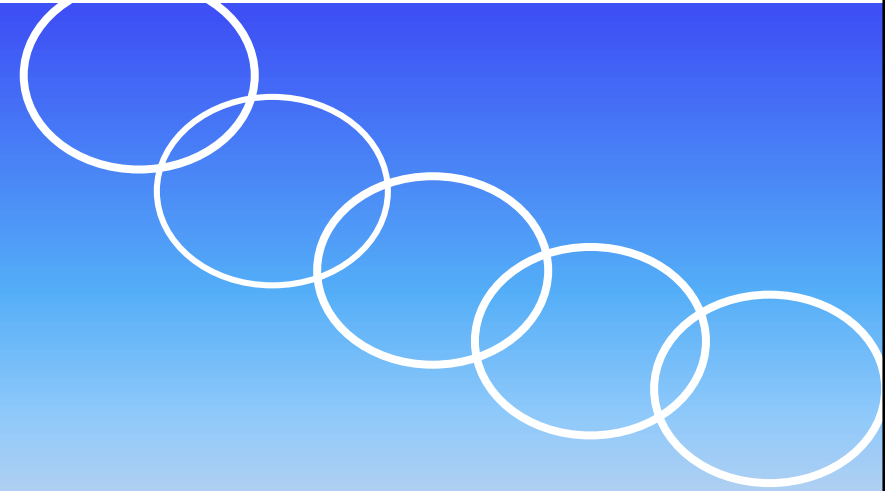


Quarterly Financial Summary

1st Quarter, Ended June 30, 2019



August 8, 2019
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.

Summary

(Billions of yen)

	FY2018 1Q (Apr.-Jun.)	FY2019 1Q (Apr.-Jun.)	Difference	
			Amount	%
Net sales	152.3	148.8	△ 3.4	△2.3%
Operating income	10.0	7.0	△ 3.0	△30.0%
Ordinary income	9.1	5.5	△ 3.6	△39.9%
Net income attributable to owners of parent	6.3	3.5	△ 2.8	△44.5%
Net income per share	¥95.90	¥53.53		

* 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, 2018.

- The global economy has started to show clear signs of deceleration, due to the impacts of intensified U.S.-China trade frictions, which have rippled out to global supply chains.
- Business performance was strongly affected by slowing demand in Asia and Europe, along with sluggish conditions in the automotive and electronics industries, centered on businesses striving to reinforce production capacity.
- Business was firm where transformation of the business portfolio is moving ahead, including hair accessories, foodstuffs, health care, expandable plastics and photovoltaic modules.

Net Sales, Operating Income by Segments

(Millions of yen)

	Net sales				Operating income			
	FY2018 1Q (Apr.-Jun.)	FY2019 1Q (Apr.-Jun.)	Difference		FY2018 1Q (Apr.-Jun.)	FY2019 1Q (Apr.-Jun.)	Difference	
			Amount	%			Amount	%
Material Solutions Unit	62,491	60,176	Δ2,315	Δ3.7%	7,837	5,590	Δ2,247	Δ28.7%
Quality of Life Solutions Unit	38,601	38,468	Δ133	Δ0.3%	3,695	3,728	33	0.9%
Health Care Solutions Unit	11,415	10,949	Δ466	Δ4.1%	2,382	1,905	Δ477	Δ20.0%
Nutrition Solutions Unit	39,454	38,908	Δ546	Δ1.4%	1,197	1,200	2	0.2%
Others	307	320	12	4.0%	164	180	16	9.7%
Adjustment	-	-	-	-	Δ5,277	Δ5,600	Δ322	-
Total	152,271	148,822	Δ3,448	Δ2.3%	10,000	7,004	Δ2,995	Δ30.0%

Material

- In the Vinyls and Chlor-Alkali business, caustic soda sales overseas did not improve.
- Modifiers were negatively impacted by declining demand due to a weak global economy, despite an expansion of applications.
- In modified silicone polymers, demand has been increasing globally, contributing to enhanced production capacity.

Quality of Life

- In the Performance Fibers business, sales volume in the African market reached a record high for the first quarter as demand continued to expand steadily.
- In the Foam & Residential Techs business, expandable polystyrene resins and products saw a recovery in earnings as the Group passed high raw materials costs onto sales prices.
- In the PV & Energy management business, sales of high-efficiency photovoltaic module products expanded steadily.
- The E & I Technology business was strongly affected by a slowdown in the smartphone market.

Health Care

- In the Medical Devices business, sales of new products, such as high-functionality balloon catheters and digestive system catheters, proceeded steadily.
- In the Pharma business, the sales volume of small molecule pharmaceuticals declined owing to timing differences in shipments to main customers.

