

Quarterly Financial Results for the 3rd Quarter, Ended December 31, 2020 (Japanese GAAP, Consolidated)

February 9, 2021

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listings: Tokyo, Nagoya

Code Number: 4118

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

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Scheduled date for submitting financial statements: February 10, 2021 Scheduled date of dividend distribution: –

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

1. Consolidated Business Performance for the 3rd Quarter, Ended December 31, 2020 (from April 1, 2020 to December 31, 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 – Dec. 2020	421,484	(6.8)	17,288	(8.5)	12,632	(16.6)	9,659	4.6
Apr. 2019 – Dec. 2019	452,467	(3.2)	18,891	(29.0)	15,139	(34.0)	9,232	(37.1)

Note: Comprehensive income: ¥16,505 million (60.8%) for the nine months ended December 31, 2020
¥10,264 million (-13.3%) for the nine months ended December 31, 2019

	Net income per share	Fully diluted net income per share
Apr. 2020 – Dec. 2020	¥ 148.08	¥ 147.75
Apr. 2019 – Dec. 2019	141.55	141.28

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2020	¥ million 662,769	¥ million 363,709	51.4%
As of March 31, 2020	653,262	354,094	50.7

(Reference) Shareholders' equity: ¥340,402 million as of December 31, 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	565,000	(6.1)	25,000	(3.9)	19,000	(5.8)	14,000	(0.0)	214.62

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes

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):

December 31, 2020	68,000,000 shares	March 31, 2020	68,000,000 shares
December 31, 2020	2,762,284 shares	March 31, 2020	2,774,049 shares
April 1, 2020 - December 31, 2020	65,232,621 shares	April 1, 2019 - December 31, 2019	65,224,272 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

During the first nine months (April 1, 2020 to December 31, 2020) of the fiscal year ending March 31, 2021, the global economy was hit hard by the COVID-19 pandemic. According to GDP statistics announced by the International Monetary Fund (IMF) in January, global GDP for 2020 is expected to decrease by 3.5% overall, with China being the only country projected to achieve positive GDP growth. After hitting bottom in the first quarter (April-June 2020; "1Q"), global GDP returned to an overall recovery track in the second quarter (July-September 2020; "2Q") and third quarter (October-December 2020; "3Q"). However, a resurgence in the spread of COVID-19 has become a cause for concern, with GDP in Europe falling back into negative quarter-on-quarter growth in 3Q.

The Kaneka Group's business performance for the first nine months of this fiscal year was as follows. Consolidated net sales amounted to ¥421.5 billion (down 6.8% year on year), and operating income was ¥17.3 billion (down 8.5% year on year). Ordinary income was ¥12.6 billion (down 16.6% year on year). Net income attributable to owners of parent was ¥9.7 billion (up 4.6% year on year).

Business performance for the first nine months (April 1, 2020 to December 31, 2020) (Millions of yen)

	FY2019				FY2020				Difference	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	3Q (Oct.-Dec.)	Total (Apr.-Dec.)
Net sales	148,822	151,032	152,612	452,467	126,644	140,069	154,769	421,484	2,157 (1.4%)	△30,983 (△6.8%)
Operating income	7,004	5,812	6,074	18,891	2,029	5,005	10,253	17,288	4,179 (68.8%)	△1,603 (△8.5%)
Ordinary income	5,495	4,180	5,464	15,139	823	3,194	8,614	12,632	3,150 (57.7%)	△2,507 (△16.6%)
Net income attributable to owners of parent	3,491	2,554	3,186	9,232	437	2,039	7,183	9,659	3,996 (125.4%)	427 (4.6%)

The Kaneka Group's business results are summarized for each segment and quarter as follows:

Net sales by segment for the first nine months (April 1, 2020 to December 31, 2020) (Millions of yen)

