

The logo for KANEKA, featuring the word "KANEKA" in a bold, blue, sans-serif font. The letters are slightly stylized, with the 'K' and 'A' having unique shapes.

The Dreamology Company
—Make your dreams come true—

A horizontal banner with a blue background. On the left, there is a faint, stylized line graph with multiple lines in white, light blue, and pink. On the right, the text "Financial Summary" is written in a large, white, sans-serif font, and "Fiscal Year Ended March 31, 2023" is written below it in a smaller, white, sans-serif font.

Financial Summary

Fiscal Year Ended March 31, 2023

May 12, 2023

KANEKA CORPORATION

INDEX

Highlights	01
Operating Results by Segment	02
Remarks on the Group-wide Business Performance	03
Business Performance by Segment	05
Consolidated Balance Sheets	09
Consolidated Statements of Cash Flows	10
Investments, Depreciation, R&D Expenses	11
Shareholder Returns	12
Consolidated Business Forecasts	13

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.

Highlights

	FY2021	FY2022	Change	
			Amount	%
Net sales	691.5	755.8	64.3	9.3%
Operating income	43.6	35.1	(8.5)	(19.5%)
Ordinary income	40.8	32.4	(8.4)	(20.6%)
Net income attributable to owners of parent	26.5	23.0	(3.5)	(13.1%)
Operating income margin	6.3%	4.6%		
Net income per share	¥406.01	¥349.59		
Dividend per share	¥110.00	¥110.00		
ROE	7.1%	5.7%		
Exchange rate (to USD)	¥112.4	¥135.5		
Exchange rate (to EURO)	¥130.6	¥141.0		
Domestic Naptha Price (per kl)	¥56,625	¥76,625		

(Billions of yen)

Previous forecast (Feb. 8, 2023)	Rate of achievement
756.0	99.9%
36.5	96.1%
34.0	95.3%
24.0	95.9%

State of the Global Economy - The whole economy is stagnant, with a growing sense of economic slowdown -

- While the global economy was recovering from the COVID-19 pandemic, a sense of slowdown became increasingly apparent as situations such as the stalemate in Ukraine, the soaring of energy and resource prices, ongoing inflation, and tightening of monetary policy were intricately intertwined.
- Under such an increasingly uncertain business environment, we will sharpen our awareness of the times and further enhance our adaptability to confront the post-COVID-19 world.

Kaneka Group's Business Performance - Sales increased and profits decreased, but leading-edge businesses grown -

Operating Results by Segment

(Billions of yen)

	Net sales											
	FY2021					FY2022					Change (YoY)	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Amount	%
Material SU	70.0	70.9	76.3	82.7	299.9	88.9	84.0	77.8	83.1	333.9	33.9	11.3%
Quality of Life SU	40.9	41.9	43.4	42.9	169.1	45.0	42.2	43.8	41.8	172.8	3.7	2.2%
Health Care SU	13.2	13.4	15.4	16.9	58.9	16.6	17.4	18.7	18.1	70.8	11.8	20.1%
Nutrition SU	39.8	39.7	43.1	40.0	162.6	41.9	44.1	46.0	45.4	177.3	14.8	9.1%
Others	0.3	0.2	0.2	0.3	1.1	0.3	0.2	0.2	0.3	1.1	0.0	1.1%
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Total	164.1	166.2	178.4	182.8	691.5	192.7	187.9	186.5	188.7	755.8	64.3	9.3%

	Operating income											
	FY2021					FY2022					Change (YoY)	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Amount	%
Material SU	9.3	8.7	8.3	10.1	36.4	10.8	7.9	3.8	5.0	27.4	(8.9)	(24.6%)
Quality of Life SU	4.6	4.7	4.5	3.2	16.9	4.6	4.1	4.4	3.1	16.1	(0.8)	(4.8%)
Health Care SU	2.3	2.9	3.2	4.2	12.7	3.9	3.7	4.5	3.7	15.7	3.0	23.8%
Nutrition SU	1.4	0.7	1.6	1.4	5.1	0.8	1.3	2.3	3.2	7.6	2.5	49.2%
Others	0.2	0.1	0.1	0.2	0.5	0.2	0.1	0.1	0.2	0.6	0.1	10.6%
Adjustment	(6.0)	(5.9)	(7.3)	(8.9)	(28.0)	(8.0)	(8.5)	(8.2)	(7.6)	(32.3)	(4.3)	-
Total	11.8	11.2	10.3	10.2	43.6	12.2	8.6	6.8	7.5	35.1	(8.5)	(19.5%)