Nutrition

- In the Foods & Agris business, sales have expanded due to proactive proposal-based sales and the dairy product lineup.
- In the Supplemental Nutrition business, sales of the mainstay reduced form of coenzyme Q10 remained firm, mainly in the U.S. market.

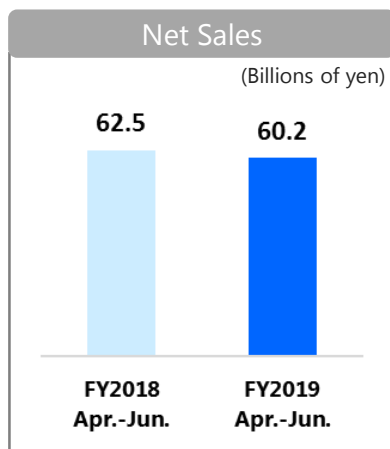
Business Performance by Segments

**Material
Solutions Unit**

Net Sales **¥ 60.2 billion** **【year-on-year Δ 3.7%】**
Operating Income **¥ 5.6 billion** **【year-on-year Δ 28.7%】**

Composition
ratio of sales

40.4%



Vinyls and Chlor-Alkali

- Sales of PVC resins and specialty PVC resins were lackluster in Japan and overseas.
- In caustic soda, approval issues for exports to India were resolved, but overseas market conditions did not improve, causing a large negative impact on earnings.

Performance Polymers (MOD)

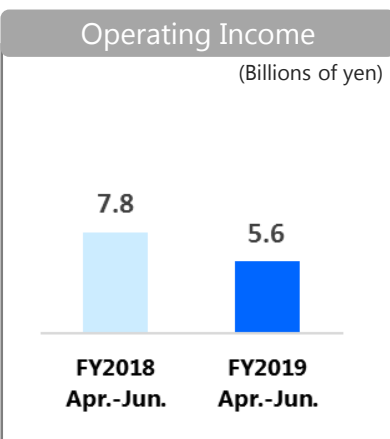
- Modifiers were negatively impacted by declining demand due to a weak global economy, despite an increase in the sales ratio of modifiers for non-PVC use, a new application.
- Adoption of epoxy masterbatch as a structural adhesive for automobiles advanced. In response to surging demand, the Group is carrying out construction work to increase production capacity.
- The Group is pushing forward with the construction of integrated production facilities spanning resins to prepreg to further accelerate business development in composites for the aviation and aerospace industry and has made steady progress on getting those production facilities up and running.

Performance Polymers (MS)

- In modified silicone polymers, demand has been increasing globally. In this environment, sales of modified silicone polymers trended firmly with the Group making progress on the development of new applications in Europe.
- Enhanced production capacity came online in Belgium in December 2018, contributing to earnings.

New Business

- Kaneka Biodegradable Polymer PHBH was approved in Europe, in addition to approval by the FDA in the U.S., as a packaging material for fruit and vegetable bags and other uses amid global strengthening of regulations regarding disposable plastics. Moreover, the use of PHBH for all food applications is expected to become possible throughout the EU by autumn 2019.
- PHBH attracted significant interest as a solution to the microplastics issue at the G20 Osaka summit in June 2019, leading to a sharp increase in product inquiries. PHBH is being increasingly adopted for use in a wide range of applications such as straws, shopping bags and packaging materials by major customers such as convenience stores and cosmetics manufacturers. The Group plans to start operating a 5,000-ton plant at the end of 2019. It also plans to decide on the construction of a full-fledged mass production plant within 2019 to address further growth in demand.



Business Performance by Segments

**Quality of Life
Solutions Unit**

Net Sales

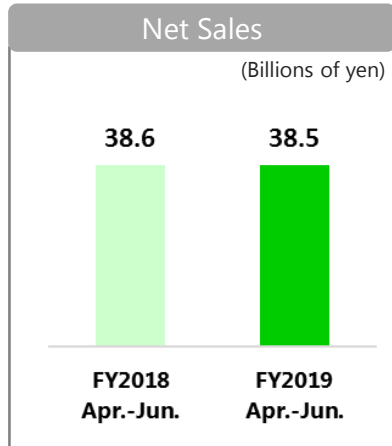
¥ 38.5 billion [year-on-year Δ 0.3%]

Operating Income

¥ 3.7 billion [year-on-year 0.9%]

Composition
ratio of sales

25.8%



Performance Fibers

- Demand for hair accessories in the African market has continued to expand steadily, with sales volume reaching a record-high for the first quarter. The Group will strengthen its brand capabilities in high-functionality hair accessories to spearhead new demand creation in Africa and other markets.
- In the flame-retardant material field, the Group will strive to drive growth in sales for use in uniforms.

