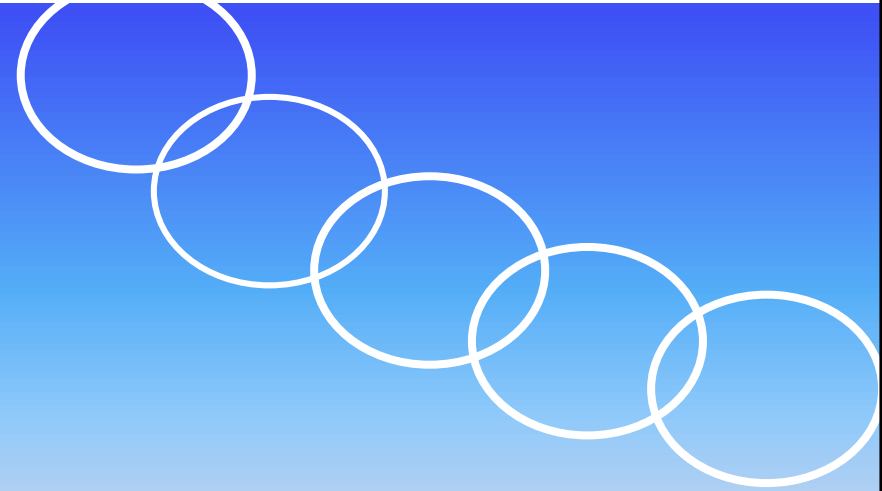


Quarterly Financial Summary

2nd Quarter, Ended September 30, 2019



November 12, 2019
Kaneka Corporation

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Summary

(Billions of yen)

	FY2018 2Q (Apr.-Sep.)	FY2019 2Q (Apr.-Sep.)	Difference	
			Amount	%
Net sales	306.1	299.9	△ 6.2	△2.0%
Operating income	18.0	12.8	△ 5.2	△28.9%
Ordinary income	15.9	9.7	△ 6.3	△39.3%
Net income attributable to owners of parent	10.7	6.0	△ 4.6	△43.4%
Net income per share	¥163.00	¥92.70		

* 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 showed clear signs of deceleration, as intensified U.S.-China trade friction not only affected the Chinese economy, but also rippled out to technologically interconnected global supply chains. In addition, the global economic slowdown reflected the turmoil surrounding Brexit and heightened geopolitical tensions in the Middle East.
- The Kaneka Group's business performance for the first six months under review (April 1, 2019 to September 30, 2019) was as follows. Due to weak demand in Asia and Europe, sluggish conditions in the automotive and electronics industries, and the impact of the yen's appreciation, consolidated net sales amounted to ¥299,855 million (down 2.0% year on year), and operating income was ¥12,817 million (down 28.9% year on year). Ordinary income was ¥9,675 million (down 39.3% year on year). Net income attributable to owners of parent was ¥6,046 million (down 43.4% year on year).

Net Sales, Operating Income by Segments

(Millions of yen)

	Net sales				Operating income			
	FY2018 2Q (Apr.-Sep.)	FY2019 2Q (Apr.-Sep.)	Difference		FY2018 2Q (Apr.-Sep.)	FY2019 2Q (Apr.-Sep.)	Difference	
			Amount	%			Amount	%
Material Solutions Unit	124,391	120,414	Δ 3,976	Δ3.2%	14,189	10,202	Δ 3,986	Δ28.1%
Quality of Life Solutions Unit	78,883	78,911	27	0.0%	7,628	7,583	Δ 44	Δ0.6%
Health Care Solutions Unit	23,680	21,957	Δ 1,722	Δ7.3%	4,673	4,049	Δ 624	Δ13.4%
Nutrition Solutions Unit	78,546	78,010	Δ 536	Δ0.7%	2,173	2,360	187	8.6%
Others	551	561	10	1.8%	258	286	28	10.9%
Adjustment	-	-	-	-	Δ 10,906	Δ 11,666	Δ 760	-
Total	306,053	299,855	Δ 6,197	Δ2.0%	18,016	12,817	Δ 5,199	Δ28.9%

- The Material Solutions Unit and the E & I Technology Solutions Vehicle business were mainly responsible for the decreases in sales and earnings in the first half of the fiscal year. However, the tide is expected to turn in the second half, with a projected improvement in raw materials conditions, foreign exchange rates and demand in overseas markets. Moreover, the Health Care Solutions Unit and Nutrition Solutions Unit are expected to post steady growth. Based on this outlook, overall sales and earnings in the second half are expected to return to the previous year's levels.

