ANNUAL REPORT 2014

Year Ended March 31, 2014

KANEKA CORPORATION

PROFILE

Kaneka Corporation was established in 1949 as a spin-off from the Kanegafuchi Spinning Co., Ltd. Initially, Kaneka's main products included caustic soda, soap, cosmetics, edible oils and fats and electrical wires. The Company later diversified into polymers, fermentation, biotechnology and electronics, as well as other fields. Business activities now span a broad spectrum of markets ranging from chemicals, functional plastics, expandable plastics and products, foodstuffs products, life science products, electronic products, synthetic fibers and others. The Company has been a leader among Japanese chemical companies in establishing overseas operations, beginning in 1970 with a subsidiary in Belgium. Kaneka now has overseas subsidiaries in Belgium, Germany, the United States, Brazil, Singapore, Malaysia, Vietnam, Indonesia, China, India, South Korea, Taiwan and Australia.

CONTENTS

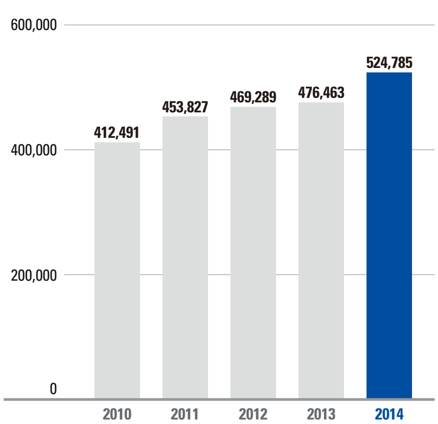
CONSOLIDATED FINANCIAL HIGHLIGHTS

KANEKA CORPORATION and Consolidated Subsidiaries

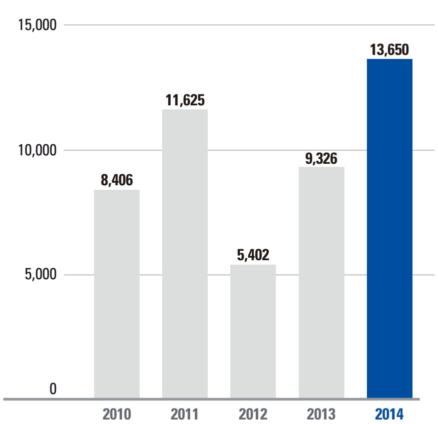
					Years ended March 31	
					Millions of yen	Thousands of U.S. dollars
	2014	2013	2012	2011	2010	2014
Net sales	¥524,785	¥476,463	¥469,289	¥453,827	¥412,491	$5,098,960
Net income (loss)	13,650	9,326	5,402	11,625	8,406	132,627
Capital expenditures	41,971	29,924	33,108	29,250	24,322	407,802
Depreciation	20,429	28,996	29,409	28,717	26,210	198,494
Total assets	520,123	484,457	467,083	455,141	432,880	5,053,663
Net assets	285,133	270,450	257,461	261,829	257,175	2,770,433
Per Share of Common Stock:					Yen	U.S. dollars
Net income (basic)	¥ 40.50	¥ 27.68	¥ 15.96	¥ 34.28	¥ 24.78	$0.39
Net income (diluted)	40.47	27.65	15.95	34.26	24.77	0.39
Cash dividends	16.00	16.00	16.00	16.00	16.00	0.16
Net assets	814.35	773.39	734.61	743.88	735.17	7.9
					%	%
Shareholders' equity ratio	52.8%	53.8%	53.0%	55.4%	57.6%	52.8%
Return on equity (ROE)	5.1	3.7	2.2	4.6	3.4	5.1
Return on assets (ROA)	2.7	2.0	1.2	2.6	1.9	2.7

Note 1) The conversion of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the prevailing exchange rate on March 31, 2014, which was ¥102.92 to US$1.00.
Note 2) Return on equity is calculated on the basis of the average shareholders' equity at the current and previous fiscal year-ends.

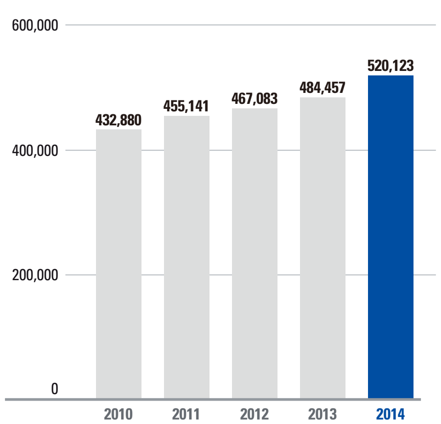
Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Total Assets
(Millions of yen)



ANNUAL TOPICS

1Q

Net Sales ¥126,816 million

Operating income ¥5,173 million

2Q

Net Sales ¥130,356 million

Operating income ¥6,188 million

April | May | June | July | August | September

Topics

- Newly added production line of OLED (Organic Light Emitting Diode) panels at OLED Aomori
- **A** Increased production capacity of chlorinated polyvinyl chloride resin business in U.S.
- Participated in African Fair 2013
- Decided to establish a manufacturing and sales company in Indonesia for processed oil products (→ **For further information, see P. 07**)
- **B** Established new company in Brazil
- **C** Integrated sales companies of Foodstuffs Products business
- **D** Full-fledged participation in gastrointestinal medical devices business
- Took over polyvinyl chloride copolymer resin business for magnetic tapes

A Global development: Increased production capacity of chlorinated polyvinyl chloride resin business in U.S.

We officially decided to increase the annual production capacity of chlorinated polyvinyl chloride resin (CPVC) at wholly-owned subsidiary Kaneka North America LLC by approximately 20,000 tons, bringing it up to 50,000 tons per year to meet the robust demand in North America. Operations are scheduled to launch in early 2015.

B Global development: Established new company in Brazil

On October 1, 2013, we established Kaneka South America Representative Ltd., a company engaged in promoting sales of Kaneka-affiliated products, market survey activities and providing technical services, in São Paulo City, Federal Republic of Brazil. The opening ceremony was held on October 22.

C Group strategy: Integrated sales companies of Foodstuffs Products business

On July 1, 2013, we integrated the four consolidated subsidiaries, Kaneka Shokuhin Corporation, Tokyo Kaneka Shokuhin Corporation, Tokai Kaneka Shokuhin Corporation, and Kyushu Kaneka Shokuhin Corporation, and founded the new sales company Kaneka Foods Corporation. We have collected together the management resources of the four sales companies, enhanced over the years, thereby increasing the efficiency of our business operations and strengthening our marketing, distribution, purchasing, and technological development capabilities.

3Q	Net Sales	¥133,865 million
	Operating income	¥7,211 million

4Q	Net Sales	¥133,749 million
	Operating income	¥6,249 million

October	November	December	January	February	March

- Held Kanekalon Hair show 2013 in Nigeria
- **E** Acquired BASF Acrylic-based Modifier Business
- Opened Kaneka US Material Research Center

- **F** To invest in large-scale production facilities of KANEKA KanCapA™
- Developed a margarine product that realizes quality fermented butter flavoring, a non-dairy whipping cream product that functionalizes dairy cream by blending, and a flavoring product that uses natural ingredients
- Microorganism production of bioplastic from non-food plant resources
- Decided to establish a new manufacturing facility for Kanekalon/Kanecaron Modacrylic fiber
(➡ For further information, see P. 06)

D Full-fledged participation in gastrointestinal medical devices business

From July 1, 2013, we have added RIVER Co., Ltd. to the Kaneka Group. This company possesses unique technologies and products in the area of gastrointestinal medical devices (therapeutic devices for endoscopy). By combining Kaneka's strengths in polymer processing technology and RIVER's metal processing technology, we will develop new products in the fields of digestive system and intravascular treatment, with the aim of expanding the medical devices business.

E Global development: Acquired the BASF Acrylic-based Modifier Business

Kaneka Belgium N.V. has reached an agreement on acquiring the acrylic-based modifier business of BASF SE and signed a contract for the transfer of assets on December 4, 2013.

With this acquisition from BASF, following the business acquisition from Evonik in 2011, Kaneka Belgium strengthens its acrylic-based modifier business in Europe.

F Capital investment: To invest in large-scale production facilities of KANEKA KanCapA™

In order to meet commercial market demands for the Protein A Chromatography Resin for purifying monoclonal antibody drugs (product name KANEKA KanCapA™), we have decided to construct large-scale production facilities. The expansion is expected to be complete and operational by early 2015. We aim to achieve net sales of over ¥10 billion in five years' time.

TO OUR SHAREHOLDERS

(Left)
Kimikazu Sugawara
Chairman of the Board

(Right)
Mamoru Kadokura
President

BUSINESS PERFORMANCE IN FY2014

The global economic outlook remained highly uncertain during the fiscal year ended March 31, 2014, due mainly to concerns about slowing growth in China, India and some other emerging countries, despite the continuation of the gradual recovery trend in the U.S. economy and the signs of recovery in the European economy.

In the Japanese economy, business activities are in the process of recovering gradually against a backdrop of a correction in the yen's appreciation and the economic policies being implemented by the Cabinet of Japan. That said, Japan's economic outlook still remains uncertain, especially because of the downside risks in the global economy.

In this environment, in line with "Declaration of Kaneka United for the future," its long-term management vision, the Kaneka Group has been transforming its business structures, including by strengthening R&D and stepping up initiatives such as promoting global development.

As a result, the Kaneka Group delivered higher earnings on top-line growth for the fiscal year ended March 31, 2014. Net sales rose 10.1% year on year to ¥524,785 million. Operating income was ¥24,822 million, up 57.0%. The Group reported an extraordinary loss that included restructuring charges, but net income rose 46.4% to ¥13,650 million.

We paid a dividend for the fiscal year ended March 31, 2014 of ¥16 per share.

MANAGEMENT POLICY

In 2009, the Kaneka Group formulated the "Declaration of Kaneka United for the future" as part of its long-term management vision. The declaration defines Kaneka's corporate philosophy as "With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to meeting the environmental challenges of our planet and helping to upgrade the quality of life." As a "dreamology company," a phrase we coined to express a "highly perceptive and collaborative value-creating group," we will create future-oriented businesses that leap beyond current market needs, as we pursue new product development. In the process, we will strive to protect the global environment and contribute to people's quality of life, while fostering an even greater presence as a global company, including in the markets of emerging countries.

The Kaneka Group has defined the environment and energy, health care, information and communications and food production support as important strategic domains. The Kaneka Group is executing the following key management strategies: (1) Moving toward an "R&D-type" company, (2) Growing in a global market, (3) Developing Group strategy, (4) Pursuing alliances, and (5) Prioritizing CSR. At the same time, the Kaneka Group is concentrating on transforming the Group's business portfolio and shifting into growth domains. The Group's aim is to achieve new growth and momentum, as set out in its long-term management vision. Under its mid-term management vision, the Kaneka Group will concentrate on establishing operations in new areas of business and making rapid progress globally by strengthening R&D, transforming business structure and accelerating the Group's transformation and growth.

In order to achieve the measures and Group performance targets set out in the long-term management vision, the Kaneka Group has positioned the following as key priorities in the short term: raise earnings power by further strengthening existing businesses and making new businesses commercially viable quickly; develop market- and customer-centric business models; raise overall cost performance across value chains, including production, research, technology and sales; and accelerate globalization of business operations from a local perspective. By addressing these priorities and implementing measures to create competitive business structures and a more attractive company, the Kaneka Group will meet the expectations of all stakeholders and transform itself into an even more highly admired company.

PERFORMANCE FORECASTS

There will continue to be concerns about the downside risks in the global economy. Although there is a continued recovery trend in the U.S. economy and signs of a gradual recovery in the European economy, there is slowing growth in some emerging countries and growing geopolitical risks worldwide, among other negative factors.

Although the Japanese economy is expected to continue its process of recovering gradually, its future prospects remain uncertain, partly due to the downside risks in the global economy and the rise in the consumption tax in Japan.

In this business environment, the Kaneka Group will invest management resources in important strategic domains, seeking to establish operations in the new areas of business that we expect to drive growth and further strengthening global development by strengthening R&D. We will also focus on transforming business structure. Similarly, in existing businesses we will work to achieve business expansion mainly by launching new products, while striving to strengthen competitiveness by lowering manufacturing and overhead costs in a measure to improve profitability.

Our performance forecasts for the fiscal year ending March 31, 2015 are as follows:

CONSOLIDATED FORECASTS

Net sales: ¥560 billion (6.7% increase from the fiscal year ended March 31, 2014)
Operating income: ¥30 billion (20.9% increase from the fiscal year ended March 31, 2014)
Net income: ¥17 billion (24.5% increase from the fiscal year ended March 31, 2014)

In closing, we would like to thank you in advance for your continued understanding and confidence in the Kaneka Group.

August 2014

K. Sugawara

Kimikazu Sugawara, *Chairman of the Board*

M. Kadokura

Mamoru Kadokura, *President*

ESTABLISH A NEW MANUFACTURING FACILITY FOR KANEKALON/KANECARON MODACRYLIC FIBER

Kaneka will establish a new manufacturing facility for modacrylic fiber* (commercial name: Kanekalon/Kanecaron) in the premises of Kaneka (Malaysia) Sdn. Bhd. (Pahang State, Malaysia) with a yearly production capacity of 12,000 tons and capital investment of approximately ¥9 billion. The facility is expected to begin operations in October 2015.

Kaneka has been manufacturing Kanekalon/Kanecaron in the Takasago Plant since 1957 and this new facility marks the first production base established overseas. Combined with the Takasago Plant, our total production capacity will increase to 73,000 tons a year.

We will introduce innovative processes that will differentiate Kaneka more greatly, while leveraging Kaneka's proprietary technology that has been developed over the years.

Kaneka Malaysia is now Kaneka's largest manufacturing base in Asia, and we see it as the most suitable location to establish a new overseas facility because of factors including the comprehensive infrastructure, stable raw material supplies, and interconnectivity to Singapore, the world's seaport hub.

All Kanekalon/Kanecaron manufactured in Malaysia will be sold to the African market. They will be mainly used in hair extensions, which are necessities among African women.

Within Africa, Sub-Saharan Africa (south of the Sahara Desert) in particular is expected to continue to experience steady population growth, and overtake China and India in 2040 to emerge as the world's most populated region. In view of the robust demand surge accompanying population growth, Kaneka will continually seek to provide stable supply of raw materials for hair extensions, as well as new products and services.

Kaneka (Malaysia)

New hairstyle products being introduced to a variety of users at the Kanekalon Night of a Thousand Braids event.

* "Modacrylic fiber" is a term used for fibers that contain 35%–85% acryl (officially called acrylonitrile). Kaneka's Kanekalon/Kanecaron, modacrylic fiber which we put on the market for the world in 1957, is our leading material as regards being a synthetic fiber created by home-grown technology. Kanekalon/Kanecaron is characterized by feeling like human or animal hair to the touch, being able to produce excellent colors, and by being highly flame-retardant. It is used by customers in a variety of lifestyle applications, including for eco fur, curtains, bedclothes, stuffed toys, wigs and hairpieces.

ESTABLISHMENT OF A COMPANY TO MANUFACTURE AND SELL PROCESSED-OIL PRODUCTS IN INDONESIA

KFI's opening ceremony.

In October 2013, Kaneka established PT. Kaneka Foods Indonesia (KFI) (Karawang, Indonesia), and in January 2014 we completed construction of the manufacturing facilities and the office. KFI is a company with 50% capitalization by Mitsubishi Corporation (MC) set up to manufacture and sell processed-oil products centered on fillings*. Through KFI we will build a business base in the market for sales to commercial bakeries and confectioneries in Indonesia, a country with notable growth. At the same time, we will promote the overseas development of our foodstuffs products business. Our total investment in KFI is approximately ¥500 million and the company has an annual production capacity of 1,800 tons.

Indonesia has a population of about 240 million (the fourth largest in the world) and its GDP continues to grow steadily. In the last three years, the country has achieved an economic growth ratio of approximately 6%. The proportion of people who are middle-class is increasing, and the bakery and confectionary market is likewise growing. Moreover, this market is expected to steadily expand in the future, against the backdrop of the continuing opening of modern-style retail stores.

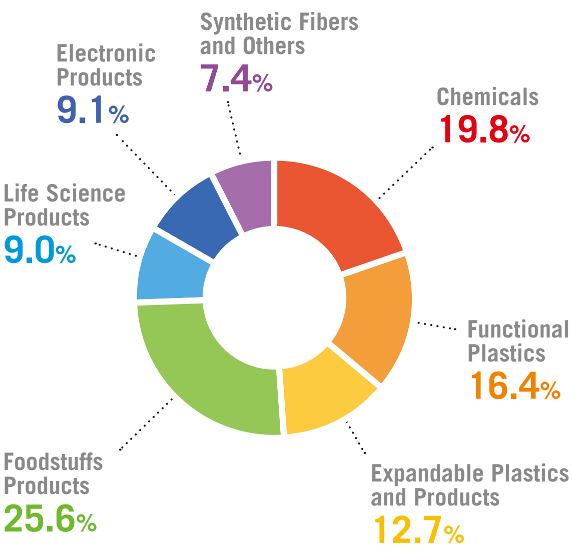
KFI comprises our first overseas base in the field of processed-oil products, which are the core business of Kaneka's foodstuffs products business. Based on MC's capabilities for procuring raw materials and knowledge of the Indonesian market, and Kaneka's advanced technological capabilities as regards facilities, manufacturing, and operational expertise related to processed-oil products, KFI will supply high-quality competitive products and conduct comprehensive sales promotion activities that include those based on product development and also proposals about how to use product materials together with suggestions for their use. KFI aims to achieve net sales of ¥2.5 billion by 2015. Furthermore, with other products such as oils, fats and yeast that are produced by Kaneka and Group companies, KFI will investigate how to increase sales inside Indonesia and in the ASEAN region, with the aim of further accelerating the overseas development of the foodstuffs products business.

