Quarterly Financial Results for 3rd Quarter, Ended December 31, 2018
(Japanese GAAP, Consolidated)

February 8, 2019

Name of Listed Company: **Kaneka Corporation** Stock Exchange Listings: Tokyo, Nagoya
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Scheduled date for submitting financial statements: February 13, 2019 Scheduled date of dividend distribution: —

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

1. Consolidated Business Performance for 3rd Quarter, Ended December 31, 2018
(from April 1, 2018 to December 31, 2018)
(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. 2018 – Dec. 2018	467,615	4.9	26,619	1.0	22,937	(5.6)	14,681	(6.7)
Apr. 2017 – Dec. 2017	445,931	9.3	26,355	7.3	24,307	17.1	15,735	21.5

Note: Comprehensive income: ¥11,837 million (-60.0%) nine months ended December 31, 2018
¥29,609 million (73.1%) nine months ended December 31, 2017

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2018 – Dec. 2018	223.90	223.54
Apr. 2017 – Dec. 2017	239.43	239.14

Note: The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. However, net income per share and fully diluted net income per share have been calculated as though the share consolidation took place on April 1, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of December 31, 2018	652,232	352,755	50.8
As of March 31, 2018	639,780	346,599	51.0

(Reference) Shareholders' equity: ¥331,506 million as of December 31, 2018
¥326,186 million as of March 31, 2018

2. Dividends

	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2017 – Mar. 2018	¥ —	¥ 9.00	¥ —	¥ 9.00	¥ 18.00
Apr. 2018 – Mar. 2019	—	9.00	—		
Apr. 2018 – Mar. 2019 (Forecasts)				55.00	—

Note: Changes in dividend forecast during the quarter under review: Yes
Breakdown of year-end dividend (forecast)：Ordinary dividend ¥45.00
：70th anniversary commemorative dividend ¥10.00

The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. Accordingly, the year-end dividend per share (forecast) for the fiscal year ending March 31, 2019 reflects the impact of the share consolidation and the annual dividend per share (forecast) is shown as "—." Without the share consolidation, the year-end dividend per share (forecast) for the fiscal year ending March 31, 2019 would be ¥11.00 and the annual dividend per share (forecast) would be ¥20.00. For details, please see "Explanations or other items pertaining to appropriate use of business performance forecasts."

3. Forecast for Consolidated Business Performance for the 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	625,000	4.8	37,000	0.3	33,000	0.7	22,000	2.0	335.60

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes
The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. Net income per share in the forecast for consolidated business performance for the fiscal year ending March 31, 2019 reflects the impact of the share consolidation. Without the share consolidation, net income per share in the forecast for consolidated business performance for the fiscal year ending March 31, 2019 would be ¥67.12 per share. For details, please see "Explanations or other items pertaining to appropriate use of business performance forecasts."

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, 2018	70,000,000 shares	March 31, 2018	70,000,000 shares
2. Shares of treasury stock at the end of the period:	December 31, 2018	4,378,194 shares	March 31, 2018	4,456,938 shares
3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)	December 31, 2018	65,573,247 shares	December 31, 2017	65,720,719 shares

Note: The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. However, the number of shares issued at the end of the period, the number of shares of treasury stock at the end of the period, and the average number of shares during the period have all been calculated as though the share consolidation took place on April 1, 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 projections. 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 "(3) Consolidated Business Forecasts" under "1. Quarterly Consolidated Business Performance" on page 4.

The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on the effective date of October 1, 2018, following the approval of a proposal on the share consolidation at the 94th Annual General Meeting of Shareholders held on June 28, 2018. The dividend forecast and forecast for consolidated business performance for the fiscal year ending March 31, 2019 without reflecting the share consolidation is as follows:
1. Dividend forecast for the fiscal year ending March 31, 2019
   Interim dividend per share: ¥9.00 (Note 1)
   Year-end dividend per share: ¥9.00　70th anniversary commemorative dividend ¥2.00 (Note 2)
2. Forecast for consolidated business performance for the fiscal year ending March 31, 2019
   Full-year net income per share for the fiscal year ending March 31, 2019: ¥67.12

Notes: 1. The interim dividend will be paid out based on the number of shares before the share consolidation.
2. Converted to the per-share dividend before the share consolidation.
3. The annual dividend per share (forecast) for the fiscal year ending March 31, 2019 (before the share consolidation) was ¥20.00.

