

Quarterly Financial Summary

3rd Quarter, Ended December 31, 2020

February 9, 2021
Kaneka Corporation

Contents

Summary	1
Net Sales , Operating Income by Segment	2
Business Performance by Segment	3
Consolidated Balance Sheet	7
Consolidate Business Revised Forecasts	8

The operating results 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 projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements.

(Billions of yen)

	FY2019				FY2020				Differences between 3Q (Oct.-Dec.)		Differences Total (Apr.-Dec.)	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	Amount	%	Amount	%
Net sales	148.8	151.0	152.6	452.5	126.6	140.1	154.8	421.5	2.2	1.4%	△ 31.0	△6.8%
Operating income	7.0	5.8	6.1	18.9	2.0	5.0	10.3	17.3	4.2	68.8%	△ 1.6	△8.5%
Ordinary income	5.5	4.2	5.5	15.1	0.8	3.2	8.6	12.6	3.2	57.7%	△ 2.5	△16.6%
Net income attributable to owners of parent	3.5	2.6	3.2	9.2	0.4	2.0	7.2	9.7	4.0	125.4%	0.4	4.6%

- The Kaneka Group's business results have been steadily improving since hitting bottom in the first quarter (April-June 2020; "1Q"). In the third quarter (October-December 2020; "3Q"), net sales and operating income increased year on year.
- In 3Q, net sales returned to ¥150 billion level and operating income also rose substantially year on year with surpassing ¥10 billion, driven by growth in sales primarily in overseas markets.
- In the uncertain business environment, strong momentum backed by overseas markets is expected to continue in the fourth quarter (January-March 2021; "4Q") onward. The Kaneka Group has revised its consolidated business forecasts upward.

(Reference) Overseas sales ratio : 1Q 36% 2Q 39% 3Q 42%



Net Sales, Operating Income by Segment

(Billions of yen)

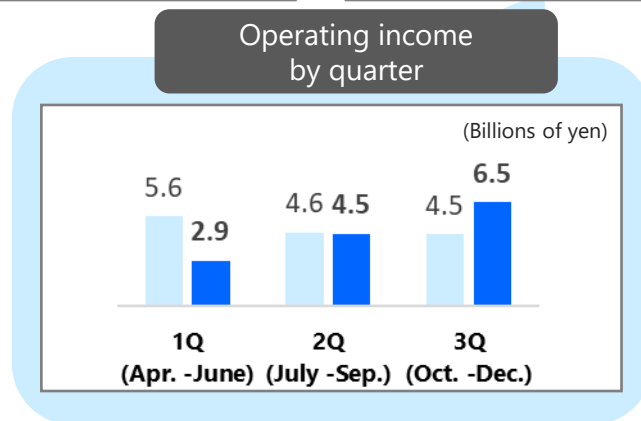
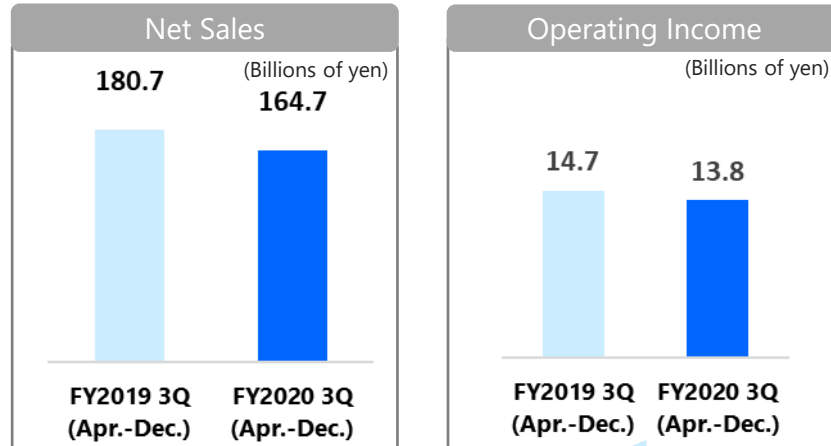
	Net sales											
	FY2019				FY2020				Differences between 3Q (Oct.-Dec.)		Differences Total (Apr.-Dec.)	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	Amount	%	Amount	%
Material Solutions Unit	60.2	60.2	60.2	180.7	48.9	55.6	60.2	164.7	△ 0.0	△0.0%	△ 15.9	△8.8%
Quality of Life Solutions Unit	38.5	40.4	39.7	118.7	29.7	33.9	39.2	102.8	△ 0.6	△1.5%	△ 15.8	△13.3%
Health Care Solutions Unit	10.9	11.0	11.3	33.3	11.7	12.8	14.1	38.5	2.8	24.6%	5.3	15.9%
Nutrition Solutions Unit	38.9	39.1	41.1	119.1	35.9	37.6	41.1	114.6	△ 0.0	△0.1%	△ 4.5	△3.8%
Others	0.3	0.2	0.2	0.8	0.4	0.2	0.2	0.9	△ 0.0	△2.4%	0.0	6.0%
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Total	148.8	151.0	152.6	452.5	126.6	140.1	154.8	421.5	2.2	1.4%	△ 31.0	△6.8%

