

Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP, Consolidated)

May 14, 2020

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

URL <https://www.kaneka.co.jp>

Representative: Minoru Tanaka Title: President, Representative Director

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Scheduled date for Ordinary General Meeting of Shareholders: June 26, 2020

Scheduled date of dividend distribution: June 11, 2020

Scheduled date for submitting financial statements: June 26, 2020

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

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

(1) Consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2019 – Mar. 2020	601,514	(3.1)	26,014	(27.8)	20,166	(35.5)	14,003	(37.0)
Apr. 2018 – Mar. 2019	621,043	4.2	36,041	(2.3)	31,268	(4.6)	22,238	3.1

(Note) Comprehensive income: ¥4,099 million (-78.9%) in the fiscal year ended March 31, 2020

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

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2019 – Mar. 2020	214.70	214.28	4.2	3.1	4.3
Apr. 2018 – Mar. 2019	339.15	338.59	6.7	4.8	5.8

(Reference) Equity in earnings (losses) of affiliates: ¥150 million in the fiscal year ended March 31, 2020

¥29 million in the fiscal year ended March 31, 2019

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

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2019 – Mar. 2020	653,262	354,094	50.7	5,082.08
Apr. 2018 – Mar. 2019	659,587	360,726	51.1	5,166.88

(Reference) Shareholders' equity: ¥331,483 million as of March 31, 2020

¥336,992 million as of March 31, 2019

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 2019 – Mar. 2020	39,983	(41,807)	(479)	37,606
Apr. 2018 – Mar. 2019	41,113	(47,229)	(954)	39,970

2. Dividends

	Annual dividends					Total cash dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
Apr. 2018 – Mar. 2019	—	9.00	—	55.00	—	6,540	29.5	2.0
Apr. 2019 – Mar. 2020	—	50.00	—	50.00	100.00	6,522	46.6	2.0
Apr. 2020 – Mar. 2021 (Forecasts)	—	—	—	—	—		—	

Notes: 1 The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. The 2nd Quarter dividend per share for the fiscal year ended March 31, 2019 shows the actual amount before the consolidation of shares.

2 The dividend forecasts for the fiscal year ending March 31, 2021 has not yet been determined.

3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2021

(from April 1, 2020 to March 31, 2021)

COVID-19 is spreading worldwide and has a great impact on the business environment in Japan and overseas. Since the Group's business fields are diverse in Japan and overseas, and it is difficult to reasonably calculate the performance forecasts at this time, we have not determined the consolidated performance forecast for the fiscal year ending March 2021. We will announce it as soon as it is possible to calculate the earnings forecast.

4. Other

(1) Changes in principal subsidiaries during the fiscal year: No

(2) Changes in accounting principles, changes in estimates, or restatements

1) Changes owing to revisions in accounting standards: Yes

2) Changes other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

Note: For changes owing to revisions in accounting standards, please refer to the section entitled "(5) Notes to the Consolidated Financial Statements (Changes in Accounting Principles)" under "3. Consolidated Financial Statements" on page 14.

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the fiscal year-end (including treasury stock):

March 31, 2020	68,000,000 shares	March 31, 2019	68,000,000 shares
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2. Number of shares of treasury stock at the fiscal year-end:

March 31, 2020	2,774,049 shares	March 31, 2019	2,778,423 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)

March 31, 2020	65,224,682 shares	March 31, 2019	65,571,874 shares
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Note: The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. However, average number of shares during the period has been calculated as though the share consolidation took place on April 1, 2018.

(Reference) Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2019 – Mar. 2020	292,084	(4.2)	2,924	(79.5)	5,660	(69.6)	6,923	(60.3)
Apr. 2018 – Mar. 2019	304,951	4.1	14,264	(5.8)	18,642	6.2	17,436	43.8

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2019 – Mar. 2020	106.15	105.97
Apr. 2018 – Mar. 2019	265.92	265.55

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

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2019 – Mar. 2020	451,798	243,144	53.7	3,721.14
Apr. 2018 – Mar. 2019	443,810	248,184	55.8	3,799.54

(Reference) Shareholders' equity: ¥242,714 million as of March 31, 2020
¥247,811 million as of March 31, 2019

(These financial statements are exempt from audit procedures)

(Explanations or other items pertaining to appropriate use of business performance forecasts)

COVID-19 is spreading worldwide and has a great impact on the business environment in Japan and overseas. Since the Group's business fields are diverse in Japan and overseas, and it is difficult to reasonably calculate the performance forecasts at this time, we have not determined the consolidated performance forecast for the fiscal year ending March 2021. We will announce it as soon as it is possible to calculate the earnings forecast.

