

Quarterly Financial Summary

2nd Quarter, Ended September 30, 2022

November 9, 2022

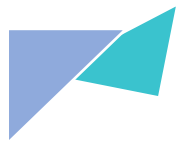
KANEKA CORPORATION



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Forecasts of the operating results and other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the Company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or any other forward-looking statements.



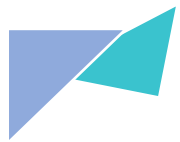
Summary

	FY2021 1H (Apr.-Sep.)	FY2022 1H (Apr.-Sep.)	(Billions of yen)	
			Difference	
			Amount	%
Net sales	330.3	380.6	50.3	15.2%
Operating income	23.0	20.8	(2.2)	(9.6%)
Ordinary income	20.9	22.5	1.6	7.8%
Net income attributable to owners of parent	14.8	16.6	1.8	12.2%
Net income per share	¥226.35	¥252.67		

(State of the Global Economy - Growing Uncertainty About the Future -)

- The social impact of COVID-19 eased.
- The global economic situation remained unstable due to the turmoil caused by the Ukrainian crisis, steep rises and falls of energy and raw material prices, economic slowdown due to accelerating global inflation and rising interest rates, and the significant depreciation of the yen.

(Kaneka Group's Business Performance - Increase in Ordinary Income and Quarterly Net Income due to Growth in Leading-edge Businesses -)



Net Sales, Operating Income by Segment

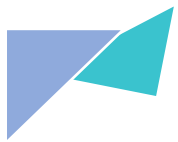
(Billions of yen)

	Net sales					Operating income				
	FY2022			Difference (Total)		FY2022			Difference (Total)	
	1Q	2Q	Total	Amount	%	1Q	2Q	Total	Amount	%
Material SU	88.9	84.0	172.9	32.0	22.7%	10.8	7.9	18.7	0.7	4.1%
Quality of Life SU	45.0	42.2	87.2	4.5	5.4%	4.6	4.1	8.7	(0.7)	(7.0%)
Health Care SU	16.6	17.4	34.0	7.4	27.7%	3.9	3.7	7.5	2.3	43.0%
Nutrition SU	41.9	44.1	86.0	6.5	8.2%	0.8	1.3	2.1	0.0	0.8%
Others	0.3	0.2	0.5	0.0	0.5%	0.2	0.1	0.3	0.0	12.5%
Adjustment	-	-	-	-	-	(8.0)	(8.5)	(16.5)	(4.6)	-
Total	192.7	187.9	380.6	50.3	15.2%	12.2	8.6	20.8	(2.2)	(9.6%)

※SU : Solutions Unit

- As the global economic slowdown intensified, we were affected by market supply-demand adjustments and market declines in Vinyls*, MOD* and E & I*.
- Leading-edge businesses (Health Care SU, etc.) grew steadily as our unique differentiating technologies expanded the market. We are making steady progress in transforming our business portfolio.

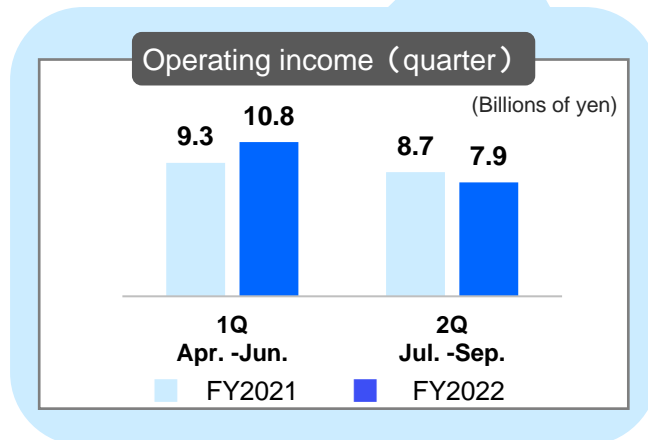
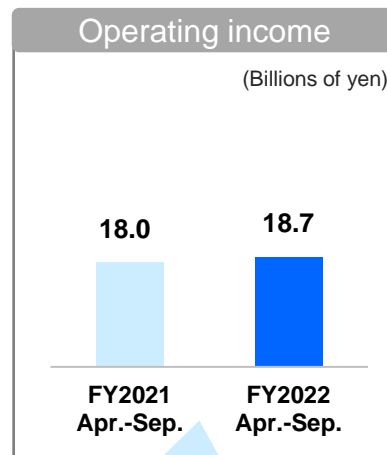
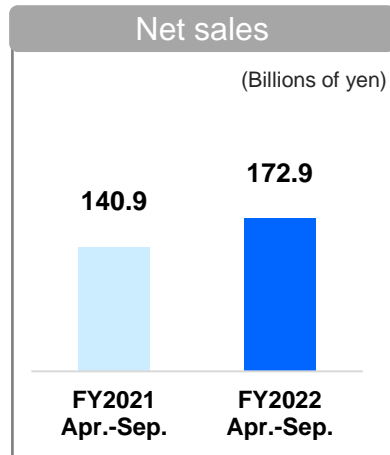
*Vinyls and Chlor-Alkali, Modifiers, E & I Technology