	Net sales									
	FY2019				FY2020				Difference	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	3Q (Oct.-Dec.)	Total (Apr.-Dec.)
Material SU	60,176	60,238	60,246	180,661	48,894	55,587	60,240	164,722	△6 (△0.0%)	△15,939 (△8.8%)
Quality of Life SU	38,468	40,443	39,740	118,652	29,738	33,924	39,159	102,823	△580 (△1.5%)	△15,828 (△13.3%)
Health Care SU	10,949	11,008	11,293	33,251	11,698	12,756	14,068	38,522	2,774 (24.6%)	5,271 (15.9%)
Nutrition SU	38,908	39,101	41,086	119,096	35,938	37,560	41,062	114,561	△24 (△0.1%)	△4,535 (△3.8%)
Others	320	241	243	805	373	241	238	853	△5 (△2.4%)	47 (6.0%)
Adjustment	-	-	-	-	-	-	-	-	-	-
Total	148,822	151,032	152,612	452,467	126,644	140,069	154,769	421,484	2,157 (1.4%)	△30,983 (△6.8%)

Operating income by segment for the first nine months (April 1, 2020 to December 31, 2020) (Millions of yen)

	Operating income									
	FY2019				FY2020				Difference	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	3Q (Oct.-Dec.)	Total (Apr.-Dec.)
Material SU	5,590	4,612	4,466	14,669	2,855	4,518	6,465	13,839	1,998 (44.7%)	△830 (△5.7%)
Quality of Life SU	3,728	3,854	3,779	11,363	1,236	2,692	4,439	8,369	659 (17.5%)	△2,994 (△26.3%)
Health Care SU	1,905	2,144	1,998	6,048	2,298	2,672	3,213	8,183	1,214 (60.8%)	2,135 (35.3%)
Nutrition SU	1,200	1,160	1,615	3,976	827	605	1,882	3,314	267 (16.6%)	△661 (△16.6%)
Others	180	106	107	394	248	92	98	439	△9 (△8.7%)	45 (11.4%)
Adjustment	△5,600	△6,065	△5,893	△17,559	△5,436	△5,576	△5,844	△16,857	48 (-)	701 (-)
Total	7,004	5,812	6,074	18,891	2,029	5,005	10,253	17,288	4,179 (68.8%)	△1,603 (△8.5%)

Net sales have been recovering since hitting bottom in 1Q. In 3Q, net sales increased year on year, driven by an improvement and growth in sales primarily in overseas markets. Tracking this solid sales trend, operating income in 3Q also rose substantially year on year. The leading-edge business group, including the Health Care Solutions Unit (Medical and Pharma), and Supplemental Nutrition, E & I Technology, and PV & Energy management, has an expanding range of growth opportunities amid the COVID-19 crisis. The leading-edge business group delivered steady growth in earnings. Meanwhile, the foundation business group, including the Material Solutions Unit (Vinyls and Chlor-Alkali and Performance Polymers (MOD)) and Performance Fibers, suffered a downturn in demand in 1Q. The foundation business group has seen a steady improvement in business results from 2Q onward. Steady progress has been made on transforming the business portfolio, a key goal for the Kaneka Group.

Operating performance by business segment was as follows:

① Material Solutions Unit

- PVC resins: Exports of general PVC resins and sales of emulsion PVC for disposable hygiene gloves to address COVID-19 remained favorable. In 3Q, profits significantly increased year on year.
- Modifiers: Market recovery showed stronger activity from 2Q. Demand steadily recovered and expanded in areas such as construction material and DIY applications in Europe, and non-PVC applications (PCs and home electronics) in Asia. In 3Q, sales surpassed the previous year's level.
- Modified silicone polymers: Demand for construction applications in Europe and the U.S. trended firmly. In China, where the Group is working to drive market expansion, demand for construction and industrial applications increased. Sales in 3Q surpassed the previous year's level.
- Kaneka Biodegradable Polymer PHBH: The Kaneka Group is advancing joint development with major brand holders. The Group is working on processing technologies needed to address market needs and cost reductions, as it seeks to construct a mass bulk resin plant.