※SU : Solutions Unit

Remarks on the Group-wide Business Performance

Demand adjustment affected Material SU, but portfolio transformation progressing steadily

Prolonged Demand Adjustment in Material and Electronics Markets

Demand for material-based products continued to decline as the global economic slowdown spread from 2Q. In addition, the supply-demand adjustment was prolonged in the supply chain for E & I Technology. This demand adjustment bottomed out in 3Q, but the recovery momentum was found to be weaker than expected in 4Q.

- **Vinyls** : PVC Asian market conditions stayed sluggish.
MOD : Not recovered as we had expected in the building materials and construction markets in Europe and the U.S.
- **E&I** : Performance remained weak due to a prolonged demand adjustment for smartphones and large-screen TVs since 2Q.
Fiber : Demand for hair accessory products remained sluggish against the backdrop of higher inflation in African countries.
Both of these markets have been gradually recovering since 4Q, and a full-scale market recovery is expected in the next fiscal year.

Steady Growth in Leading-edge Businesses

Our leading-edge businesses saw a steady growth in Health Care Solutions Unit, Supplemental Nutrition and PV & Energy management by providing solutions to crises on health, global environment, and energy, even in the midst of the global economic turmoil.

- **Medical** : Sales of the blood purification devices and catheters grew in both Japan and overseas.
Pharma : Bio-CDMO and small molecule pharmaceuticals performed well.
- **Supplement** : Probiotics business started contributing to profitability in addition to the active form of coenzyme Q10.
- **PV** : Amid the global energy crisis, our PV products have successfully responded to growing demand for photovoltaic modules for residential use. At the same time, we have made progress in initiatives contributing to CO₂ reduction, such as self-consignment and microgrids. Full-scale delivery of in-vehicle PV has also begun.

Remarks on the Group-wide Business Performance

Resource Investments for Future Growths

We have decided on major investments in leading-edge businesses to strengthen our manufacturing capability toward business growths in the next fiscal year and beyond.

- Medical: The expansion of the catheter production facility in Vietnam was completed in August, and the construction of a new facility for blood purification devices in Hokkaido (Japan) is proceeding well to start operation in 2024.
- Pharma: Kaneka Eurogentec S.A. (Belgium) has decided to increase the capacity of manufacturing facilities for mRNA, which is expected to grow speedily for use in vaccines for infectious diseases as well as in therapeutics for genetic diseases and cancer.
- Material: We have decided to increase the capacity of Modified Silicone polymers in Belgium whose global demand is expected to increase.
- PV: We have decided to invest in capacity increase of heterojunction PV to meet growing demand for high-efficiency photovoltaic modules for residential use.

Despite the uncertain business environment, growth and earnings are expanding for leading-edge businesses and we are making steady progress in transforming our business portfolio. We are focusing further on strengthening the foundation for growth in leading-edge businesses, such as capacity increases.



Business Performance (Material Solutions Unit)

Net sales
¥333.9bn
YoY +11.3%

299.9

FY2021

FY2022

Operating income
¥27.4bn
YoY (24.6)%

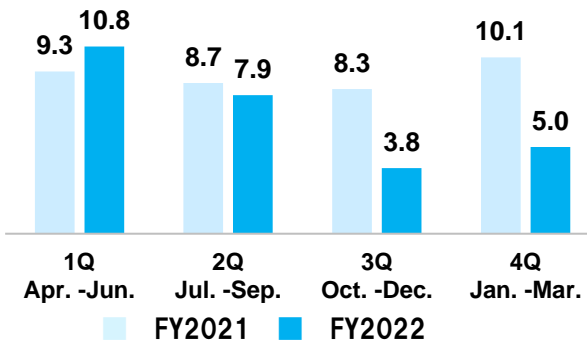
36.4

FY2021

FY2022

Operating income (quarterly)

(Billions of yen)



Strongly affected by the economic slowdown in Europe, the U.S. and Asia, especially from the latter half of 2Q, resulting in higher sales and lower profits

Vinyls and Chlor-Alkali

- Caustic soda sales remained firm.
- The Asian markets for PVC was sluggish from 3Q.

