

Financial Results for the Fiscal Year Ended March 31, 2019 (Japanese GAAP, Consolidated)

May 14, 2019

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 21, 2019

Scheduled date of dividend distribution: June 3, 2019

Scheduled date for submitting financial statements: June 21, 2019

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

1. Consolidated Business Performance for the Fiscal Year Ended March 2019 (from April 1, 2018 to March 31, 2019)

(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. 2018 – Mar. 2019	621,043	4.2	36,041	(2.3)	31,268	(4.6)	22,238	3.1
Apr. 2017 – Mar. 2018	596,142	8.7	36,888	11.2	32,775	19.5	21,571	5.3

(Note) Comprehensive income: ¥19,425 million (-34.1%) in the fiscal year ended March 31, 2019

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

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2018 – Mar. 2019	339.15	338.59	6.7	4.8	5.8
Apr. 2017 – Mar. 2018	328.46	328.05	6.8	5.3	6.2

(Reference) Equity in earnings (losses) of affiliates: ¥29 million in the fiscal year ended March 31, 2019

¥146 million in the fiscal year ended March 31, 2018

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	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2018 – Mar. 2019	659,587	360,726	51.1	5,166.88
Apr. 2017 – Mar. 2018	639,780	346,599	51.0	4,976.67

(Reference) Shareholders' equity: ¥336,992 million as of March 31, 2019, ¥326,186 million as of March 31, 2018

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 assets per share have been calculated as though the share consolidation took place on April 1, 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. 2018 – Mar. 2019	41,113	(47,229)	(954)	39,970
Apr. 2017 – Mar. 2018	49,750	(38,796)	(5,390)	47,413

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. 2017 – Mar. 2018	—	9.00	—	9.00	18.00	5,906	27.4	1.9
Apr. 2018 – Mar. 2019	—	9.00	—	55.00	—	6,540	29.5	2.0
Apr. 2019 – Mar. 2020 (Forecasts)	—	50.00	—	50.00	100.00		28.2	

(Note) 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. For dividends prior to the second quarter of the fiscal year ended March 31, 2019, the actual amount of dividends prior to the said consolidation of common stock is shown.

3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2020
(from April 1, 2019 to March 31, 2020)

(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
Full year	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
	650,000	4.7	40,000	11.0	35,000	11.9	23,000	3.4	354.00

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):

March 31, 2019	68,000,000 shares	March 31, 2018	70,000,000 shares
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2. Shares of treasury stock at the fiscal year-end:

March 31, 2019	2,778,423 shares	March 31, 2018	4,456,938 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

March 31, 2019	65,571,874 shares	March 31, 2018	65,676,057 shares
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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 fiscal year-end, the number of shares of treasury stock at the fiscal year-end, and the average number of shares during the period have all been calculated as though the share consolidation took place on April 1, 2017.

(Reference): Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2018 – Mar. 2019	304,951	4.1	14,264	(5.8)	18,642	6.2	17,436	43.8
Apr. 2017 – Mar. 2018	293,016	6.6	15,137	13.6	17,546	11.0	12,125	(23.8)

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2018 – Mar. 2019	265.92	265.55
Apr. 2017 – Mar. 2018	184.62	184.42

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) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2018 – Mar. 2019	443,810	248,184	55.8	3,799.54
Apr. 2017 – Mar. 2018	437,273	242,452	55.4	3,695.27

(Reference) Shareholders' equity: ¥247,811million as of March 31, 2019, ¥242,199 million as of March 31, 2018

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 assets per share have 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 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, 2020" under "1. Overview of Business Performance and Financial Position" on page 5.

[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, 2019

While the global economy continued to experience modest growth during the first half of the fiscal year ended March 31, 2019, a global economic adjustment phase then started to take shape, reflecting political and economic uncertainty from escalating U.S.-China trade friction sparked by a conservative administration in the U.S., geopolitical risk in the Middle East and Asia, the issue of the U.K.'s withdrawal from the EU, and so forth. In addition, the Japanese economy temporarily stalled as activity was hindered by natural disasters such as typhoons and earthquakes.