Foam & Residential Techs

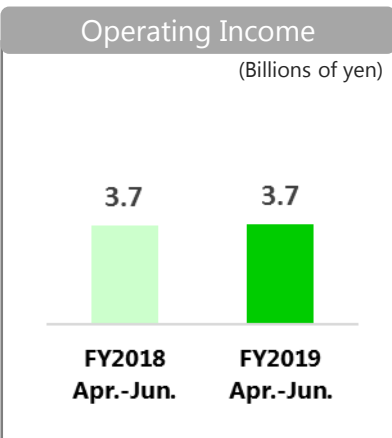
- Expandable polystyrene resins and products saw a recovery in earnings as the Group passed high raw materials costs onto sales prices.
- Extruded polystyrene foam boards were impacted by surging distribution costs, in addition to weak demand associated with delays in civil engineering and construction work.
- In polyolefin foam, although the business was affected by a decline in automobile sales volume in China, demand for polyolefin foam is expected to expand over the medium term based on the heightened need for lightweight materials. Accordingly, following on from the start of operations at a plant in Thailand, the Group will bolster its operating base through steps such as enhancing production capacity in Belgium and introducing new processes.

PV & Energy management

- Sales of high-efficiency photovoltaic module products expanded steadily thanks to positive reception in the market. The Group is putting a framework in place to boost production in response to growing demand for those products. Additionally, profitability has improved in step with advances in business structural reforms.
- The 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.

E & I Technology

- Ultra-heat-resistant polyimide films and high thermal conductive graphite sheets were strongly affected by a slowdown in the smartphone market.
- However, sales increased for 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.



Business Performance by Segments

**Health Care
Solutions Unit**

Net Sales

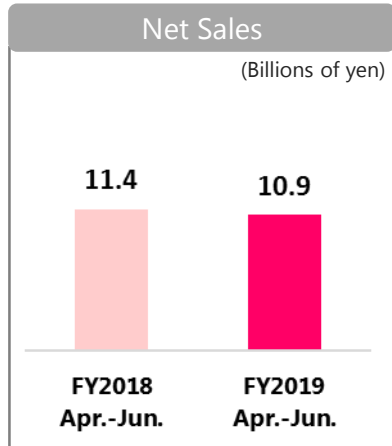
¥ 10.9 billion 【year-on-year Δ 4.1%】

Operating Income

¥ 1.9 billion 【year-on-year Δ 20.0%】

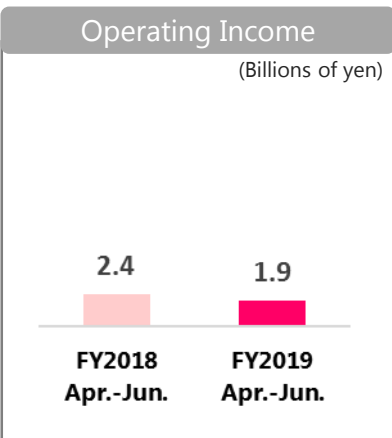
Composition
ratio of sales

7.4%



Medical Devices

- Sales of new products, such as high-functionality balloon catheters and digestive system catheters, proceeded steadily. Moreover, sales increased in overseas markets. Additionally, this year, the Group plans to launch new products in Japan and overseas.
- The Group will work to expand sales in therapeutic fields such as drug-coated balloon catheters and electrode catheters, as well as take steps to expand business in new medical domains including the fractional flow reserve product of a U.S. medical equipment company with which the Group has formed a new investment and strategic agreement.



Pharma

- The sales volume of small molecule pharmaceuticals declined in the first quarter owing to timing differences in shipments to major customers.
- Sales have been firm for biopharmaceuticals made by Kaneka Eurogentec S.A. With the completion of work on bolstering production capacity, the Group is developing new products together with customers in the run-up to the full-scale start of operations next year.