An example of how a filling is used in confectionary.

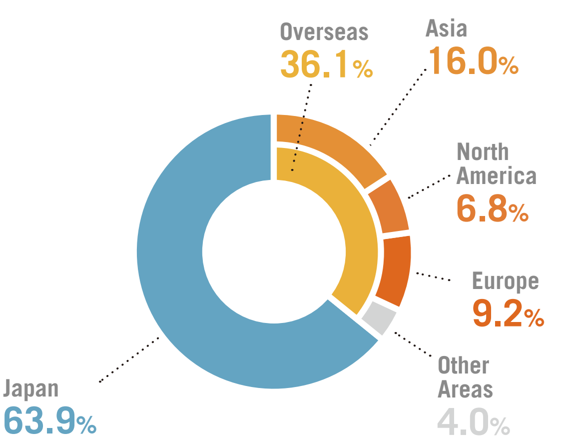
* Bread and confectionary ingredients placed in between slices of bread in a sandwich or used to fill bread and snacks. It adds taste variety and contributes to product marketability.

KANEKA AT A GLANCE

SALES BY BUSINESS CATEGORY
(FY2014)



SALES BY GEOGRAPHIC AREA
(FY2014)



Chemicals

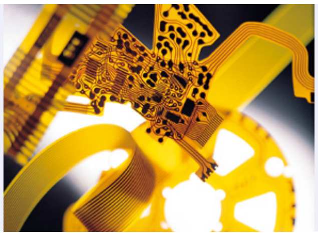
Functional Plastics

Expandable Plastics and Products

Foodstuffs Products

Life Science Products

Electronic Products



Synthetic Fibers and Others

Note: In the fiscal year ended March 31, 2011, the Company revised certain methods of allocating Companywide expenses and other procedures due to the introduction of the management approach to Japanese GAAP. Accordingly, figures for the fiscal year ended March 31, 2010 have been restated to reflect these changes.

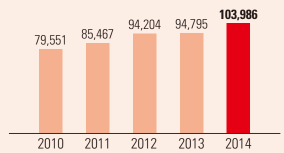
MAJOR PRODUCTS

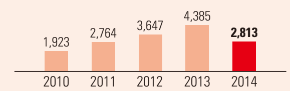
NET SALES
(Millions of yen)

OPERATING INCOME
(Millions of yen)

Supporting people in their daily lives with the strengths of plastics.

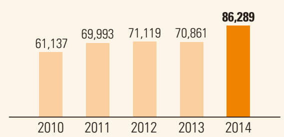
- Polyvinyl chloride (PVC)
- Caustic soda
- Hydrochloric acid
- Flexible PVC compounds
- Rigid PVC compounds
- Paste PVC
- Chlorinated PVC





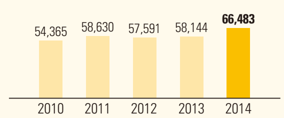
We want to keep changing conventional wisdom with new materials.

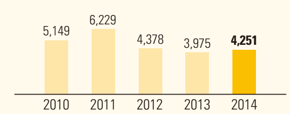
- Modifiers
- Liquid polymers (MS Polymer)
- Weather-resistant acrylic film
- Engineering plastic compounds



We want to contribute to the protection of the global environment through insulation and energy conservation.

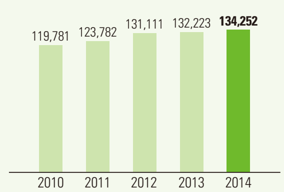
- Extruded polystyrene foam boards
- Polyolefin foam (beads and moldings)
- Expandable polystyrene

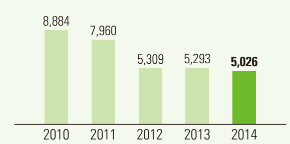




We want to support culinary culture by our advanced fermentation and oil and fat modifying technologies.

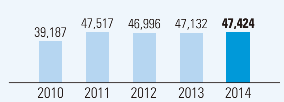
- Margarine and shortening
- Confectionery fats
- Bakery yeast
- Spices





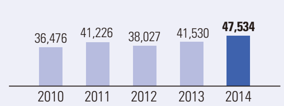
We want to make people smile using our biotechnologies.

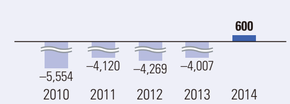
- Ubidecarenone (Coenzyme Q10)
- Ubiquinol (Active form of Coenzyme Q10)
- Anti-hypertensive drug intermediates
- Intermediates for antibiotics
- Liposorber system (LDL-cholesterol adsorption system)
- Lixelle® (Adsorption column for dialysis-related amyloidosis)



We want to expand the utilization of our capabilities with raw materials and processing technologies throughout society.

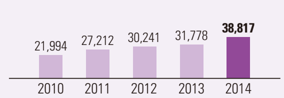
- Ultra heat-resistant polyimide film
- Bonded magnets
- PVC pipes for underground cables
- Solar modules
- Optical materials
- Super thermal-conductive graphite sheets

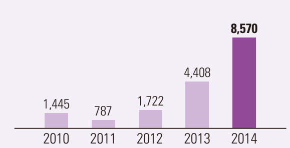




We want to expand the potentials of fibers using our macromolecular technologies.

- Modacrylic fibers





Effective from the fiscal year ended March 31, 2013, the Company has revised part of its R&D framework. Accordingly, the Company has reclassified a portion of R&D expenses, which were previously included in the Electronic Products segment, as expenses for basic R&D under Companywide expenses.
Segment information shown for the fiscal years ended March 31, 2010, 2011 and 2012 has been prepared based on the revised classification method for reporting segments.

REVIEW OF OPERATIONS

CHEMICALS

PVC resins saw firm conditions in the Japanese market but these were affected by a rise in raw materials. Specialty PVC resins saw sales volume increase in overseas markets. In the caustic soda business, domestic market conditions remained sluggish and sales volume decreased.

As a result of the foregoing, segment sales increased ¥9,191 million, or 9.7%, year on year to ¥103,986 million. However, the segment posted operating income of ¥2,813 million, a decrease of ¥1,572 million, or 35.8%, year on year.

FUNCTIONAL PLASTICS

In modifiers, the Kaneka Group took extensive steps to enhance product differentiation and bolster the earnings structure in this business, including through cost reductions, and made progress with business expansion in both the Japanese and overseas markets. In the overseas market in particular, we expanded our market share through business transfers. Modified silicone polymers, which received a high evaluation for their unique quality as the only one product, expanded steadily in both the Japanese and overseas markets.

As a result of the foregoing, segment sales greatly increased ¥15,428 million, or 21.8%, year on year to ¥86,289 million. The segment posted operating income of ¥9,269 million, up ¥3,064 million, or 49.4%, year on year.

EXPANDABLE PLASTICS AND PRODUCTS

Expandable polystyrene resins and products, and extruded polystyrene foam boards saw sales volume increase, but these were affected by a rise in raw materials. Polyolefin foam by the beads method saw higher sales volume mainly in the overseas markets.

As a result of the abovementioned factors, segment sales increased ¥8,339 million, or 14.3%, year on year to ¥66,483 million. The segment posted operating income of ¥4,251 million, an increase of ¥276 million, or 6.9%, year on year.

FOODSTUFFS PRODUCTS

In foodstuffs products, the Group responded to diversification in food and expanded sales of new products that anticipated consumer needs. In an increasingly stronger shift to low-priced products, the Group strove to reduce costs, however products were affected by a rise in raw materials.

As a result of the foregoing, segment sales increased ¥2,029 million, or 1.5%, year on year to ¥134,252 million. The segment posted operating income of ¥5,026 million, a decrease of ¥267 million, or 5.0%, year on year.

LIFE SCIENCE PRODUCTS

In medical devices, blood purification systems sales were sluggish despite sales promotions in Japan and overseas and efforts to reduce costs. Although the sales volume of pharmaceutical intermediates was also sluggish, the sales volume of active pharmaceutical ingredients (API) expanded. Functional foodstuffs saw a steady expansion of demand in the supplement market with the health care effects of reduced-form coenzyme Q10 widely passed on as an increase in sales volume.

As a result of the abovementioned factors, segment sales increased ¥292 million (up 0.6%) compared with the preceding fiscal year, resulting in net sales of ¥47,424 million. However, the segment posted decreased operating income of ¥7,780 million, ¥1,865 million (down 19.3%) less than in the preceding fiscal year.

ELECTRONIC PRODUCTS

Sales volume of ultra-heat-resistant polyimide film increased year on year. This was mainly due to the launch of new product lineups and the new adoption of these materials in the electronic products market where demand is expanding. Optical materials saw a steady demand and the sales volume increased. Moreover, Kaneka commercialized Transparent Conductive Film (ITO film) for the touch panels of smartphones and tablet PCs starting this fiscal year in response to the acutely rising demand for those devices. In solar cells, sales expanded for use in housing in Japan in step with growing recognition of the Kaneka Group's solar cells as a unique construction material product combining both aesthetic and functional value. Efforts were also focused on rigorously cutting costs in the solar cell business. Sales volumes of solar cell-related materials were roughly on par with the previous fiscal year.

As a result of the abovementioned factors, segment sales increased ¥6,004 million, or 14.5%, to ¥47,534 million. The segment restored operating profitability, posting operating income of ¥600 million.

SYNTHETIC FIBERS AND OTHERS

In synthetic fibers, the Kaneka Group achieved results from its market development efforts over many years, with materials for hair accessory products in the African market at the forefront. The Group sought to ensure profits mainly by expanding sales of high value-added products and cutting costs.

Segment sales greatly increased ¥7,039 million, or 22.2%, to ¥38,817 million. Operating income greatly rose ¥4,162 million, or 94.4%, to ¥8,570 million.

CORPORATE GOVERNANCE

BASIC APPROACH TO CORPORATE GOVERNANCE

Kaneka believes that Corporate governance is critical to its sweeping drive to increase Corporate value based on its Corporate philosophy of “With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrade the quality of life.”

1. CORPORATE GOVERNANCE FRAMEWORK AT KANEKA

Regarding the Corporate Governance Framework

Corporate governance at Kaneka is underpinned by a Board of Directors and an Audit & Supervisory Board. Important management matters pertaining to management of the Kaneka Group are decided by resolution of the Board of Directors following deliberation by the Management Conference, a body consisting of the President and other executives of the Company.

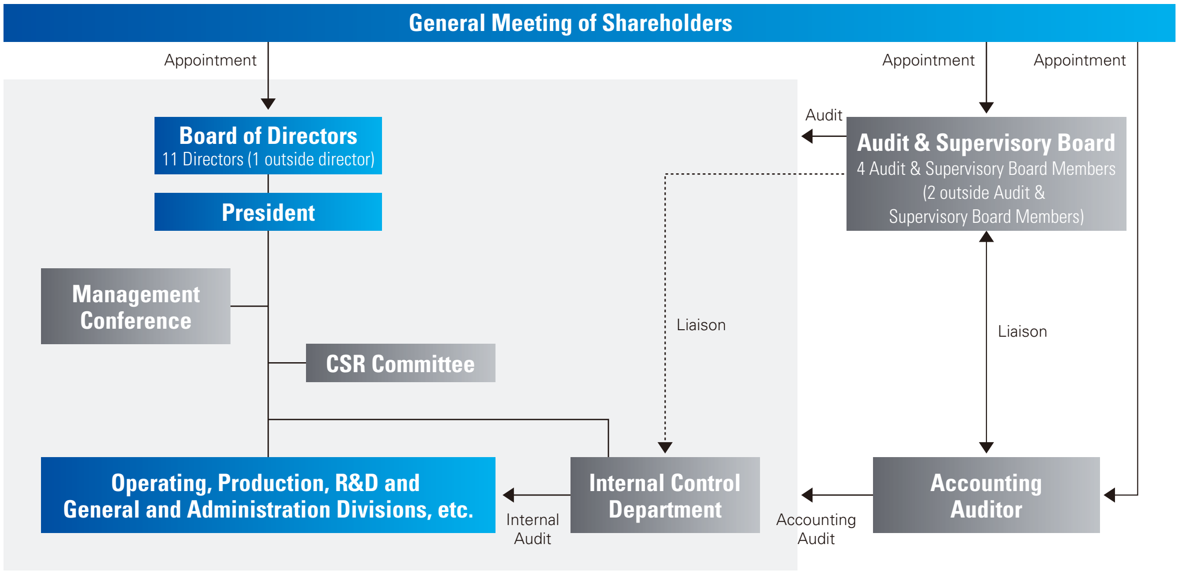
Meetings of the Board of Directors are convened, in principle, at least once a month. The Board of Directors discusses important matters regulated by laws and regulations, the Articles of Incorporation and Board of Directors regulations, and decides on the execution thereof. In tandem, directors report to the Board of Directors on the status of execution of their prescribed duties, with the Board of Directors monitoring the legality and appropriateness of their actions. The number of directors is capped at 13, of which 1 member has been appointed as an outside director, whose purpose is to bolster the oversight functions of the Board of Directors. The terms of office of directors are limited to one year in order to clarify management accountability.

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, two of which are outside Audit & Supervisory Board Members. Audits are conducted in coordination with the accounting auditors and the Internal Control Department. The Audit & Supervisory Board Members meet periodically to exchange opinions with the Company’s representative directors, and attend meetings of the Board of Directors, Management Conference, division manager meetings and other important meetings where key matters regarding business execution are decided. In this way, the Audit & Supervisory Board Members properly monitor the status of operational execution in the Company.

Additionally, Kaneka has introduced an executive officer system with the purpose of promoting swift and flexible responsiveness to changes in the business environment, as well as to separate and enhance business execution and oversight functions.

While division managers, including executive officers selected by the Board of Directors, are given extensive authority over daily business execution, directors are responsible for each division and they oversee the business execution in their division. Division managers hold monthly meetings to report on the status of operations in their respective divisions directly to all directors and Audit & Supervisory Board Members. The Internal Control Department under the direct control of the President independently monitors the operations of each division.

The CSR Committee, chaired by the President, has been established to promote activities that contribute to society’s sustainable development, as well as to guide the Company in ensuring legal and regulatory compliance, and fulfilling its accountability to stakeholders. Through adoption of the framework described below, the Company is pursuing the separation of business execution from oversight functions. At the same time, by taking on outside perspectives, the Company is improving oversight functions while enhancing its audit functions in the form of management monitoring, all while retaining flexible and agile business execution.



2. STATUS OF INTERNAL CONTROL SYSTEM

By resolution of the Board of Directors, the Company has stipulated a basic policy concerning the system to ensure operational appropriateness (internal control system), as outlined below.

This basic policy is confirmed periodically and revised as necessary, in an effort to maintain the effectiveness of the internal control system.

1) System to Ensure that Duties Performed by Directors and Employees Comply With Laws, Regulations and the Articles of Incorporation

a. To implement initiatives aimed at fulfilling our corporate social responsibility, we have established the CSR Committee, chaired by the President. The committee will promote responsible care and take overall charge of CSR activities

b. Regarding Corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, supervises the promotion and auditing of essential activities, such as overseeing plans on a Companywide scale, tracking rates of progress, confirming the status of compliance and establishing and maintaining appropriate inquiry and notification functions.

c. Concerning companywide cross-divisional issues, the Company has established organizations with specific missions to oversee the promotion of plans and related matters. Such organizations, which are subordinate to the CSR Committee, include the Global Environment Committee, the Central Committee on Environment, Safety and Human Health, and the Product Safety Examination Committee.

d. The Company develops internal regulations in regards to compliance, and rigorously confirms the dissemination and compliance with these regulations through such activities as education and training programs, self-assessments, and audits.

e. We maintain absolutely no relationships with antisocial forces, and we take a firm Companywide stand to thoroughly counter any illegal or inappropriate demands from such forces. We have also established an internal department to take overall charge of gathering and managing information related to such forces, and communicating and cooperating with police and other outside organizations and foundations. Through these efforts, we are enhancing the in-house structure for eliminating antisocial forces.

f. To ensure the reliability of our financial reporting, we are operating, internal controls related to such financial reporting. These activities are supervised by the Internal Control Department.

g. We have strengthened the oversight function of the Board of Directors by appointing an outside director.

2) Regulations and Other Systems to Manage Risk of Loss

a. As regards risk management, fundamentally, individual operating divisions estimate the risks that may be generated in the course of performing their work and take appropriate preventive measures. In the unlikely event of a risk being realized, they will deal with the situation appropriately while obtaining the support of related divisions.

b. Regarding measures to prevent the realization of potential risks, including corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, oversees the formulation and promotion of companywide plans.

c. As regards risks that have been realized and risks that are specifically deemed likely to be realized, the Risk Management Committee works with the division concerned in a timely fashion to mitigate the risks.

d. The Company regularly conducts inspections to confirm that the above three actions have been precisely carried out, and works to prevent the system becoming a mere façade and to maintain and improve its effectiveness.