In this business environment, the Kaneka Group's business performance for the period was marked by record-high consolidated net sales of ¥621,043 million (up 4.2% year on year), driven by a contribution from global business development, but operating income was affected by global economic fluctuation and came to ¥36,041 million (down 2.3% year on year). Ordinary income was ¥31,268 million (down 4.6% year on year). Net income attributable to owners of parent was ¥22,238 million (up 3.1% year on year).

Operating performance by business segment was as follows:

1) Material Solutions Unit

In the Performance Polymers business, sales of modifiers were strong on a robust contribution from the second production line in Malaysia. Adoption of epoxy masterbatch as a structural adhesive for automobiles and for other applications advanced, and the Group decided to increase production capacity. In addition, the Group is pushing forward with the construction of integrated production facilities spanning from resins to prepreg to further accelerate business development in composites for the aviation and aerospace industry.

Regarding modified silicone polymers, a new production facility in Malaysia contributed in earnest amid growing global demand, while a smooth start-up for enhanced production capacity in Belgium that came online in December 2018 also contributed to earnings.

Kaneka Biodegradable Polymer PHBH was approved by the European Commission in January 2019 and previously by the FDA as a material for packaging such as fruit and vegetable bags amid global strengthening of regulations regarding disposable plastics. Moreover, the review of PHBH by the European Commission for use for all food applications has now been completed, and such use is expected to become possible in the EU by autumn 2019. Even in Japan, inquiries about PHBH as a solution to the microplastics issue are rapidly increasing, projects with convenience stores and other major customers are advancing, and PHBH is being adopted for use in a wide range of products, including straws and shopping bags. The Group is moving quickly to consider a full-fledged mass production plant to prepare for demand growth.

In the Vinyls and Chlor-Alkali business, sales of products such as PVC resins and paste PVC were solid in Japan, but specialty PVC resins were lackluster overseas. Caustic soda saw exports to India impacted significantly by approval issues.

As a result, the Material Solutions Unit recorded higher sales with lower profits.

2) Quality of Life Solutions Unit

In the E & I Technology business, market share for ultra-heat-resistant polyimide films increased alongside enhanced sophistication of smartphones, but the business was affected by a market slowdown. The Group is actively launching unique new products in new markets experiencing ongoing technological revolution, such as new PIXEO products, colorless polyimide film, and polyimide varnish for use in organic electroluminescent displays, 5G smartphones, and so forth. Going forward, the Group will continue to deliver innovative materials that underpin the information society.

In the Performance Fibers business, demand for hair accessories in the African market has continued to steadily expand, and the Group is strengthening its brand capabilities in high-functionality hair accessories to spearhead new demand creation in Africa and other markets, with earnings making recovery and expanding. In the flame-retardant material field, demand for uniforms has expanded.

In the Foam & Residential Techs business, expandable polystyrene resins and products and extruded polystyrene foam boards were affected by diminished hauls stemming from natural disasters such as typhoons and earthquakes, weak demand associated with delays in civil engineering and construction work, and surging distribution costs. In polyolefin foam, the Group started operations at a plant in Thailand to strengthen the global supply framework, but the business was affected by a decline in automobile sales volumes in China. The Group will also bolster its operating base through steps such as enhancing production capacity in Belgium and introducing new processes.

In the PV & Energy Management business, sales of high-efficiency photovoltaic module products expanded steadily thanks to positive reception in the market. The Group is preparing to increase production in response to an expansion in demand. The business restored operating profitability in the fourth quarter with improved profitability in line with advancement of business 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 environmental issues and energy problems.

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

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 coated with drugs and electrode catheter, as well as take 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 taking steps to cultivate new markets to consolidate earnings expansion after the start of operations. It is leveraging the newly installed continuous manufacturing equipment for producing pharmaceutical intermediates and active pharmaceutical ingredients to accelerate comprehensive business expansion in the Pharma field. In addition, the Kaneka U.S. Innovation Center is serving as a base for the creation of new business.

As a result, the Health Care Solutions Unit recorded growth in sales and profits.