Business Performance (Material Solutions Unit)

Net sales **¥172.9 billion** **【up 22.7% YoY】**
Operating income **¥18.7 billion** **【up 4.1% YoY】**

Overall, increases in sales and profits, exceeded the previous year's 1H



Vinyls and Chlor-Alkali

- Although the Asian PVC spot-market weakened from 2Q, caustic soda led the performance, exceeding sales of the previous fiscal year.
- Going forward, adjusting supply and demand in the Asian market will be a key factor.

Performance Polymers (MOD)

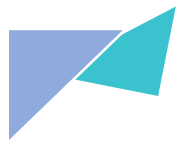
- A sharp slowdown in rigid PVC usage for housing in Europe and the U.S. from 2Q led to less sales in 1H than the previous 1H.
- We are strengthening our Research & Business activities and development of non-PVC applications.

Performance Polymers (MS)

- Steady sales linked to usage of sealants and adhesives maintained the same levels as the previous fiscal year.
- We decided in August to increase capacity in Belgium. We are considering another capacity increase at the end of this fiscal year.

Green Planet

- Joint developments with major brand holders in Japan, Europe and the U.S. are progressing well.
- We will concentrate R&D efforts into innovative technologies that use hydrogen-oxidizing bacteria to produce Green Planet™ from CO₂ and H₂ to realize the social implementation of "biomanufacturing", a prioritized policy of the government.

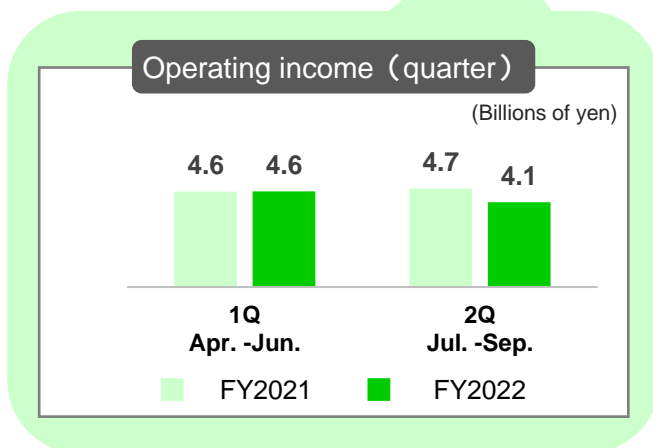
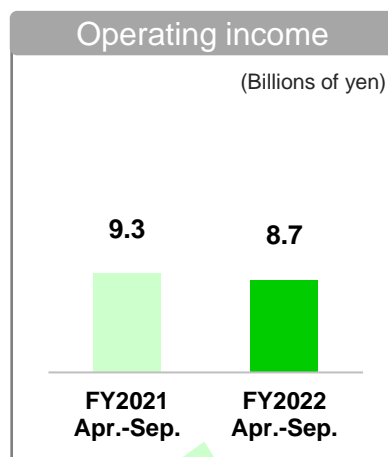
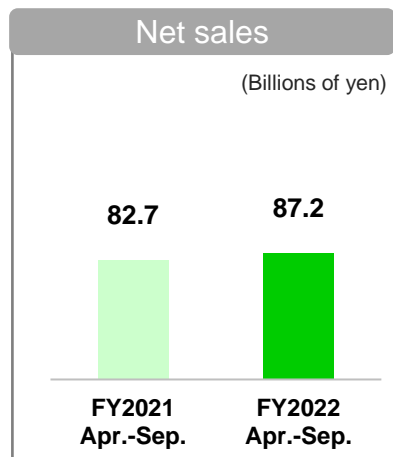


Business Performance (Quality of Life Solutions Unit)

Net sales **¥87.2 billion** **【up 5.4% YoY】**

Operating income **¥8.7 billion** **【down 7.0% YoY】**

Higher sales but lower profits due to the impact of supply-demand adjustments in E & I Technology



Foam & Residential Techs

- Focused on price revisions, domestic demand is steadily recovering after bottoming out in 1Q.
- Overseas, the automotive sector has been slow to recover due to ongoing disruptions in the supply chains of semiconductors and other parts.