Business Performance by Segments

Nutrition

Net Sales

¥ 38.9 billion 【year-on-year Δ 1.4%】

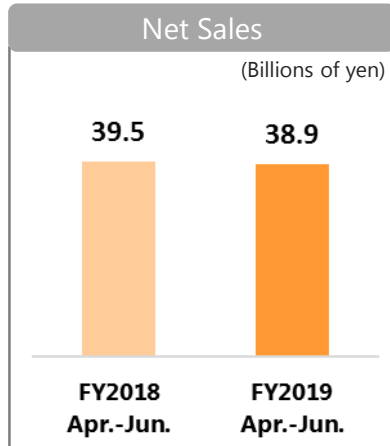
Solutions Unit

Operating Income

¥ 1.2 billion 【year-on-year 0.2%】

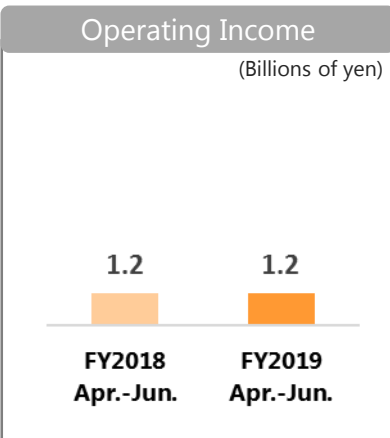
Composition
ratio of sales

26.1%



Foods & Agris

- Sales have expanded due to proactive proposal-based sales to major suppliers of bakery products, convenience stores, and food manufacturers, despite the impact of 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 construction of a new factory.
- In the dairy products business, the “Milk for Bread” and “Café au lait for bread” products have steadily gained a positive market reception. With the launch of “Belgian Yogurt Pur Natur” in August, the Group has been working to enhance the lineup of dairy products and will move quickly to consider construction of a new dairy product plant.
- The Group will contribute to productivity improvements for dairy farmers and the development of recycling-oriented dairy farming through these activities.



Supplemental Nutrition

- Sales of the mainstay reduced form of coenzyme Q10 remained firm, mainly in the U.S. market.
- The Group is steadily expanding sales in the European market of lactic acid supplements produced by AB-Biotics, S.A., a consolidated subsidiary in Spain. These lactic acid supplements are regarded highly for their unique properties. Following on from the U.S., the Group plans to launch these lactic acid supplements in Japan.
- The Group will enhance its lineup of functional food products and expand business globally.

Consolidated Balance sheet

(Billions of yen)

	March 31, 2019	June 30, 2019	Difference
Assets			
Current Assets	314.2	310.4	△ 3.9
Noncurrent Assets	345.3	347.9	2.6
Total assets	659.6	658.3	△ 1.3
Liabilities			
Interest bearing debt	120.5	115.8	△ 4.7
Others	178.3	183.9	5.6
Total liabilities	298.9	299.7	0.8
Net assets			
Shareholders' equity	337.0	334.5	△ 2.5
Others	23.7	24.1	0.4
Total net assets	360.7	358.6	△ 2.1
Total liabilities and net assets	659.6	658.3	△ 1.3

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

- Total assets decreased ¥1.3 billion compared with March 31, 2019, owing to a decrease in notes and accounts receivable-trade.
- Total liabilities increased ¥0.8 billion due to an increase in accounts payable-trade.
- Net assets decreased ¥2.1 billion due to a decrease in foreign currency translation adjustment.

Consolidated Business Forecasts

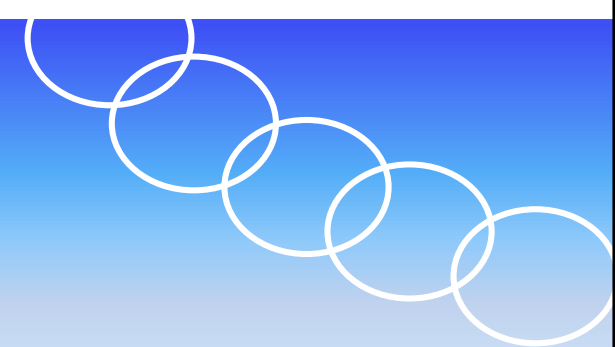
- Regarding the global economy, U.S.-China trade frictions have had a large impact on the global market even as trade talks have continued. There has been growing uncertainty in monetary policy and economic trends around the world, and the global economy has been showing clear signs of deceleration.
- The Japanese economy has seen continued growth in internal demand supported by the Olympics. However, the global economic slowdown is having a broader impact on the country. There are stronger expectations for a global economic downturn.
- As the automobiles, electronics and other markets slow down, the Group will move quickly to transform its business portfolio as it strives to establish a fundamentally strong, diversified business model and enhance the competitiveness of its products.
- Considering the above, the Group has not revised its forecasts for consolidated business performance.

Reference: Forecast for consolidated business performance for the fiscal year ending March 31, 2020 (announced May 14, 2019)
(Billions of yen)

	FY2018 result	FY2019 forecast	Difference	
			Amount	%
Net sales	621.0	650.0	29.0	4.7%
Operating income	36.0	40.0	4.0	11.0%
Ordinary income	31.3	35.0	3.7	11.9%
Net income attributable to owners of parent	22.2	23.0	0.8	3.4%

* The forecasts 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.

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