4) Nutrition Solutions Unit

In the Foods & Agris business, the Group worked to stimulate demand through proactive proposal-based sales to major suppliers of bakery products, convenience stores, and food manufacturers. Nevertheless, the business was substantially affected by unseasonable weather, in addition to a lackluster domestic market for confectionery and bakery products. In Indonesia, the tasty Japanese bread and confectionery culture is entering a period of expansion, and steady progress is being made on the new processed oil products factory the Group decided to build. In the dairy products business, the Group launched fermented butter and “Café au lait for bread” in spring 2019 to follow the popular “Milk for Bread” product. Going forward, it will strengthen its digital marketing activities such as online mail-order sales, enhance the product lineup with yoghurt and other new dairy products, and move quickly to consider construction of a new dairy product plant. In addition, the Group will contribute to productivity improvements for dairy farmers and the development of recycling-oriented dairy farming through these activities.

In the Supplemental Nutrition business, sales of the mainstay reduced form of coenzyme Q10 continued to grow, mainly in the U.S. market. The Group is steadily expanding sales in the European market of lactic acid supplements that are regarded highly for their uniqueness and produced by a Spanish lactic acid company, which is now a consolidated subsidiary. Along with commencing sales in the U.S. from January, the Group has begun considering sales in Japan. Going forward, it will enhance its lineup of functional food products and expand business globally.

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

(2) Overview of Consolidated Financial Position

Total assets were ¥659,587 million as of March 31, 2019, up ¥19,807 million compared with March 31, 2018, due to increases in notes and accounts receivable-trade and property, plant and equipment. Liabilities totaled ¥298,861 million, up ¥5,679 million due to an increase in loans payable. Net assets were ¥360,726 million, up ¥14,127 million due to an increase in retained earnings.

(3) Overview of Consolidated Cash Flows

Net cash provided by operating activities was ¥41,113 million, mainly due to income before income taxes and depreciation and amortization. Net cash used in investing activities amounted to ¥47,229 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥954 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of March 31, 2019 totaled ¥39,970 million, down ¥7,443 million compared with March 31, 2018.

(4) Performance Forecasts for the Fiscal Year Ending March 31, 2020

Regarding the global economy, the International Monetary Fund (IMF) revised down its outlook for global economic growth for 2019 to 3.3% in April 2019. Global economic deceleration is expected to continue, reflecting U.S.-China trade friction, geopolitical risk, and so on. Also, the Japanese economy is expected to see growth in demand associated with the Olympics, but impact from the consumption tax increase is a concern. While the creation of new social values rooted in technological innovations and changing business models present major business opportunities for chemical companies, the overall economic picture is likely to be marked by the advance of an uncertain business environment. Though the intertwining of such extremely complex and opaque factors make the business performance outlook uncertain at this time, the Group will work to transform its business portfolio by developing technologies for revolutionary materials, focusing on providing solutions for three crises—the global environment and energy crisis, the food crisis, and the wellness crisis—to realize a sustainable society.

Our consolidated forecasts for the fiscal year ending March 31, 2020 are as follows:

[Consolidated Forecasts]

Net sales:	¥650 billion fiscal year (4.7% increase year on year)
Operating income:	¥40 billion fiscal year (11.0% increase year on year)
Ordinary income:	¥35 billion fiscal year (11.9% increase year on year)
Net income attributable to owners of parent:	¥23 billion fiscal year (3.4% increase year on year)

The forecasts above are based on exchange rates of ¥110 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥45,000 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)

	FY2017 Term ended March 31, 2018	FY2018 Term ended March 31, 2019
Assets		
Current assets		
Cash and deposits	47,647	40,905
Notes and accounts receivable-trade	142,194	147,993
Short-term investment securities	110	232
Merchandise and finished goods	55,955	61,609
Work in process	9,527	9,365
Raw materials and supplies	38,732	41,459
Other	13,076	13,918
Allowance for doubtful accounts	(972)	(1,237)
Total current assets	306,270	314,245
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	77,592	79,815
Machinery, equipment and vehicles, net	106,298	106,395
Land	32,545	31,354
Construction in progress	12,711	26,338
Other, net	8,326	8,017
Total property, plant and equipment	237,475	251,922
Intangible assets		
Goodwill	3,476	3,981
Other	6,415	9,443
Total intangible assets	9,892	13,424
Investments and other assets		
Investment securities	68,888	61,273
Investments in capital	698	695
Long-term loans receivable	1,229	1,100
Long-term prepaid expenses	2,106	2,220
Deferred tax assets	5,668	6,864
Other	7,821	8,101
Allowance for doubtful accounts	(270)	(260)
Total investments and other assets	86,142	79,994
Total noncurrent assets	333,510	345,342
Total assets	639,780	659,587