3) System to Ensure Efficient Performance by Directors

a. Through the introduction of an executive officer system, Kaneka has separated director oversight and business execution functions, with the view to speeding up decision-making and clarifying roles and responsibilities.

b. Dynamic execution is ensured by giving division managers, including executive officers appointed by the Board of Directors, extensive authority over daily business operations, while a director remains in charge of each division and supervises the execution of operations.

c. The Board of Directors convenes a regular meeting once a month, at which important issues are decided and the status of the performance of the directors' duties and related matters are reported.

d. Important issues are first discussed at a Management Conference in accordance with internal proposal and decision-making procedures based on the decision-making standards, and then are resolved and implemented by the Board of Directors.

e. Division managers hold monthly meetings at which management policies, corporate performance and other matters are announced and business plans and status of progress are reported by designated division managers.

4) System to Store and Manage Information on Directors' Performance of Duties

Information on decision making and execution of operations in the Company is stored and managed pursuant to the provisions of laws, regulations and internal rules.

5) System to Ensure Appropriate Operations Within the Enterprise Group Consisting of the Company and Its Subsidiaries

a. To promote the establishment of a Compliance Committee at subsidiaries and to rigorously prepare and disseminate the basic CSR policy and internal company regulations such as Ethical Behavior Standards, the Company's relevant divisions will provide the necessary support. Furthermore, the Compliance Committee will confirm the status of compliance at each subsidiary.

b. The Company will appoint Audit & Supervisory Board Members at each subsidiary, and the Company's related divisions will instruct and support the Audit & Supervisory Board Members in conducting effective audits. At the same time, the Kaneka Group will ensure operational appropriateness by means of the Company's internal control divisions that conduct internal audits and internal control evaluations.

c. The Company will regularly hold meetings and similar assemblies to report about each subsidiary and communicate the Kaneka Group's management policy and other relevant matters. At the same time, each President will submit reports on their management policy, achievement status, and relevant matters.

6) System for Directors and Employees to Report to the Audit & Supervisory Board Members and Other Systems to Report to the Audit & Supervisory Board Members

a. The directors and employees will report the following items without delay to the Audit & Supervisory Board Members.
   (i) Items that could cause considerable damage or potential damage to the Company or its subsidiaries.
   (ii) The execution status of internal audits.
   (iii) Important items of compliance.
   (iv) Other important items related to management.
b. Important decision-related documents are passed on to the Audit & Supervisory Board.

7) Matters Concerning Employees Assisting Audit & Supervisory Board Members in Their Duties and the Independence of Such Assistants From Directors in Case Such Assistants Are Appointed

a. A secretariat will be established within the Audit & Supervisory Board to allocate assistants to aid Audit & Supervisory Board Members in performing their duties.
b. The appointment, transfer and evaluation of such assistants are decided with the approval of the Audit & Supervisory Board Members to ensure the independence of such assistants from the directors.

8) Other Systems to Ensure That Audits Are Conducted Effectively by the Audit & Supervisory Board Members

a. The representative director and the Audit & Supervisory Board Members periodically meet to exchange opinions.
b. The Audit & Supervisory Board Members interview directors about the execution status of operations whenever necessary.
c. The Audit & Supervisory Board Members attend meetings of the Board of Directors, division manager meetings, Management Conferences and other important meetings.
d. The Audit & Supervisory Board Members periodically receive reports from and liaise with the accounting auditor to exchange opinions.
e. The Audit & Supervisory Board Members investigate the execution status of operations and the asset management status whenever necessary at the Company's places of business, including its head office and plants, as well as at its subsidiaries.

3. BASIC APPROACH TO AND STATUS OF ADVANCEMENT OF THE REMOVAL OF ANTISOCIAL FORCES

The Group has established a Basic Policy on Corporate Activities and Ethical Behavior Standards that provide the basic standards the Company's officers and employees are to adhere to in conducting business activities. These policies require absolutely no relationships with antisocial forces, that demands from antisocial forces are dealt with resolutely, and that unlawful or unjust demands are opposed on an individual level as well. The executive directors and others in top management discipline themselves to set an example in upholding these standards of behavior, working to develop internal structures and increase awareness within the Company.

To address this issue, the Company has established a division to collect and manage information on a daily basis and coordinate with law enforcement and other outside entities and related organizations. The Company remains committed to developing and reinforcing its internal structure for eliminating antisocial forces.

Overview of Contracts for Limitation of Liability

The Company enters into contracts with each outside officer in order to limit their responsibility as regards the liabilities stipulated in Article 423, Paragraph 1 of the Companies Act. The amount of such liability based on these contracts is equal to the minimum liability amount stipulated by law.

4. INTERNAL AUDITS AND AUDIT & SUPERVISORY BOARD MEMBERS' AUDITS

The Kaneka Group has established the Internal Control Department, under the direct authority of the President, as an internal auditing division. Along with ensuring the installation, as well as evaluation and audit of the Company's internal control system, the department is responsible for developing and monitoring the operation of the Group's internal control systems. The department has a 12-member staff to conduct internal audits.

Of the four Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members. The standing Audit & Supervisory Board Members are elected based on their years of experience with the Company's accounting and auditing divisions, as well as their formidable insight with respect to financial and accounting matters. A secretariat is established within the Audit & Supervisory Board and staffed by assistants who aid the Audit & Supervisory Board Members in the performance of their duties. One replacement Audit & Supervisory Board Member is also appointed to assume audit duties in cases in which the number of Audit & Supervisory Board Members falls below the minimum number required by law.

The Audit & Supervisory Board periodically requests meetings to receive reports from the Internal Control Department regarding the status of internal audits. Similarly, the Audit & Supervisory Board holds meetings to receive regular audit reports from and exchange opinions with the accounting auditors, in an effort to perform audits in mutual cooperation with all audit-related entities.

5. RELATIONSHIP WITH OUTSIDE DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Kaneka has one outside director, Takeo Inokuchi, and two outside Audit & Supervisory Board Members, Hiroaki Tsukamoto and Kouji Hirokawa. The outside director and outside Audit & Supervisory Board Members have no noteworthy special interest relationships with the Company in terms of personnel, capital, business or other relationships.

Outside director Takeo Inokuchi has many years of experience in the post of representative director of Mitsui Sumitomo Insurance Co., Ltd., which is a shareholder of Kaneka and has business relationships with the Company. Currently, Mr. Inokuchi is a senior advisor for Mitsui Sumitomo Insurance Co., Ltd. However, given the size and nature of the business transactions between Kaneka and Mitsui Sumitomo Insurance Co., Ltd., there are no material factors that would give rise to any special interest relationship between the two companies. Furthermore, outside Audit & Supervisory Board Member Hiroaki Tsukamoto was originally a member of Oh-Ebashi LPC & Partners and is currently attached to the Tsukamoto Law Office, while outside Audit &

Supervisory Board Member Kouji Hirokawa is currently attached to the Law Office of Amida & Hirokawa. Neither of these law offices have material business transactions with Kaneka. Mr. Inokuchi and Mr. Tsukamoto are sitting members of the special committee for determining basic policies to prevent any attempted large-scale acquisitions of Kaneka shares.

At Kaneka, the outside director monitors the Board of Directors from an external viewpoint, by applying his tremendous insight as a manager and wealth of practical experience to the Company's own management. The outside Audit & Supervisory Board Members conduct audits of the Company from an external perspective based on their high degree of insight and their abundant experience as attorneys.

The Company shall not appoint as an independent officer any person who meets any of following conditions:

a. Business executives of the Company and its Group companies (hereinafter, "the Group") and their close relatives, etc.
b. Any entity that considers the Group to be a principal business partner or any business executives thereof, etc.
c. Any principal business partner of the Group or any business executive thereof, etc.
d. Major shareholders of the Company (entities that directly or indirectly hold a voting interest of 10% or more) or business executives thereof, etc.
e. Directors and other business executives of organizations that have received a certain amount or more of donations or subsidies from the Group.
f. Business executives of companies with which there is a mutual secondment of directors and Audit & Supervisory Board Members between the Group, etc.
g. Persons belonging or who have belonged in the past to auditing firms conducting a statutory audit of the Company.
h. Consultants, certified public accountants and other accounting professionals, and lawyers and other legal professionals who have received a substantial amount of monetary compensation or other consideration other than corporate officer compensation from the Group (In case the entity receiving such consideration is a corporation, association or other group, persons belonging to the said group or persons who have belonged to the said group in the past).

The outside director attends meetings of the Board of Directors, and offers input as necessary based on his abundant experience as a manager. The outside director also receives business reports from the directors every month, and exchanges opinions with them as necessary. The outside Audit & Supervisory Board Members attend meetings of the Board of Directors and Audit & Supervisory Board, where they offer input as necessary. They also hold regular meetings to exchange opinions with the Company's representative directors. In addition to examining important decision-making documents, the outside Audit & Supervisory Board Members receive monthly reports from the standing Audit & Supervisory Board Members on audit operations performed and exchange opinions regarding the content of these reports.

6. STATUS OF ACCOUNTING AUDITS

The certified public accountants who provided the Company with accounting audit services during the year are Takashi Yoshida, Teruo Watanuma, and Motoko Shoji, all belonging to KPMG AZSA LLC. Other personnel who assisted in accounting audit tasks include 16 certified public accountants and 17 junior certified public accountants.

7. BREAKDOWN OF CORPORATE OFFICER COMPENSATION

Corporate officer compensation for the fiscal year under review was as follows.

Position	Total Compensation (Millions of yen)	Breakdown of Compensation by Type (Millions of yen)			Persons Compensated
		Monthly (fixed) Compensation	Stock option equity Compensation	Bonuses	
Directors (excluding outside directors)	521	391	36	94	12
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	48	48	–	–	2
Outside directors	51	51	–	–	3

Notes:

1. Amounts less than the specified unit have been rounded off.
2. Persons compensated and monthly (fixed) compensation for directors include compensation paid to two directors who retired from their positions at the close of the 89th Ordinary General Meeting of Shareholders on June 27, 2013.
3. Maximum compensation to directors is ¥46 million per month (fixed salary) (resolved at the 76th Ordinary General Meeting of Shareholders on June 29, 2000), and annual stock option equity compensation is ¥75 million (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).
4. Maximum compensation to Audit & Supervisory Board Members is ¥7.8 million per month (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).

Total Amount of Consolidated Compensation per Corporate Officer Paid by the Company

Not applicable, since no one receives consolidated compensation or other compensation totaling ¥100 million or more.

Policy For Determining Corporate Officer Compensation

Compensation for directors is composed of fixed monthly compensation, as well as bonuses linked to operating results and stock option equity compensation. Each of these compensation components is maintained within caps approved by the General Meeting of Shareholders, and is decided after consideration of the Company's operating environment, business results and other factors. Compensation for individual directors is decided after conferring with the representative directors, and is provided at appropriate levels commensurate with the duties, responsibilities and performance of each director.

Compensation for Audit & Supervisory Board Members consists of fixed compensation maintained within a cap approved by the General Meeting of Shareholders. Compensation for individual Audit & Supervisory Board Members is decided after conferring with the Audit & Supervisory Board Members based on the duties and responsibilities of each individual Audit & Supervisory Board Member.

The Company abolished its system of retirement bonuses for directors and Audit & Supervisory Board Members at the conclusion of its 83rd Ordinary General Meeting of Shareholders.

8. STATUS OF STOCKHOLDING

Investment Stocks Held for Other Than Purely Investment Purposes

139 different stocks

Total reported balance sheet value: ¥40,207 million

Investment Stocks Held for Other Than Purely Investment Purposes by Classification, Stock Name, Number of Shares, Reported Value on the Balance Sheet, and Holding Purpose

(Fiscal year under review)

(Specific investment securities)

Stock Name	No. of Shares	Reported Balance Sheet Value (Millions of yen)	Holding Purpose
Sumitomo Mitsui Financial Group	803,112	3,540	Stock held to maintain and enhance business relationships.
Nippon Shokubai Co., Ltd.	2,400,000	2,925	Same as above
Kubota Corporation	1,952,966	2,669	Same as above
Mitsubishi UFJ Financial Group, Inc.	3,297,700	1,869	Same as above
JMS Co., Ltd.	4,947,000	1,518	Stock held for business and capital alliance purposes.
Mitsui & Co., Ltd.	1,031,093	1,504	Stock held to maintain and enhance business relationships.
Nitto Denko Corporation	300,000	1,482	Same as above
Daiwa House Industry Co., Ltd.	767,000	1,343	Same as above
Shionogi & Co., Ltd.	672,000	1,285	Same as above
NOK Corporation	760,000	1,280	Same as above
MS&AD Insurance Group Holdings, Inc.	471,990	1,115	Same as above
Nissin Foods Holdings Co., Ltd.	227,074	1,057	Same as above
Ibiden Co., Ltd.	500,000	1,017	Same as above
Duskin Co., Ltd.	500,000	989	Same as above
Konishi Co., Ltd.	342,000	624	Same as above
Mitsubishi Chemical Holdings Corporation	1,384,171	593	Same as above
Onamba Co., Ltd.	829,212	562	Same as above
Takiron Co., Ltd.	1,318,201	560	Same as above
Ezaki Glico Co., Ltd.	409,297	559	Same as above
Mitsui Chemicals, Inc.	2,053,000	519	Same as above
Mitsubishi Corporation	259,251	496	Same as above
Morinaga & Co., Ltd.	2,082,528	470	Same as above
Dainichiseika Color & Chemicals Mfg. Co., Ltd.	809,000	387	Same as above
Yamazaki Baking Co., Ltd.	296,432	362	Same as above
Okaya & Co., Ltd.	263,000	341	Same as above
Osaka Organic Chemical Industry Ltd.	700,000	329	Same as above
Nice Holdings, Inc.	1,133,000	258	Same as above
RIKEN TECHNOS CORPORATION	419,650	245	Same as above
Maezawakasei Industries Co., Ltd	213,600	233	Same as above
Tokio Marine Holdings, Inc.	73,500	227	Same as above

9. NUMBER OF DIRECTORS

The number of directors is limited to 13, as stipulated by the Company's Articles of Incorporation.

10. REQUIREMENTS FOR DETERMINATION OF DIRECTOR APPOINTMENTS

The Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the General Meeting of Shareholders shall attend the meeting and determine the appointment of directors based on a majority vote. The Articles of Incorporation further specify that the appointment of directors shall not be resolved by cumulative voting.

11. RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS THAT MAY BE DETERMINED BY THE BOARD OF DIRECTORS

In order to ensure an expeditious capital and profit redistribution policy, the Company has established in its Articles of Incorporation that any of the items provided in Article 459, Paragraph 1 (each item) of the Companies Act, including those concerning payment of dividends from retained earnings, may be determined by a resolution of the Board of Directors and that none of the items provided in Paragraph 1 of the same Article are to be determined by a resolution of the General Meeting of Shareholders.

12. REQUIREMENTS FOR SPECIAL RESOLUTIONS AT THE GENERAL MEETING OF SHAREHOLDERS

To ensure a smooth General Meeting of Shareholders, the Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at general meetings of shareholders" provided in Article 309, Paragraph 2 of the Companies Act.

13. COMPENSATION FOR AUDITS

1. Compensation for Audits and Other Activities by Certified Public Accountants

The certified public accountants who provided the Company with accounting audit services during the current fiscal year belonged to KPMG AZSA LLC. Compensation paid by the Company and its consolidated subsidiaries to KPMG AZSA LLC was as follows:

	Fiscal Year Ended March 31, 2013		Fiscal Year Ended March 31, 2014	
	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)
Kaneka	74	5	77	6
Consolidated Subsidiaries	4	0	13	0
Total	78	5	90	7

2. Other Significant Compensation

Previous fiscal year

Kaneka Americas Holding, Inc. and other consolidated subsidiaries pay compensation for tax-related activities to KPMG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

Current fiscal year

Consolidated overseas subsidiaries paid audit compensation of ¥127 million to KPMG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

3. Compensation for Activities Other Than Audits by Certified Public Accountants

Previous fiscal year

Compensation for non-audit services paid to the certified public accountants consisted mainly of payment for services related to confirmation procedures required when applying for certification under the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities.

Current fiscal year

Compensation for non-audit services paid to the certified public accountants consisted mainly of payment for services related to confirmation procedures required when applying for certification under the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities, and for services supporting the introduction of systems to enhance and make the Company's internal audit activities more efficient.

4. Method of Determining Compensation for Audits

Nothing to report.

TAKEOVER DEFENSE MEASURES

At its Board of Directors meeting held on April 6, 2007, the Company introduced the Policy Regarding Countermeasures to Large-Scale Acquisitions of Kaneka Shares (hereinafter the "Policy"), and the Policy was approved by the shareholders at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007. With the aim of protecting and enhancing the corporate value of the Company and the collective interests of its shareholders over the medium- to long-term, the retention of the Policy was approved by the shareholders at the 86th Ordinary General Meeting of Shareholders held on June 25, 2010 and then at the 89th Ordinary General Meeting of Shareholders held on June 27, 2013.

An overview is provided below.