[Supplementary Materials]

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1. Overview of Business Performance and Financial Position

(1) Overview of Results for the Fiscal Year Ended March 31, 2020

In the fiscal year ended March 31, 2020 (fiscal 2019), the global economy entered a period of historic turmoil. For the first ten months or so of the fiscal year, global economic conditions were sluggish due to intensified U.S.-China trade friction, the U.K.'s exit from the E.U., and heightened geopolitical risk in the Middle East. From January 2020 onward, the outbreak of the coronavirus disease 2019 (COVID-19) pandemic has triggered an almost full shutdown of economic activity around the world. The movement of people and goods has been almost completely severed. This disruption has had a direct impact on the mobility field, including automobiles, air travel and railways, as it has had on the tourism and lodging, restaurant, and retail and department store industries. Businesses of all kinds that are connected globally over networks and supply chains have suffered a huge impact. In addition, these trends have given rise to a historic drop in crude oil prices.

In this business environment, the Kaneka Group's business performance for the fiscal year under review (April 1, 2019 to March 31, 2020) was marked by lower earnings on lower sales, as follows. Consolidated net sales amounted to ¥601,514 million (down 3.1% year on year), operating income was ¥26,014 million (down 27.8% year on year). Ordinary income was ¥20,166 million (down 35.5% year on year). Net income attributable to owners of parent was ¥14,003 million (down 37.0% year on year).

On a quarterly basis, business performance was strongly affected by sluggish demand in the automotive and electronics fields till the 3rd quarter. In the 4th quarter, the momentum turned in favor of a recovery in business performance owing to volume growth in the Group's main businesses. However, the outbreak of COVID-19 temporarily cancelled out that momentum. Overall, the impact of the COVID-19 issue acted as a negative factor that reduced profit by approximately ¥3 billion.

Operating performance by business segment was as follows:

1) Material Solutions Unit

In PVC resins and specialty PVC resins, sales increased steadily because of strong demand from overseas markets, primarily Asia, amid mostly flat shipment volume in Japan compared with the previous year. However, exports stagnated following the COVID-19 outbreak. This impact is expected to continue in the 1st quarter of fiscal 2020. Caustic soda had a significant impact on business performance, due to persistently lackluster market conditions in Asia, against the backdrop of the slowdown in the Chinese economy.

In the Performance Polymers business, amid the impact of the global economic slowdown, modifiers saw progress on measures to create a new high-value-added market, such as measures to expand sales for non-PVC applications and develop and launch new, large-scale products. However, a decline in sales could not be avoided due to the COVID-19 issue. In the 1st quarter of fiscal 2020, demand is expected to continue to decrease temporarily. With epoxy masterbatch, progress has been made on the development of applications that meet cutting-edge market needs, such as structural adhesive for automobiles and electronics applications. As a result, full production and full sales have continued. The Group will meet vigorous demand by launching production facilities that will double the production capacity at the Takasago Manufacturing Site, as planned. The new production facilities will start operations in July 2020. The Group will also implement the next phase of production facility expansion at the earliest opportunity.

In modified silicone polymers, sales increased steadily, supported in part by a contribution from enhanced production capacity in Belgium. The Group has been steadily pioneering the new frontier that is the Asian market. In the 4th quarter, shipments to China were stagnant due to the COVID-19 issue.

Kaneka Biodegradable Polymer PHBH has been taken up as a major topic by numerous international bodies and exhibitions, such as the G20, and by major overseas news media, such as the BBC and CNN. There has been a flood of inquiries from major brand holders in Japan and overseas with a high interest in the issue of microplastics and environmental issues. A large number of joint development projects have started. The completion of a 5,000-ton plant at the Takasago Manufacturing Site has spurred steady progress on adoption by global brand holders such as major convenience store chains, food manufacturers, and cosmetics manufacturers. The Group will accelerate preparations for the construction of a full-scale mass production plant with a capacity of 20,000 tons as it intensively allocates management resources to this area, with the aim of expanding business as early as possible.