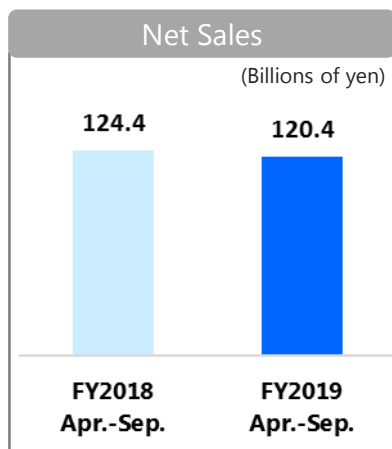
Business Performance by Segments

**Material
Solutions Unit**

Net Sales **¥ 120.4 billion** **【year-on-year Δ 3.2%】**
Operating Income **¥ 10.2 billion** **【year-on-year Δ 28.1%】**

Composition
ratio of sales

40.2%



Vinyls and Chlor-Alkali

- Sales of PVC resins and specialty PVC resins continued to grow in Asia, but were sluggish in Japan. With solid demand in Asia, sales are expected to continue growing in the second half.
- Market conditions for caustic soda are expected to remain lackluster in the near term, but should start to recover early in the new year.
- Overall, earnings in the second half are projected to recover to mostly the same level as the previous year.

Performance Polymers (MOD)

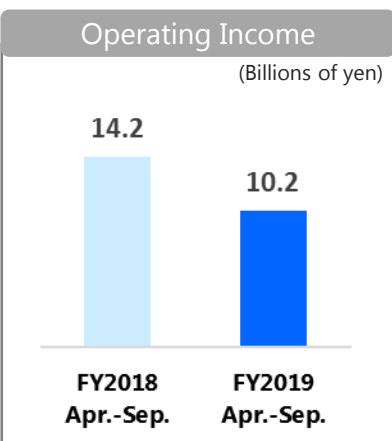
- Application fields for modifiers have spread around the world. For this reason, modifiers were strongly affected by declining demand in the global economy.
- In the second half, sales of modifiers for non-PVC use are expected to grow atop improving demand in overseas markets. Profit in the second half is expected to be mostly in line with the previous year.
- Demand for epoxy masterbatch, where the Group is undertaking a driving project to advance structural reforms, has been growing. In response to surging demand, the Group has been conducting construction work ahead of schedule to increase production capacity.

Performance Polymers (MS)

- Demand for modified silicone polymers has continued to increase globally. Enhanced production capacity came online in Belgium in December 2018, contributing immensely to earnings.
- The Group is working to develop the Asian market, which is a new frontier for Performance Polymers Solutions Vehicle products. Notably, new production lines in Malaysia are expected to push up profit.

New Business

- Kaneka Biodegradable Polymer PHBH has attracted significant interest as a solution to the microplastics issue, and is being increasingly adopted for use in a wide range of applications by convenience stores, cosmetics manufacturers and others. The Group will advance projects with major overseas brand holders in earnest.
- The Group will start operating a 5,000-ton plant at the end of 2019. It is also preparing to decide on the construction of a full-fledged mass production plant within the fiscal year ending March 31, 2020.



In the first half, the Material Solutions Unit posted large decreases in sales and earnings overall. However, the tide is expected to turn in the second half. Sales and earnings are projected to return to the previous year's levels based on an improvement in raw materials conditions, foreign exchange rates, and demand in overseas markets.

Business Performance by Segments

Quality of Life

Net Sales

¥ 78.9 billion 【year-on-year 0.0%】

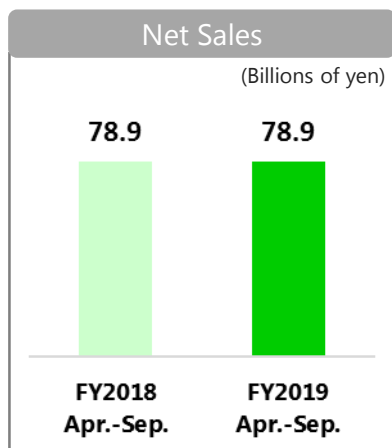
Solutions Unit

Operating Income

¥ 7.6 billion 【year-on-year Δ 0.6%】

Composition
ratio of sales

26.3%



Performance Fibers

- The African market has continued to expand.
- In developed countries such as the U.S., the Group's hair accessory products have gain strong recognition for their brand worthiness as high-functionality hair accessories. The Group has made headway on developing new sources of demand
- With surging demand projected to continue in the second half, the Group is working to improve productivity and increase production through debottlenecking measures, in order to meet new demand.