1. BASIC APPROACH OF THE POLICY (THE BASIC POLICY REGARDING PERSONS WHO CONTROL THE COMPANY'S DECISIONS ON FINANCIAL MATTERS AND BUSINESS POLICIES)

As a publicly held corporation, the Company recognizes that its shares should be freely traded. Thus, even in the event of a hostile takeover without the consent of the Board of Directors, the Company will not necessarily resist such an action, provided the takeover promises to enhance the corporate value of the Company and the collective interests of its shareholders. However, we consider it necessary to ensure that adequate information is provided to shareholders when attempts are made to acquire a large number of the Company's shares. We also believe that necessary and proper measures must be taken to protect the corporate value of the Company and the collective interests of its shareholders in the event that the Company is subject to a hostile and abusive takeover bid that threatens to harm corporate value and collective shareholder interests, such as any takeover bid that is intended solely to advance the personal gain of the bidder.

2. MEASURES TO EFFECTIVELY UTILIZE THE COMPANY'S RESOURCES, FORM AN APPROPRIATE CORPORATE GROUP AND REALIZE OTHER FUNDAMENTAL POLICIES

To commemorate its 60th anniversary in 2009, the Company formulated a long-term management vision for the next decade called "Declaration of Kaneka United for the future." Sweeping reform of the Kaneka Group and its continuous growth are key objectives. To this end, the Company is now giving priority to the important strategic domains of "Environment and Energy," "Health Care," "Information and Communications," and "Food Production Support." As key management initiatives, the Company is (1) Moving toward an "R&D-type" company, (2) Growing in a global market, (3) Developing Group strategy, (4) Pursuing alliances, and (5) Prioritizing CSR. At the same time, under its medium-term plan, the Kaneka Group will focus on creating new businesses by strengthening R&D activities and achieving global momentum, and transform its business structures to accelerate the transformation and growth of the Group.

3. THE COMPANY IS IMPLEMENTING THE FOLLOWING TAKEOVER DEFENSE MEASURES TO PREVENT ITS DECISIONS ON FINANCIAL AND BUSINESS POLICIES FROM BEING CONTROLLED BY ENTITIES REGARDED AS INAPPROPRIATE ACCORDING TO THE BASIC POLICY.

a. The Company shall stipulate in advance procedures to be observed in case of an attempted large-scale purchase of the Company's shares and other securities (hereinafter, "Large-Scale Purchase Rules"), demanding disclosure of necessary and adequate information regarding such a purchase, collecting and examining information related to the purchase and securing the opportunity and necessary time for the Board of Directors of the Company to present its opinion and alternative plans to shareholders or to negotiate with the purchaser.

b. Whether or not the large-scale purchaser observes the Large-Scale Purchase Rules, provisions to protect the corporate value of the Company and the collective interests of its shareholders may be taken against such large-scale purchases if they are deemed to cause irreparable damage to the Company or otherwise significantly harm the corporate value of the Company or the collective interests of its shareholders.

4. COMPLIANCE WITH REQUIREMENTS, JUDGMENT AND REASONING OF THE BOARD OF DIRECTORS

The Board of Directors of the Company judges that the measures in the preceding item comply with the following three requirements: they are in line with this Basic Policy, they do not harm the common interests of the Company's shareholders and they do not maintain the positions of the corporate officers of the Company. The reasoning behind this judgment is as follows:

a. The measures satisfy the requirements of the policies of the Ministry of Economy, Trade and Industry and the Ministry of Justice concerning takeover defense measures.

b. The measures will be implemented with the aim of securing and improving the common interests of the shareholders.

c. The measures place emphasis on the will of the shareholders.

d. The measures place emphasis on the judgment of highly independent external parties.

e. The measures provide rational and objective requirements.

f. The measures allow for the procurement of opinions from third-party experts.

g. The measures are not "dead-hand" or "slow-hand" takeover defense measures.

BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS AND EXECUTIVE OFFICERS

BOARD OF DIRECTORS

Chairman of the Board

Kimikazu Sugawara*

President

Mamoru Kadokura*

Executive Vice President

Hirosaku Nagano

Member of the Board Senior Managing Executive Officers

Toshio Nakamura
Shigeru Kamemoto
Minoru Tanaka

Member of the Board Managing Executive Officers

Masami Kishine
Akira Iwazawa
Hidesuke Amachi
Shinichirou Kametaka

Independent Member of the Board

Takeo Inokuchi

AUDIT & SUPERVISORY BOARD MEMBERS

Standing Audit & Supervisory Board Members

Yasuo Inoguchi
Hideyuki Matsui

Outside Audit & Supervisory Board Members

Hiroaki Tsukamoto
Kouji Hirokawa

EXECUTIVE OFFICERS

Managing Executive Officers

Akihiko Iguchi
Shinji Mizusawa
Atsushi Kawakatsu
Shinobu Ishihara

Executive Officers

Yasuyoshi Ueda
Shigeo Furuyoshi
Yoshiki Takeoka
Mamoru Ishida
Kazuo Ochiai
Minetoshi Marufuji
Kazuhiko Yamada
Kazuhiko Fujii
Yasuhiro Sumi
Haruhiko Maki
Fuminori Hoya
Jun Enoki
Ikuo Aoi
Katsunobu Doro
Masaaki Kimura
Riichi Nishimura

* Representative Directors (as of June 27, 2014)

FINANCIAL SECTION

FINANCIAL REVIEW

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SALES

In the fiscal year from April 1, 2013 to March 31, 2014 (FY2014), the Kaneka Group achieved an increase in sales in all of its business segments. Overall, net sales for FY2014 increased 10.1% from the previous fiscal year to ¥524,785 million. With a focus on strengthening its global business structure, overseas sales rose 22.9% year on year to ¥189,231 million and the ratio of overseas sales to total sales increased from 32.3% to 36.1%.

OPERATING EXPENSES AND OPERATING INCOME

During FY2014, the cost of sales increased by 9.0% to ¥391,987 million. Net sales rose by a higher percentage, 10.1%, and the cost of sales ratio fell from 75.5% to 74.7%. SG&A expenses increased 7.0% to ¥107,976 million, but the ratio of SG&A expenses to sales fell from 21.2% to 20.6%.

Operating income during FY2014 increased 57.0% to ¥24,822 million. By segment, operating income decreased in the Chemicals, Foodstuffs Products and Life Science Products segments, but increased in the Functional Plastics, Expandable Plastics and Products and Synthetic Fibers and Others segments. The Electronic Products segment returned to profitability.

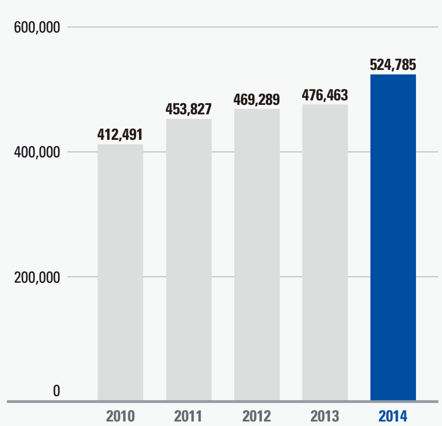
NET INCOME

For the year, the Group recorded net income of ¥13,650 million, up 46.4% from the previous fiscal year.

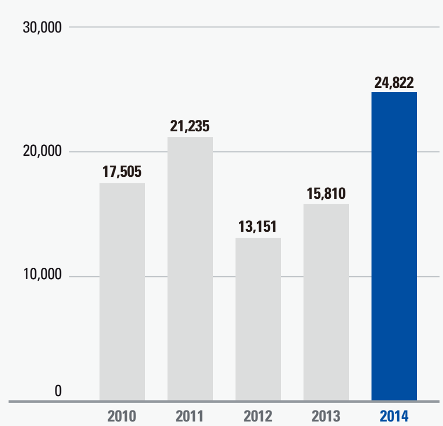
FINANCIAL CONDITION

As of March 31, 2014, total assets were ¥520,123 million, up ¥35,666 million from March 31, 2013 due to increases in property, plant and equipment and inventories. The ratio of net income to total assets (ROA) was 2.7%, up 0.7% from the previous fiscal year. Interest-bearing debt stood at ¥100,792 million, up ¥14,359 million from March 31, 2013. Net assets increased ¥14,683 million to ¥285,133 million, reflecting increases in retained earnings and foreign currency translation adjustments. As a result, the equity ratio came to 52.8%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.37.

Net Sales
(¥ Million)



Operating Income
(¥ Million)



CASH FLOWS

Cash and cash equivalents at March 31, 2014 were ¥33,804 million, ¥2,056 million more than at March 31, 2013.

Net cash provided by operating activities was ¥33,925 million, up ¥1,149 million year on year. The main contributors to the increase were income before income taxes and minority interests of ¥15,601 million and depreciation and amortization of ¥20,629 million. Major uses of cash were a ¥9,371 million increase in inventories and income taxes paid of ¥2,826 million.

Net cash used in investing activities amounted to ¥38,717 million, ¥5,779 million more than in the preceding fiscal year. The principal use of cash was ¥34,926 million for the purchase of property, plant and equipment.

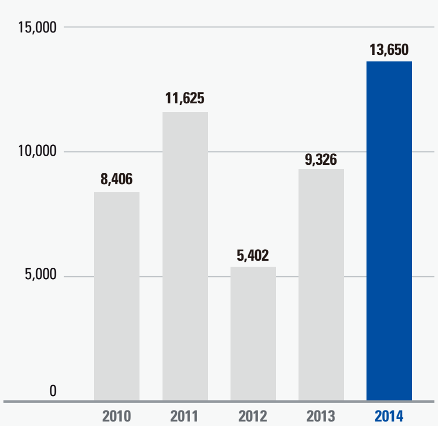
Financing activities provided net cash of ¥5,858 million, ¥2,087 million more than in the previous fiscal year. Cash was provided mainly by a net increase in loans payable. The principal use of cash was cash dividends paid of ¥5,392 million.

Financial Index Trends

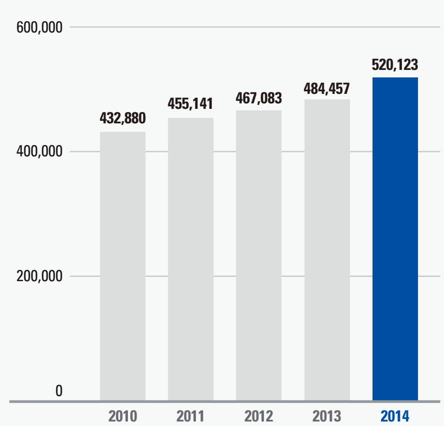
	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Shareholders' equity ratio	57.6%	55.4%	53.0%	53.8%	52.8%
Shareholders' equity ratio based on market value	47.5%	43.1%	36.0%	37.9%	40.6%
Interest-bearing debt coverage ratio	1.1	1.9	4.7	2.6	3.0
Interest coverage ratio	61.6	39.5	17.9	36.4	33.6

Shareholders' equity ratio: equity capital/total assets
Shareholders' equity ratio based on market value: total market value of stock/total assets
Interest-bearing debt coverage ratio: interest-bearing debt/cash flows
Interest coverage ratio: operating cash flows/interest expenses paid
Notes:
1. All items were calculated according to financial figures on a consolidated basis.
2. The calculation of the total market value of stock was based on the total number of shares outstanding, excluding treasury stock.
3. "Operating cash flows" refers to cash flows from operations.
4. The scope of interest-bearing debt is all liabilities in the Consolidated Balance Sheets for which interest is payable.
5. Paid interest is based on the amount of interest paid shown in the Consolidated Statements of Cash Flows.

Net Income
(¥ Million)



Total Assets
(¥ Million)



BUSINESS RISKS AND UNCERTAINTIES

Factors that may significantly affect the performance and the financial position of the Kaneka Group include those described below. Please note that the matters described are only those that we considered risks as of March 31, 2014 and that this is not an exhaustive list of risks borne by the Group.

(1) Risks related to the Group's ability to maintain operational advantages and trends in the Japanese and overseas economic environments

The Kaneka Group maintains its operational advantages by developing and commercializing high value-added products in a host of fields and consistently cultivating new markets and leveraging its ability to integrate and combine its expertise in core polymer and fermentation technologies. The Kaneka Group is working to ensure a corporate structure that is not affected by the entry of competitors into these markets, which could otherwise result in increased price competition and reduced profitability. Moreover, because the growth of generic products could cause a decrease in the demand for the Group's products and cause the Group to withdraw from or restructure certain operations, we are working to mitigate the potential effects of changes in the economic environment. However, such measures may not be sufficient to withstand a sudden downturn in the economic environment, obsolescence of the Company's technologies or an unexpected drop-off in demand for the Company's products. Such circumstances could seriously affect the Group's financial position and performance.

(2) Risks associated with the globalization of our business (fluctuations in foreign exchange rates and overseas business development)

For the Kaneka Group, globalization is a key element of its management strategy. However, overseas business operations face various risks, including unexpected changes in laws and regulations, tax systems, including transfer price taxation, and social and political disturbances resulting from terrorism or warfare. If these risks materialize, they may adversely affect the Group's performance and financial position. In addition, fluctuations in foreign exchange rates have the potential to significantly affect the Group's performance because of its revenue structure. Therefore, we employ foreign exchange forward contracts and other hedges in connection with foreign trade transactions to minimize the risk of foreign exchange rate fluctuations. However, sharp fluctuations in exchange rates beyond the coverage of hedge instruments could seriously affect the performance and financial position of the Group.

(3) Risks of price fluctuations of raw materials and fuels

Through the combination of medium- to long-term forward contracts and spot market purchases, the Kaneka Group has adopted a purchasing framework to achieve the most favorable purchasing cost for raw materials and fuels. However, since most of these commodities are subject to price fluctuations in the international market, there are still some risks involved. For example, there may be sharp fluctuations in prices which cannot be offset by cost reductions or price revisions. In particular, price fluctuations in petrochemical materials, fuels and edible oils and fats affect the production of PVC/caustic soda, modifier, expandable plastics and products and foodstuffs could significantly impact the Group's financial position and performance.

(4) Risks associated with product liability, industrial accidents and large scale disasters

The Kaneka Group implements comprehensive strategies to ensure the safe distribution of products that are safe to use. We maintain liability insurance covering the whole Group in the event of a product related accident. However, the possibility remains that unexpected problems with product quality could cause a large-scale product related accident. Moreover, despite our best efforts to ensure safety and prevent accidents by placing the highest priority on safety, risks remain. A major disaster such as an industrial accident or an earthquake could destroy manufacturing facilities and result in losses beyond the coverage of property insurance. In such circumstances, it is possible that the Group's financial position and performance could be significantly affected.

(5) Risks associated with the protection of intellectual property rights

To maintain its business advantages, the Kaneka Group attaches strategic importance to the protection of its patents on newly developed technologies. However, with globalization and the development of IT technologies, it is not possible for us to completely avoid the risk of external leaks of our proprietary technologies and expertise. Nor is it possible to avoid all disputes with other parties in connection with the conveyance of our intellectual property rights to others or our use of other companies' intellectual property. In such circumstances, it is possible that the Group's competitiveness could be undermined and its financial position and performance significantly affected.

(6) Impact of environment related regulations

To minimize the impact of its business activities on the global environment and the world's ecosystem, the Kaneka Group puts forth its best efforts to reduce its environmental footprint and to save resources and energy throughout the life cycle of its products. Nevertheless, environmental regulations are tightened every year, and depending on the nature of the regulations, expenses may be incurred in connection with the manufacture, storage and disposal of products that could significantly impact the Group's financial position and performance.

(7) Risks associated with legal action

The Group attaches great importance to compliance management regarding the observance of social rules, including the laws and regulations of the societies in which it conducts business. There are risks, however, of the Group becoming the subject of litigation or administrative measures in connection with operations in Japan or abroad. If a significant action is filed against the Group, it is possible that the Group's financial position and performance could be significantly affected.

(8) Other risks

To promote long-term business relationships, the Kaneka Group holds shares in its business partners and certain financial institutions. In the event that the market value of these shares decreased significantly at the end of the fiscal year, the Group could be required to report impairment loss pursuant to the application of the Accounting Standard for Financial Instruments. With regard to fixed assets, a substantial worsening in the operating environment could cause further decline in the market value of idle land held by the Group. Consequently, the Group could be required to report impairment loss pursuant to the application of the Accounting Standard for Impairment of Fixed Assets.

For retirement benefit obligations and retirement benefit expenses, actuarial calculations are used each year to determine the discount rate and other core ratios, incorporating the expected rate of investment return on core assets. However, a downturn in the discount rate or a decrease in investment yields on pension assets could affect the Kaneka Group's financial position and performance. Moreover, deferred tax assets are posted against future temporary differences with the assumption that they can be recovered by offsetting future taxable income. However, if future taxable income differs from expectations, the liquidation of deferred tax assets could affect the Group's financial position and performance. The Group's financial position and performance could also be significantly affected by factors such as fluctuations in the markets for its products, changes in laws and regulations, delays in research and development and technical innovations.