(Billions of yen)

	Operating income											
	FY2019				FY2020				Differences between 3Q (Oct.-Dec.)		Differences Total (Apr.-Dec.)	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	Amount	%	Amount	%
Material Solutions Unit	5.6	4.6	4.5	14.7	2.9	4.5	6.5	13.8	2.0	44.7%	△ 0.8	△5.7%
Quality of Life Solutions Unit	3.7	3.9	3.8	11.4	1.2	2.7	4.4	8.4	0.7	17.5%	△ 3.0	△26.3%
Health Care Solutions Unit	1.9	2.1	2.0	6.0	2.3	2.7	3.2	8.2	1.2	60.8%	2.1	35.3%
Nutrition Solutions Unit	1.2	1.2	1.6	4.0	0.8	0.6	1.9	3.3	0.3	16.6%	△ 0.7	△16.6%
Others	0.2	0.1	0.1	0.4	0.2	0.1	0.1	0.4	△ 0.0	△8.7%	0.0	11.4%
Adjustment	△ 5.6	△ 6.1	△ 5.9	△ 17.6	△ 5.4	△ 5.6	△ 5.8	△ 16.9	0	-	0.7	-
Total	7.0	5.8	6.1	18.9	2.0	5.0	10.3	17.3	4.2	68.8%	△ 1.6	△8.5%

- The leading-edge business group, Health Care Solutions Unit (Medical and Pharma), Supplemental Nutrition and E & I Technology, has growth opportunities amid the COVID-19 crisis. The leading-edge business group delivered steady growth in earnings. 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.

Business Performance by Segment (Material Solutions Unit)



Vinyls and Chlor-Alkali

- 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.

Performance Polymers (MOD)

- Market recovered from 2Q.
- Demand 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.

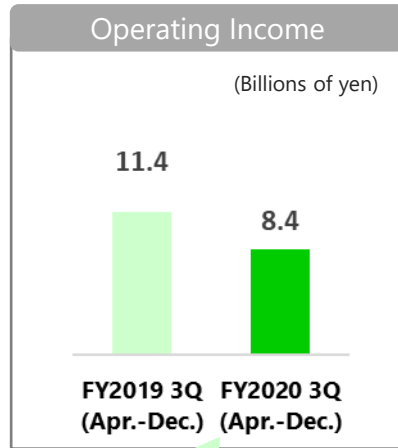
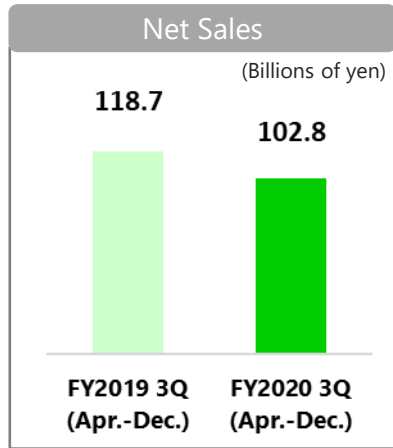
Performance Polymers (MS)

- Demand for construction applications in Europe and the U.S. trended firmly.
- In China, demand for construction and industrial applications increased.
- Sales in 3Q surpassed the previous year's level.

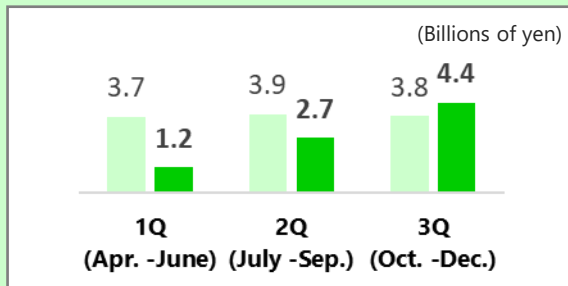
New Business

- 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.

Business Performance by Segment (Quality of Life Solutions Unit)



Operating income by quarter



Foam & Residential Techs

- The Kaneka Group strengthened the business platform and expanded market share for expandable polystyrene resin and extruded polystyrene foam boards even though domestic demand was sluggish for its products.
- Demand for polyolefin foam has been recovering in step with a rebound in automobile production.

