

Quarterly Financial Results for the 2nd Quarter, Ended September 30, 2020 (Japanese GAAP, Consolidated)

November 10, 2020

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

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

Representative: Minoru Tanaka Title: President, Representative Director

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Scheduled date for submitting financial statements: November 12, 2020 Scheduled date of dividend distribution: December 7, 2020

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

1. Consolidated Business Performance for the 2nd Quarter, Ended September 30, 2020

(from April 1, 2020 to September 30, 2020)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|-----------------------|-----------|--------|------------------|--------|-----------------|--------|---|--------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % |
| Apr. 2020 – Sep. 2020 | 266,714 | (11.1) | 7,034 | (45.1) | 4,017 | (58.5) | 2,476 | (59.0) |
| Apr. 2019 – Sep. 2019 | 299,855 | (2.0) | 12,817 | (28.9) | 9,675 | (39.3) | 6,046 | (43.4) |

Note: Comprehensive income: ¥6,577 million (216.2%) for the six months ended September 30, 2020

¥2,079 million (-86.5%) for the six months ended September 30, 2019

| | Net income per share | Fully diluted net income per share |
|-----------------------|----------------------|------------------------------------|
| Apr. 2020 – Sep. 2020 | ¥ 37.97 | ¥ 37.88 |
| Apr. 2019 – Sep. 2020 | 92.70 | 92.54 |

(2) Consolidated financial position

| | Total assets | | Net assets | | Shareholders' equity ratio |
|--------------------------|--------------|--|------------|--|----------------------------|
| | ¥ million | | ¥ million | | % |
| As of September 30, 2020 | 644,307 | | 357,192 | | 51.9 |
| As of March 31, 2020 | 653,262 | | 354,094 | | 50.7 |

(Reference) Shareholders' equity: ¥334,304 million as of September 30, 2020

¥331,483 million as of March 31, 2020

2. Dividends

| | Annual dividends | | | | |
|-----------------------------------|------------------|-------------|-------------|----------|----------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Annual |
| Apr. 2019 – Mar. 2020 | ¥ — | ¥ 50.00 | ¥ — | ¥ 50.00 | ¥ 100.00 |
| Apr. 2020 – Mar. 2021 | — | 50.00 | | | |
| Apr. 2020 – Mar. 2021 (Forecasts) | | | — | 50.00 | 100.00 |

Note: Changes in dividend forecast during the quarter under review: No

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

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

(Percentage figures represent changes from the corresponding periods of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Net income per share |
|-----------|-----------|-------|------------------|--------|-----------------|--------|---|--------|----------------------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Full year | 560,000 | (6.9) | 21,000 | (19.3) | 16,400 | (18.7) | 10,000 | (28.6) | 153.31 |

Note: Revisions to consolidated business performance forecasts during the quarter under review: No

4. Other

(1) Changes in principal subsidiaries during the term: No

(2) Application of simplified methods of accounting and specific accounting methods: No

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

1. Changes owing to revisions in accounting standards: No

2. Changes other than 1. above: No

3. Changes in accounting estimates: No

4. Restatements: No

(4) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock):

2. Number of shares of treasury stock at the end of the period:

3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year):

| | | | |
|--------------------|-------------------|--------------------|-------------------|
| September 30, 2020 | 68,000,000 shares | March 31, 2020 | 68,000,000 shares |
| September 30, 2020 | 2,762,184 shares | March 31, 2020 | 2,774,049 shares |
| September 30, 2020 | 65,230,004 shares | September 30, 2019 | 65,223,202 shares |

(These financial statements are exempt from audit procedures)

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

The business performance forecasts and certain 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 forecasts. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements. For cautionary items used in business performance forecasts, please refer to the section entitled “(3) Consolidated Business Forecasts” under “1. Quarterly Consolidated Business Performance” on page 4.

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1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

Global economic activity has been hit hard by the COVID-19 pandemic, giving rise to a rapid paradigm shift in society, along with a variety of changes in people's values. The global economy rebounded from the serious downturn it experienced in the first quarter (April-June 2020; "1Q") and showed increasingly strong signs of recovery in various industries in the second quarter (July-September 2020; "2Q"), primarily in China and the U.S. From October onward, the pace of recovery is expected to increase overall, despite some lingering uncertainty about factors such as the impact of a second wave of COVID-19 in Europe and the U.S.