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2014**	2013	**2014**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 33,804**	¥ 31,748	**$ 328,449**
Notes and accounts receivable—trade (Note 4)			
Unconsolidated subsidiaries and affiliates	**532**	806	**5,169**
Other	**118,213**	115,900	**1,148,591**
Inventories (Note 7)	**88,416**	80,280	**859,075**
Short-term loans receivable from unconsolidated subsidiaries and affiliates	**547**	398	**5,315**
Deferred tax assets (Note 10)	**7,085**	5,076	**68,840**
Other current assets	**7,932**	8,773	**77,070**
Allowance for doubtful accounts (Note 4)	**(89)**	(111)	**(865)**
Total current assets	**256,440**	242,870	**2,491,644**
Property, plant and equipment (Note 11)**:**			
Land	**28,670**	28,987	**278,566**
Buildings and structures	**162,912**	156,134	**1,582,899**
Machinery, equipment and vehicles	**504,455**	480,878	**4,901,428**
Construction in progress	**18,291**	17,902	**177,721**
Other	**4,771**	4,661	**46,356**
	719,099	688,562	**6,986,970**
Less accumulated depreciation	**534,855**	519,015	**5,196,803**
Property, plant and equipment, net	**184,244**	169,547	**1,790,167**
Intangible assets (Note 11)**:**	**12,113**	8,604	**117,693**
Investments and other assets:			
Investment securities (Notes 4, 5 and 11):			
Unconsolidated subsidiaries and affiliates	**5,968**	6,204	**57,987**
Other	**42,838**	41,445	**416,226**
Long-term loans receivable (Note 4)	**1,303**	1,441	**12,660**
Net defined benefit asset (Note 12)	**950**	—	**9,230**
Deferred tax assets (Note 10)	**7,039**	3,356	**68,393**
Other	**9,453**	11,216	**91,849**
Allowance for doubtful accounts (Note 4)	**(225)**	(226)	**(2,186)**
Total investments and other assets	**67,326**	63,436	**654,159**
	¥ 520,123	¥ 484,457	**$ 5,053,663**

See accompanying notes.

Liabilities and net assets	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Short-term loans payable (Notes 4 and 11)	¥ 44,572	¥ 39,451	$ 433,074
Current portion of long-term loans payable (Notes 4 and 11)	10,038	8,776	97,532
Notes and accounts payable (Note 4):			
Trade	66,462	64,239	645,764
Construction	7,577	5,737	73,620
Other	16,449	16,344	159,823
Income taxes payable	3,841	1,622	37,320
Accrued expenses	10,159	9,238	98,708
Other current liabilities	3,096	3,721	30,082
Total current liabilities	162,194	149,128	1,575,923
Noncurrent liabilities:			
Bonds payable (Notes 4 and 11)	10,000	15,000	97,163
Long-term loans payable (Notes 4 and 11)	38,445	25,443	373,542
Provision for retirement benefits (Note 12)	—	19,497	—
Net defined benefit liability (Note 12)	21,363	—	207,569
Provision for directors' retirement benefits	248	323	2,410
Deferred tax liabilities (Note 10)	530	874	5,150
Other noncurrent liabilities	2,210	3,742	21,473
Total noncurrent liabilities	72,796	64,879	707,307
Contingent liabilities (Note 13)			
Net assets (Note 14):			
Shareholders' equity:			
Capital stock			
Authorized—750,000,000 shares Issued —350,000,000 shares	33,047	33,047	321,094
Capital surplus	34,837	34,837	338,486
Retained earnings	209,450	200,987	2,035,076
Less treasury stock, at cost—13,034,982 shares in 2014 13,049,280 shares in 2013	(10,521)	(10,548)	(102,225)
Total shareholders' equity	266,813	258,323	2,592,431
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	10,535	8,262	102,361
Foreign currency translation adjustments	353	(5,990)	3,430
Remeasurements of defined benefit plans	(3,293)	—	(31,996)
Total accumulated other comprehensive income	7,595	2,272	73,795
Subscription rights to shares (Note 15)	139	159	1,351
Minority interests	10,586	9,696	102,856
Total net assets	285,133	270,450	2,770,433
	¥ 520,123	¥ 484,457	$ 5,053,663

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Net sales	¥ 524,785	¥ 476,463	¥ 469,289	$ 5,098,960
Cost of sales	391,987	359,734	359,545	3,808,657
Gross profit	132,798	116,729	109,744	1,290,303
Selling, general and administrative expenses	107,976	100,919	96,593	1,049,125
Operating income	24,822	15,810	13,151	241,178
Other income (expenses):				
Interest and dividends income	1,895	1,145	1,639	18,412
Interest expenses	(1,013)	(891)	(886)	(9,843)
Gain on sales of investment securities	783	356	2,991	7,608
Loss on sales of property, plant and equipment, net	(331)	—	(71)	(3,216)
Loss on disposals of property, plant and equipment	(1,800)	(1,401)	(1,157)	(17,489)
Foreign exchange gains, net	1,842	2,072	888	17,897
Equity in earnings of affiliates, net	335	56	384	3,255
Amortization of negative goodwill	338	348	236	3,284
Compensation expenses	—	(1,012)	(637)	—
Litigation expenses	(1,275)	(680)	(1,830)	(12,388)
Retirement benefit expenses (Notes 8 and 12)	(363)	—	—	(3,527)
Restructuring charges (Note 9)	(9,121)	—	—	(88,622)
Business structure improvement expenses	—	—	(2,345)	—
Other, net	(511)	(873)	(1,010)	(4,965)
Income before income taxes and minority interests	15,601	14,930	11,353	151,584
Income taxes (Note 10)				
Current	6,062	3,076	5,094	58,900
Deferred	(4,711)	2,377	381	(45,773)
Minority interests	600	151	476	5,830
Net income	¥ 13,650	¥ 9,326	¥ 5,402	$ 132,627

	Yen			U.S. dollars (Note 1)
Net income per share—basic	¥ 40.50	¥ 27.68	¥ 15.96	$ 0.39
Net income per share—diluted	40.47	27.65	15.95	0.39
Cash dividends applicable to the year	16.00	16.00	16.00	0.16

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Income before minority interests	**¥ 14,250**	¥ 9,477	¥ 5,878	**$ 138,457**
Other comprehensive income				
Valuation difference on available-for-sale securities	**2,307**	3,614	(2,033)	**22,415**
Foreign currency translation adjustment	**6,632**	6,008	(1,781)	**64,438**
Share of other comprehensive income of associates accounted for using equity method	**16**	21	(3)	**156**
Total other comprehensive income (Note 3)	**8,955**	9,643	(3,817)	**87,009**
Comprehensive income	**¥ 23,205**	¥ 19,120	¥ 2,061	**$ 225,466**
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	**¥ 22,267**	¥ 18,774	¥ 1,697	**$ 216,353**
Comprehensive income attributable to minority interests	**938**	346	364	**9,113**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,047	¥ 33,047	¥ 33,047	$ 321,094
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	33,047	33,047	33,047	321,094
Capital surplus				
Balance at beginning of year	34,837	34,837	34,837	338,486
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	34,837	34,837	34,837	338,486
Retained earnings				
Balance at beginning of year	200,987	197,373	197,463	1,952,847
Changes of items during the period				
Dividends from surplus—¥16.00 per share	(5,392)	(5,392)	(5,423)	(52,390)
Change of scope of consolidation	201	(271)	—	1,953
Net income	13,650	9,326	5,402	132,627
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	32	(44)	(56)	311
Disposal of treasury stock	(28)	(5)	(13)	(272)
Total changes of items during the period	8,463	3,614	(90)	82,229
Balance at the end of current period	209,450	200,987	197,373	2,035,076
Treasury stock				
Balance at beginning of year	(10,548)	(10,553)	(9,760)	(102,487)
Changes of items during the period				
Purchase of treasury stock	(60)	(6)	(836)	(583)
Disposal of treasury stock	87	11	43	845
Total changes of items during the period	27	5	(793)	262
Balance at the end of current period	(10,521)	(10,548)	(10,553)	(102,225)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	8,262	4,664	6,677	80,276
Changes of items during the period				
Net changes of items other than shareholders' equity	2,273	3,598	(2,013)	22,085
Total changes of items during the period	2,273	3,598	(2,013)	22,085
Balance at the end of current period	10,535	8,262	4,664	102,361
Foreign currency translation adjustment				
Balance at beginning of year	(5,990)	(11,841)	(10,149)	(58,201)
Changes of items during the period				
Net changes of items other than shareholders' equity	6,343	5,851	(1,692)	61,631
Total changes of items during the period	6,343	5,851	(1,692)	61,631
Balance at the end of current period	353	(5,990)	(11,841)	3,430
Remeasurements of defined benefit plans				
Balance at beginning of year	—	—	—	—
Changes of items during the period				
Net changes of items other than shareholders' equity	(3,293)	—	—	(31,996)
Total changes of items during the period	(3,293)	—	—	(31,996)
Balance at the end of current period	(3,293)	—	—	(31,996)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Subscription rights to shares				
Balance at beginning of year	**159**	137	127	**1,545**
Changes of items during the period				
Net changes of items other than shareholders' equity	**(20)**	22	10	**(194)**
Total changes of items during the period	**(20)**	22	10	**(194)**
Balance at the end of current period	**139**	159	137	**1,351**
Minority interests				
Balance at beginning of year	**9,696**	9,797	9,587	**94,209**
Changes of items during the period				
Net changes of items other than shareholders' equity	**890**	(101)	210	**8,647**
Total changes of items during the period	**890**	(101)	210	**8,647**
Balance at the end of current period	**10,586**	9,696	9,797	**102,856**
Total net assets				
Balance at beginning of year	**270,450**	257,461	261,829	**2,627,769**
Changes of items during the period				
Dividends from surplus—¥16.00 per share	**(5,392)**	(5,392)	(5,423)	**(52,390)**
Change of scope of consolidation	**201**	(271)	—	**1,953**
Net income	**13,650**	9,326	5,402	**132,627**
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	**32**	(44)	(56)	**311**
Purchase of treasury stock	**(60)**	(6)	(836)	**(583)**
Disposal of treasury stock	**59**	6	30	**573**
Net changes of items other than shareholders' equity	**6,193**	9,370	(3,485)	**60,173**
Total changes of items during the period	**14,683**	12,989	(4,368)	**142,664**
Balance at the end of current period	**¥ 285,133**	¥ 270,450	¥ 257,461	**$ 2,770,433**

CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Net cash provided by operating activities				
Income before income taxes and minority interests	¥ 15,601	¥ 14,930	¥ 11,353	$ 151,584
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	20,629	29,170	29,594	200,437
Restructuring charges	9,121	—	—	88,622
Increase (decrease) in provision for retirement benefits	(19,654)	259	(290)	(190,964)
Increase (decrease) in net defined benefit liability	20,389	—	—	198,105
Decrease (increase) in net defined benefit asset	(4,972)	—	—	(48,309)
Increase (decrease) in allowance for doubtful accounts	(26)	(356)	(272)	(253)
Interest and dividends income	(1,895)	(1,145)	(1,639)	(18,412)
Interest expenses	1,013	891	886	9,843
Loss on disposal of property, plant and equipment	1,706	768	1,006	16,576
Gain on sales of investment securities	(728)	(278)	(2,940)	(7,073)
Equity in earnings of affiliates, net	(335)	(56)	(384)	(3,255)
Decrease (increase) in notes and accounts receivable—trade	173	3,495	(15,024)	1,681
Decrease (increase) in inventories	(9,371)	(3,547)	(9,066)	(91,051)
Increase (decrease) in notes and accounts payable—trade	1,227	(1,152)	3,935	11,922
Others	2,915	(5,357)	4,602	28,322
Subtotal	35,793	37,622	21,761	347,775
Interest and dividends income received	1,968	1,202	1,715	19,122
Interest expenses paid	(1,010)	(900)	(883)	(9,814)
Income taxes paid	(2,826)	(5,148)	(6,751)	(27,458)
Net cash provided by operating activities	33,925	32,776	15,842	329,625
Net cash used in investing activities				
Purchase of property, plant and equipment	(34,926)	(31,783)	(30,643)	(339,351)
Proceeds from sales of property, plant and equipment	538	614	930	5,227
Purchase of intangible assets	(2,712)	(2,159)	(1,489)	(26,351)
Purchase of investment securities	(79)	(295)	(202)	(768)
Proceeds from sales and distributions of investment securities	1,823	624	4,032	17,713
Purchase of stocks of subsidiaries and affiliates	(1,058)	(112)	(944)	(10,280)
Proceeds from sales of stocks of subsidiaries and affiliates	—	—	175	—
Payments for transfer of business	(697)	—	—	(6,772)
Payments of loans receivable	(765)	(793)	(496)	(7,433)
Collection of loans receivable	758	1,050	392	7,365
Others	(1,599)	(84)	187	(15,535)
Net cash used in investing activities	(38,717)	(32,938)	(28,058)	(376,185)
Net cash provided by financing activities				
Net increase (decrease) in short-term loans payable	4,184	8,007	10,440	40,653
Proceeds from long-term loans payable	17,083	9,325	5,647	165,983
Repayment of long-term loans payable	(9,707)	(7,449)	(2,108)	(94,316)
Redemption of bonds payable	—	—	(5,149)	—
Repayments of lease obligations	(333)	(414)	(421)	(3,236)
Proceeds from share issuance to minority shareholders	225	—	—	2,186
Cash dividends paid	(5,392)	(5,391)	(5,423)	(52,390)
Cash dividends paid to minority shareholders	(143)	(302)	(124)	(1,389)
Purchase of treasury stock	(60)	(6)	(836)	(583)
Proceeds from sales of treasury stock	1	1	1	10
Net cash provided by financing activities	5,858	3,771	2,027	56,918
Effect of exchange rate change on cash and cash equivalents	815	713	369	7,918
Net increase (decrease) in cash and cash equivalents	1,881	4,322	(9,820)	18,276
Cash and cash equivalents at beginning of period	31,748	27,158	36,978	308,473
Increase in cash and cash equivalents resulting from change of scope of consolidation	175	268	—	1,700
Cash and cash equivalents at end of period	¥ 33,804	¥ 31,748	¥ 27,158	$ 328,449

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kaneka Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations and accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accounts of major consolidated overseas subsidiaries after the year ended March 31, 2009 were prepared for consolidation purposes in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified items as applicable in compliance with ASBJ Practical Solution No. 18, "Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements," May 17, 2006.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2014 which was ¥102.92 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control (together, the "Companies"). Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method, except for insignificant investments which are recorded at cost.

The Company has 60 consolidated subsidiaries (59 in FY2013 and 65 in FY2012) and 3 affiliates accounted for by the equity method (3 in FY2013 and 3 in FY2012). For the year ended March 31, 2014, the accounts of 5 consolidated subsidiaries were included based on a fiscal year that ended on December 31. When significant transactions occur at those subsidiaries between their fiscal year end and that of the Company, the transactions are included in consolidation. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Securities

The Companies hold equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available fair value are stated at moving average cost.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories

Inventories are principally valued at cost as determined by the average cost method. If the profitability of the inventories decreases, the book value is reduced accordingly.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment loss are deducted from acquisition costs. Depreciation is computed over the estimated useful life of the asset by the straight-line method. Repairs, maintenance and minor renewals are charged to expenses as incurred. Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life as measured by the lease term of the respective asset.

Goodwill

Goodwill, except for minor goodwill, is amortized by the straight-line method within twenty years. Minor goodwill is expensed as incurred.

Liability (asset) for retirement benefits

The Company has an unfunded lump-sum benefit plan generally covering all employees. Under the terms of the plan, eligible employees are entitled upon mandatory retirement at age 60 or earlier voluntary termination to a lump-sum severance payment based on compensation at the time of severance and years of service.

In addition to the unfunded lump-sum plan, the Company participates in a noncontributory funded pension plan, which covers substantially all employees. Consolidated domestic subsidiaries have similar lump-sum benefit plans and pension plans. Certain overseas consolidated subsidiaries have defined contribution plans.

The Companies provide employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets. Prior service costs are recognized as expense using the straight-line method over 5 years, a term within the average of the estimated remaining service years of the current employees. Actuarial gains and losses are recognized using the straight-line method over 10 years, a term also within the average of the estimated remaining service years of employees, commencing with the following period.

Provision for directors' retirement benefits

Directors and statutory auditors terminating their service with certain consolidated domestic subsidiaries are entitled to receive retirement benefits based on compensation and years of service, subject to the approval of shareholders. Certain consolidated domestic subsidiaries accrue the liability for their plans in amounts sufficient to provide for benefits arising from services performed through the balance sheet date.

Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses for the years ended March 31, 2014, 2013 and 2012 were ¥21,096 million ($204,975 thousand), ¥21,385 million and ¥19,959 million, respectively.

Income taxes

The tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized as deferred income taxes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Net income per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Application of consolidated taxation system

Effective from the year ended March 31, 2013, the Company and certain domestic consolidated subsidiaries apply a consolidated taxation system.

Changes in accounting policies

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The depreciation method used for property, plant and equipment, excluding some categories, for the Company, consolidated domestic subsidiaries and some consolidated overseas subsidiaries, was changed from the declining balance method to the straight-line method starting from the fiscal year ended March 31, 2014.