Performance Polymers(MOD)

- The performance was weak due to sluggish demand for rigid PVC applications for housing in Europe and the U.S. since 2Q.
- We focused on expanding the market for non-PVC applications, and has recovered the business performance from 4Q.

Performance Polymers(MS)

- The underlying tone of demand is firm despite a temporary slump in the construction market in Europe and the U.S.
- We have decided to increase its capacity in Belgium for the future growth.
- We are making the final review on the next capacity expansion in the U.S.

Green Planet

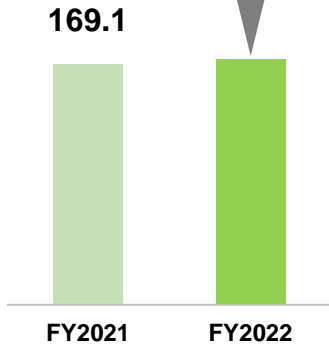
- We have made steady progress in joint development with major brand holders in Japan, the U.S. and Europe.
- In March, we were selected as a NEDO*1 Green Innovation Fund Project regarding research and development of innovative technology to produce Green Planet™ from CO2 and hydrogen toward social implementation of “biomanufacturing.”

*1. New Energy and Industrial Technology Development Organization

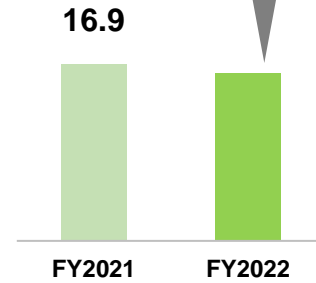
Business Performance

(Quality of Life Solutions Unit)

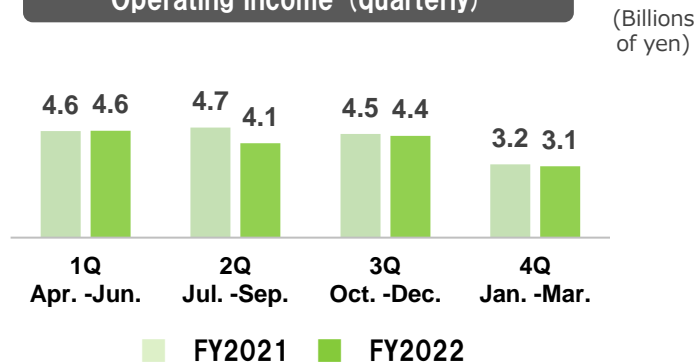
Net sales
¥172.8bn
YoY +2.2%



Operating income
¥16.1bn
YoY (4.8)%



Operating income (quarterly)



Higher sales and lower profits due to the significant impact of the prolonged supply demand adjustment for E & I Technology

Foam & Residential Techs

- Performance improved greatly due to a recovery in domestic sales and the securing of spreads through price revisions.
- Sales in the overseas automobile sector are also in recovery phase.

PV & Energy management

- Sales of high-efficiency photovoltaic modules for residential use grew.
- Tokyo Metropolitan Government and other municipalities have expanded their mandates to install PV in new houses, and we have been receiving more and more inquiries from various municipalities.
- Hetero junction back-contact type solar cells were adopted for the roof glass of Toyota Motor Corporation's all-new Prius PHEV, which went on sale in March.

E & I Technology

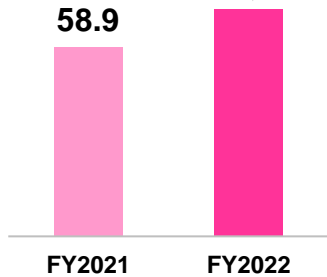
- Performance was weak due to continued significant production adjustment of smartphones and LCD panels for large-screen TVs since 2Q.
- We have focused on our unique lineup of differentiated new products such as for 5G, flexible displays and image sensor applications.