In this business environment, the Kaneka Group delivered steady growth in earnings in the leading-edge business group, including the Health Care Solutions Unit, which has benefited from an expanding range of business opportunities during the COVID-19 crisis. Meanwhile, the core business group, including the Material Solutions Unit, which had been primarily responsible for the downturn in business results in 1Q, has seen steady improvement in stagnant production levels. With some business fields showing signs of rapid improvement since the summer, the Group is expected to achieve further improvement in business performance in the second half of the fiscal year.

The Kaneka Group's business performance for the first six months (April 1, 2020 to September 30, 2020) of the fiscal year ending March 31, 2021 was as follows. Consolidated net sales amounted to ¥266,714 million (down 11.1% year on year), and operating income was ¥7,034 million (down 45.1% year on year). Ordinary income was ¥4,017 million (down 58.5% year on year). Net income attributable to owners of parent was ¥2,476 million (down 59.0% year on year).

Net sales and operating income by segment for the first half (April 1, 2020 to September 30, 2020)

(Millions of yen)

| | Net sales | | | | | | | Operating income | | | | | | |
|--------------------|-----------|---------|----------|---------|---------|----------|------------------------|------------------|--------|----------|--------|--------|----------|------------------------|
| | FY2019 | | | FY2020 | | | Difference 1st half | FY2019 | | | FY2020 | | | Difference 1st half |
| | 1Q | 2Q | 1st half | 1Q | 2Q | 1st half | | 1Q | 2Q | 1st half | 1Q | 2Q | 1st half | |
| Material SU | 60,176 | 60,238 | 120,414 | 48,894 | 55,587 | 104,482 | △15,932 (△13.2%) | 5,590 | 4,612 | 10,202 | 2,855 | 4,518 | 7,374 | △2,828 (△27.7%) |
| Quality of Life SU | 38,468 | 40,443 | 78,911 | 29,738 | 33,924 | 63,663 | △15,247 (△19.3%) | 3,728 | 3,854 | 7,583 | 1,236 | 2,692 | 3,929 | △3,653 (△48.2%) |
| Health Care SU | 10,949 | 11,008 | 21,957 | 11,698 | 12,756 | 24,454 | 2,496 (11.4%) | 1,905 | 2,144 | 4,049 | 2,298 | 2,672 | 4,970 | 920 (22.7%) |
| Nutrition SU | 38,908 | 39,101 | 78,010 | 35,938 | 37,560 | 73,498 | △4,511 (△5.8%) | 1,200 | 1,160 | 2,360 | 827 | 605 | 1,432 | △928 (△39.3%) |
| Others | 320 | 241 | 561 | 373 | 241 | 615 | 53 (9.6%) | 180 | 106 | 286 | 248 | 92 | 341 | 54 (18.9%) |
| Adjustment | - | - | - | - | - | - | - | △5,600 | △6,065 | △11,666 | △5,436 | △5,576 | △11,013 | 653 (-) |
| Total | 148,822 | 151,032 | 299,855 | 126,644 | 140,069 | 266,714 | △33,141 (△11.1%) | 7,004 | 5,812 | 12,817 | 2,029 | 5,005 | 7,034 | △5,782 (△45.1%) |

The notable features of the Company's business results for the 2nd quarter, ended September 30, 2020 have been summarized from the perspective of the business portfolio, as follows.

- The core business group (Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS), Foam & Residential Techs, Performance Fibers, and Foods & Agris) was heavily impacted by the COVID-19 crisis in 1Q. From 2Q onward, the core business group has steadily improved, owing to progress on an improvement in production in step with the resumption of global economic activity. The Company now sees a clear path for the core business group to return to a trajectory for additional growth beyond COVID-19.
- The highly profitable leading-edge business group (E & I Technology, PV & Energy management, Medical, Pharma, Supplemental Nutrition, and Agricultural production support), which has an expanding range of growth opportunities amid the current paradigm shift, continues to achieve

steady growth. Notably, sales for new applications are expanding in Pharma and E & I Technology.