The Kaneka Group is striving to globalize in accordance with its targets for fiscal 2020 set forth in its long-term management vision, "Declaration of Kaneka United for the future," formulated by the Company in 2009. From this fiscal year onward, the Company will begin making significant foreign investments mainly to establish new manufacturing and marketing bases overseas and to bolster manufacturing capacity. Kaneka has decided to unify the Group's methods for calculating depreciation under the straight-line method. Depreciation of the Group's property, plant and equipment is commensurate with the straight-line method given that those assets can all be used over a relative long term and because economic realities conform with that method. Moreover, unification under this method will enhance the Company's ability to make decisions regarding asset distribution by enabling it to compare costs among Group companies. It will also make it easier to compare the Kaneka Group's earnings performance against other multinational companies. Overall, the Kaneka Group sees this change in depreciation method as a step toward the globalization of the Kaneka Group.

As a result of this change, in comparison with the former calculation method, Kaneka's operating income, income before income taxes and minority interests for the fiscal year ended March 31, 2014 increased by ¥8,368 million.

(Application of Accounting Standard for Retirement Benefits)

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries are applying the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")), except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and actuarial gains and losses and past service costs that had yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets have been recognized as a liability for retirement benefits.

In accordance with Article 37 of the Statement No. 26, the effect of the change in accounting policies arising from the initial application has been recognized in accumulated adjustments for retirement benefits in accumulated other comprehensive income.

As a result of the application, net defined benefit liability in the amount of ¥21,363 million and net defined benefit asset in the amount of ¥950 million have been recognized and accumulated other comprehensive income has decreased by ¥3,293 million at the end of the current fiscal year.

New accounting pronouncements

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits." Major changes brought by the new standard to improve financial reporting and create more uniform international standards include the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs and the calculation methods for retirement benefit obligations and current service costs. Amendments related to the calculation methods for retirement benefit obligations and current service costs are scheduled to take effect from the beginning of the year ended March 31, 2015. The impact of the revision on consolidated financial statements is currently being evaluated.

On September 13, 2013, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 21, "Accounting Standard for Business Combinations," ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," ASBJ Statement No. 2, "Accounting Standard for Earnings per Share," ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" and ASBJ Guidance No. 4, "Guidance on Accounting Standard for Earnings per Share." These Accounting Standards and Guidance contain amendments to the accounting treatment for:

(1) Changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary through the acquisition of additional shares,
(2) Acquisition related costs,
(3) Presentation method for net income and reclassification of "minority interests" to "non-controlling interests," and
(4) Transitional provisions for accounting treatment.

The revised Accounting Standards and Guidance are scheduled to take effect from the end of the year ended March 31, 2016. The transitional provisions for accounting treatment are scheduled to take effect for business combinations performed on or after the beginning of the year ended March 31, 2016. The impact of the revision on consolidated financial statements is currently being evaluated.

3. COMPREHENSIVE INCOME

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

			Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Valuation difference on available-for-sale securities				
Decrease during the year	**¥ 3,475**	¥ 5,927	¥ (1,208)	**$ 33,764**
Reclassification adjustments	**(625)**	(321)	(2,844)	**(6,073)**
Subtotal, before tax	**2,850**	5,606	(4,052)	**27,691**
Tax expense	**543**	1,992	(2,019)	**5,276**
Subtotal, net of tax	**2,307**	3,614	(2,033)	**22,415**
Foreign currency translation adjustments				
Decrease during the year	**6,632**	6,008	(1,764)	**64,438**
Reclassification adjustments	**—**	—	(17)	**—**
Subtotal, before tax	**6,632**	6,008	(1,781)	**64,438**
Tax expense	**—**	—	—	**—**
Subtotal, net of tax	**6,632**	6,008	(1,781)	**64,438**
Share of other comprehensive income of associates accounted for using equity method				
Decrease during the year	**25**	21	(4)	**243**
Reclassification adjustments	**(9)**	—	1	**(87)**
Subtotal, net of tax	**16**	21	(3)	**156**
Total other comprehensive income	**¥ 8,955**	¥ 9,643	¥ (3,817)	**$ 87,009**

4. FINANCIAL INSTRUMENTS

1. Matters regarding financial instruments

(1) Policy for handling financial instruments

The Companies procure funds necessary for the manufacturing and sales business primarily through borrowings from financial institutions or by issuing corporate bonds based upon the plan and budget for capital investments. In principle, temporary surplus funds are centralized by the Cash Management System (CMS) and invested in highly safe financial assets. In addition, the Companies procure short-term operating capital from financial institutions. Derivative transactions are used to hedge against risks described below, but never for speculative purposes.

(2) Description of financial instruments and inherent risks

Notes and accounts receivable—trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies generated from global business operations are exposed to foreign exchange fluctuation risk. Marketable securities and investment securities, primarily shares of companies with which the Companies maintain business relations, are exposed to the risk of market price fluctuations.

Notes and accounts payable, which are operating payables, are basically settled in the short-term with a deadline set within a year. Operating payables include payables denominated in foreign currencies for importing materials and are exposed to foreign exchange fluctuation risk. However, they remain within the range of the balance of operating receivables denominated in the same foreign currencies. Short-term borrowings are primarily for procuring operating capital and long-term debt, and bonds are issued to obtain necessary funds mainly for capital expenditures. A portion of the long-term debt is exposed to interest rate fluctuation risk, but the effect is limited.

Derivative transactions such as foreign exchange forward contracts, currency options, currency swaps and interest rate swaps are used to hedge against the foreign currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies, investment assets, loans receivable, etc. Since all derivative transactions correspond to assets and liabilities on the balance sheets, foreign exchange fluctuation risk is hedged and the fluctuation risk of market interest rates is rendered insignificant.

(3) Risk management system related to financial instruments

(a) Credit risk management (risk pertaining to breach of contract on the part of business partners)

The Company aims to mitigate credit risk by quickly identifying any concerns about the collection of operating receivables resulting from the deterioration of a business partner's financial position or other factors. Also, each business division periodically reviews the status of our main business partners and regularly monitors deadlines, balances and credit status for each partner. The consolidated subsidiaries also manage operating receivables in accordance with the practices of the Company.

As for debt securities, the credit risk is insignificant since the Company only handles those with high ratings or issued by companies with existing business relations with the Company and whose creditability is verifiable. Further, the Company periodically verifies the financial position of issuers to mitigate risk. Since the counterparties to the derivative transactions are highly creditworthy financial institutions, the Company considers the risk of their breach of contract as almost nil.

The maximum credit risk exposure of financial assets is represented by their carrying amounts on the balance sheet as of March 31, 2014.

(b) Market risk management (foreign exchange and interest rate fluctuation risk)

The Company and some consolidated subsidiaries identify foreign exchange fluctuation risk associated with operating receivables and payables denominated in foreign currencies by currency and by month. Such risk is hedged by using foreign exchange forward contracts, principally up to the amounts to be settled after netting operating payables denominated in foreign currencies. Note that the Company defines the monthly execution limit and the operating standard based upon its Procedures for Foreign Exchange Management and enters into foreign exchange forward contracts within the scope provided by the procedures. Also, the Companies utilize interest rate swaps mainly to reduce procurement costs.

For marketable securities and investment securities, the Company periodically identifies fair values and the financial positions of the issuers (business partner companies). For securities other than held-to-maturity bonds, the Company continuously revises the holding status taking into consideration the business relationship with the business partner companies.

The Financial Department of the Company executes derivative transactions based upon its Transaction Regulations for Derivative Financial Products, which defines the basic policy, the scope of operations, the personnel responsible for execution, the basis for decision making and the management system. Consolidated subsidiaries enter into derivative transactions based upon resolutions passed by their respective bodies upon the Company's approval. The Company ensures an effective internal checking system by segregating the execution function from the monitoring and managing function. Also, the Director of the Company's Financial Department performs evaluations for hedge effectiveness of all derivative transactions entered into by the Companies and reports the results together with a description of the underlying assets and liabilities to the President and the CFO on a monthly basis and periodically to the Board of Directors.

(c) Liquidity risk management relating to fund procurement (risk of non-execution of payments by deadlines)

The Company manages liquidity risk by timely preparing and updating cash flow plans by the Financial Department and by maintaining a liquidity facility, which is the sum of liquidity on hand and commitment lines, in the approximate amount of one month's consolidated net sales. In addition, the Companies mitigate liquidity risk in principle by centralizing the Companies' funds using CMS. Accordingly, the Companies consider that no significant liquidity risk exists.

(4) Supplementary explanation for matters regarding fair value of financial instruments

The fair value of financial instruments is based on market price. If a market price is not available, another valuation method is used. Such methods include variable factors and assumptions, and the results of a valuation may differ depending on which factors and assumptions are used.

The contract amounts related to the derivative transactions shown in "Derivative Transactions" do not indicate the market risks associated with the derivative transactions themselves.

2. Matters regarding the fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2014 (the consolidated accounts settlement date of the year ending March 31, 2014), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 33,804	¥ 33,804	¥ —
(2) Notes and accounts receivable—trade	118,745	118,745	—
(3) Marketable and investment securities			
Available-for-sale securities	38,504	38,115	(389)
(4) Long-term loans receivable	1,303		
Allowance for doubtful receivables (*1)	(0)		
	1,303	1,240	(63)
Total assets	192,356	191,904	(452)
(1) Notes and accounts payable—trade	66,462	66,462	—
(2) Short-term loans payable	49,610	49,610	—
(3) Accounts payable—other	23,902	23,902	—
(4) Bonds payable	15,000	15,718	718
(5) Long-term loans payable	38,445	37,804	(641)
Total liabilities	193,419	193,496	77
Derivative transactions (*2)			
– Hedge accounting applied	—	—	—
– Hedge accounting not applied	(63)	(63)	—

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2013 (the consolidated accounts settlement date for the year ending March 31, 2013), their fair values and any differences between the balance sheet amounts and the fair values. Financial instruments whose fair values were deemed extremely difficult to assess were not included (see Note 2).

Millions of yen

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	¥ 31,748	¥ 31,748	¥ —
(2) Notes and accounts receivable—trade	116,705	116,705	—
(3) Marketable and investment securities			
Available-for-sale securities	36,813	36,445	(368)
Long-term loans receivable	1,441		
Allowance for doubtful receivables (*1)	(0)		
	1,441	1,369	(72)
Total assets	186,707	186,267	(440)
(1) Notes and accounts payable—trade	64,239	64,239	—
(2) Short-term loans payable	48,227	48,227	—
(3) Accounts payable—other	21,948	21,948	—
(4) Bonds payable	15,000	15,835	835
(5) Long-term loans payable	25,443	25,399	(44)
Total liabilities	174,857	175,648	791
Derivative transactions (*2)			
– Hedge accounting applied	—	—	—
– Hedge accounting not applied	(34)	(34)	—

(*1) The amount of allowance for doubtful accounts, which is recorded for each long-term loan receivable, is excluded.

(*2) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

The table below shows the amounts as of March 31, 2014 calculated into U.S. dollars.

Thousands of U.S. dollars (Note 1)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and cash equivalents	$ 328,449	$ 328,449	$ —
(2) Notes and accounts receivable—trade	1,153,760	1,153,760	—
(3) Marketable and investment securities			
Available-for-sale securities	374,116	370,336	(3,780)
(4) Long-term loans receivable	12,660		
Allowance for doubtful receivables (*1)	(0)		
	12,660	12,048	(612)
Total assets	1,868,985	1,864,593	(4,392)
(1) Notes and accounts payable—trade	645,764	645,764	—
(2) Short-term loans payable	482,025	482,025	—
(3) Accounts payable—other	232,239	232,239	—
(4) Bonds payable	145,744	152,721	6,977
(5) Long-term loans payable	373,542	367,314	(6,228)
Total liabilities	1,879,314	1,880,063	749
Derivative transactions (*2)			
– Hedge accounting applied	—	—	—
– Hedge accounting not applied	(612)	(612)	—

Note 1.
Matters regarding the determination of fair value for financial instruments, marketable securities and derivative transactions

Assets

(1) Cash and cash equivalents
The fair value of time deposits approximates book value because of their short-term nature. Thus, the book value is used as the fair value.

(2) Notes and accounts receivable—trade
The fair value of notes and accounts receivable—trade settled in a short period of time approximates book value. Therefore, the book value is used as the fair value. The fair value of long-term notes and accounts receivable—trade is based on the present value calculated by discounting receivable amounts classified by certain periods at a rate that takes into account the time to maturity and credit risk.

(3) Marketable and investment securities
The fair value of equity securities is measured by market prices on exchanges. The fair value of debt securities is based on market prices on exchanges or by prices obtained from financial institutions. Debt securities without available market prices are measured at present value by discounting future cash flows generated by the financial assets. Refer to "Securities" for matters regarding securities classified by the purpose for which they are held.

(4) Long-term loans receivable
The fair value of long-term loans receivable is measured at the present value of future cash flows classified by the length of term and by risk category, according to the Company's credit risk management at a rate with credit spread added to appropriate indices such as JGB yields. The fair value of borrowings with special concern is measured at the amounts deemed collectable because of the existence of collateral and/or guarantees.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Accounts payable—other
The fair value of notes and accounts payable—trade, short-term loans payable and accounts payable—other approximate book value because they are mostly settled in a short period of time. As a result, the book value is used as the fair value. When it cannot be determined whether or not the settlement is made in a short period of time, the fair value is measured at the present value of future cash flows classified by a certain period at a rate that takes into account the time to maturity and credit risk.

(4) Bonds payable
The fair value of bonds payable issued by the Company is measured based on the market price.

(5) Long-term loans payable
The fair value of long-term loans payable is measured at the present value calculated by discounting the total amount of principal and interest at an interest rate for similar new borrowings.

Derivative transactions

Refer to Note 6, "Derivative financial instruments and hedging transactions."

Note 2.

Financial instruments whose fair values are deemed extremely difficult to assess

Type	Consolidated balance sheet amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unlisted equity securities	¥ 9,933	¥ 10,049	$ 96,512

The financial instruments shown above are not included in the tables in "(3) Marketable securities and investment securities" because their market prices were not available and their fair values were deemed extremely difficult to assess.

Note 3.

Redemption schedules after the consolidated balance sheet date for monetary receivables and securities with maturity dates

	Millions of yen			
	2014			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 33,804	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	118,745	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates	—	—	—	—
Long-term loans receivable	39	318	469	477
Total	¥ 152,588	¥ 318	¥ 469	¥ 477

	Millions of yen			
	2013			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 31,748	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	116,705	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates	—	—	—	—
Long-term loans receivable	52	431	390	568
Total	¥ 148,505	¥ 431	¥ 390	¥ 568

	Thousands of U.S. dollars (Note 1)			
	2014			
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	$ 328,449	$ —	$ —	$ —
Notes and accounts receivable—trade	1,153,760	—	—	—
Marketable and investment securities				
Available-for-sale securities with maturity dates	—	—	—	—
Long-term loans receivable	379	3,090	4,557	4,634
Total	$ 1,482,588	$ 3,090	$ 4,557	$ 4,634

Note 4.

Maturity schedules after the consolidated balance sheet date for bonds and long-term debt

Refer to Note 11, "Short-term loans payable and long-term debt."

5. SECURITIES

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2014:

Securities with book value exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2014			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 16,399	¥ 32,980	¥ 16,581	$ 159,337	$ 320,443	$ 161,106
Bonds	—	—	—	—	—	—
	¥ 16,399	¥ 32,980	¥ 16,581	$ 159,337	$ 320,443	$ 161,106

Securities with book value not exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2014			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 3,989	¥ 3,313	¥ (676)	$ 38,758	$ 32,190	$ (6,568)
Bonds	—	—	—	—	—	—
	¥ 3,989	¥ 3,313	¥ (676)	$ 38,758	$ 32,190	$ (6,568)

The following table summarizes sales of available-for-sale securities as of March 31, 2014:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2014			2014		
	Sales	Gain on sales	Loss on sales	Sales	Gain on sales	Loss on sales
Equity securities	¥ 2,060	¥ 783	¥ (25)	$ 20,016	$ 7,608	$ (243)
Bonds	—	—	—	—	—	—
	¥ 2,060	¥ 783	¥ (25)	$ 20,016	$ 7,608	$ (243)

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2013:

Securities with book value exceeding acquisition cost:

	Millions of yen		
	2013		
	Acquisition cost	Book value	Difference
Equity securities	¥ 14,544	¥ 28,378	¥ 13,834
Bonds	—	—	—
	¥ 14,544	¥ 28,378	¥ 13,834

Securities with book value not exceeding acquisition cost:

	Millions of yen		
	2013		
	Acquisition cost	Book value	Difference
Equity securities	¥ 7,053	¥ 6,334	¥ (719)
Bonds	—	—	—
	¥ 7,053	¥ 6,334	¥ (719)

The following table summarizes sales of available-for-sale securities as of March 31, 2013:

	Millions of yen		
	2013		
	Sales	Gain on sales	Loss on sales
Equity securities	¥ 451	¥ 390	¥ (69)
Bonds	—	—	—
	¥ 451	¥ 390	¥ (69)

6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedge accounting was not applied as of March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Foreign currency forward exchange contracts				
Writing U.S. dollar	¥ 1,332	¥ 1,337	$ 12,942	$ 12,991
Writing pound sterling	240	240	2,332	2,332
Currency swaps	2,190	(46)	21,279	(447)

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay fixed and receive floating	¥ 2,058	¥ (12)	$ 19,996	$ (117)

Derivative transactions to which hedge accounting was applied as of March 31, 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps				
Pay floating and receive fixed	¥ 3,000	(*)	$ 29,149	(*)
Pay fixed and receive floating	97	(*)	942	(*)

Derivative transactions to which hedge accounting was not applied as of March 31, 2013 were as follows:

	Millions of yen	
	Contract amount	Fair value
Foreign currency forward exchange contracts		
Writing U.S. dollar	¥ 1,118	¥ 1,128
Writing pound sterling	259	254
Currency swaps	1,743	(18)

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay fixed and receive floating	¥ 18	¥ (0)

Derivative transactions to which hedge accounting was applied as of March 31, 2013 were as follows:

	Millions of yen	
	Contract amount	Fair value
Interest rate swaps		
Pay floating and receive fixed	¥ 3,000	(*)
Pay fixed and receive floating	176	(*)

(*) Because interest rate swaps are processed with long-term loans payable, the fair value is included in the fair value of the long-term loans payable (Note 4).