2) Quality of Life Solutions Unit

In the Performance Fibers business, the Group has set up a Product Development Center in Ghana, with the goal of stimulating new demand in the African market. The Group will work on high-performance, high-value-added products, such as water-repellant fibers, for which there is surging demand, as it seeks to strengthen sales in close touch with the market. In the 4th quarter, the Group faced temporary restrictions on operations of its Malaysian plant and was forced to reduce shipments to Africa due to the COVID-19 issue. This impact is expected to continue in the 1st quarter of fiscal 2020.

In the Foam & Residential Techs business, earnings from expandable polystyrene resin and extruded polystyrene foam board increased, as new products with high insulation, high expansion ratio, and other features were launched and progress was made on the rationalization of logistics. In polyolefin foam, earnings were lackluster because of the impact of reduced global automobile production due to the COVID-19 issue. The impact of the lower global automobile production is expected to continue in the 1st quarter of fiscal 2020.

In the PV & Energy management business, earnings improved substantially owing to steady growth in sales to major homebuilders as the Group's high-efficiency photovoltaic module products received strong reviews in the market. Solar power systems are attracting attention once again as the most promising solution for renewable energy. The Group will ramp up its supply capacity of high-efficiency products in a timely fashion. Concurrently, the Group will address growth in demand by pursuing the development of a net zero energy management system for houses and buildings with a major construction firm. It will also jointly develop see-through photovoltaic module products for automotive use with a major automaker.

In the E & I Technology business, polyimide films and graphite sheets were strongly affected by a slowdown in the smartphone market. In the 4th quarter, the Group was impacted by stagnation of supply chains in areas such as China and restrictions on operations of its Malaysian plant due to the COVID-19 issue. A similar impact is expected to continue in the 1st quarter of fiscal 2020. The Group will accelerate R&D activities for unique new products that will support digital transformation—products that have attracted high expectations for the Group's innovative technologies. Among these products are organic electroluminescent displays and 5G smartphones, and sensor materials for autonomous driving systems, for which demand is expected to grow going forward.

3) Health Care Solutions Unit

In the Medical Devices business, sales of catheters increased as new products such as an embolization coil launched in November 2019 were rated highly by customers. Sales of this embolization coil began in the U.S. in spring 2020. The Group will expand production facilities at its Vietnam plant, and aggressively expand its business in new therapeutic fields such as drug-coated balloon catheters and fractional flow reserve products. In addition, the Group will strive to achieve rapid business expansion through technical and capital alliances with U.S. and European medical equipment companies. COVID-19-related clinical Study on Lixelle has started. The Company will enlarge its research fields so that it can apply its blood purification technology to infectious diseases. Incidentally, a planned agreement on the licensing out of technology has been postponed to the 1st quarter of fiscal 2020.

In the Pharma business, a bulk shipment of small molecule pharmaceuticals expected in the 4th quarter was postponed to the 1st quarter of fiscal 2020 onward. In the next fiscal year, increased production capacity for active pharmaceutical ingredients at Osaka Synthetic Chemical Laboratories, Inc. and biopharmaceuticals at Kaneka Eurogentec S.A. will come online and are expected to drive earnings growth. Kaneka Eurogentec has begun supplying reagents for COVID-19 based on the urgent request of the Belgian government. In addition, the Company has reached an agreement with FUJIFILM Corporation to supply active pharmaceutical ingredients for Avigan[®] Tablet. The Company has also formed an intensive research team focusing on contracted manufacturing of vaccines and the development of antiviral drugs using cutting-edge advanced technologies such as mRNA and plasmid DNA.

4) Nutrition Solutions Unit

In the Foods & Agris business, sales were favorable to the bread sector, but were negatively impacted by sluggish conditions in the confectionery bread and convenience store sectors. In the 4th quarter, the environment came under pressure from factors brought about by the COVID-19 issue, such as a deterioration in the markets for inbound tourism and souvenirs, along with a decline in demand for school lunches due to temporary school closures. Meanwhile, with more and more people eating meals at home, demand for products such as frozen food and instant noodles increased. As a result, Kaneka Sun Spice Corporation achieved record-high business results. Overall, the Foods & Agris Solutions Vehicle posted business results that were mostly unchanged from the previous year. In the dairy product business, sales of the “Milk for bread lovers” series increased dramatically, supported by a positive reception of this series in the market. Going forward, the Group will move quickly to construct a full-scale dairy product plant. The Group is constructing a new plant in Indonesia as part of efforts to transplant Japan’s bread culture to overseas markets. The new Indonesia plant is scheduled to start operations as early as this summer, and the Group believes that the new plant will add further momentum to its business expansion in Asia.