PV & Energy management

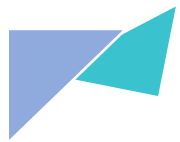
- Inquiries for our PV are increasing against the backdrop of an energy crisis (electricity shortage) is becoming apparent worldwide along with soaring crude oil and coal prices.
- Sales of high-efficiency photovoltaic modules for housing are growing due to policy initiatives such as the Tokyo Metropolitan Government's requirement for installing PV in preparation for the "2030 Carbon Half".
- We decided to increase production of heterojunction PV. We are also actively working on PV installation for self-consignment and other measures for reducing CO₂.

E & I Technology

- Business performance dropped below the previous year's level as sales were significantly impacted by the overall supply-demand adjustments in the smartphone and large-screen TV markets.
- We decided to increase production capacity for resins for acrylic films by 40%.
- We are focusing on developing new leading products such as 5G, flexible displays, and image sensor component.

Performance Fibers

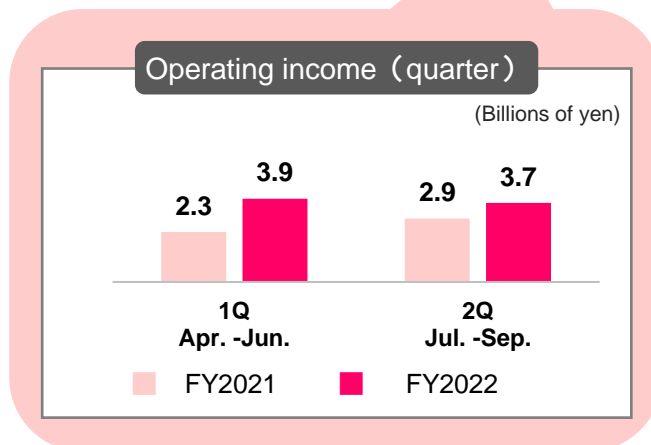
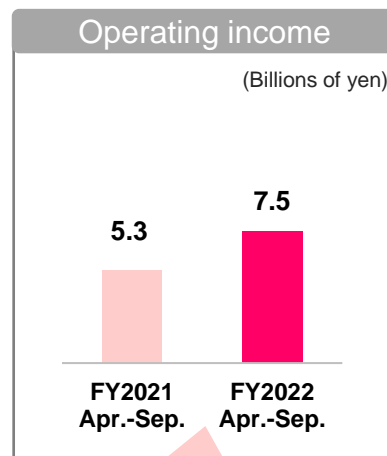
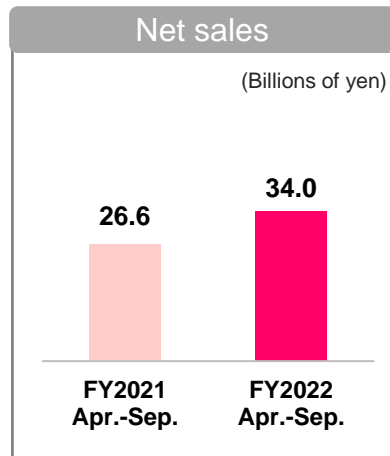
- Sales results were on par with the previous year.
- Demand for hair accessory products is anticipated to decrease due to coming inflation, but we will work to expand demand by launching new differentiating products.
- Sales of products for flame-retardant materials grew in Asia.