7. INVENTORIES

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Merchandise and finished goods	**¥ 51,333**	¥ 47,410	**$ 498,766**
Work-in-process	**8,775**	8,452	**85,260**
Raw materials and supplies	**28,308**	24,418	**275,049**
	¥ 88,416	¥ 80,280	**$ 859,075**

8. RETIREMENT BENEFIT EXPENSES

Since the number of employees exceeded 300 after the merger between consolidated subsidiaries, the newly formed consolidated subsidiary changed its calculation method for retirement benefit obligations to the principle method from the simplified method. The Companies recognized the difference resulting from the change in calculation method as retirement benefit expense for the year ended March 31, 2014.

9. RESTRUCTURING CHARGES

The Companies recognized restructuring charges in other expenses for the year ended March 31, 2014.

(1) ¥3,194 million ($31,034 thousand) of loss on valuation of inventories.

(2) ¥5,927 million ($57,588 thousand) of impairment loss on noncurrent assets.

Location	Use	Type
Toyooka, Hyogo	Business assets (production facility for thin-film silicon solar panel)	Machinery, equipment, vehicles, etc.

The Companies group its assets mainly according to business units.

Because profitability worsened, the book value of the production facilities for thin-film silicon solar panel was written down to its recoverable value, and the Companies posted an impairment loss of ¥5,927 million. Of this amount, machinery, equipment and vehicles accounted for ¥5,690 million.

The recoverable value of the above asset groups were estimated by net sales values based mainly on appraisal values determined by real property appraisers.

10. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 37.96% for the years ended March 31, 2014 and 2013 and approximately 40.64% for the year ended March 31, 2012.

The significant differences between the statutory and effective tax rate for the years ended March 31, 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Statutory tax rate	**37.96%**	This information is not required as the differences between the statutory tax rates and the Companies' effective tax rates are not more than 5% of the statutory tax rates.	40.64%
Valuation allowance	**(16.20%)**		(0.75%)
Nontaxable dividends received	**(12.16%)**		(17.67%)
Elimination of dividends on consolidation	**9.62%**		14.84%
Tax credit for testing and research expenses	**(7.68%)**		—
Tax credit for reconstruction industry territory	**(7.43%)**		—
Adjustment of deferred tax assets by the changes of tax rate	**2.87%**		9.06%
Other	**1.68%**		2.11%
Effective tax rate	**8.66%**		48.23%

Significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Deferred tax assets:			
Provision for retirement benefits	**¥ —**	¥ 5,714	**$ —**
Net defined benefit liability	**6,895**	—	**66,994**
Loss carryforwards	**5,089**	7,372	**49,446**
Loss on valuation of investment securities	**999**	1,083	**9,707**
Excess bonuses accrued	**1,751**	1,787	**17,013**
Impairment loss on noncurrent assets	**4,974**	2,875	**48,329**
Valuation difference on available-for-sale securities	**252**	285	**2,449**
Other	**7,666**	6,346	**74,484**
Subtotal	**27,626**	25,462	**268,422**
Valuation allowance	**(3,335)**	(7,369)	**(32,404)**
Total deferred tax assets	**24,291**	18,093	**236,018**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**5,416**	4,907	**52,623**
Other	**5,364**	5,748	**52,119**
Total deferred tax liabilities	**10,780**	10,655	**104,742**
Net deferred tax assets (liabilities)	**¥ 13,511**	¥ 7,438	**$ 131,276**

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:
On March 31, 2014, amendments to the Japanese tax regulations were enacted. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 37.96% to 35.59% for years beginning on or after April 1, 2014. Due to this change in the statutory income tax rate, net deferred tax assets decreased by ¥448 million ($4,353 thousand) and deferred income tax expense increased by the same amount.

11. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable are generally unsecured notes for three months with average interest rates of 1.15% and 0.88% at March 31, 2014 and 2013, respectively. Such borrowings are generally renewable at maturity.

Long-term loans payable and bonds payable at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Secured:			
Loans principally from banks and insurance companies at interest rates from 0.05% to 5.42% in 2014 and 2013, maturing serially through 2019	**¥ 1,266**	¥ 1,628	**$ 12,301**
Unsecured:			
Loans from banks and insurance companies at interest rates from 0.05% to 5.55% in 2014 and 2013, maturing serially through 2027	**42,217**	32,591	**410,192**
Bonds at interest rate of 0.86%, due September 16, 2014	**5,000**	5,000	**48,581**
Bonds at interest rate of 1.67%, due September 13, 2019	**10,000**	10,000	**97,163**
	58,483	49,219	**568,237**
Less amounts due within one year	**10,038**	8,776	**97,532**
	¥ 48,445	¥ 40,443	**$ 470,705**

At March 31, 2014, assets pledged as collateral for secured long-term loans payable, short-term loans payable and trade payables totaling ¥2,431 million ($23,620 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Property, plant and equipment, net	**¥ 5,731**	**$ 55,684**
Land	**1,845**	**17,926**
Construction in progress, investment securities and intangible assets	**385**	**3,741**
	¥ 7,961	**$ 77,351**

The aggregate annual maturities of long-term loans payable and bonds payable were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥ 10,038	$ 97,532
2016	9,380	91,139
2017	4,600	44,695
2018	3,158	30,684
2019	7,345	71,366
2020 and thereafter	23,962	232,821
	¥ 58,483	$ 568,237

12. PROVISION FOR RETIREMENT BENEFITS

The liability for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥ 89,682
Less fair value of pension assets	(62,331)
Less unrecognized actuarial differences	(11,201)
Prepaid pension cost	3,347
Retirement benefits	¥ 19,497

Certain consolidated subsidiaries used the simplified method in calculating retirement benefit obligations.

Included in the consolidated statements of income for the years ended March 31, 2013 and 2012 were severance and retirement benefit expenses that comprised the following:

	Millions of yen	
	2013	2012
Service costs—benefits earned during the year	¥ 3,501	¥ 3,136
Interest costs on projected benefit obligation	1,556	1,786
Expected return on plan assets	(1,051)	(1,218)
Amortization of actuarial differences	1,874	1,865
Retirement benefit expenses	¥ 5,880	¥ 5,569

Assumptions used in the calculation of retirement benefit obligations were as follows:

	2013	2012
Allocation method for projected benefits:	straight-line	straight-line
Discount rate	1.5%	2.0%
Expected rate of return	1.5%	2.0%
Period for amortizing prior service cost	5 years	5 years
Period for amortizing actuarial differences	10 years	10 years

2014

Defined benefit plans

(1) Movement in retirement benefit obligations, except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at April 1, 2013	¥ 84,219	$ 818,296
Service cost	2,885	28,031
Interest cost	1,277	12,408
Actuarial loss (gain)	(724)	(7,035)
Changed the calculation method of the retirement benefit obligations	1,272	12,359
Benefits paid	(3,586)	(34,842)
Balance at March 31, 2014	¥ 85,343	$ 829,217

(2) Movements in plan assets, except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at April 1, 2013	¥ 61,252	$ 595,142
Excepted return on plan asset	919	8,929
Actuarial loss (gain)	3,909	37,981
Contributions paid by the employer	5,095	49,504
Benefits paid	(2,300)	(22,347)
Balance at March 31, 2014	¥ 68,875	$ 669,209

(3) Movement in liability for retirement benefits of defined benefit plan applying the simplified method

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at April 1, 2013	¥ 4,384	$ 42,596
Retirement benefit cost	579	5,626
Benefits paid	(232)	(2,254)
Other	(786)	(7,637)
Balance at March 31, 2014	¥ 3,945	$ 38,331

(4) Reconciliation from retirement benefit obligations and plan assets to liability and asset for retirement benefits

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Funded retirement benefit obligation	¥ 67,925	$ 659,979
Plan asset	(68,875)	(669,209)
	(950)	(9,230)
Unfunded retirement benefit obligations	21,363	207,569
Total net liability (asset) for retirement benefits at March 31, 2014	20,413	198,339
Liability for retirement benefits	21,363	207,569
Asset for retirement benefits	(950)	(9,230)
Total net liability (asset) for retirement benefits at March 31, 2014	¥ 20,413	$ 198,339

(5) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Service cost	¥ 2,885	$ 28,031
Interest cost	1,277	12,408
Expected return on plan assets	(919)	(8,929)
Net actuarial loss amortization	1,573	15,283
Retirement benefit cost of defined benefit plan applying the simplified method	579	5,626
Other	363	3,527
	¥ 5,758	$ 55,946

(6) Accumulated adjustments for retirement benefits

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Actuarial gains and losses that are yet to be recognized	¥ 4,996	$ 48,543

(7) Plan assets

1. Plan assets comprise:

	2014
Bonds	51%
Equity securities	29%
General account	16%
Other	4%
	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 (expressed as weighted averages) are as follows:

Discount rate	1.5%
Long-term expected rate of return	1.5%

Defined contribution plans

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
The amount of contributions to the defined contribution plan	¥ 434	$ 4,217

13. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Notes endorsed	¥ —	¥ 2	$ —
Notes discounted	202	288	1,963
Guarantees	269	217	2,614
Letters of awareness	309	324	3,002
	¥ 780	¥ 831	$ 7,579

14. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of legal earnings reserve and additional paid-in capital must be set aside as legal earnings reserve or additional paid-in capital. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

On May 13, 2014, the Board of Directors authorized cash dividends to shareholders of record at March 31, 2014 on the shares of stock then outstanding at the rate of ¥8.0 ($0.08) per share or a total of ¥2,696 million ($26,195 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2014. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

15. STOCK OPTIONS

The Company has implemented a stock option plan by which subscription rights to shares were granted to directors of the Company.

The following table summarizes the Company's stock option plan:

	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Category and number of people granted stock options	Company directors, 10	Company directors, 12	Company directors, 12	Company directors, 13	Company directors, 12	Company directors, 13	Company directors, 13
Number of stock options granted by category of stock	65,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	75,000 shares of common stock	57,000 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision	No provision	No provision	No provision
Exercise period	From August 10, 2013 through August 9, 2038 (*)	From August 10, 2012 through August 9, 2037 (*)	From August 11, 2011 through August 10, 2036 (*)	From August 11, 2010 through August 10, 2035 (*)	From August 12, 2009 through August 11, 2034 (*)	From August 12, 2008 through August 11, 2033 (*)	From September 11, 2007 through September 10, 2032 (*)

(*) If a holder of subscription rights to shares loses his/her position as Company director during the above stated exercise period, the holder may exercise those rights only within the 10-day period beginning the day after losing such position.

The following table summarizes the movements and prices of subscription rights to shares:

	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Beginning of term	—	75,000	68,000	56,000	53,000	48,000	19,000
Vested	65,000	—	—	—	—	—	—
Exercised	—	22,000	17,000	16,000	19,000	18,000	13,000
Expired or forfeited	—	—	—	—	—	—	—
Unexercised balance	65,000	53,000	51,000	40,000	34,000	30,000	6,000
Exercise price (yen)	1	1	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	655	655	655	655	655	655
Fair value per stock at the date granted (yen)	558	363	412	456	622	600	883
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	6.36	6.36	6.36	6.36	6.36	6.36
Fair value per stock at the date granted (USD)	5.42	3.53	4.00	4.43	6.04	5.83	8.58

Expenses relating to stock options were included in selling, general and administrative expenses and amounted to ¥36 million ($291 thousand), ¥27 million and ¥31 million for the years ended March 31, 2014, 2013 and 2012, respectively.

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions:

	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012
Expected volatility	31.46%	24.19%
Expected holding period	5 years	3 years
Expected dividend	16 yen	16 yen
Risk free interest rate	0.288%	0.094%

16. 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.

Technology is the common foundation of all the Company's operations. These operations are divided into segments by product and service type, application and market similarity. Each segment develops its operations in accordance with a global group strategy for the Company's products and services that has unified subsidiaries in Japan and overseas.

Accordingly, the Company has categorized its operations by products and services based on its business divisions. The corresponding seven reporting segments are Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products, and Synthetic Fibers and Others. The Company establishes or abolishes business divisions as needed in order to facilitate a swift and flexible response to changes in the business environment. Accordingly, when determining reporting segments, the Company gives emphasis to continuity over a considerable period.

In the Chemicals segment, the Kaneka Group manufactures and sells products with a broad range of applications, from daily-use products to industrial materials such as high-value-added specialty PVC resins and other PVC resins. In the Functional Plastics segment, the Group manufactures polymers that have been functionally modified for such qualities as superior heat resistance, weather resistance, flame resistance and elasticity. The resins it produces with these augmented functions are sold to the construction, automotive, home electronics and communication equipment industries. In the Expandable Plastics and Products segment, the Group manufactures and sells cushioning materials for electrical products, shock-absorbing materials for automotive and fishery applications and expandable plastics and products used in housing insulation. In the Foodstuffs Products segment, the Group produces mainly bakery yeast and margarine for sale to commercial confectioneries, bakeries and others in the food products industry. In Life Science Products, the Group has leveraged its expertise in fermentation and high-polymer technologies into pharmaceutical intermediates (bulk and intermediate pharmaceuticals), functional foodstuffs, and catheters and other medical devices which it manufactures and sells to medical product manufacturers and medical institutions. In the Electronic Products segment, the Group manufactures and sells highly functional films for electronic equipment manufacturers as well as solar cells. In the Synthetic Fibers and Others segment, the Group is mainly involved in the production and sale of synthetic fibers used in wigs, apparel and other applications.

2) Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

The accounting treatment and procedures used for reported business segments are the same as those shown in the "Notes to the Consolidated Financial Statements."

As described in "Changes in accounting estimates and changes in accounting principles that are difficult to distinguish," the depreciation method of property, plant and equipment, excluding some categories, for the Company and its consolidated domestic subsidiaries and some overseas consolidated subsidiaries was changed from the declining balance method to the straight-line method starting from the fiscal year under review.

As a result of this change, Kaneka's segment profit for the fiscal year under review was ¥1,945 million more in the Chemicals segment, ¥808 million more in the Functional Plastics segment, ¥614 million more in the Expandable Plastics and Products segment, ¥847 million more in the Foodstuffs Products segment, ¥531 million more in the Life Science Products segment, ¥2,189 million more in the Electronic Products segment and ¥698 million more in the Synthetic Fibers and Others segment than the amounts that would have been reported without the change. In addition, Kaneka's companywide expenses not allocable to any reporting segment were ¥735 million less.