Foam & Residential Techs

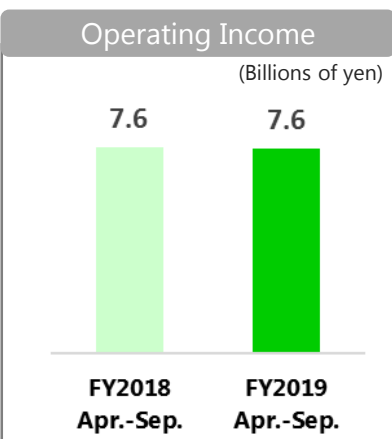
- Earnings improved substantially as the Group passed high raw materials costs onto sales prices.
- In polyolefin foam, sales for automotive applications have declined in the short term due to the market turmoil caused by global trade tensions. However, global demand is expected to grow in response to the heightened need for lightweight materials going forward. The Group will strive to strengthen its business platform by increasing capacity and introducing new processes.

PV & Energy management

- High-efficiency photovoltaic module products have gained strong technical recognition and attracted significant market interest amid a rising tide of social concerns about global warming. As a result, sales of these products have been growing steadily, primarily to major homebuilders.
- The Group's proprietary photovoltaic modules for electricity-generating windows and walls are attracting strong interest as net zero energy management system materials for houses and buildings. The Group is working to boost production for these new products.
- In September, the Group supplied high-performance solar panels to Seven-Eleven Japan Co., Ltd. for a verification test to operate a Seven-Eleven Japan store with renewable energy.

E & I Technology

- Sales and earnings decreased sharply, strongly affected by a slowdown in the smartphone market.
- In view of an ongoing paradigm shift driven by digital transformation, the Group positions its ultra-heat-resistant polyimide films and high thermal conductive graphite sheets as core materials for these changes. The Group will conduct R&D and expand sales of unique new products for use in organic electroluminescent displays and 5G smartphones, which are expected to grow going forward.



In the first half, the Quality of Life Solutions Unit was strongly affected by a slowdown in the smartphone market. However, business performance remained mostly on par with the previous year owing to a strong showing by Fibers, Foam and PV. In the second half, E & I Technology expects to see a gradual pace of recovery in the smartphone market. Meanwhile, the three other Solutions Vehicles foresee an improvement in raw material conditions, foreign exchange rates, and demand in overseas markets. Therefore, they expect to pick up even greater overall momentum than in the previous year.

Business Performance by Segments

**Health Care
Solutions Unit**

Net Sales

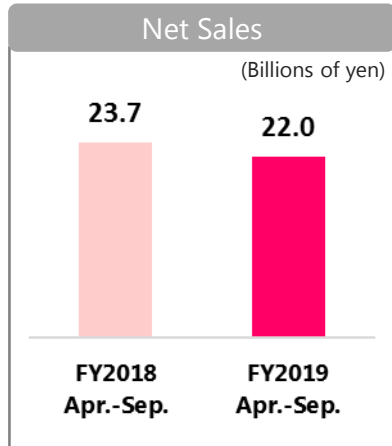
¥ 22.0 billion 【year-on-year Δ 7.3%】

Operating Income

¥ 4.0 billion 【year-on-year Δ 13.4%】

Composition
ratio of sales

7.3%



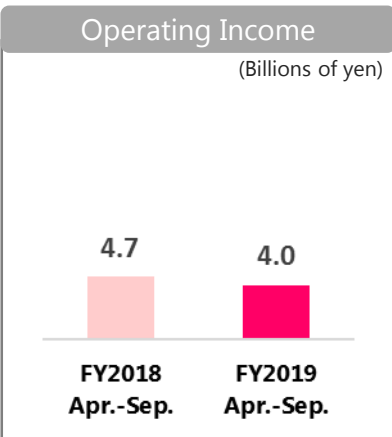
Medical Devices

- Sales growth has been driven by new products such as high-functionality balloon catheters and digestive system catheters.
- The Group plans to launch a new embolization coil product in Japan and overseas in the second half, and it projects to contribute to earnings.
- Looking ahead, the Group seeks to expand sales in therapeutic fields such as drug-coated balloon catheters and electrode catheters. In addition, the Group aims 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 half, due to the timing of shipments to major customers was shifted to the second half. However, this should add momentum to a substantial recovery in profitability in the second half.
- Sales have grown firmly for biopharmaceuticals made by Kaneka Eurogentec S.A. With the completion of work on bolstering production capacity, the Group is planning for the full-scale start of operations in April 2020.