Performance Fibers

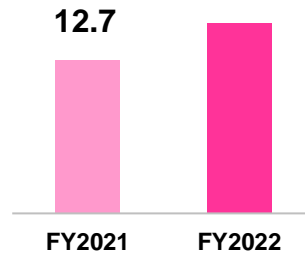
- We were affected by a declined demand for hair accessory products due to rising inflation in Africa and the U.S., however, the demand has been recovering with the introduction of new high-performance products since 4Q.

Business Performance (Health Care Solutions Unit)

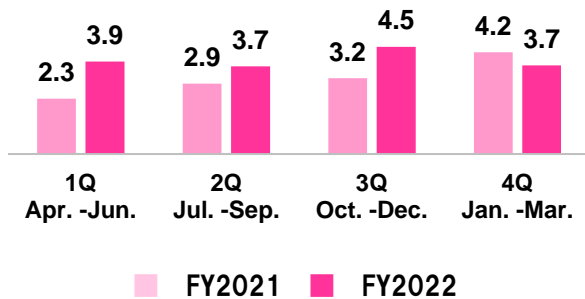
Net sales
¥70.8bn
YoY +20.1%



Operating income
¥15.7bn
YoY +23.8%



Operating income (quarterly)



A significant increase in both sales and profits, expanding performance in both Medical and Pharma

Medical

- Sales of blood purification devices and catheters expanded steadily in Japan and overseas.
- We have also been strengthening our sales structure in the U.S., the largest market, and reinforcing manufacturing plants in Hokkaido and Vietnam with the aim of accelerating global expansion of the medical business.

Pharma

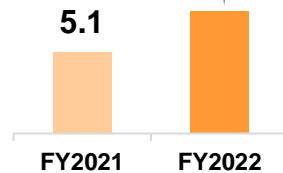
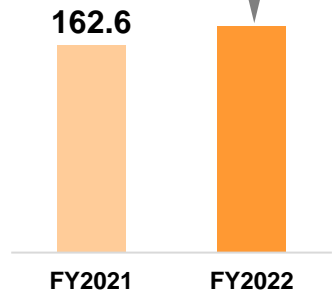
- Kaneka Eurogentec's Bio-CDMO business expanded steadily.
- High growth is expected for mRNA, for which the decision was made to increase capacity in response to rising number of inquiries from clients who are expecting usage in therapeutics for genetic diseases and cancer.
- In small molecule pharmaceuticals, sales of intermediates for Xocova®*2 tablets, a new COVID-19 treatment, contributed to its performance.

*2. Xocova® is a trademark of Shionogi & Co., Ltd registered in Japan.

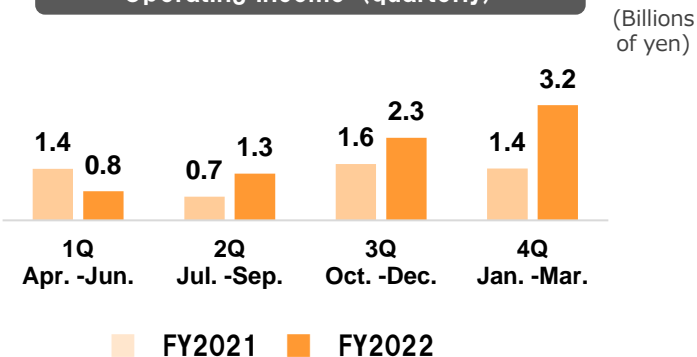
Business Performance (Nutrition Solutions Unit)

Net sales
¥177.3bn
YoY +9.1%

Operating income
¥7.6bn
YoY +49.2%



Operating income (quarterly)



Higher sales and profits due to market expansion in Supplemental Nutrition and improved profits in Foods & Agris

Supplemental Nutrition

- Supplemental Nutrition expanded sales of the active form of coenzyme Q10 in the U.S., Japan, Europe, Oceania and Asia especially in China.
- We will strengthen sales for the Chinese e-commerce market.
- The probiotics business has started contributing to profitability, and we will hasten the reinforcement of the global Supplement production sales structure.
- We will further strengthen our lineup of foods with functional claims.