In the Supplemental Nutrition business, there were timing differences in shipments to a major U.S. brand holder of the Group’s reduced form of coenzyme Q10. The Group began sales of Probiotics from AB-Biotics, S.A. located in Spain, which became a subsidiary last year, in the U.S. and Japan, following on from Europe, where sales are favorable. The Group will accelerate its brand strategy for a wide range of supplements by conducting a reorganization to strengthen the dissemination of scientific data about their health effects. Also, in response to rising consumer health awareness, the Group will strengthen the development of foods such as yoghurt that offer both tastiness and health benefits, which will create synergies with the dairy product business in Foods.

(2) Overview of Consolidated Financial Position

Total assets were ¥653,262 million as of March 31, 2020, down ¥6,325 million compared with March 31, 2019, due to decreases in notes and accounts receivable-trade and investment securities. Liabilities totaled ¥299,167 million, up ¥306 million due to an increase in loans payable. Net assets were ¥354,094 million, down ¥6,631 million due to decreases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

(3) Overview of Consolidated Cash Flows

Net cash provided by operating activities was ¥39,983 million, mainly due to income before income taxes and depreciation and amortization. Net cash used in investing activities amounted to ¥41,807 million, mainly owing to the purchase of property, plant and equipment. Net cash used in financing activities came to ¥479 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of March 31, 2020 totaled ¥37,606 million, down ¥2,364 million compared with March 31, 2019.

(4) Performance Forecasts for the Fiscal Year Ending March 31, 2021

It is generally believed that the worldwide spread of COVID-19 has put the global economy at risk of contraction. It remains to be seen whether COVID-19 infections can be contained at an early stage. According to the IMF's publication in April, for example, the global economy is projected to contract sharply by -3 percent in 2020. This reduction reflects the marked economic downturn observed in the first half of the year. The mainstream outlook is for the global economy, after bottoming out in the April-June period, to return to a recovery path from the latter half of the year.

Under these conditions, various countries have been working in earnest to take maximum economic measures to support their economies. However, considering the uncertainty in when the pandemic will come to an end, it is not possible to clearly determine the timing of the economic recovery at this time. The Group's business fields cover a wide range of areas both in Japan and overseas. It is difficult to estimate the environmental factors, such as recovery in demand, normalization of crude oil prices, and exchange rate trends, that are needed to determine business forecasts in each business field.

Accordingly, given that it is difficult to rationally determine business forecasts at this time, the Group has decided to leave its consolidated business forecasts for the fiscal year ending March 31, 2021 as undetermined. The Group will promptly announce its business forecasts when it is possible to disclose them.

2. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP). The timing of the adoption of International Financial Reporting Standards (IFRS) has not yet been determined at this time. However, we are collecting information and have begun examining the issues in preparation for implementing the adoption of IFRS in the future.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2018	FY2019
	Term ended March 31, 2019	Term ended March 31, 2020
Assets		
Current assets		
Cash and deposits	40,905	38,748
Notes and accounts receivable-trade	147,993	134,110
Short-term investment securities	232	190
Merchandise and finished goods	61,609	66,057
Work in process	9,365	8,727
Raw materials and supplies	41,459	42,474
Other	13,918	17,852
Allowance for doubtful accounts	(1,237)	(1,303)
Total current assets	314,245	306,858
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	79,815	84,012
Machinery, equipment and vehicles, net	106,395	110,073
Land	31,354	31,304
Construction in progress	26,338	27,038
Other, net	8,017	10,627
Total property, plant and equipment	251,922	263,056
Intangible assets		
Goodwill	3,981	3,306
Other	9,443	9,874
Total intangible assets	13,424	13,180
Investments and other assets		
Investment securities	61,273	48,548
Investments in capital	695	346
Long-term loans receivable	1,100	1,005
Long-term prepaid expenses	2,220	2,171
Deferred tax assets	6,864	10,035
Other	8,101	8,299
Allowance for doubtful accounts	(260)	(241)
Total investments and other assets	79,994	70,166
Total noncurrent assets	345,342	346,403
Total assets	659,587	653,262