Supplementary Materials

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1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

During the three months from October to December 2018, the global economy experienced increasing trade friction sparked by a conservative administration in the U.S. as well as widening concern over worldwide geopolitical risks beyond the Middle East and East Asia, with a serious economic adjustment phase beginning to take shape starting in China. Corporate sentiment has retreated, and production adjustments to reduce distribution inventory have started over a wide range from upstream to downstream. In this situation, the Kaneka Group's consolidated net sales for the first nine months under review (April 1, 2018 to December 31, 2018) were ¥467,615 million (up 4.9% year on year) and operating income was ¥26,619 million (up 1.0% year on year) driven by growth in global businesses, where the Group bolstered production capacity. On the other hand, as a result of construction for strengthening manufacturing capacity, such as construction for earthquake proofing and renewal of cogeneration facilities, ordinary income and net income attributable to owners of the parent were lower year on year, with ordinary income at ¥22,937 million (down 5.6% year on year) and net income attributable to owners of parent at ¥14,681 million (down 6.7% year on year).

Operating performance by business segment was as follows:

1) Material Solutions Unit

In the Vinyls and Chlor-Alkali business, sales of PVC resins and paste PVC and other specialty PVC resins were solid in Japan, but slowed in overseas markets. Caustic soda saw exports impacted by a problem with obtaining approval in India, but performed favorably in Japan, making a significant contribution to sales.

In the Performance Polymers business, modifiers saw progress on the expansion of applications for non-PVC and other uses and strong sales contributed significantly to earnings. Demand for modified silicone polymers, a globally unique product, has been increasing worldwide. In this environment, new production facilities in Malaysia made a full contribution to sales. Going forward, the facility completed in Belgium in January 2019 for increased production capacity will make a strong contribution to sales. Sales of epoxy masterbatch are expanding with further adoption as a structural adhesive for automobiles, and the Group has decided to increase its production capacity going forward. In a bid to accelerate business development of composites for the aerospace industry, the Group has installed new production facilities for prepreg, a next-generation, cutting-edge, high-tech material.

The Group has decided to enhance production capacity for biodegradable polymer PHBH, which is biodegradable even in seawater, amid tightening of regulations regarding disposable plastics in the European and U.S. markets. The Group is working with a major customer on a large-scale project involving PHBH as a solution to the societal problem of microplastic pollution. It received approval from the European Commission as a food-contact material for dry food applications in January 2019, and is under consideration for adoption in a wide range of applications such as fruit and vegetable bags, drinking straws, cups, and trays. With a view to future demand expansion, the Group is moving quickly to consider a full-fledged mass production plant.

2) Quality of Life Solutions Unit

In the Performance Fibers business, demand for hair accessories in the African market has been making a full-fledged recovery, and the Group is strengthening its brand capabilities in high-functionality hair accessories to spearhead further demand creation in Africa and other markets, with earnings making a significant recovery and expanding. In the flame-retardant material field, sales increased atop surging demand for uniforms in Europe and the Americas.

In the E & I Technology business, market share for ultra-heat-resistant polyimide films increased alongside enhanced sophistication of smartphones. Recently, however, the business was affected by a temporary market slowdown. The Group will move rapidly to provide new products in response to changes in the market, such as polyimide varnish for organic electro luminescent displays and new-grade PIXEO for 5G smartphones.

In the Foam & Residential Techs business, sales of expandable polystyrene resin and extruded polystyrene foam board were impacted by diminished hauls resulting from typhoons and earthquakes ,and sluggish demand accompanying delays in civil engineering and construction work. In bead-method polyolefin foam, the Group is working to strengthen its global supply structure by starting operations at a plant in Thailand and enhancing production capacity in Belgium. It has also been strengthening its operating base with the introduction of new processes.

In the PV & Energy Management business, sales of high-efficiency photovoltaic module products expanded steadily thanks to positive reception in the market, and production capacity is now being fully utilized. The Group is preparing to increase production in response to an expansion in demand. Profitability improved in line with advancement of structural reforms. In new applications, the Group’s proprietary photovoltaic modules for electricity-generating windows and walls are drawing attention as net zero energy management system materials for houses and buildings. The Group will strengthen these as a solutions business addressing global energy problems.

3) Health Care Solutions Unit

In the Medical Devices business, sales of new products, such as high-functionality balloon catheters and digestive system catheters, proceeded steadily. Moreover, sales increased in overseas markets, offsetting the negative impact of revisions to medical reimbursement prices in Japan. The Group will work to expand sales in therapeutic fields such as balloon catheter technologies coated with drugs produced by Med Alliance SA, which it acquired through a technology and business alliance, and electrode catheter technologies, as well as taking steps to expand business in new medical domains including fractional flow reserve (FFR) product, such as concluding a new investment and strategic agreement with a U.S. medical equipment company.