Foods & Agris

- A significant improvement in profits as a result of vigorous efforts to expand sales of high value-added products and price revisions.
- Sales of the “Watashi no Chikara™ (My Energy) - Q10 Yogurt” drink type, launched in August, have been strong, and production capacity has been doubled.
- Kaneka Shokuhin’s new e-commerce site was launched, and the sales structure for BtoC sales of dairy products, bread, chocolate and other products was strengthened.
- With the newly established Healthy Foods Strategic Unit as a driver, we will focus on initiatives that provide new value under the theme of good taste and health.

Consolidated Balance Sheets

(Billions of yen)

		March 31, 2022	March 31, 2023	Change
Assets	Current Assets	362.9	397.0	34.1
	Noncurrent Assets	364.0	385.7	21.6
Total assets		727.0	782.6	55.7
Liabilities	Interest bearing debt	127.6	159.3	31.7
	Others	187.1	186.9	(0.2)
	Total liabilities	314.8	346.2	31.5
Net assets	Equity *	387.2	417.4	30.2
	Others	25.1	19.1	(6.0)
	Total net assets	412.2	436.4	24.2
Total liabilities and net assets		727.0	782.6	55.7
Equity ratio		53.3%	53.3%	
Debt equity ratio		0.33	0.38	
Net assets per share		¥5,934.36	¥6,431.63	

* Equity : Net assets less Noncontrolling interests and Subscription rights to shares

- Total assets increased, mainly due to an increase in notes and accounts receivable-trade and inventories resulting from higher sales, as well as an increase in tangible fixed assets resulting from expanded capital investment, and an increase in overseas group companies' assets denominated in yen resulting from the weakening of yen.
- Liabilities increased, primarily reflecting an increase in loans payable.
- Net assets increased, owing chiefly to an increase in retained earnings and an increase in foreign currency translation adjustments resulting from the weakening of yen.
- Equity ratio stayed the same level a year ago.

Consolidated Statements of Cash Flows

(Billions of yen)

	FY2021	FY2022
Cash flows from operating activities	34.1	28.7
Cash flows from investing activities	(39.6)	(42.0)
Free cash flow	(5.5)	(13.3)
Cash flows from financing activities	(1.1)	12.4
Net increase (decrease) in cash and cash equivalents *	(5.6)	(0.0)
Cash and cash equivalents at end of period	40.7	40.7

* 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 ¥28.7 billion, mainly due to the recording of income before income taxes and depreciation and amortization, while there was an increase in working capital related to higher sales.
- Net cash used in investing activities amounted to ¥42.0 billion, mainly due to purchase of property, plant and equipment.
- Net cash provided by financing activities was ¥12.4 billion due to proceeds from an increase in loans payable, which offset payments for purchase of treasury stock and dividends.

Investments, Depreciation, R&D Expenses

		(Billions of yen)		
		FY2021	FY2022	Change
Capital investment		37.7	44.3	6.6
Depreciation and amortization		37.7	39.2	1.5
R&D expenses		30.9	32.7	1.8
	R&D expenses to net sales	4.5%	4.3%	

●Major investments

Decision made in FY2022

- Commercialization plant secured for 15,000MT of Green Planet
- Construction of new BLA plant in Hokkaido
- Capacity increase of Modified Silicone polymers at Kaneka Belgium N.V.
- Capacity increase of manufacturing facilities for mRNA at Kaneka Eurogentec S.A.