Business Performance (Health Care Solutions Unit)

Net sales **¥34.0 billion** **[up 27.7% YoY]**
Operating income **¥7.5 billion** **[up 43.0% YoY]**

Substantial increases in both sales and profits

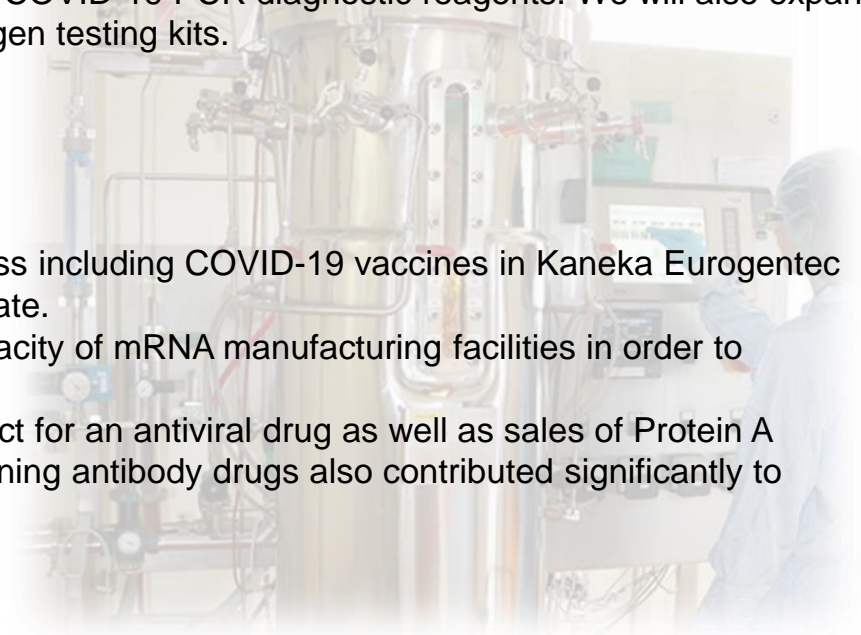


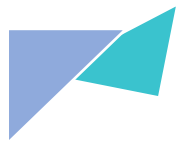
Medical

- We continue to see constant growth in domestic and overseas sales of blood purification devices and catheters.
- We tripled production capacity at our Vietnam plant. We will steadily strengthen our sales structure in the U.S., accelerate the global development of Medical business.
- We doubled the production of our COVID-19 PCR diagnostic reagents. We will also expand our production for COVID-19 antigen testing kits.

Pharma

- Biopharmaceutical CDMO business including COVID-19 vaccines in Kaneka Eurogentec S.A. is expanding at a favorable rate.
- We are preparing to increase capacity of mRNA manufacturing facilities in order to expand our business foundation.
- Sales related to a large new project for an antiviral drug as well as sales of Protein A chromatography resin used in refining antibody drugs also contributed significantly to business results.

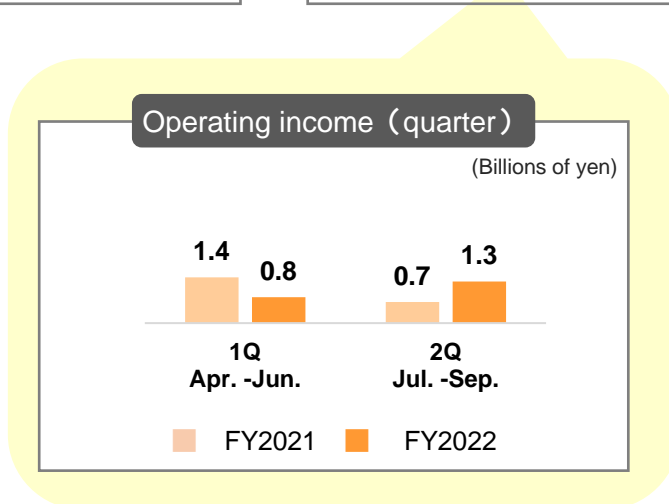
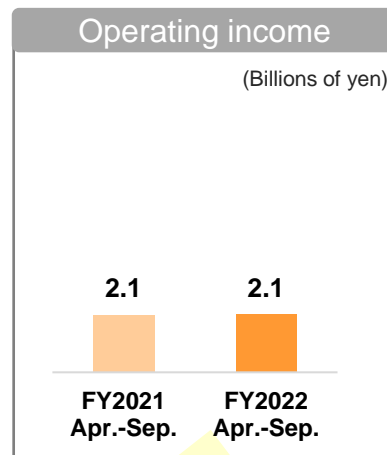
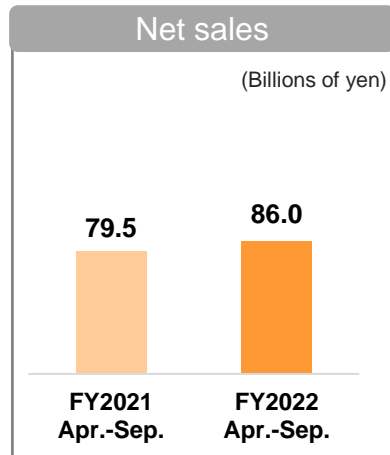