- Looking ahead the dramatic paradigm shift caused by the coronavirus shock, the Company is working to improve productivity and create new business value by applying a “select and concentrate” strategy to Research & Business (R&B) initiatives and by promoting digital transformation (DX) of back office departments and other areas. Meanwhile, the Company is working to implement rigorous cost rationalization, including operating expenses. The Company will work to accelerate the transformation of the business portfolio by striving to realize “Smart Work,” a Company-wide initiative to maximize productivity.

Operating performance by business segment was as follows:

① **Material Solutions Unit**

- PVC resins: In 2Q, exports of general PVC resins increased sharply to India and China after lockdowns were lifted. Shipments of chlorinated PVC (CPVC) also began. Emulsion PVC for hygiene gloves performed well, with the Malaysia plant operating at full capacity. In 2Q, profits increased year on year.
- MOD: Demand recovered in Europe, the U.S. and Asia as economic activity restarted. From the latter half of 2Q, sales volume has returned to the previous year’s level.
- MS: Demand recovered in Europe and the U.S., in addition to demand for construction applications in China. In 2Q, performance returned to the previous year’s level.
- Kaneka Biodegradable Polymer PHBH: Conclusive work for productivity increases and cost reductions continue to proceed toward a decision on constructing a plant with a 20,000-t production capacity.

② **Quality of Life Solutions Unit**

- Performance Fibers: Demand for hair accessories and flame retardance materials for Africa and the U.S. slumped due to the COVID-19 impact in 1Q. Demand for hair accessories in Africa have been recovering every month since July. There have been delays in the recovery of demand for flame retardance materials and pile for apparel applications.
- Foam & Residential Techs: Spreads were maintained for expandable polystyrene resin and extruded polystyrene foam boards despite sluggish domestic demand. Polyolefin foam saw products for automobiles, which had been falling behind, follow a recovery trend.
- PV & Energy management: Sales volume of high-efficiency photovoltaic module products for homes was firm due to an increase in the adoption rate.
- E & I Technology: In 2Q, PIXEO products recorded an all-time high level of shipments because demand for smartphones increased and materials for tablets and laptop PCs were favorable due to growth in remote work in connection with the COVID-19 crisis. Sales increased for 5G products. New product development is also progressing steadily.

③ **Health Care Solutions Unit**

- Medical: The domestic and overseas markets both expanded. Coils for embolization of brain aneurysms, a new product, performed well. Sales of this new product began in the U.S. in September and contributed to earnings growth. Sales of a new blood purification system for treatment of arteriosclerosis obliterans (ASO) is scheduled for 2021.
- Pharma: Earnings rose sharply year on year, due to growth in earnings driven by factors such as the start of the supply of active pharmaceutical ingredients for Avigan® Tablet and Kaneka Eurogentec S.A.’s reagents for PCR tests. Kaneka Eurogentec S.A. has received a growing number of inquiries from major global pharmaceutical companies, beginning with its contracted production of vaccine intermediates for AnGes, Inc. New facilities for enhanced biologics capacity started operation in

October and made a positive contribution. Kaneka Eurogentec S.A. is currently considering implementing the next phase of capacity enhancement at an early stage.

④ Nutrition Solutions Unit

- Supplemental Nutrition: Strong sales were posted for the reduced form of coenzyme Q10 (Kaneka QH) and Kaneka Coenzyme Q10 due to heightened awareness of the importance of increasing immunity in the U.S. Following on from the U.S., the Group plans to start sales of lactic acid bacteria in Japan from autumn 2020. These lactic acid bacteria have proven effective in improving the intestinal environment.
- Food & Agris: Sales of spice products were firm due to an increase in people eating meals at home. Although demand for bread and confectionery is on a recovery track, the pace of recovery has been slow due to the sizable impact of sluggish inbound tourism demand. The Group opened an online shop for Kaneka Group products (supplements, dairy products, chocolate, spices). Progress is being made on measures to add value to businesses, through such means as expanding e-commerce sales.