PV & Energy management

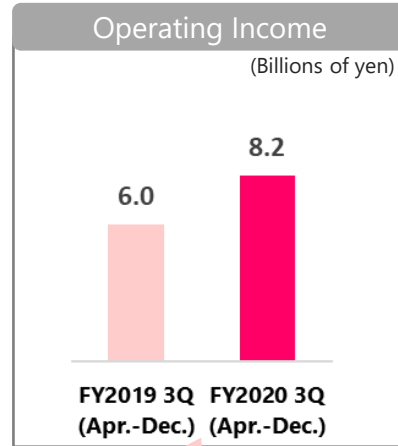
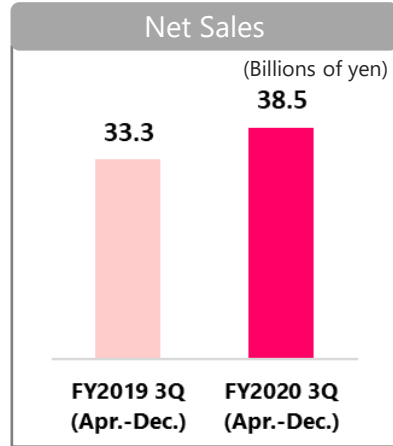
- Sales of high-efficiency photovoltaic module products for homes steadily increased due to factors such as a growing loading rate among homebuilders.

E & I Technology

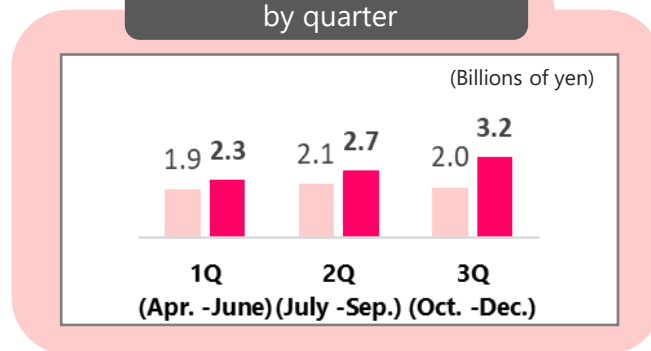
- PIXEO products recorded an all-time high level of shipments due to demand for smartphones increased and materials for tablets and laptop PCs were favorable.
- New product development for 5G smartphones is also progressing. Sales increased for polyimide varnish.

Performance Fibers

- In the hair accessories field, demand recovered from the sluggish level of demand in 1Q. Sales in 3Q surpassed the previous year's level.
- In the fields of pile and flame retardance materials, demand has been slow.



Operating income by quarter



Medical

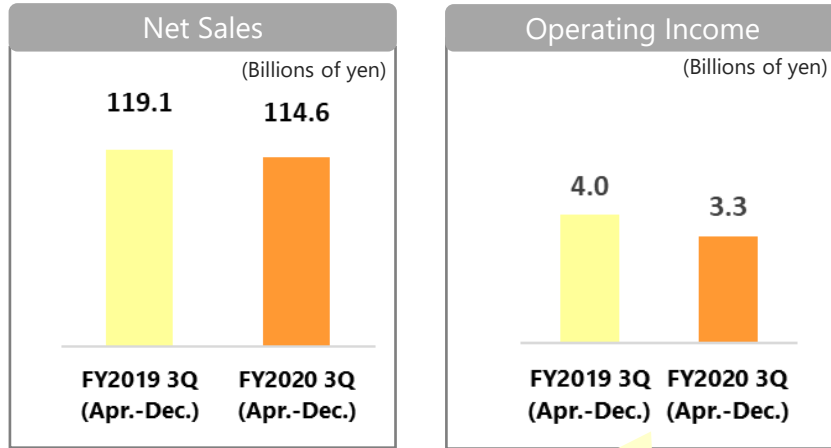
- In catheters, domestic sales of coils for embolization of brain aneurysms were favorable and sales of this new product which launched in the U.S. contributed to earnings growth.
- A new blood purification system for treatment of arteriosclerosis obliterans (ASO) is scheduled for launch in spring 2021.

Pharma

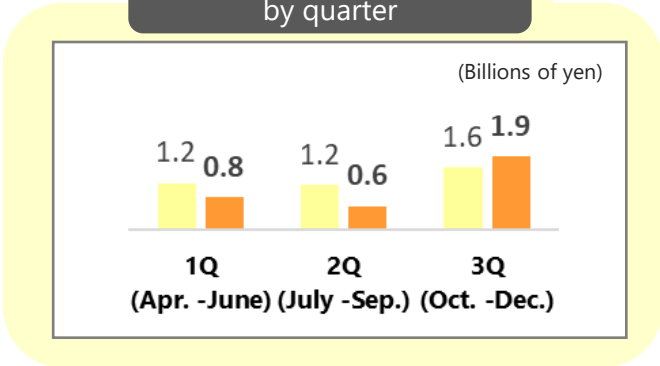
- In pharma business, operating income significantly increased year on year. It resulted from the supply of active pharmaceutical ingredients for Avigan® Tablet and Kaneka Eurogentec S.A.'s reagents for PCR tests and expanded contracted production of COVID-19 vaccine intermediates.
- The entry of the additional biopharmaceutical production lines into full-scale operation and the supply of vaccine intermediaries are expected to contribute to earnings growth.