Business Performance (Nutrition Solutions Unit)

Net sales **¥86.0 billion** **【up 8.2% YoY】**
Operating income **¥2.1 billion** **【up 0.8% YoY】**

The business performance in 1H recovered from 2Q and was on a par with the previous year

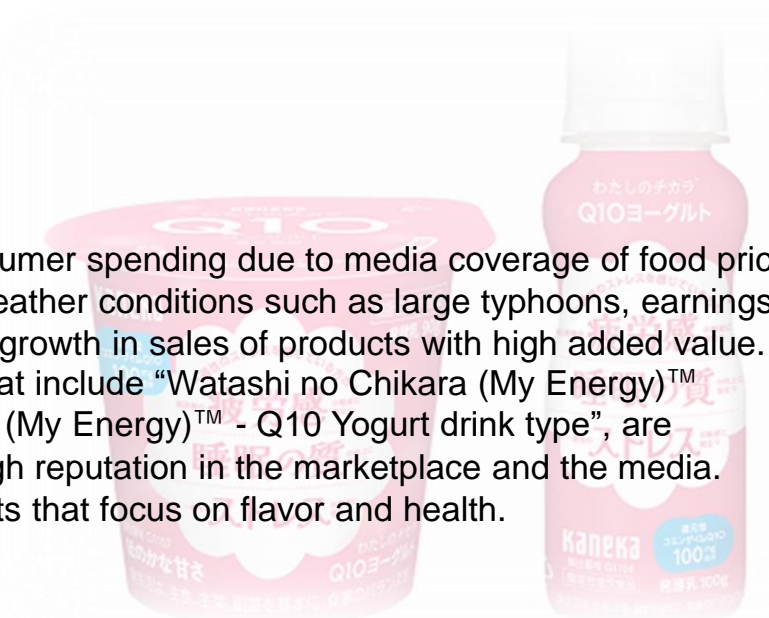


Supplemental Nutrition

- AB-Biotics's probiotics business performance grew significantly. We are reinforcing the sales structure of global production.
- Production of the active form of coenzyme Q10 is approaching full capacity, and we are considering to increase production.
- We are enhancing our functional foods product lineup.

Foods & Agris

- There is a widespread pullback in consumer spending due to media coverage of food price hikes and other factors. Despite bad weather conditions such as large typhoons, earnings recovered due to price revisions and a growth in sales of products with high added value.
- Functional foods launched in August that include “Watashi no Chikara (My Energy)TM - Q10 Yogurt” and “Watashi no Chikara (My Energy)TM - Q10 Yogurt drink type”, are seeing growing sales thanks to their high reputation in the marketplace and the media.
- We will continue enhancing our products that focus on flavor and health.



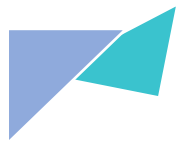


Consolidated Balance Sheet

	(Billions of yen)		
	March 31, 2022	September 30, 2022	Difference
Assets			
Current Assets	362.9	391.0	28.1
Noncurrent Assets	364.0	384.5	20.5
Total assets	727.0	775.5	48.6
Liabilities			
Interest bearing debt	127.6	140.7	13.1
Others	187.1	200.8	13.7
Total liabilities	314.8	341.5	26.7
Net assets			
Shareholders' equity *	387.2	415.4	28.3
Others	25.1	18.6	(6.4)
Total net assets	412.2	434.0	21.8
Total liabilities and net assets	727.0	775.5	48.6
Shareholders' equity ratio	53.3%	53.6%	
Net assets per share	¥5,934.36	¥6,200.32	

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

- Total assets increased, mainly due to a rise in inventory assets.
- Liabilities increased, mainly due to a rise in loans payable.
- Net assets increased, mainly due to a rise in retained earnings and foreign currency translation adjustments.



Consolidated Cash Flow

	(Billions of yen)	
	FY2021 1H (Apr.-Sep.)	FY2022 1H (Apr.-Sep.)
Cash flows from operating activities	20.1	10.4
Cash flows from investing activities	(16.9)	(21.0)
Free cash flow	3.2	(10.6)
Cash flows from financing activities	(3.6)	3.7
Net increase (decrease) in cash and cash equivalents *	0.0	(5.6)
Cash and cash equivalents at end of period	46.4	35.2

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

- Net cash provided by operating activities was ¥10.4 billion, mainly owing to income before income taxes and depreciation and amortization.
- Net cash used in investment activities amounted to ¥21.0 billion, mainly owing to the purchases of property, plants, and equipment.
- Net cash provided by financing activities came to ¥3.7 billion, mainly owing to an increase in loans payable.