Shareholder Returns

○Treasury shares repurchased : 2.3 millions shares (repurchased at largest-ever 8.0 billions of yen, from September 12, 2022, to March 20, 2023)

(Billions of yen, Thousand shares, Yen/shares)

	FY2018	FY2019	FY2020	FY2021	FY2022
Net income attributable to owners of parent	2,223.8	1,400.3	1,583.1	2,648.7	2,300.8
Net income per share	339.15	214.70	242.68	406.01	349.59
Dividend per share	100	100	100	110	110
Payout ratio	29.5%	46.6%	41.2%	27.1%	31.5%
Number of treasury shares repurchased	400	—	—	—	2,300
Amount of treasury shares repurchased	174.1	—	—	—	804.2
Total shareholder return ratio	37.3%	46.6%	41.2%	27.1%	66.4%

Consolidated Business Forecasts

Kaneka's Purpose Management

- Today, the natural environment is being increasingly stressed, and human activities may cause dangerous climate change and mass extinction. To reduce this risk, we must deepen our understanding of nature and deploy the appropriate technologies more rapidly.
- This perspective is exactly the Purpose Management that Kaneka, “The Dreamology Company —Make your dreams come true—,” aims for.
- We are refining our technology in three domains: the environmental and energy crisis, the food crisis, and the wellness (better living) crisis with an aspiration to provide optimal solutions through their social implementation.

The New Frontier of Biomanufacturing and Chemistry

- Life and Earth are one, and chemical reactions are its common substance. Each domain is a new frontier that Kaneka is striving in.
- KANEKA Biodegradable Polymer Green Planet™, genome editing technologies, biopharmaceuticals, regenerative and cellular medicine, organic dairy businesses, supplements, biomanufacturing including fermentation and culture process technologies, PV technology, E & I, medical devices, etc. are all connected to the big “life,” that is, “life on Earth.” This is the new frontier created by chemistry.

Consolidated Business Forecasts

Kaneka's "Hybrid Management"

- Innovation is a new combination that moves things differently. To create new combinations between different things in different business fields. That is what Kaneka calls "Hybrid Management."
- Numerous new combinations have been created and are growing steadily, such as "Biodegradable Polymer Green Planet™," which combines biotechnology and macromolecular chemistry, and "Watashi no Chikara™ (My Energy) - Q10 Yogurt," which was developed from Supplement and Foods, combining products with other products.
- In the future, more products, technologies, and businesses that will drive our hybrid management will appear one after another in the future.

Restoring Bonds -Trust & Respect -

- The end of the pandemic suggests the beginning of "new Trust & Respect." Customers and colleagues are restoring a true One Team by bringing back "Trust and Respect."
- We will continue to promote "Human Driven Management" focusing on ESG and "Wellness First" health management activities led by the Engine of Sustainability (SX) Management this year as well.

Acceleration of "3+5" Strategic Platform

- The three Focal Points are ①Restoring life-nurturing humanity under the theme of "SX (Sustainability + DX)," ②Promoting structural reform through M&A, and ③Promoting diversity through diverse people, business areas, regions, and technologies.
- We will accelerate transformation and growth through (1) Strengthening the Asia strategy, (2) Advancing digital transformation (DX), (3) Advancing carbon neutrality, (4) Alliances and M&A, and (5) Diversity Committee.

Consolidated Business Forecasts

Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024

	FY2022 Result	FY2023 Forecast	(Billions of yen)	
			Change	
			Amount	%
Net sales	755.8	800.0	44.2	5.8%
Operating income	35.1	42.0	6.9	19.7%
Ordinary income	32.4	38.5	6.1	18.8%
Net income attributable to owners of parent	23.0	27.0	4.0	17.3%
Operating income margin	4.6%	5.3%		
Net income per share	¥349.59	¥416.06		
ROE	5.7%	6.3%		
Exchange rate (to USD)	¥135.5	¥130.0		
Exchange rate (to EURO)	¥141.0	¥140.0		
Domestic Naptha Price (per kl)	¥76,625	¥63,000		

Consolidated Business Forecasts

➤ In April, the IMF downwardly revised its forecast for 2023 global GDP growth to 2.8% (from 3.4% forecast in 2022). The outlook is becoming increasingly uncertain due to the assumed risks such as the trend of monetary policy to control inflation, financial system instability, the turmoil in Ukraine and the widening geopolitical division among countries.