In the first half, the Health Care Solutions Unit posted decreases in sales and earnings due to timing differences in shipments of small molecule pharmaceuticals. In the second half, sales and earnings are expected to increase as the segment regains momentum.



Business Performance by Segments

Nutrition

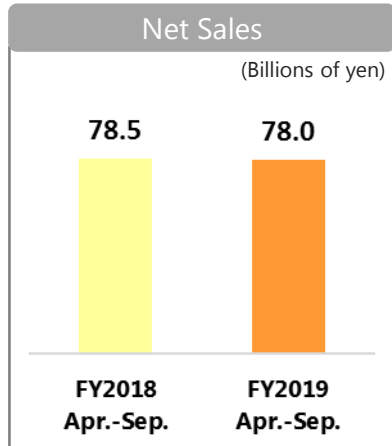
Solutions Unit

Net Sales

¥ 78.0 billion 【year-on-year $\Delta 0.7\%$ 】

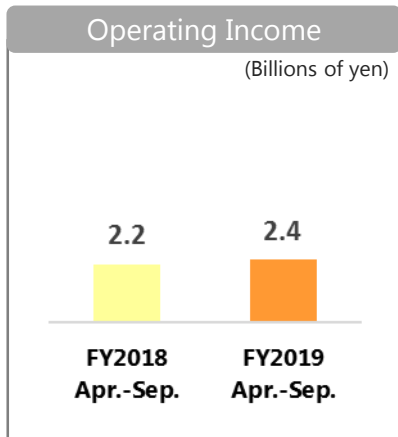
Operating Income

¥ 2.4 billion 【year-on-year **8.6%**】



Foods & Agris

- The Group conducted proactive proposal-based sales to major suppliers of bakery products, convenience stores, and food manufacturers. These activities drove expanded sales, leading to earnings growth. In addition, the products of Kaneka Sun Spice Corporation have enjoyed greater adoption for use in food with a growing need for spices as diets continue to diversify. In Indonesia, the bread and confectionery market is entering a period of booming expansion and the Group is rushing to build a new factory, with plans to start operations in May 2020.
- In the dairy products business, the Group has entered the market and garnered a positive reception for the “Milk for bread lovers,” and “Café au lait for bread lovers” products, along with “Belgian Yogurt Pur Natur,” a product launched in August that has been the focus of active promotions.
- The Group will move quickly to consider construction of a new dairy product plant.



Supplemental Nutrition

- Sales of the reduced form of coenzyme Q10 were firm in the U.S.
- The Group is globally expanding sales of lactic acid supplements produced by AB-Biotics, S.A. These lactic acid supplements are regarded highly for their unique properties. The Group will launch new production sites as it accelerates the pace of global business expansion.

Rising global health consciousness has now given the Nutrition Solutions Unit the prime opportunity to create new markets. In the first half, the Nutrition Solutions Unit posted higher earnings on lower sales. In the second half, it is projecting large increases in both sales and earnings.

Consolidated Balance sheet

	March 31, 2019	September 30, 2019	Difference
(Billions of yen)			
Assets			
Current Assets	314.2	298.1	△ 16.1
Noncurrent Assets	345.3	345.3	△ 0.0
Total assets	659.6	643.5	△ 16.1
Liabilities			
Interest bearing debt	120.5	121.5	1.0
Others	178.3	164.8	△ 13.6
Total liabilities	298.9	286.3	△ 12.6
Net assets			
Shareholders' equity	337.0	334.6	△ 2.4
Others	23.7	22.6	△ 1.1
Total net assets	360.7	357.2	△ 3.5
Total liabilities and net assets	659.6	643.5	△ 16.1
Shareholders' equity ratio	51.1%	52.0%	
Net assets per share	¥5,166.88	¥5,129.85	

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

- Total assets decreased, owing mainly to a decrease in notes and accounts receivable-trade.
- Total liabilities decreased, due mainly to a decrease in notes and accounts payable-trade.
- Net assets declined, due mainly to a decrease in foreign currency translation adjustment.

Consolidated Cash Flow

(Billions of yen)

	FY2018 2Q(Apr.-Sep.)	FY2019 2Q(Apr.-Sep.)
Cash flows from operating activities	19.4	16.2
Cash flows from investing activities	△ 22.0	△ 20.9
Free cash flow	△ 2.6	△ 4.8
Cash flows from financing activities	1.6	△ 3.3
Net increase (decrease) in cash and cash equivalents (*)	△ 1.0	△ 8.2
Cash and cash equivalents at end of period	46.4	31.8

* Including Effect of exchange rate change on cash and cash equivalents and Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation

- Net cash provided by operating activities was ¥16.2 billion, mainly due to income before income taxes and depreciation and amortization.
- Net cash used in investing activities amounted to ¥20.9 billion, mainly due to the purchase of property, plant and equipment.