Financial Results for the Fiscal Year Ended March 31, 2020, Kaneka Corporation (4118)

(Millions of yen)

	FY2018 Term ended March 31, 2019	FY2019 Term ended March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	84,797	73,509
Short-term loans payable	67,668	88,835
Current portion of bonds	10,000	—
Accounts payable-other	29,533	28,755
Accrued expenses	13,635	13,382
Income taxes payable	2,864	2,408
Accrued consumption taxes	772	1,030
Provision for directors' bonuses	128	107
Other	4,512	3,572
Total current liabilities	213,912	211,599
Noncurrent liabilities		
Bonds payable	—	10,000
Long-term loans payable	45,122	33,293
Deferred tax liabilities	2,137	1,576
Net defined benefit liability	34,985	38,308
Provision for directors' retirement benefits	266	317
Other	2,437	4,071
Total noncurrent liabilities	84,948	87,568
Total liabilities	298,861	299,167
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	32,784	30,962
Retained earnings	272,944	280,265
Treasury stock	(11,601)	(11,583)
Total shareholders' equity	327,173	332,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,642	14,246
Deferred gains or losses on hedges	(110)	(103)
Foreign currency translation adjustment	(4,008)	(7,395)
Remeasurements of defined benefit plans	(5,705)	(7,956)
Total accumulated other comprehensive income	9,818	(1,208)
Subscription rights to shares	431	482
Noncontrolling interests	23,302	22,128
Total net assets	360,726	354,094
Total liabilities and net assets	659,587	653,262

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income	(Millions of yen)	
	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Net sales	621,043	601,514
Cost of sales	446,254	432,374
Gross profit	174,789	169,139
Selling, general and administrative expenses	138,747	143,124
Operating income	36,041	26,014
Non-operating income		
Interest income	146	138
Dividends income	1,774	1,545
Equity in earnings of affiliates	29	150
Insurance claim income	244	474
Gain on sales of noncurrent assets	427	315
Gain on step acquisitions	443	—
Gain on contribution of securities to retirement benefit trust	—	378
Other	858	552
Total non-operating income	3,924	3,555
Non-operating expenses		
Interest expenses	2,014	1,714
Loss on retirement of noncurrent assets	2,521	1,916
Foreign exchange losses	333	968
Depreciation of inactive noncurrent assets	664	1,044
Other	3,163	3,760
Total non-operating expenses	8,697	9,403
Ordinary income	31,268	20,166
Extraordinary income		
Gain on sales of investment securities	1,515	627
Settlement received	1,051	—
Gain on contribution of securities to retirement benefit trust	1,608	—
Total extraordinary income	4,175	627
Extraordinary losses		
Patent protection court cost	1,683	996
Restructuring charges	1,851	—
Total extraordinary losses	3,534	996
Income before income taxes	31,909	19,797
Income taxes-current	7,893	4,809
Income taxes-deferred	40	(490)
Total income taxes	7,933	4,318
Net income	23,975	15,479
Net income attributable to non-controlling interests	1,736	1,475
Net income attributable to owners of parent	22,238	14,003

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2018	FY2019
	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020
Net income	23,975	15,479
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,164)	(5,437)
Deferred gains or losses on hedges	(1)	7
Foreign currency translation adjustment	(1,178)	(3,668)
Remeasurements of defined benefit plans, net of tax	1,800	(2,280)
Share of other comprehensive income of associates accounted for using equity method	(5)	(0)
Total other comprehensive income	(4,549)	(11,379)
Comprehensive income	19,425	4,099
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,996	2,976
Comprehensive income attributable to noncontrolling interests	1,429	1,123

(3) Consolidated Statements of Changes in Shareholders' Equity

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

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	32,799	264,963	(18,683)	312,125
Changes of items during period					
Dividends of surplus			(5,906)		(5,906)
Profit attributable to owners of parent			22,238		22,238
Purchase of treasury stock				(1,767)	(1,767)
Disposal of treasury stock			(0)	498	498
Cancellation of treasury stock			(8,351)	8,351	—
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		(14)			(14)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(14)	7,980	7,081	15,047
Balance at end of the period	33,046	32,784	272,944	(11,601)	327,173