② Quality of Life Solutions Unit

- Foam & Residential Techs: Domestic demand was sluggish for expandable polystyrene resin and extruded polystyrene foam boards. In this environment, the Kaneka Group strengthened the business platform and expanded its share for those products. Demand for polyolefin foam has been recovering in step with a rebound in global automobile production.
- PV & Energy management: Domestic housing starts were lackluster. In this environment, sales of high-efficiency photovoltaic module products for homes steadily increased due to factors such as a growing loading rate among homebuilders.
- E & I Technology: PIXEO products continued to record an all-time high level of shipments due to demand for smartphones increased and materials for tablets and laptop PCs were favorable due to growth in remote work. New product development for 5G smartphones is also progressing steadily. Sales increased for polyimide varnish owing to growth in demand for OLED displays for smartphones.
- Performance Fibers: In the hair accessories field, demand recovered steadily from the sluggish level of demand experienced during lockdowns in African countries in 1Q. Sales in 3Q surpassed the previous year's level. In the fields of pile and flame retardance materials, demand has been slow to recover due to the continuing impact of the COVID-19 crisis.

③ Health Care Solutions Unit

- Medical: In catheters, domestic sales of coils for embolization of brain aneurysms, a new product, were favorable and sales of this new product began in the U.S. Both factors contributed positively to earnings growth. A new blood purification system for treatment of arteriosclerosis obliterans (ASO) has been well received by the market and is scheduled for launch in spring 2021.

- Pharma: Operating income rose sharply year on year, due to steady growth in earnings. It was driven by factors such as the supply of active pharmaceutical ingredients for Avigan® Tablet and Kaneka Eurogentec S.A.'s reagents for PCR tests, expanded contracted production of COVID-19 vaccine intermediates and the start of operation of additional biopharmaceutical production lines. Going forward, the entry of the additional biopharmaceutical production lines into full-scale operation and the supply of vaccine intermediaries are expected to contribute to earnings growth.

④ Nutrition Solutions Unit

- Supplemental Nutrition: The COVID-19 crisis has fostered a heightened awareness of the importance of increasing immunity among consumers. Against this backdrop, sales of the active form of coenzyme Q10 (Kaneka QH) increased in Europe and the U.S. The Kaneka Group started sales of the lactic acid bacteria products of AB-Biotics in the U.S. These products have been posting solid sales in Europe.
- Foods & Agris: Although demand for bread and confectionery is on a recovery track, inbound tourism demand continued to decrease and sales to the food service sector remained weak in connection with the COVID-19 crisis. Sales of spice products were firm. The Kaneka Group will further enhance its lineup of dairy products. Notably, the Group launched “Watashi no Chikara (My Energy)™ - Q10 Yogurt,” which contains the active form of Coenzyme Q10 (Ubiquinol), and “Milk Tea for Bread lovers” in January 2021.

(2) Consolidated Financial Position

Total assets were ¥662,769 million as of December 31, 2020, up ¥9,507 million compared with March 31, 2020, due to an increase in cash and deposits and investments securities. Liabilities totaled ¥299,060 million, down ¥107 million due to a decrease in loans payable. Net assets were ¥363,709 million, up ¥9,614 million due to an increase in valuation difference on available-for-sale securities.