(2) Consolidated Financial Position

- Status of Assets, Liabilities and Equity
Total assets were ¥644,307 million as of September 30, 2020, down ¥8,954 million compared with March 31, 2020, due to a decrease in notes and accounts receivable-trade. Liabilities totaled ¥287,114 million, down ¥12,052 million due to a decrease in notes and accounts payable-trade. Net assets were ¥357,192 million, up ¥3,098 million due to an increase in valuation difference on available-for-sale securities.
- Consolidated Cash Flows
Net cash provided by operating activities during the first six months of the year was ¥28,192 million, mainly due to income before income taxes and depreciation and amortization, while net cash used in investing activities amounted to ¥22,766 million, mainly due to the purchase of property, plant and equipment. Net cash used in financing activities was ¥3,027 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of September 30, 2020 totaled ¥39,931 million.

(3) Consolidated Business Forecasts

- The core business group (Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS), Foam & Residential Techs, Performance Fibers, and Foods & Agris), which was heavily impacted by the COVID-19 crisis in 1Q, has seen a faster pace of recovery in demand every month since 2Q. In the second half of the fiscal year, the core business group is expected to achieve full-scale earnings growth. In addition, the leading-edge business group (E & I Technology, PV & Energy management, Medical, Pharma, Supplemental Nutrition, and Agricultural production support) is expected to steadily expand business in the second half. Overall, the Company anticipates that business results from October onward will see stronger momentum, driven by a shift from improvement to a stage of resurgent growth.
- The Group will continue applying a “select and concentrate” strategy to R&B initiatives, as it intensively allocates resources to speeding up the adoption of its businesses by society and scaling up businesses.
- As emphasized in the new medium-term management plan announced on October 5, 2020, people

are putting a higher value on health and security amid an unprecedented paradigm shift due to the COVID-19 crisis. The Group will drive dramatic growth in businesses involving healthcare and electronics, where it has intensively allocated resources to date.

- Amid the COVID-19 crisis, the Group will take steps to establish a robust corporate structure, beginning with cost rationalization measures. At the same time, the Group will intensively allocate management resources to the leading-edge business group (E & I Technology, PV & Energy management, Medical, Pharma, Supplemental Nutrition, and Agricultural production support) and the new business group (Kaneka Biodegradable Polymer (PHBH), OLED, regenerative medicine and cell therapy, etc.), both of which continue to see an expansive range of growth opportunities. In the process, the Group will seek to accelerate the transformation of its portfolio.

There has been no change to the consolidated business forecasts announced on August 12, 2020.

2. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

| | FY2019 Term ended March 31, 2020 | FY2020 2nd Quarter Term ended September 30, 2020 |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 38,748 | 41,044 |
| Notes and accounts receivable-trade | 134,110 | 122,137 |
| Short-term investment securities | 190 | 191 |
| Merchandise and finished goods | 66,057 | 63,045 |
| Work in process | 8,727 | 9,101 |
| Raw materials and supplies | 42,474 | 41,979 |
| Other | 17,852 | 15,892 |
| Allowance for doubtful accounts | (1,303) | (1,391) |
| Total current assets | 306,858 | 291,999 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 84,012 | 86,674 |
| Machinery, equipment and vehicles, net | 110,073 | 108,734 |
| Other, net | 68,970 | 69,816 |
| Total property, plant and equipment | 263,056 | 265,225 |
| Intangible assets | | |
| Goodwill | 3,306 | 3,094 |
| Other | 9,874 | 10,292 |
| Total intangible assets | 13,180 | 13,387 |
| Investments and other assets | | |
| Investment securities | 48,548 | 52,304 |
| Other | 21,859 | 21,630 |
| Allowance for doubtful accounts | (241) | (238) |
| Total investments and other assets | 70,166 | 73,695 |
| Total noncurrent assets | 346,403 | 352,307 |
| Total assets | 653,262 | 644,307 |

(Millions of yen)