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	24,730	(108)	(3,035)	(7,526)	14,060	300	20,112	346,599
Changes of items during period								
Dividends of surplus								(5,906)
Profit attributable to owners of parent								22,238
Purchase of treasury stock								(1,767)
Disposal of treasury stock								498
Cancellation of treasury stock								—
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(14)
Net changes of items other than shareholders' equity	(5,087)	(1)	(972)	1,820	(4,241)	131	3,190	(920)
Total changes of items during period	(5,087)	(1)	(972)	1,820	(4,241)	131	3,190	14,127
Balance at end of the period	19,642	(110)	(4,008)	(5,705)	9,818	431	23,302	360,726

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	32,784	272,944	(11,601)	327,173
Changes of items during period					
Dividends of surplus			(6,848)		(6,848)
Change in scope of consolidation			167		167
Profit attributable to owners of parent			14,003		14,003
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock			(1)	23	21
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		(1,821)			(1,821)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,821)	7,321	18	5,517
Balance at end of the period	33,046	30,962	280,265	(11,583)	332,691

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	19,642	(110)	(4,008)	(5,705)	9,818	431	23,302	360,726
Changes of items during period								
Dividends of surplus								(6,848)
Change in scope of consolidation								167
Profit attributable to owners of parent								14,003
Purchase of treasury stock								(4)
Disposal of treasury stock								21
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(1,821)
Net changes of items other than shareholders' equity	(5,395)	7	(3,387)	(2,250)	(11,026)	50	(1,173)	(12,149)
Total changes of items during period	(5,395)	7	(3,387)	(2,250)	(11,026)	50	(1,173)	(6,631)
Balance at end of the period	14,246	(103)	(7,395)	(7,956)	(1,208)	482	22,128	354,094

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Net cash provided by (used in) operating activities		
Income before income taxes	31,909	19,797
Depreciation and amortization	32,150	34,340
Restructuring charges	1,851	—
Loss (gain) on step acquisitions	(443)	—
Settlement received	(1,051)	—
Loss (gain) on contribution of securities to retirement benefit trust	(1,608)	(378)
Increase (decrease) in net defined benefit liability	2,244	896
Increase (decrease) in allowance for doubtful accounts	(11)	67
Interest and dividends income	(1,920)	(1,684)
Interest expenses	2,014	1,714
Equity in losses (earnings) of affiliates	(29)	(150)
Loss (gain) on disposal of noncurrent assets	445	53
Loss (gain) on sales of investment securities	(1,515)	(627)
Decrease (increase) in notes and accounts receivable—trade	(5,329)	13,197
Decrease (increase) in inventories	(9,868)	(5,572)
Increase (decrease) in notes and accounts payable—trade	(141)	(11,120)
Other, net	139	(4,083)
Subtotal	48,833	46,450
Interest and dividends income received	1,997	1,787
Interest expenses paid	(2,009)	(1,721)
Settlement package received	1,051	—
Income taxes paid	(8,760)	(6,531)
Net cash provided by (used in) operating activities	41,113	39,983
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(43,987)	(42,977)
Proceeds from sales of property, plant and equipment	1,705	725
Purchase of intangible assets	(1,809)	(3,297)
Purchase of investment securities	(1,607)	(175)
Proceeds from sales and distributions of investment securities	1,635	867
Proceeds from redemptions of investment securities	—	4,000
Purchase of shares of subsidiaries and associates	(1,878)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	227	37
Payments of loans receivable	(1,220)	(1,238)
Collection of loans receivable	1,162	872
Other, net	(1,454)	(620)
Net cash provided by (used in) investing activities	(47,229)	(41,807)

Financial Results for the Fiscal Year Ended March 31, 2020, Kaneka Corporation (4118)