Financial Results for the Term Ended March 31, 2019, Kaneka Corporation (4118)

(Millions of yen)

	FY2017 Term ended March 31, 2018	FY2018 Term ended March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	84,914	84,797
Short-term loans payable	59,653	67,668
Current portion of bonds	—	10,000
Accounts payable-other	26,983	29,533
Accrued expenses	13,387	13,635
Income taxes payable	4,481	2,864
Accrued consumption taxes	805	772
Provision for directors' bonuses	126	128
Other	4,530	4,512
Total current liabilities	194,881	213,912
Noncurrent liabilities		
Bonds payable	10,000	—
Long-term loans payable	45,847	45,122
Deferred tax liabilities	1,440	2,137
Net defined benefit liability	37,324	34,985
Provision for directors' retirement benefits	297	266
Provision for loss on guarantees	346	—
Other	3,043	2,437
Total noncurrent liabilities	98,299	84,948
Total liabilities	293,181	298,861
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	32,799	32,784
Retained earnings	264,963	272,944
Treasury stock	(18,683)	(11,601)
Total shareholders' equity	312,125	327,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,730	19,642
Deferred gains or losses on hedges	(108)	(110)
Foreign currency translation adjustment	(3,035)	(4,008)
Remeasurements of defined benefit plans	(7,526)	(5,705)
Total accumulated other comprehensive income	14,060	9,818
Subscription rights to shares	300	431
Noncontrolling interests	20,112	23,302
Total net assets	346,599	360,726
Total liabilities and net assets	639,780	659,587

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income	(Millions of yen)	
	FY2017 From April 1, 2017 to March 31, 2018	FY2018 From April 1, 2018 to March 31, 2019
Net sales	596,142	621,043
Cost of sales	426,959	446,254
Gross profit	169,183	174,789
Selling, general and administrative expenses	132,294	138,747
Operating income	36,888	36,041
Non-operating income		
Interest income	107	146
Dividends income	1,495	1,774
Foreign exchange gains	454	—
Equity in earnings of affiliates	146	29
Gain on sales of noncurrent assets	—	427
Gain on step acquisitions	—	443
Other	898	1,103
Total non-operating income	3,102	3,924
Non-operating expenses		
Interest expenses	1,692	2,014
Loss on retirement of noncurrent assets	1,748	2,521
Foreign exchange losses	—	333
Other	3,774	3,828
Total non-operating expenses	7,215	8,697
Ordinary income	32,775	31,268
Extraordinary income		
Gain on sales of investment securities	—	1,515
Settlement received	—	1,051
Gain on contribution of securities to retirement benefit trust	—	1,608
Gain on bargain purchase	954	—
Gain on step acquisitions	1,429	—
Total extraordinary income	2,383	4,175
Extraordinary losses		
Patent protection court cost	1,087	1,683
Restructuring charges	1,781	1,851
Provision of allowance for doubtful accounts	637	—
Environmental expense	566	—
Total extraordinary losses	4,074	3,534
Income before income taxes	31,085	31,909
Income taxes-current	8,371	7,893
Income taxes-deferred	(83)	40
Total income taxes	8,288	7,933
Net income	22,796	23,975
Net income attributable to non-controlling interests	1,224	1,736
Net income attributable to owners of parent	21,571	22,238

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2017	FY2018
	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
Net income	22,796	23,975
Other comprehensive income		
Valuation difference on available-for-sale securities	2,440	(5,164)
Deferred gains or losses on hedges	(47)	(1)
Foreign currency translation adjustment	2,116	(1,178)
Remeasurements of defined benefit plans, net of tax	2,153	1,800
Share of other comprehensive income of associates accounted for using equity method	2	(5)
Total other comprehensive income	6,665	(4,549)
Comprehensive income	29,462	19,425
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,958	17,996
Comprehensive income attributable to noncontrolling interests	1,503	1,429

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous 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