(3) Consolidated Business Forecasts

- Outlook for the Global Economy
In the fiscal year ending March 31, 2021 the COVID-19 crisis had a profound impact on the global economy. In 1Q, the global economy hit bottom, returning to a gradual recovery path from 2Q. The world's major economic regions and industrial fields continued to recover in 3Q. The IMF has announced that it expects global GDP to achieve growth of 5.5% in 2021. However, a global resurgence in the spread of COVID-19 from the end of last year, and delays in the distribution of vaccines, have fueled concerns about global economic underperformance. Continued close monitoring of economic conditions will be needed going forward.
- From the fourth quarter (January-March 2021; “4Q”), the business environment is expected to remain uncertain, based on factors such as delays in global economic recovery due to the spread of COVID-19, surging raw material prices beginning with crude oil, and further appreciation in the yen. Looking at the Kaneka Group's business performance in this environment, the Group is making progress on transforming the business portfolio, and it is achieving steady earnings growth in the leading-edge business group from catheters and biopharmaceuticals in the Health Care Solutions Unit, and polyimide products, optical films and other products in E & I Technology. In the Material Solutions Unit, which was sluggish in 1Q, sales are increasing for specialty PVC resins for Asia and modifiers, modified silicone polymers and certain other products, driven by business characteristics based on a global “local production, local consumption” business model. This strong momentum backed by overseas markets is expected to continue in 4Q onward.

- The Group will work 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. Through these efforts, the Group will strive to establish a robust and resilient business foundation.
- As part of its response to the COVID-19 crisis, the Kaneka Group is giving first consideration to the health and safety of all people, including its employees, as it works to increase its business performance. The Group is actively contributing to society by supplying products such as DNA vaccine intermediaries and PCR test reagents.
- The Kaneka Group will continue striving to achieve the transformation of its business portfolio. To this end, the Group will actively allocate 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.). In the process, the Group will work to create new businesses and products, as it seeks to achieve the targets laid out in the medium-term management plan.

In light of the above conditions, the Kaneka Group has decided to revise its consolidated business forecasts announced on August 12, 2020.

With regard to the exchange rates and raw material prices for 4Q, the forecast figures assume an exchange rate of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥38,000 per kiloliter.

Revisions to the forecast for consolidated business performance for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	560,000	21,000	16,400	10,000	153.31
Current forecast (B)	565,000	25,000	19,000	14,000	214.62
Change (B–A)	5,000	4,000	2,600	4,000	
Percentage change (%)	0.9%	19.0%	15.9%	40.0%	
(Reference: Year ended March 31, 2020)	601,514	26,014	20,166	14,003	214.70

Note: The above performance forecasts are regarded as reasonable on the basis of information available at the time of announcement. Readers should therefore be aware that actual results may vary from these forecasts due to various uncertainties.

2. Quarterly Consolidated Financial Statements and Main Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2019 Term ended March 31, 2020	FY2020 3rd Quarter Term ended December 31, 2020
Assets		
Current assets		
Cash and deposits	38,748	45,900
Notes and accounts receivable-trade	134,110	138,667
Short-term investment securities	190	195
Merchandise and finished goods	66,057	59,154
Work in process	8,727	9,174
Raw materials and supplies	42,474	42,547
Other	17,852	16,329
Allowance for doubtful accounts	(1,303)	(1,419)
Total current assets	306,858	310,549
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,012	89,235
Machinery, equipment and vehicles, net	110,073	109,362
Other, net	68,970	66,495
Total property, plant and equipment	263,056	265,093
Intangible assets		
Goodwill	3,306	2,986
Other	9,874	10,531
Total intangible assets	13,180	13,517
Investments and other assets		
Investment securities	48,548	54,305
Other	21,859	19,542
Allowance for doubtful accounts	(241)	(238)
Total investments and other assets	70,166	73,609
Total noncurrent assets	346,403	352,219
Total assets	653,262	662,769

(Millions of yen)