In the Pharma business, sales of biopharmaceuticals made by Kaneka Eurogentec S.A. are expanding steadily. The Group is working to bolster production capacity as planned, and is strengthening project activities with major customers and taking steps to consolidate earnings expansion after the start of operations. The continuous manufacturing equipment for producing pharmaceutical intermediates and active pharmaceutical ingredients that the Group has installed at Kaneka Singapore Co. (Pte.) Ltd. and Osaka Synthetic Chemical Laboratories, Inc. has been highly evaluated by the markets. These new technologies are centered on the small molecule pharmaceutical sector, and are accelerating comprehensive business expansion in the pharma field.

4) Nutrition Solutions Unit

In the Foods & Agris business, amid continued 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. Moreover, in Indonesia, the Group decided to build a new processed oil products factory (total investment of ¥5.0 billion) and will fully engage in spreading tasty Japanese bread and confectionery culture and expanding the Indonesian market. The Group has newly entered the dairy products business, where its “Milk for Bread” product has been positively received for its richness but refreshing aftertaste, and it has started sales of fermented butter in addition to milk. Going forward, the Group will strengthen its marketing activities such as digital and online mail-order sales, enhance the product lineup with yoghurt and other new dairy products, and accelerate market development. The Group will also move quickly to consider construction of a new full-fledged plant. Moreover, in conjunction with the food production support business, the Group will contribute to productivity improvements for dairy farmers and the development of recycling-oriented dairy farming.

In the Supplemental Nutrition business, sales of the mainstay reduced form of coenzyme Q10 continued to increase, primarily in the U.S. market. The Group is expanding sales in the European market of lactic acid supplements produced by a Spanish company specializing in lactic acid bacteria that was made into a Group company in 2018 (through investment), and has started discussing commencing sales in the U.S. and Japan at an early stage. Looking ahead, the Group will enhance the product lineup while expanding the business globally.

(2) Consolidated Financial Position

1) Status of Assets, Liabilities and Equity

Total assets were ¥652,232 million as of December 31, 2018, up ¥12,452 million compared with March 31, 2018 due to increases in inventories and property, plant and equipment. Liabilities totaled ¥299,477 million, up ¥6,295 million due to an increase in notes and accounts payable-trade and loans payable. Net assets (equity) increased by ¥6,156 million to ¥352,755 million, due to an increase in retained earnings.

(3) Consolidated Business Forecasts

There is an increasing risk that the economic deceleration that has started in China will spread around the world and cause a slowdown in economic growth. Considering the Group’s third-quarter earnings (the decline in sales and profits versus the Company plan due to the impact of natural disasters on Foods and Foam businesses and a temporary lull in the market for E & I technology) and the opacity of the economic climate going forward, the Group has revised the forecast for consolidated business performance announced on May 11, 2018.

With regard to exchange rates and raw material prices, forecast figures assume an exchange rate of ¥110 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥40,000 per kiloliter from January 1, 2019 onward.

Revisions to forecasts for consolidated business performance in the term ending March 31, 2019
(from April 1, 2018 to March 31, 2019)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	650,000	42,000	37,000	23,000	350.91
Current forecast (B)	625,000	37,000	33,000	22,000	335.60
Change (B–A)	(25,000)	(5,000)	(4,000)	(1,000)	
Percentage change (%)	(3.8%)	(11.9%)	(10.8%)	(4.3%)	
(Reference: Year ended March 31, 2018)	596,142	36,888	32,775	21,571	328.46

Notes: 1. The above performance forecasts are regarded as reasonable on the basis of information available at the time of announcement. Readers should therefore be aware that actual results may vary from these forecasts due to various uncertainties.

2. The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. However, net income per share has been calculated as though the share consolidation took place on April 1, 2017.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2017 Term ended March 31, 2018	FY2018 3rd Quarter Term ended December 31, 2018
Assets		
Current assets		
Cash and deposits	47,647	39,806
Notes and accounts receivable – trade	142,194	146,023
Short–term investment securities	110	110
Merchandise and finished goods	55,955	62,046
Work in process	9,527	9,466
Raw materials and supplies	38,732	42,055
Other	13,076	15,970
Allowance for doubtful accounts	(972)	(970)
Total current assets	306,270	314,508
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	77,592	78,187
Machinery, equipment and vehicles, net	106,298	106,267
Other, net	53,583	63,604
Total property, plant and equipment	237,475	248,059
Intangible assets		
Goodwill	3,476	3,010
Other	6,415	6,055
Total intangible assets	9,892	9,066
Investments and other assets		
Investment securities	68,888	63,187
Other	17,524	17,691
Allowance for doubtful accounts	(270)	(281)
Total investments and other assets	86,142	80,597
Total noncurrent assets	333,510	337,723
Total assets	639,780	652,232