Current fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	32,799	264,963	(18,683)	312,125
Changes of items during period					
Dividends of surplus			(5,906)		(5,906)
Change in scope of consolidation			22,238		22,238
Purchase of treasury stock				(1,767)	(1,767)
Disposal of treasury stock			(0)	498	498
Cancellation of treasury stock			(8,351)	8,351	—
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)	7,980	7,081	15,047
Balance at end of the period	33,046	32,784	272,944	(11,601)	327,173

	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	24,730	(108)	(3,035)	(7,526)	14,060	300	20,112	346,599
Changes of items during period								
Dividends of surplus								(5,906)
Change in scope of consolidation								22,238
Purchase of treasury stock								(1,767)
Disposal of treasury stock								498
Cancellation of treasury stock								—
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(14)
Net changes of items other than shareholders' equity	(5,087)	(1)	(972)	1,820	(4,241)	131	3,190	(920)
Total changes of items during period	(5,087)	(1)	(972)	1,820	(4,241)	131	3,190	14,127
Balance at end of the period	19,642	(110)	(4,008)	(5,705)	9,818	431	23,302	360,726

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2017 From April 1, 2017 to March 31, 2018	FY2018 From April 1, 2018 to March 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	31,085	31,909
Depreciation and amortization	30,323	32,150
Restructuring charges	1,781	1,851
Loss (gain) on step acquisitions	(1,429)	(443)
Gain on bargain purchase	(954)	—
Settlement received	—	(1,051)
Loss (gain) on contribution of securities to retirement benefit trust	—	(1,608)
Increase (decrease) in net defined benefit liability	3,026	2,244
Increase (decrease) in allowance for doubtful accounts	638	(11)
Interest and dividends income	(1,602)	(1,920)
Interest expenses	1,692	2,014
Equity in (earnings) losses of affiliates	(146)	(29)
Loss (gain) on disposal of noncurrent assets	531	445
Loss (gain) on sales of investment securities	—	(1,515)
Decrease (increase) in notes and accounts receivable—trade	(12,053)	(5,329)
Decrease (increase) in inventories	(6,176)	(9,868)
Increase (decrease) in notes and accounts payable—trade	8,568	(141)
Other, net	1,704	139
Subtotal	56,988	48,833
Interest and dividends income received	1,752	1,997
Interest expenses paid	(1,681)	(2,009)
Settlement package received	—	1,051
Income taxes paid	(7,309)	(8,760)
Net cash provided by (used in) operating activities	49,750	41,113
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(34,113)	(43,987)
Proceeds from sales of property, plant and equipment	61	1,705
Purchase of intangible assets	(1,405)	(1,809)
Purchase of investment securities	(1,384)	(1,607)
Proceeds from sales and distributions of investment securities	156	1,635
Purchase of shares of subsidiaries and associates	—	(1,878)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,463)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	780	227
Payments for transfer of business	(331)	—
Payments of loans receivable	(933)	(1,220)
Collection of loans receivable	895	1,162
Other, net	(1,057)	(1,454)
Net cash provided by (used in) investing activities	(38,796)	(47,229)

Financial Results for the Term Ended March 31, 2019, Kaneka Corporation (4118)

(Millions of yen)

	FY2017 From April 1, 2017 to March 31, 2018	FY2018 From April 1, 2018 to March 31, 2019
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	6,702	13,648
Proceeds from long-term loans payable	5,628	3,810
Repayment of long-term loans payable	(9,169)	(10,880)
Proceeds from sales and leasebacks	232	—
Repayments of lease obligations	(266)	(127)
Purchase of treasury stock	(2,618)	(1,767)
Proceeds from sales of treasury stock	475	395
Proceeds from stock issuance to noncontrolling shareholders	—	245
Cash dividends paid	(5,933)	(5,906)
Dividends paid to noncontrolling interests	(358)	(351)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(82)	(21)
Net cash provided by (used in) financing activities	(5,390)	(954)
Effect of exchange rate change on cash and cash equivalents	231	(373)
Net increase (decrease) in cash and cash equivalents	5,795	(7,443)
Cash and cash equivalents at beginning of period	41,018	47,413
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	600	—
Cash and cash equivalents at end of period	47,413	39,970

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Changes in presentation)

(Changes associated with the application of partial amendments to Accounting Standard for Tax Effect Accounting)

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 fiscal year ended March 31, 2019. Accordingly, deferred tax assets have been presented under investments and other assets and deferred tax liabilities have been presented under noncurrent liabilities.