	FY2019 Term ended March 31, 2020	FY2020 3rd Quarter Term ended December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	73,509	76,516
Short-term loans payable	88,835	91,603
Income taxes payable	2,408	2,006
Provision	107	3
Other	46,739	48,103
Total current liabilities	<u>211,599</u>	<u>218,233</u>
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	33,293	26,942
Provision	317	312
Net defined benefit liability	38,308	38,169
Other	5,648	5,403
Total noncurrent liabilities	<u>87,568</u>	<u>80,826</u>
Total liabilities	<u>299,167</u>	<u>299,060</u>
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	30,962	31,040
Retained earnings	280,265	283,372
Treasury stock	(11,583)	(11,533)
Total shareholders' equity	<u>332,691</u>	<u>335,927</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,246	18,278
Deferred gains or losses on hedges	(103)	(53)
Foreign currency translation adjustment	(7,395)	(6,888)
Remeasurements of defined benefit plans	(7,956)	(6,861)
Total accumulated other comprehensive income	<u>(1,208)</u>	<u>4,475</u>
Subscription rights to shares	482	512
Noncontrolling interests	22,128	22,794
Total net assets	<u>354,094</u>	<u>363,709</u>
Total liabilities and net assets	<u>653,262</u>	<u>662,769</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2019 3rd Quarter From April 1, 2019 to December 31, 2019	FY2020 3rd Quarter From April 1, 2020 to December 31, 2020
Net sales	452,467	421,484
Cost of sales	326,724	301,492
Gross profit	125,743	119,991
Selling, general and administrative expenses	106,851	102,703
Operating income	18,891	17,288
Non-operating income		
Dividends income	1,483	1,287
Gain on sales of investment securities	400	—
Equity in earnings of affiliates	117	81
Gain on sales of noncurrent assets	315	—
Other	475	588
Total non-operating income	2,793	1,957
Non-operating expenses		
Interest expenses	1,317	985
Loss on retirement of noncurrent assets	1,379	1,557
Foreign exchange losses	650	601
Other	3,198	3,467
Total non-operating expenses	6,545	6,612
Ordinary income	15,139	12,632
Extraordinary income		
Compensation income for damage	—	1,624
Total extraordinary income	—	1,624
Extraordinary losses		
Litigation expenses	864	233
Total extraordinary losses	864	233
Income before income taxes	14,275	14,023
Income taxes-current	3,257	3,495
Income taxes-deferred	718	(80)
Total income taxes	3,976	3,414
Net income	10,299	10,609
Net income attributable to non-controlling interests	1,066	949
Net income attributable to owners of parent	9,232	9,659

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019 3rd Quarter From April 1, 2019 to December 31, 2019	FY2020 3rd Quarter From April 1, 2020 to December 31, 2020
Net income	10,299	10,609
Other comprehensive income		
Valuation difference on available-for-sale securities	1,292	4,058
Deferred gains or losses on hedges	5	50
Foreign currency translation adjustment	(1,932)	679
Remeasurements of defined benefit plans, net of tax	598	1,099
Share of other comprehensive income of associates accounted for using equity method	1	9
Total other comprehensive income	(35)	5,896
Comprehensive income	10,264	16,505
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,284	15,343
Comprehensive income attributable to noncontrolling interests	979	1,162

(3) Notes to the Quarterly 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 December 31, 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	180,661	118,652	33,251	119,096	451,662	805	452,467	-	452,467
Intersegment	773	15	-	31	820	822	1,643	(1,643)	-
Total	181,435	118,667	33,251	119,128	452,482	1,628	454,111	(1,643)	452,467
Segment profit	14,669	11,363	6,048	3,976	36,056	394	36,451	(17,559)	18,891

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	36,056
Segment profit of Others	394
Elimination of intersegment transactions	(0)
Companywide expenses (Note)	(17,569)
Other adjustments	10
Operating income in the quarterly consolidated statements of income	18,891

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 December 31, 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	164,722	102,823	38,522	114,561	420,630	853	421,484	-	421,484
Intersegment	576	21	-	27	625	805	1,431	(1,431)	-
Total	165,298	102,845	38,522	114,589	421,256	1,659	422,915	(1,431)	421,484
Segment profit	13,839	8,369	8,183	3,314	33,706	439	34,146	(16,857)	17,288

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	33,706
Segment profit of Others	439
Elimination of intersegment transactions	4
Companywide expenses (Note)	(16,885)
Other adjustments	22
Operating income in the quarterly consolidated statements of income	17,288

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