3) Segment Information by Business Category

Millions of yen

	Segment Information									
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
Sales										
Customers	¥ 103,986	¥ 86,289	¥ 66,483	¥ 134,252	¥ 47,424	¥ 47,534	¥ 38,817	¥ 524,785	¥ —	¥ 524,785
Intersegment	2,207	749	243	1	3	1,046	1,881	6,130	(6,130)	—
Total	106,193	87,038	66,726	134,253	47,427	48,580	40,698	530,915	(6,130)	524,785
Segment profit/loss	2,813	9,269	4,251	5,026	7,780	600	8,570	38,309	(13,487)	24,822
Segment assets	92,794	70,482	49,641	73,202	65,254	72,119	26,582	450,074	70,049	520,123
Other Items										
Depreciation	3,358	2,659	1,740	1,989	2,585	4,528	2,169	19,028	1,401	20,429
Amortization of goodwill	—	36	—	—	428	—	—	464	—	464
Investment in equity method affiliates	—	2,211	1,547	—	—	—	—	3,758	—	3,758
Increase in assets	8,138	3,502	2,917	3,059	2,544	12,497	7,687	40,344	1,627	41,971

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

2013	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	¥ 94,795	¥ 70,861	¥ 58,144	¥ 132,223	¥ 47,132	¥ 41,530	¥ 31,778	¥ 476,463	¥ —	¥ 476,463
Intersegment	1,154	645	148	1	203	648	1,538	4,337	(4,337)	—
Total	95,949	71,506	58,292	132,224	47,335	42,178	33,316	480,800	(4,337)	476,463
Segment profit/loss	4,385	6,205	3,975	5,293	9,645	(4,007)	4,408	29,904	(14,094)	15,810
Segment assets	85,096	58,402	46,616	71,076	62,851	69,642	21,105	414,788	69,669	484,457
Other Items										
Depreciation	5,429	3,469	2,424	3,009	2,840	6,659	2,778	26,608	2,388	28,996
Amortization of goodwill	—	29	—	—	270	—	—	299	—	299
Investment in equity method affiliates	—	2,102	1,420	—	—	—	—	3,522	—	3,522
Increase in assets	5,709	2,569	2,879	3,957	2,436	5,916	2,397	25,863	4,061	29,924

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Millions of yen

2012	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	¥ 94,204	¥ 71,119	¥ 57,591	¥ 131,111	¥ 46,996	¥ 38,027	¥ 30,241	¥ 469,289	¥ —	¥ 469,289
Intersegment	2,009	655	194	1	14	477	1,541	4,891	(4,891)	—
Total	96,213	71,774	57,785	131,112	47,010	38,504	31,782	474,180	(4,891)	469,289
Segment profit/loss	3,647	6,163	4,378	5,309	8,428	(4,269)	1,722	25,378	(12,227)	13,151
Segment assets	82,325	56,875	46,315	71,315	59,790	70,275	19,609	406,504	60,579	467,083
Other Items										
Depreciation	5,104	3,276	2,519	2,732	2,947	7,898	3,007	27,483	1,926	29,409
Amortization of goodwill	—	20	—	—	264	—	—	284	—	284
Investment in equity method affiliates	—	1,950	1,326	—	—	—	—	3,276	—	3,276
Increase in assets	7,630	4,270	2,746	3,993	2,257	7,108	3,646	31,650	1,458	33,108

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

Thousands of U.S. dollars (Note 1)

2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
	Segment Information									
Sales										
Customers	**$1,010,358**	**$ 838,408**	**$ 645,968**	**$1,304,431**	**$ 460,785**	**$ 461,854**	**$ 377,156**	**$5,098,960**	**$ —**	**$5,098,960**
Intersegment	**21,443**	**7,278**	**2,361**	**10**	**29**	**10,163**	**18,277**	**59,561**	**(59,561)**	**—**
Total	**1,031,801**	**845,686**	**648,329**	**1,304,441**	**460,814**	**472,017**	**395,433**	**5,158,521**	**(59,561)**	**5,098,960**
Segment profit/loss	**27,332**	**90,060**	**41,304**	**48,834**	**75,593**	**5,830**	**83,268**	**372,221**	**(131,043)**	**241,178**
Segment assets	**901,613**	**684,823**	**482,326**	**711,251**	**634,026**	**700,729**	**258,279**	**4,373,047**	**680,616**	**5,053,663**
Other Items										
Depreciation	**32,627**	**25,836**	**16,906**	**19,326**	**25,117**	**43,995**	**21,074**	**184,881**	**13,613**	**198,494**
Amortization of goodwill	**—**	**350**	**—**	**—**	**4,158**	**—**	**—**	**4,508**	**—**	**4,508**
Investment in equity method affiliates	**—**	**21,483**	**15,031**	**—**	**—**	**—**	**—**	**36,514**	**—**	**36,514**
Increase in assets	**79,071**	**34,027**	**28,342**	**29,722**	**24,718**	**121,424**	**74,690**	**391,994**	**15,808**	**407,802**

Note: Segment profit is reconciled with operating income in the consolidated financial statements.

4) Reconciliation Between Segment Total and Consolidated Statements of Income (Adjustments)

	Millions of yen 2014	2013	2012	Thousands of U.S. dollars (Note 1) 2014
Income				
Segment total	¥ 38,309	¥ 29,904	¥ 25,378	$ 372,221
Elimination of intersegment transactions	6	(22)	(2)	58
Companywide expenses (Note)	(13,559)	(14,023)	(12,132)	(131,743)
Other adjustments	66	(49)	(93)	642
Operating income in the quarterly consolidated statements of income	¥ 24,822	¥ 15,810	¥ 13,151	$ 241,178

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

	Millions of yen 2014	2013	2012	Thousands of U.S. dollars (Note 1) 2014
Assets				
Segment total	¥ 450,074	¥ 414,788	¥ 406,504	$ 4,373,047
Elimination of intersegment transactions	(10,423)	(6,879)	(5,175)	(101,273)
Companywide assets (Note)	79,584	75,468	64,549	773,261
Other adjustments	888	1,080	1,205	8,628
Total assets in the quarterly consolidated statements of income	¥ 520,123	¥ 484,457	¥ 467,083	$ 5,053,663

(Note) Companywide assets are working capital, investment securities and land that are not allocable to any reporting segment.

Millions of yen

	Segment total			Other			Adjustments			Consolidated		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Other Items												
Depreciation	¥ 19,028	¥ 26,608	¥ 27,483	¥ 1,401	¥ 2,388	¥ 1,926	¥ —	¥ —	¥ —	¥ 20,429	¥ 28,996	¥ 29,409
Increase in assets	40,344	25,863	31,650	1,627	4,061	1,458	—	—	—	41,971	29,924	33,108

(Note) Other is primarily expenses for basic R&D that are not allocable to any reporting segment.

Thousands of U.S. dollars (Note 1)

	Segment total 2014	Other 2014	Adjustments 2014	Consolidated 2014
Other Items				
Depreciation	$ 184,881	$ 13,613	$ —	$ 198,494
Increase in assets	391,994	15,808	—	407,802

(Note) Other is primarily expenses for basic R&D that are not allocable to any reporting segment.

(Related Information)

Related information at March 31, 2014 and 2013 consisted of the following:

1) Information by Product and Service

No information is reported because product and service classifications are the same as the reporting segment classifications.

2) Geographic Area

(1) Sales

2014 — Millions of yen

Japan	Asia	North America	Europe	Other areas	Total
¥ 335,554	¥ 83,744	¥ 35,939	¥ 48,346	¥ 21,202	¥ 524,785

2013 — Millions of yen

Japan	Asia	North America	Europe	Other areas	Total
¥ 322,535	¥ 68,138	¥ 28,784	¥ 41,047	¥ 15,959	¥ 476,463

2014 — Thousands of U.S. dollars (Note 1)

Japan	Asia	North America	Europe	Other areas	Total
$ 3,260,338	$ 813,681	$ 349,194	$ 469,743	$ 206,004	$ 5,098,960

Note: Sales are classified into countries or regions based on the geographic location of customers.

(2) Property, plant and equipment

2014									Millions of yen
	Japan		Asia		North America		Europe		Total
¥	136,066	¥	24,000	¥	17,119	¥	7,059	¥	184,244

2013									Millions of yen
	Japan		Asia		North America		Europe		Total
¥	131,548	¥	17,153	¥	14,599	¥	6,247	¥	169,547

2014									Thousands of U.S. dollars (Note 1)
	Japan		Asia		North America		Europe		Total
$	1,322,056	$	233,191	$	166,333	$	68,587	$	1,790,167

(3) Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

(Information on Impairment Loss on Fixed Assets by Reporting Segment)

Information on impairment loss on fixed assets by reporting segment at March 31, 2014 and 2013 consisted of the following:

										Millions of yen
	Segment									
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5,927	¥ —	¥ 5,927	¥ —	¥ 5,927

										Millions of yen
	Segment									
2013	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

										Thousands of U.S. dollars (Note 1)
	Segment									
2014	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Impairment loss)	$ —	$ —	$ —	$ —	$ —	$ 57,588	$ —	$ 57,588	$ —	$ 57,588

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)

Information on amortization of goodwill and unamortized balances by reporting segment at March 31, 2014 and 2013 consisted of the following:

Millions of yen

2014	Segment: Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	¥ —	¥ 36	¥ —	¥ —	¥ 428	¥ —	¥ —	¥ 464	¥ —	¥ 464
Balance	—	282	—	—	5,105	—	—	5,387	—	5,387
(Negative goodwill)										
Amortization	—	—	—	56	—	152	—	208	—	208
Balance	—	—	—	—	—	—	—	—	—	—

Millions of yen

2013	Segment: Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	¥ —	¥ 29	¥ —	¥ —	¥ 270	¥ —	¥ —	¥ 299	¥ —	¥ 299
Balance	—	273	—	—	3,742	—	—	4,015	—	4,015
(Negative goodwill)										
Amortization	—	—	—	71	—	152	—	223	—	223
Balance	—	—	—	56	—	152	—	208	—	208

Thousands of U.S. dollars (Note 1)

2014	Segment: Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Adjustments	Consolidated
(Goodwill)										
Amortization	$ —	$ 350	$ —	$ —	$ 4,158	$ —	$ —	$ 4,508	$ —	$ 4,508
Balance	—	2,740	—	—	49,602	—	—	52,342	—	52,342
(Negative goodwill)										
Amortization	—	—	—	544	—	1,477	—	2,021	—	2,021
Balance	—	—	—	—	—	—	—	—	—	—

(Information on Gain on Negative Goodwill by Reporting Segment)

In the Foodstuffs Products segment, the Company recorded negative goodwill of ¥192 million in conjunction with the acquisition of additional shares of an equity method affiliate and its conversion into a consolidated subsidiary on March 31, 2011.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kaneka Corporation:

We have audited the accompanying consolidated financial statements of Kaneka Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2014 , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kaneka Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended March 31, 2014, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. From the year ended March 31, 2014, the Company, consolidated domestic subsidiaries and some consolidated overseas subsidiaries, changed the depreciation method of property, plant and equipment, excluding some categories.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
August,11, 2014
Osaka, Japan

GLOBAL NETWORK

● Major Overseas Consolidated Subsidiaries
● Major Overseas Non-Consolidated Subsidiaries
■ Major Domestic Consolidated Subsidiaries
▲ Equity Method Affiliates

EUROPE

● **Kaneka Belgium N.V. <Belgium>**
Sales and manufacture of functional plastics and expandable plastics and products, and sales of solar cells

● **Kaneka Pharma Europe N.V. <Belgium>**
Sales of functional foodstuffs and medical devices

● **Eurogentec S.A. <Belgium>**
Sales and manufacture of biopharmaceuticals, diagnostic and biotech products

● **Kaneka Modifiers Deutschland GmbH <Germany>**
Manufacture of functional plastics

AMERICA

● **Kaneka Americas Holding, Inc. <U.S.A.>**
Operating headquarters in the Americas

● **Kaneka North America LLC <U.S.A.>**
Sales and manufacture of specialty PVC resins, functional plastics, electronic products and functional foodstuffs

● **Kaneka Pharma America LLC <U.S.A.>**
Sales of medical devices

● **Kaneka South America Representative Ltd. <Brazil>**
Promotion of Kaneka-affiliated product sales, market survey activities and provision of technical services.

ASIA OUTSIDE OF JAPAN / OCEANIA

● **Kaneka (Malaysia) Sdn. Bhd. <Malaysia>**
Sales and manufacture of functional plastics

● **Kaneka Paste Polymers Sdn. Bhd. <Malaysia>**
Sales and manufacture of specialty PVC resins

● **Kaneka Eperan Sdn. Bhd. <Malaysia>**

● **Kaneka Eperan (Suzhou) Co., Ltd. <P.R. China>**

● **Kaneka (Foshan) Chemical Industries Co., Ltd. <P.R. China>**
Sales and manufacture of expandable plastics and products

● **Kaneka Singapore Co. (Pte) Ltd. <Singapore>**
Sales and manufacture of pharmaceutical intermediates

● **HiHua Fiber Co., Ltd. <P.R. China>**

● **Kaneka Innovative Fibers Sdn. Bhd. <Malaysia>**
Sales and manufacture of synthetic fibers

● **Kaneka Trading (Shanghai) Co., Ltd. <P.R. China>**
Market research, sales activities and technical service centers

● **Kaneka Asia Co., Ltd. <P.R. China>**
Operating headquarters in Asia

● **Kaneka Apical Malaysia Sdn. Bhd. <Malaysia>**
Sales and manufacture of electronic products

● **PT. Kaneka Foods Indonesia <Indonesia>**

● **TGA Pastry Company Pty Ltd. <Australia>**
Sales and manufacture of foodstuffs products

● **Kaneka Pharma Vietnam Co., Ltd. <Vietnam>**
Manufacture of medical devices

● **Kaneka India Pvt. Ltd. <India>**
Market survey and sales support activities

● **Kaneka Taiwan Corporation <Taiwan>**
Sales activity and market research

● **Kaneka Korea Corporation <South Korea>**
Market research, sales and business support activities

JAPAN

■ **Kaneka Hokkaido Styrol Co., Ltd.**

■ **Kaneka Tohoku Styrol Co., Ltd.**

■ **Kaneka Kanto Styrol Co., Ltd.**

■ **Kaneka Chubu Styrol Co., Ltd.**

■ **Kaneka Nishinippon Styrol Co., Ltd.**

■ **Sanwa Kasei Kogyo Co., Ltd.**

■ **Hokkaido Kanelite Co., Ltd.**

■ **Kyushu Kanelite Co., Ltd.**
Manufacture of expandable plastics and products

■ **Kaneka Foods Manufacturing Corporation**

■ **Tokyo Kaneka Foods Manufacturing Corporation**
Manufacture of oils and fats

■ **Kaneka Solartech Corporation**
Manufacture of solar cells

■ **Tochigi Kaneka Corporation**
Manufacture of electronic products

■ **Kaneka Foam Plastics Co., Ltd.**

■ **Hane Co., Ltd.**
Sales of expandable plastics and products

■ **Kaneka Kentech Co., Ltd.**
Sales of construction materials

■ **Kaneka Foods Corporation**
Sales of foodstuffs products

■ **Kaneka Solar Marketing Co., Ltd.**
Sales of solar cells

■ **Tatsuta Chemical Co., Ltd.**
Sales and manufacture of PVC products

■ **Showa Kaseikogyo Co., Ltd.**
Sales and manufacture of PVC compounds

■ **Kanto Styrene Co., Ltd.**

■ **Kochi Styrol Co., Ltd.**

■ **Tamai Kasei Co., Ltd.**
Sales and manufacture of expandable plastics and products

■ **Kaneka Sun Spice Corporation**
Sales and manufacture of spices

■ **Taiyo Yushi Corporation**
Sales and manufacture of oils and fats

■ **Shinka Shokuhin Co., Ltd.**

■ **Nagashima Shokuhin Co., Ltd.**
Sales and manufacture of foodstuffs products

■ **Sanvic Inc.**

■ **Vienex Corporation**
Sales and manufacture of electronic products

■ **SC Housing System Corporation**
Architectural construction method licensing and sales of construction materials

■ **Kaneka Medix Corporation**
Sales and manufacture of medical devices

■ **RIVER Co., Ltd.**
Manufacture of medical devices

■ **Osaka Synthetic Chemical Laboratories, Inc.**
Sales and manufacture of pharmaceuticals

■ **Kaneka Takasago Service Center Co., Ltd.**
Providing services related to Takasago Plant

■ **OLED Aomori Co., Ltd.**
Manufacture and development of organic EL light-emitting devices

▲ **Ibidenjushi Co., Ltd.**

▲ **EPE Co., Ltd.**
Sales and manufacture of expandable plastics and products

▲ **Cemedine Co., Ltd.**
Processing and sales of functional plastics

CORPORATE DATA

KANEKA CORPORATION

OFFICES

Osaka Head office:

2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan
Telephone: +81-6-6226-5050
Facsimile: +81-6-6226-5037

Tokyo Head office:

1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan
Telephone: +81-3-5574-8000
Facsimile: +81-3-5574-8121

DATE OF ESTABLISHMENT

September 1, 1949

NUMBER OF EMPLOYEES (as of March 31, 2014)

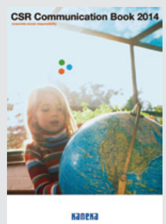
3,314 (Kaneka Corporation)
8,907 (including consolidated subsidiaries)

PLANTS

Takasago: Takasago, Hyogo
Osaka: Settsu, Osaka
Shiga: Otsu, Shiga
Kashima: Kamisu, Ibaraki

RESEARCH INSTITUTES

Frontier Materials Development Laboratories
Medical Device Development Laboratories
Biotechnology Development Laboratories
Photovoltaic & Thin Film Device Research Laboratories
Molding & Processing Development Center
Thin Film Process Technology Development Center
Process Technology Laboratories



Please refer to the Kaneka Group CSR report 2014 for information on Kaneka's CSR activities.
http://www.kaneka.co.jp/kaneka-e/csr/index.html

INVESTOR INFORMATION (as of March 31, 2014)

COMMON STOCK TRADED

Tokyo, Nagoya

TRANSFER AGENT

Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch

3-6-3, Fushimimachi, Chuo-ku, Osaka 541-8502

ACCOUNTING AUDITOR

KPMG AZSA LLC

Ginsen Bingomachi Bldg. 3-6-5, Kawaramachi, Chuo-ku, Osaka 541-0048, Japan

AUTHORIZED CAPITAL

750,000,000 shares

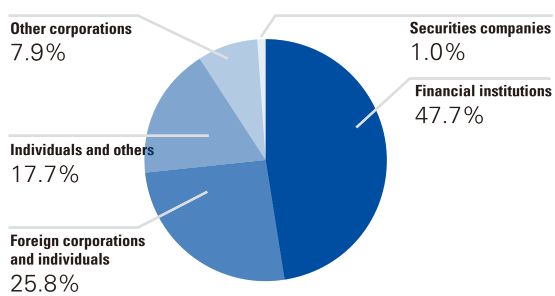
ISSUED SHARES

350,000,000 shares

NUMBER OF SHAREHOLDERS

20,052

DISTRIBUTION OF STOCKHOLDERS



COMMON STOCK PRICE RANGE (Tokyo Stock Exchange: in yen)

Fiscal Year	2010	2011	2012	2013	**2014**
High	720	623	601	567	**710**
Low	486	420	397	370	**495**

KANEKA CORPORATION
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