➤ Although economic recession and business slowdown are expected in the short term, we will further demonstrate our adaptability and focus on transforming our business portfolio with the three crises of sustainability as our business domains centering on “Selection and Concentration.” We will realize social implementation of unique products and technologies as a Solution Provider through the development of innovative materials (Breakthrough Technology) and active investment in management resources of R&D activities which contribute to the future.

Consolidated Business Forecasts

Performance forecasts by segments

(Billions of yen)

	Net sales				Operating income			
	FY2022 Result	FY2023 Forecast	Change		FY2022 Result	FY2023 Forecast	Change	
			Amount	%			Amount	%
Material SU	333.9	323.0	(10.9)	(3.3%)	27.4	27.5	0.1	0.2%
Quality of Life SU	172.8	212.0	39.2	22.7%	16.1	21.6	5.5	33.9%
Health Care SU	70.8	82.0	11.2	15.8%	15.7	17.7	2.0	12.9%
Nutrition SU	177.3	182.0	4.7	2.6%	7.6	8.6	1.0	13.4%
Others	1.1	1.0	(0.1)	(6.9%)	0.6	0.6	0.0	8.2%
Adjustment	-	-	-	-	(32.3)	(34.0)	(1.7)	-
Total	755.8	800.0	44.2	5.8%	35.1	42.0	6.9	19.7%

※SU : Solutions Unit

Consolidated Business Forecasts

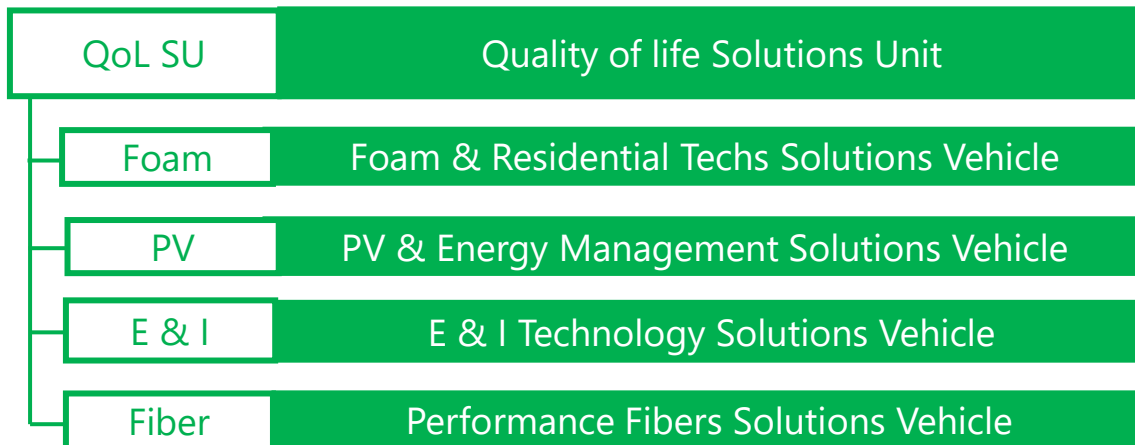
- Among the leading-edge businesses, Medical in Health Care Solutions Unit expects to launch new blood purification devices and catheters and expand the business globally. Pharma expects to expand in the biopharmaceuticals market especially mRNA field.

Supplemental Nutrition expects sales of the active form of coenzyme Q10 to further increase in overseas market, and also the probiotics business to grow. E & I Technology expects the polyimide film for smartphones and acrylic film resin for TV market to recover, and Modified Silicone polymer plans to expand its market in Europe and the U.S.

- Among the foundation businesses, we expect recovery in global demand for Modifiers and the market for non-PVC applications to expand, although a full recovery will be in 2Q of the next fiscal year. Foods & Agris will prioritize investment in dairy products, health care ingredients, and global procurement to expand sales of high value-added products.

Performance Fibers will strengthen measures to stimulate demand in the African market and introduce differentiated products to speedily regain and increase sales.

Appendix: The List of Kaneka Business Unit Abbreviations



KANEKA CORPORATION
<https://www.kaneka.co.jp/en/>