(Millions of yen)

	FY2017 Term ended March 31, 2018	FY2018 3rd Quarter Term ended December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable – trade	84,914	89,326
Short-term loans payable	59,653	66,036
Current portion of bonds	—	10,000
Income taxes payable	4,481	1,486
Provision	126	9
Other	45,706	46,528
Total current liabilities	194,881	213,387
Noncurrent liabilities		
Bonds payable	10,000	—
Long-term loans payable	45,847	44,336
Provision	643	258
Net defined benefit liability	37,324	37,552
Other	4,483	3,942
Total noncurrent liabilities	98,299	86,090
Total liabilities	293,181	299,477
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	32,799	32,823
Retained earnings	264,963	273,739
Treasury stock	(18,683)	(18,211)
Total shareholders' equity	312,125	321,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,730	20,113
Deferred gains or losses on hedges	(108)	(123)
Foreign currency translation adjustment	(3,035)	(3,364)
Remeasurements of defined benefit plans	(7,526)	(6,516)
Total accumulated other comprehensive income	14,060	10,107
Subscription rights to shares	300	428
Noncontrolling interests	20,112	20,820
Total net assets	346,599	352,755
Total liabilities and net assets	639,780	652,232

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (Millions of yen)

	FY2017 3rd Quarter From April 1, 2017 to December 31, 2017	FY2018 3rd Quarter From April 1, 2018 to December 31, 2018
Net sales	445,931	467,615
Cost of sales	320,104	337,368
Gross profit	125,826	130,246
Selling, general and administrative expenses	99,471	103,626
Operating income	26,355	26,619
Non-operating income		
Dividends income	1,313	1,490
Foreign exchange gains	794	—
Equity in earnings of affiliates	97	—
Gain on sales of noncurrent assets	—	427
Other	608	916
Total non-operating income	2,813	2,834
Non-operating expenses		
Interest expenses	1,242	1,542
Loss on retirement of noncurrent assets	1,243	2,058
Loss on retirement of noncurrent assets	—	366
Foreign exchange losses	—	30
Other	2,375	2,518
Total non-operating expenses	4,861	6,516
Ordinary income	24,307	22,937
Extraordinary losses		
Patent protection court costs	783	1,285
Total extraordinary losses	783	1,285
Income before income taxes	23,523	21,652
Income taxes-current	5,455	4,479
Income taxes-deferred	1,488	1,202
Total income taxes	6,944	5,682
Net income	16,579	15,970
Net income attributable to noncontrolling interests	843	1,288
Net income attributable to owners of parent	15,735	14,681

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2017 3rd Quarter From April 1, 2017 to December 31, 2017	FY2018 3rd Quarter From April 1, 2018 to December 31, 2018
Net income	16,579	15,970
Other comprehensive income		
Valuation difference on available-for-sale securities	7,059	(4,732)
Deferred gains or losses on hedges	(9)	(15)
Foreign currency translation adjustment	4,610	(389)
Remeasurements of defined benefit plans, net of tax	1,366	1,010
Share of other comprehensive income of associates accounted for using equity method	2	(6)
Total other comprehensive income	13,030	(4,133)
Comprehensive income	29,609	11,837
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,314	10,729
Comprehensive income attributable to noncontrolling interests	1,295	1,107

(3) 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

(Additional Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.")

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the three months ended June 30, 2018. Accordingly, deferred tax assets have been presented under investments and other assets and deferred tax liabilities have been presented under noncurrent liabilities.

(Segment Information)

Ⅰ 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

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.

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.

Ⅱ Term from April 1, 2018 to December 31, 2018

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	191,126	119,632	35,093	120,954	466,806	809	467,615	—	467,615
Intersegment	944	17	—	25	987	814	1,801	(1,801)	—
Total	192,070	119,649	35,093	120,979	467,793	1,623	469,417	(1,801)	467,615
Segment profit	19,623	11,804	7,352	4,077	42,857	371	43,229	(16,609)	26,619

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.

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

(Millions of yen)

Income	Amount
Segment total	42,857
Segment profit of Others	371
Elimination of intersegment transactions	12
Companywide expenses (Note)	(16,677)
Other adjustments	54
Operating income in the quarterly consolidated statements of income	26,619

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