| | FY2019 Term ended March 31, 2020 | FY2020 2nd Quarter Term ended September 30, 2020 |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 73,509 | 62,128 |
| Short-term loans payable | 88,835 | 96,103 |
| Income taxes payable | 2,408 | 2,336 |
| Provision | 107 | 4 |
| Other | 46,739 | 45,548 |
| Total current liabilities | 211,599 | 206,122 |
| Noncurrent liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 33,293 | 27,258 |
| Provision | 317 | 304 |
| Net defined benefit liability | 38,308 | 38,177 |
| Other | 5,648 | 5,251 |
| Total noncurrent liabilities | 87,568 | 80,992 |
| Total liabilities | 299,167 | 287,114 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 33,046 | 33,046 |
| Capital surplus | 30,962 | 31,041 |
| Retained earnings | 280,265 | 279,498 |
| Treasury stock | (11,583) | (11,532) |
| Total shareholders' equity | 332,691 | 332,053 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 14,246 | 16,766 |
| Deferred gains or losses on hedges | (103) | (81) |
| Foreign currency translation adjustment | (7,395) | (7,176) |
| Remeasurements of defined benefit plans | (7,956) | (7,256) |
| Total accumulated other comprehensive income | (1,208) | 2,251 |
| Subscription rights to shares | 482 | 508 |
| Noncontrolling interests | 22,128 | 22,379 |
| Total net assets | 354,094 | 357,192 |
| Total liabilities and net assets | 653,262 | 644,307 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

| | FY2019 2nd Quarter From April 1, 2019 to September 30, 2019 | FY2020 2nd Quarter From April 1, 2020 to September 30, 2020 |
|--|---|---|
| Net sales | 299,855 | 266,714 |
| Cost of sales | 216,103 | 192,748 |
| Gross profit | 83,752 | 73,965 |
| Selling, general and administrative expenses | 70,935 | 66,931 |
| Operating income | 12,817 | 7,034 |
| Non-operating income | | |
| Dividends income | 875 | 761 |
| Gain on sales of investment securities | 400 | — |
| Equity in earnings of affiliates | 74 | 46 |
| Other | 341 | 427 |
| Total non-operating income | 1,691 | 1,235 |
| Non-operating expenses | | |
| Interest expenses | 916 | 670 |
| Loss on retirement of noncurrent assets | 904 | 1,070 |
| Foreign exchange losses | 697 | 310 |
| Other | 2,315 | 2,200 |
| Total non-operating expenses | 4,833 | 4,252 |
| Ordinary income | 9,675 | 4,017 |
| Extraordinary losses | | |
| Patent protection court cost | 617 | 136 |
| Total extraordinary losses | 617 | 136 |
| Income before income taxes | 9,058 | 3,881 |
| Income taxes-current | 2,638 | 1,781 |
| Income taxes-deferred | (294) | (821) |
| Total income taxes | 2,343 | 959 |
| Net income | 6,714 | 2,921 |
| Net income attributable to non-controlling interests | 668 | 445 |
| Net income attributable to owners of parent | 6,046 | 2,476 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | FY2019 2nd Quarter From April 1, 2019 to September 30, 2019 | FY2020 2nd Quarter From April 1, 2020 to September 30, 2020 |
|---|---|---|
| Net income | 6,714 | 2,921 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,375) | 2,584 |
| Deferred gains or losses on hedges | 21 | 21 |
| Foreign currency translation adjustment | (3,683) | 341 |
| Remeasurements of defined benefit plans, net of tax | 405 | 702 |
| Share of other comprehensive income of associates accounted for using equity method | (1) | 5 |
| Total other comprehensive income | (4,634) | 3,656 |
| Comprehensive income | 2,079 | 6,577 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,687 | 5,936 |
| Comprehensive income attributable to noncontrolling interests | 392 | 641 |

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | FY2019 2nd Quarter From April 1, 2019 to September 30, 2019 | FY2020 2nd Quarter From April 1, 2020 to September 30, 2020 |
|--|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 9,058 | 3,881 |
| Depreciation and amortization | 16,787 | 17,787 |
| Increase (decrease) in net defined benefit liability | 447 | 927 |
| Increase (decrease) in allowance for doubtful accounts | (19) | 63 |
| Interest and dividends income | (940) | (803) |
| Interest expenses | 916 | 670 |
| Equity in losses (earnings) of affiliates | (74) | (46) |
| Loss (gain) on disposal of noncurrent assets | 197 | 346 |
| Loss (gain) on sales of investment securities | (400) | — |
| Decrease (increase) in notes and accounts receivable-trade | 14,608 | 12,068 |
| Decrease (increase) in inventories | (5,508) | 3,204 |
| Increase (decrease) in notes and accounts payable-trade | (11,287) | (11,453) |
| Other, net | (4,400) | 2,815 |
| Subtotal | 19,383 | 29,461 |
| Interest and dividends income received | 950 | 807 |
| Interest expenses paid | (918) | (682) |
| Income taxes paid | (3,254) | (1,394) |
| Net cash provided by (used in) operating activities | 16,160 | 28,192 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (23,745) | (20,778) |
| Proceeds from sales of property, plant and equipment | 7 | 30 |
| Purchase of intangible assets | (1,637) | (1,606) |
| Purchase of investment securities | (38) | (39) |
| Proceeds from sales and distributions of investment securities | 425 | 16 |
| Proceeds from redemptions of investment securities | 4,000 | — |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | 37 | — |
| Payments of loans receivable | (840) | (775) |
| Collection of loans receivable | 791 | 916 |
| Other, net | 79 | (530) |
| Net cash provided by (used in) investing activities | (20,920) | (22,766) |