As a result, the deferred tax assets of ¥5,638 million under current assets and ¥1,229 million of the deferred tax liabilities under noncurrent liabilities on the consolidated balance sheet as of March 31, 2018 are now included in the deferred tax assets of ¥5,668 million shown under investments and other assets and shown as ¥1,440 million in deferred tax liabilities under noncurrent liabilities, respectively.

(Consolidated Statements of Income)

Restructuring changes are as follows:

(Millions of yen)

	FY2017	FY2018
	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
Loss on valuation of inventories	996	1,578
Impairment loss	785	272
Total	1,781	1,851

(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 biodegradable polymers 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.

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, Biodegradable polymers
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 materials, Dairy products, Functional fertilizers and 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." Intersegment transactions are based on prevailing market prices.

3) Segment Information by Business Category
 Previous fiscal year (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	230,547	158,341	57,841	108,722	555,452	819	556,272	83,508	639,780
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.

Fiscal year under review (from April 1, 2018 to March 31, 2019)

(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	255,918	156,674	47,442	158,968	619,002	2,040	621,043	—	621,043
Intersegment	1,203	18	—	28	1,250	1,089	2,340	(2,340)	—
Total	257,122	156,692	47,442	158,996	620,253	3,130	623,383	(2,340)	621,043
Segment profit	25,961	15,092	10,583	5,930	57,569	1,464	59,034	(22,992)	36,041
Segment assets	237,437	173,350	59,956	113,500	584,245	795	585,040	74,547	659,587
Others									
Depreciation	10,747	10,979	2,462	3,913	28,103	19	28,122	3,755	31,877
Amortization of goodwill	34	—	332	—	367	—	367	86	454
Investment in equity method	67	2,124	—	—	2,191	—	2,191	—	2,191
Increase in assets	13,470	20,500	3,927	9,251	47,149	387	47,537	6,056	53,594

(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, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
Segment total	57,221	57,569
Segment profit of Others	520	1,464
Elimination of intersegment transactions	(7)	11
Companywide expenses (Note)	(20,909)	(23,091)
Other adjustments	63	87
Operating income in the consolidated statements of income	36,888	36,041

(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, 2019, Kaneka Corporation (4118)

(Millions of yen)

Assets	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019
Segment total	555,452	584,245
Segment assets of Others	819	795
Elimination of intersegment transactions	(13,500)	(14,184)
Companywide assets (Note)	96,442	88,168
Other adjustments	566	563
Total assets in the consolidated balance sheets	639,780	659,587

(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	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	26,743	28,103	17	19	3,360	3,755	30,121	31,877
Amortization of goodwill	483	367	—	—	46	86	529	454
Increase in assets	31,580	47,149	73	387	9,263	6,056	40,917	53,594

(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, 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.

Fiscal year under review (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
371,315	115,661	48,841	59,264	25,961	621,043

(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, 2017 to March 31, 2018	Fiscal year under review From April 1, 2018 to March 31, 2019
Net assets per share	¥4,976.67	¥5,166.88
Net income per share	¥328.46	¥339.15
Fully diluted net income per share	¥328.05	¥338.59

Item	Previous fiscal year From April 1, 2017 to March 31, 2018	Fiscal year under review From April 1, 2018 to March 31, 2019
Net income per share		
Net income attributable to owners of parent (Millions of yen)	21,571	22,238
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	21,571	22,238
Average number of shares of common stock during the period (Thousands of shares)	65,676	65,571
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	(2)	(4)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-2)	(-4)
Increase in shares of common stock (Thousands of shares)	71	92
(Of which, subscription rights to shares) (Thousands of shares)	(71)	(92)

(Note) 1.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 37 thousand shares for FY2019 and 137 thousand shares for FY2018.

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 and fully diluted net income per share have been calculated as though the share consolidation took place on April 1, 2017.

(Subsequent Events)

Nothing to report