Consolidated Business Revised Forecasts

- In October, the International Monetary Fund (IMF) reduced its outlook for global growth for 2019 to 3.0%, the lowest level since the financial crisis. Accordingly, the business environment will remain under pressure in the near term due to a deceleration in global economic conditions.
- However, the Group foresees a recovery in demand for its unique high-performance products, primarily in overseas markets. These products are offered by units such as the Material Solutions Unit and E & I Technology Solutions Vehicle, which were the main factors behind the large decreases in sales and earnings in the first half. Against this backdrop, steady growth is forecast for the Performance Fibers Solutions Vehicle, Health Care Solutions Unit, and Nutrition Solutions Unit. Combined with raw materials conditions and foreign exchange rate movements, the Group expects earnings in the second half to return to the previous year's levels. That said, on a full-year basis, the decreases in sales and profit in the first half, centered on the Material Solutions Unit, will have a lingering impact on business performance. Consequently, the Group has decided to revise its forecasts for consolidated business performance for the fiscal year ending March 31, 2020, which were announced on May 14, 2019.
- The Group remains committed to drawing out the unlimited possibilities of chemical materials, as well as contributing to the solution of global environmental problems, healthy and vibrant lives for people, and the formation of a sustainable society.

<Forecast for Consolidated business performance for the fiscal year ending March 31, 2020>

	FY2018		FY2019		Change	
	Result	Previous forecast (May.14,2019)	Revised forecast	Vs. previous year	Vs. previous forecast	
Net sales	621.0	650.0	625.0	4.0	△ 25.0	
Operating income	36.0	40.0	32.0	△ 4.0	△ 8.0	
Ordinary income	31.3	35.0	26.0	△ 5.3	△ 9.0	
Net income attributable to owners of parent	22.2	23.0	18.0	△ 4.2	△ 5.0	
Net income per share	¥339.15	¥354.00	¥275.98			

* The forecasts from October 1, 2018 are based on exchange rates of ¥108 to the U.S. dollar, ¥120 to the euro and a domestic naphtha price of ¥40,000 per kiloliter.

* 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.

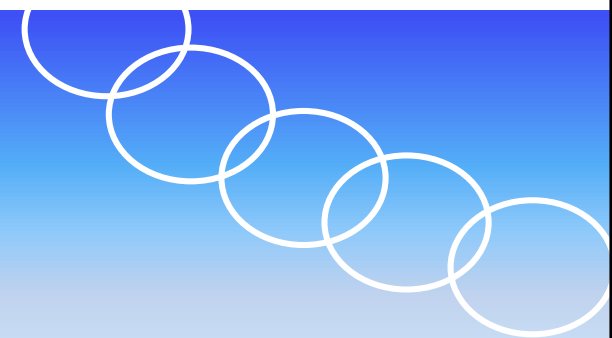
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Consolidated Business Revised Forecasts by Segments

(Billions of yen)

	Net Sales					Operating Income				
	FY2018	FY2019		Change		FY2018	FY2019		Change	
	Result	Previous forecast (May.14 2019)	Revised forecast	Vs. previous year	Vs. previous forecast	Result	Previous forecast (May.14 2019)	Revised forecast	Vs. previous year	Vs. previous forecast
Material Solutions Unit	255.9	267.0	250.0	Δ 5.9	Δ 17.0	26.0	26.5	22.0	Δ 4.0	Δ 4.5
Quality of Life Solutions Unit	156.7	170.0	163.0	6.3	Δ 7.0	15.1	19.0	15.5	0.4	Δ 3.5
Health Care Solutions Unit	47.4	52.0	50.0	2.6	Δ 2.0	10.6	11.0	10.5	Δ 0.1	Δ 0.5
Nutrition Solutions Unit	159.0	160.0	161.0	2.0	1.0	5.9	6.5	7.0	1.1	0.5
Others	2.0	1.0	1.0	Δ 1.0	-	1.5	0.5	0.5	Δ 1.0	-
Adjustment	-	-	-	-	-	Δ 23.0	Δ 23.5	Δ 23.5	Δ 0.5	-
Total	621.0	650.0	625.0	4.0	Δ 25.0	36.0	40.0	32.0	Δ 4.0	Δ 8.0

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