(Millions of yen)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,648	14,121
Proceeds from long-term loans payable	3,810	1,362
Repayment of long-term loans payable	(10,880)	(4,366)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Repayments of lease obligations	(127)	(244)
Purchase of treasury stock	(1,767)	(4)
Proceeds from sales of treasury stock	395	0
Cash dividends paid	(5,906)	(6,848)
Proceeds from stock issuance to noncontrolling shareholders	245	390
Dividends paid to noncontrolling interests	(351)	(314)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(21)	(4,574)
Net cash provided by (used in) financing activities	(954)	(479)
Effect of exchange rate change on cash and cash equivalents	(373)	(201)
Net increase (decrease) in cash and cash equivalents	(7,443)	(2,505)
Cash and cash equivalents at beginning of period	47,413	39,970
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	141
Cash and cash equivalents at end of period	39,970	37,606

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Changes in Accounting Principles)

At the Group's subsidiaries adopting IFRS, IFRS 16 Leases (hereinafter, "IFRS 16") has been applied from April 1, 2019. Accordingly, lessees will, in principle, recognize all leases as assets and liabilities on the balance sheets. In applying IFRS 16, the Group has applied the method where the cumulative effect of applying this standard is recognized at the date of initial application in accordance with the transitional treatment of the standard. As a result, the ending balances of "Property, plant and equipment," "Other" under current liabilities and "Other" under noncurrent liabilities for the fiscal year ended March 31, 2020 increased by ¥2,466 million, ¥382 million and ¥2,191 million, respectively. The application of IFRS 16 had a negligible impact on earnings for the fiscal year ended March 31, 2020.

(Segment Information)

1) Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

The Company has established "Solutions Vehicle" as organizations for executing its growth strategies from a solutions perspective. There are ten Solutions Vehicles grouped into four solution domains called "Solutions Unit." Each Solutions Unit has established a global Group strategy for its products and services, bringing together subsidiaries in Japan and overseas as one to develop its business activities.

The Company therefore comprises four reporting segments categorized by solution: the "Material Solutions Unit," "Quality of Life Solutions Unit," "Health Care Solutions Unit," and "Nutrition Solutions Unit."

The Material Solutions Unit contributes to environmental protection and comfortable living by providing solutions in the form of high-performance materials to support the development of social infrastructure and mobility (i.e., weight reduction and improved fuel economy), and cutting-edge materials such as biopolymers that assist directly with the realization of environmental societies. The Quality of Life Solutions Unit contributes to energy conservation and the creation of high-quality lifestyles by providing solutions in the form of high-performance materials and unique services that respond to the need for energy conservation and adoption of smart technologies in housing and daily infrastructure. The unit is also responding to innovation in information-driven societies, such as the advancement of the IoT and AI. The Health Care Solutions Unit contributes to a society with better longevity and more sophisticated medical care by providing valuable solutions that combine devices and pharmaceuticals in fields such as medicine, health, and nursing care. The unit is also developing a unique health care business based on advanced medical technologies such as biopharmaceuticals and regenerative and cellular medicine. The Nutrition Solutions Unit contributes to health and high-quality food by providing a wide range of solutions in the form of distinctive materials and supplements that meet needs around food diversification and health promotion. The unit also provides solutions that contribute to food production support in the fields of agriculture, livestock, and fishery.

The Solutions Vehicles and main products that belong to each reporting segment are as follows:

Solutions Unit (Reporting Segments)	Solutions Vehicle	Main products
Material Solutions Unit	Vinyls and Chlor-Alkali	General PVC resins, Caustic soda, Specialty PVC resins
	Performance Polymers (MOD)	Modifiers, Epoxy masterbatch, Biodegradable polymers
	Performance Polymers (MS)	Modified silicone polymers
Quality of Life Solutions Unit	Foam & Residential Techs	Expandable polystyrene resins and products, Extruded polystyrene foam boards, Bead-method polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products
	E & I Technology	Polyimide films, Optical materials, Graphite sheets
	PV & Energy management	Photovoltaic modules, Energy storage batteries for residences
	Performance Fibers	Acrylic synthetic fibers
Health Care Solutions Unit	Medical Devices	Medical devices
	Pharma & Supplemental Nutrition (Pharma)	Low-molecular pharmaceutical materials, API, Biopharmaceuticals
Nutrition Solutions Unit	Pharma & Supplemental Nutrition (Supplemental Nutrition)	Functional foodstuffs
	Foods & Agris	Margarine, Shortening, Bakery yeast, Spices, Antifreeze materials, Dairy products, Functional fertilizers and feeds

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

Accounting treatment and procedures for reporting segments are the same as those shown in the "Notes to the Consolidated Financial Statements." Intersegment transactions are based on prevailing market prices.