(Millions of yen)

| | FY2019 2nd Quarter From April 1, 2019 to September 30, 2019 | FY2020 2nd Quarter From April 1, 2020 to September 30, 2020 |
|---|---|---|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 3,519 | 5,772 |
| Proceeds from long-term loans payable | 595 | 645 |
| Repayment of long-term loans payable | (1,690) | (5,620) |
| Proceeds from issuance of bonds | 10,000 | — |
| Redemption of bonds | (10,000) | — |
| Repayments of lease obligations | (164) | (251) |
| Purchase of treasury stock | (2) | (1) |
| Proceeds from sales of treasury stock | 0 | 0 |
| Cash dividends paid | (3,587) | (3,261) |
| Proceeds from stock issuance to noncontrolling shareholders | 390 | — |
| Dividends paid to noncontrolling interests | (188) | (152) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (2,184) | (158) |
| Net cash provided by (used in) financing activities | (3,312) | (3,027) |
| Effect of exchange rate change on cash and cash equivalents | (288) | (118) |
| Net increase (decrease) in cash and cash equivalents | (8,360) | 2,280 |
| Cash and cash equivalents at beginning of period | 39,970 | 37,606 |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | 141 | 45 |
| Cash and cash equivalents at end of period | 31,750 | 39,931 |

(4) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Segment Information)

I Term from April 1, 2019 to September 30, 2019

1) Sales and Income by Segment

(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 | 120,414 | 78,911 | 21,957 | 78,010 | 299,294 | 561 | 299,855 | - | 299,855 |
| Intersegment | 519 | 9 | - | 15 | 544 | 557 | 1,102 | (1,102) | - |
| Total | 120,934 | 78,920 | 21,957 | 78,025 | 299,839 | 1,119 | 300,958 | (1,102) | 299,855 |
| Segment profit | 10,202 | 7,583 | 4,049 | 2,360 | 24,196 | 286 | 24,483 | (11,666) | 12,817 |

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.

2) Reconciliations between Segment Total and Quarterly Consolidated Statements of Income (Adjustments)

(Millions of yen)

| Income | Amount |
|---|----------|
| Segment total | 24,196 |
| Segment profit of Others | 286 |
| Elimination of intersegment transactions | 0 |
| Companywide expenses (Note) | (11,673) |
| Other adjustments | 6 |
| Operating income in the quarterly consolidated statements of income | 12,817 |

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

II Term from April 1, 2020 to September 30, 2020

1) Sales and Income by Segment

(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 | 104,482 | 63,663 | 24,454 | 73,498 | 266,099 | 615 | 266,714 | - | 266,714 |
| Intersegment | 383 | 13 | - | 15 | 412 | 537 | 949 | (949) | - |
| Total | 104,865 | 63,677 | 24,454 | 73,514 | 266,511 | 1,153 | 267,664 | (949) | 266,714 |
| Segment profit | 7,374 | 3,929 | 4,970 | 1,432 | 17,706 | 341 | 18,047 | (11,013) | 7,034 |

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.

2) Reconciliations between Segment Total and Quarterly Consolidated Statements of Income (Adjustments)

(Millions of yen)

| Income | Amount |
|---|----------|
| Segment total | 17,706 |
| Segment profit of Others | 341 |
| Elimination of intersegment transactions | 2 |
| Companywide expenses (Note) | (11,024) |
| Other adjustments | 8 |
| Operating income in the quarterly consolidated statements of income | 7,034 |

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