Consolidated Business Forecasts

(Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2023)

- The IMF lowered its July forecast for 2022 global GDP growth to 3.2% and its October forecast for 2023 to 2.7%.
- Along with economic slowdowns in the EU region and the U.S., signs of recession are emerging in China and other Asian economies, and the global economy as a whole is expected to experience a strong sense of regression.
- Based on the business performance up until 2Q and the business environment outlook, the Group has revised its forecast for consolidated business performance announced on May 12, 2022.

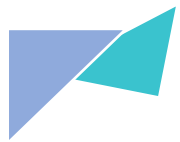
〈Reference〉 Forecast for consolidated business performance for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

	(Billions of yen)				
	FY2021	FY2022		Difference	
	Result	Previous forecast (May. 12, 2022)	Revised forecast	Vs. previous year	Vs. previous forecast
Net sales	691.5	740.0	760.0	68.5	20.0
Operating income	43.6	48.0	40.0	(3.6)	(8.0)
Ordinary income	40.8	43.0	39.0	(1.8)	(4.0)
Net income attributable to owners of parent	26.5	28.0	27.0	0.5	(1.0)
Net income per share	¥406.01	¥420.60	¥410.05		

*The forecasts from October 1, 2022 are based on exchange rates of ¥140 to the U.S. dollar, ¥140 to the euro and a domestic naphtha price of ¥75,000 per kiloliter.

- For 3Q and beyond, the key factor will be how intensively and how long the supply-demand adjustments will continue in the Europe, U.S. and Asia markets for Material SU*. It is anticipated that supply-demand adjustments will continue in electronics-related markets, such as smartphones and TVs. Consumption demand in the inflationary African market is also expected to delay its recovery.
- Foam & Residential Techs SV* and Foods & Agris SV, which were strongly affected by rising raw material prices up until 2Q, are expected to steadily improve their profitability as prices are revised.
Health Care SU is expected to continue its steady growth, mainly by continuing to grow sales of new, differentiating products. As a result, sales and profits are expected to continually increase.

*Solutions Unit, Solutions Vehicle



Consolidated Business Forecasts by Segment

- Although we decided to revise our forecasts for business performance by segment as described below, we expect to gain increases in both sales and profits in all segments except the Material Solutions Unit. We will steadily transform our portfolio by increasing the proportion of revenue from leading-edge businesses.
- Amid an increasingly uncertain business environment, we will maximize our “Adaptability” and leverage our strong global and local network capabilities in overseas markets to improve the competitiveness of our foundation businesses (Vinyls*, MOD*, Fibers*, etc.) and accelerate the growth of our leading-edge businesses (Health Care SU, MS*, etc.), while steadily strengthening our revenue base.

〈Reference〉 Forecast for consolidated business performance for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023) (Billions of yen)

	Net Sales					Operating Income				
	FY2021	FY2022		Difference		FY2021	FY2022		Difference	
	Result	Previous forecast (May. 12, 2022)	Revised forecast	Vs. previous year	Vs. previous forecast	Result	Previous forecast (May. 12, 2022)	Revised forecast	Vs. previous year	Vs. previous forecast
Material SU	299.9	320.0	340.0	40.1	20.0	36.4	34.0	31.0	(5.4)	(3.0)
Quality of Life SU	169.1	185.0	175.0	5.9	(10.0)	16.9	20.5	17.0	0.1	(3.5)
Health Care SU	58.9	69.5	71.0	12.1	1.5	12.7	15.8	16.0	3.3	0.2
Nutrition SU	162.6	164.5	173.0	10.4	8.5	5.1	6.8	6.8	1.7	-
Others	1.1	1.0	1.0	(0.1)	-	0.5	0.5	0.5	-	-
Adjustment	-	-	-	-	-	(28.0)	(29.6)	(31.3)	(3.3)	(1.7)
Total	691.5	740.0	760.0	68.5	20.0	43.6	48.0	40.0	(3.6)	(8.0)

※SU : Solutions Unit

*Vinyls and Chlor-Alkali, Modifiers, Performance Fibers, Modified Silicone polymers 10

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