parent	21.6	23.0	1.4 (6.6%)

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.

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