Business Performance by Segment (Nutrition Solutions Unit)



Operating income by quarter



Supplemental Nutrition

- Sales of the active form of coenzyme Q10 (Kaneka QH) increased in Europe and the U.S. due to heightened awareness of the importance of increasing immunity among consumers.
- 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.
- 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)TM - Q10 Yogurt,” which contains the active form of Coenzyme Q10 (Ubiquinol), and “Milk Tea for Bread lovers.”



Consolidated Balance Sheet

(Billions of yen)

	March 31, 2020	December 31, 2020	Difference
Assets			
Current Assets	306.9	310.5	3.7
Noncurrent Assets	346.4	352.2	5.8
Total assets	653.3	662.8	9.5
Liabilities			
Interest bearing debt	130.8	127.3	△ 3.6
Others	168.3	171.8	3.5
Total liabilities	299.2	299.1	△ 0.1
Net assets			
Shareholders' equity	331.5	340.4	8.9
Others	22.6	23.3	0.7
Total net assets	354.1	363.7	9.6
Total liabilities and net assets	653.3	662.8	9.5
Shareholders' equity ratio	50.7%	51.4%	
Net assets per share	¥5,082.08	¥5,217.88	

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

- Total assets increased due to an increase in cash and deposits and investments securities.
- Liabilities decreased due to a decrease in loans payable.
- Net assets increased due to an increase in valuation difference on available-for-sale securities.



Consolidate Business Revised Forecasts

- Outlook for the Global Economy in 4Q
 - Regarding the impact of COVID-19 crisis, the global economy hit bottom in 1Q, returning to a gradual recovery path from 2Q. The economy continued to recover in 3Q although it did not reach the previous year's level.
 - From 4Q, the business environment is expected to remain uncertain, based on factors such as delays in global economic recovery due to a resurgence in the spread of COVID-19 and delays in the distribution of vaccines, surging raw material prices beginning with crude oil and further appreciation in the yen.
Continued close monitoring of economic conditions will be needed going forward.
- Consolidated business forecasts
 - The Kaneka Group's 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 apply a "select and concentrate" strategy to Research & Business (R&B) initiatives and promote digital transformation (DX).
 - The Group will work to improve productivity and create new business. Through these efforts, the Group will strive to establish a robust and resilient business foundation.
- The Group is actively contributing to society by supplying products such as DNA vaccine intermediaries and PCR test reagents.

The operating results 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 projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements.



Consolidate Business Revised Forecasts

- 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 and the new business group. 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 Group has decided to revise its consolidated business forecasts announced on August 12, 2020.

(Billions of yen)

	FY2019	FY2020		Change	
	Result	Previous forecast (Aug.12,2020)	Revised forecast	Vs. previous forecast	Vs. previous year
Net sales	601.5	560.0	565.0	5.0	△ 36.5
Operating income	26.0	21.0	25.0	4.0	△ 1.0
Ordinary income	20.2	16.4	19.0	2.6	△ 1.2
Net income attributable to owners of parent	14.0	10.0	14.0	4.0	0.0
Net income per share	¥214.70	¥153.31	¥214.62		

※The forecasts from January 1, 2021 are based on exchange rates of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥38,000 per kiloliter.



Consolidate Business Revised Forecasts by Segment

(Billions of yen)

	Net Sales					Operating Income				
	FY2019	FY2020		Change		FY2019	FY2020		Change	
	Result	Previous forecast (Aug.12 2020)	Revised forecast	Vs. previous forecast	Vs. previous year	Result	Previous forecast (Aug.12 2020)	Revised forecast	Vs. previous forecast	Vs. previous year
Material Solutions Unit	241.8	215.5	226.0	10.5	△ 15.8	20.6	15.5	20.3	4.8	△ 0.3
Quality of Life Solutions Unit	154.8	136.6	136.5	△ 0.1	△ 18.3	14.2	9.4	10.7	1.3	△ 3.5
Health Care Solutions Unit	46.4	52.5	52.0	△ 0.5	5.6	8.9	11.5	11.5	0.0	2.6
Nutrition Solutions Unit	157.4	154.4	149.5	△ 4.9	△ 7.9	5.6	5.3	4.6	△ 0.7	△ 1.0
Others	1.1	1.0	1.0	0.0	△ 0.1	0.5	0.6	0.6	0.0	0.1
Adjustment	-	-	-	-	-	△ 23.9	△ 21.3	△ 22.7	△ 1.4	1.2
Total	601.5	560.0	565.0	5.0	△ 36.5	26.0	21.0	25.0	4.0	△ 1.0

※The forecasts from January 1, 2021 are based on exchange rates of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥38,000 per kiloliter.



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