3) Segment Information by Business Category
 Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

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

Notes: 1 Others is a business segment that is not included in the reporting segments and includes property insurance and life insurance business.

2 Segment profit is reconciled with operating income in the quarterly consolidated financial statements.

Fiscal year under review (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Segment information					Others (Note 1)	Total	Adjustment	Figures in consolidated financial statements (Note 2)
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	241,795	154,837	46,352	157,431	600,416	1,097	601,514	—	601,514
Intersegment	1,015	24	—	33	1,073	1,088	2,162	(2,162)	—
Total	242,811	154,861	46,352	157,465	601,490	2,186	603,676	(2,162)	601,514
Segment profit	20,625	14,189	8,917	5,647	49,379	547	49,927	(23,912)	26,014
Segment assets	233,548	181,176	64,979	110,440	590,145	365	590,510	62,751	653,262
Others									
Depreciation	11,559	11,395	2,692	4,547	30,195	19	30,215	3,904	34,120
Amortization of goodwill	32	—	315	108	456	—	456	88	544
Investment in equity method	67	2,249	—	—	2,316	—	2,316	—	2,316
Increase in assets	13,099	13,518	4,313	6,052	36,983	162	37,146	10,663	47,809

Notes: 1 Others is a business segment that is not included in the reporting segments and includes property insurance and life insurance business.

2 Segment profit is reconciled with operating income in the quarterly consolidated financial statements.

4) Reconciliation between Segment Totals and Amounts on Consolidated Financial Statements (Adjustments)

(Millions of yen)

Income	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020
Segment total	57,569	49,379
Segment profit of Others	1,464	547
Elimination of intersegment transactions	11	(0)
Companywide expenses (Note)	(23,091)	(23,933)
Other adjustments	87	21
Operating income in the consolidated statements of income	36,041	26,014

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

(Millions of yen)

Assets	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020
Segment total	584,245	590,145
Segment assets of Others	795	365
Elimination of intersegment transactions	(14,184)	(16,179)
Companywide assets (Note)	88,168	77,373
Other adjustments	563	1,556
Total assets in the consolidated balance sheets	659,587	653,262

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

(Millions of yen)

Other items	Segment total		Others		Adjustments (Note)		Consolidated	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	28,103	30,195	19	19	3,755	3,904	31,877	34,120
Amortization of goodwill	367	456	—	—	86	88	454	544
Increase in assets	47,149	36,393	387	162	6,056	10,663	53,594	47,809

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

(Related Information)

Geographic Area

(Sales)

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

(Millions of yen)

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

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

Fiscal year under review (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
364,960	109,344	47,306	53,426	26,475	601,514

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

(Per Share Information)

Net assets per share, net income per share and the corresponding basis for computation, and fully diluted net income per share and the corresponding basis for computation are shown below.

Item	Previous fiscal year From April 1, 2018 to March 31, 2019	Fiscal year under review From April 1, 2019 to March 31, 2020
Net assets per share	¥5,166.88	¥5,082.08
Net income per share	¥339.15	¥214.70
Fully diluted net income per share	¥338.59	¥214.28

Item	Previous fiscal year From April 1, 2018 to March 31, 2019	Fiscal year under review From April 1, 2019 to March 31, 2020
Net income per share		
Net income attributable to owners of parent (Millions of yen)	22,238	14,003
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	22,238	14,003
Average number of shares of common stock during the period (Thousands of shares)	65,571	65,224
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	(4)	(3)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-4)	(-3)
Increase in shares of common stock (Thousands of shares)	92	111
(Of which, subscription rights to shares) (Thousands of shares)	(92)	(111)

(Note) 1. Regarding the calculation of net income per share and fully diluted net income per share, the number of Kaneka shares held by the Kaneka Employee Stock Ownership Association Trust has been included in the treasury stock that was deducted during the calculation of the average number of shares during the period. Moreover, the average number of shares of the deducted corresponding treasury stock used to calculate net income per share and fully diluted net income per share was 37 thousand shares for FY2018 and there were no shares for FY2019, since the Kaneka Employee Stock Ownership Association Trust was terminated in December 2018.

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

(Subsequent Events)

Nothing to report