

Financial Results for the Fiscal Year Ended March 31, 2021 (Japanese GAAP, Consolidated)

May 13, 2021

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

Contact Person: Osamu Ishida Title: Officer – Investor & Public Relations Department Phone: +81-3-5574-8090

Scheduled date for Ordinary General Meeting of Shareholders: June 25, 2021

Scheduled date of dividend distribution: June 4, 2021

Scheduled date for submitting financial statements: June 25, 2021

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

1. Consolidated Business Performance for the Fiscal Year Ended March 2021 (from April 1, 2020 to March 31, 2021)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2020 – Mar. 2021	577,426	(4.0)	27,544	5.9	22,066	9.4	15,831	13.1
Apr. 2019 – Mar. 2020	601,514	(3.1)	26,014	(27.8)	20,166	(35.5)	14,003	(37.0)

(Note) Comprehensive income: ¥33,784 million (724.1%) in the fiscal year ended March 31, 2021

¥4,099 million (-78.9%) in the fiscal year ended March 31, 2020

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income – total assets ratio	Operating income – sales ratio
	¥	¥	%	%	%
Apr. 2020 – Mar. 2021	242.68	242.13	4.6	3.3	4.8
Apr. 2019 – Mar. 2020	214.70	214.28	4.2	3.1	4.3

(Reference) Equity in earnings (losses) of affiliates: ¥109 million in the fiscal year ended March 31, 2021

¥150 million in the fiscal year ended March 31, 2020

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2020 – Mar. 2021	667,429	381,040	53.5	5,473.85
Apr. 2019 – Mar. 2020	653,262	354,094	50.7	5,082.08

(Reference) Shareholders' equity: ¥357,098 million as of March 31, 2021

¥331,483 million as of March 31, 2020

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 2020 – Mar. 2021	74,040	(43,229)	(21,903)	46,360
Apr. 2019 – Mar. 2020	39,983	(41,807)	(479)	37,606

2. Dividends

	Annual dividends					Total cash dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
Apr. 2019 – Mar. 2020	—	50.00	—	50.00	100.00	6,522	46.6	2.0
Apr. 2020 – Mar. 2021	—	50.00	—	50.00	100.00	6,523	41.2	1.9
Apr. 2021 – Mar. 2022 (Forecasts)	—	50.00	—	50.00	100.00		29.7	

3. Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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	620,000	7.4	37,000	34.3	32,500	47.3	22,000	39.0	337.25

4. Other

(1) Changes in principal subsidiaries during the fiscal year: No

(2) 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

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the fiscal year-end (including treasury stock):

2. Number of shares of treasury stock at the fiscal year-end:

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

March 31, 2021	68,000,000 shares	March 31, 2020	68,000,000 shares
March 31, 2021	2,762,766 shares	March 31, 2020	2,774,049 shares
March 31, 2021	65,233,827 shares	March 31, 2020	65,224,682 shares

(Reference) Overview of Non-Consolidated Business Performance

1. For the Fiscal Year Ended March 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2020 – Mar. 2021	279,774	(4.2)	1,158	(60.4)	4,851	(14.3)	7,754	12.0
Apr. 2019 – Mar. 2020	292,084	(4.2)	2,924	(79.5)	5,660	(69.6)	6,923	(60.3)

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2020 – Mar. 2021	118.88	118.64
Apr. 2019 – Mar. 2020	106.15	105.97

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2020 – Mar. 2021	464,507	250,818	53.9	3,837.86
Apr. 2019 – Mar. 2020	451,798	243,144	53.7	3,721.14

(Reference) Shareholders' equity: ¥250,371 million as of March 31, 2021
¥242,714 million as of March 31, 2020

(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 "(4) Performance Forecasts for the Fiscal Year Ending March 31, 2022" under "1. Overview of Business Performance and Financial Position" on page 6.

[Supplementary Materials]

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1. Overview of Business Performance and Financial Position

(1) Overview of Results for the Fiscal Year Ended March 31, 2021

➤ The COVID-19 Pandemic Crisis

There is still no sign of an end to the COVID-19 pandemic.

It is painful and heartbreaking to reflect on the numerous lives that have been lost. (Let us offer a moment of silence.) More than one year has passed since COVID-19 was declared a pandemic. All around the world, people continue to mobilize all of their resources to fight the pandemic.

It is as if the political, economic and social systems built up by humankind have become dysfunctional on a global scale and are having a seizure.

➤ The Status of the Global Economy and Japan

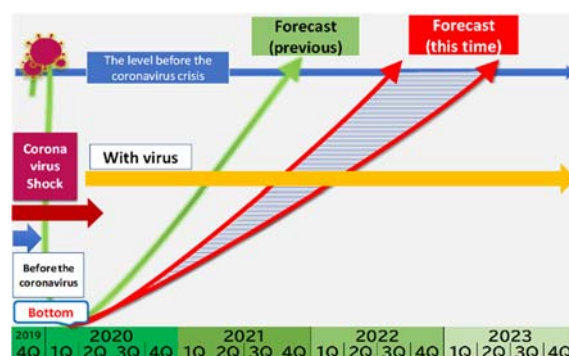
In 2020, the global economy is estimated to have contracted by 3.3 percent.

It was heavily impacted by the coronavirus.

In 2021, the U.S. economy is expected to see GDP exceed the level before the COVID-19 crisis. However, many developed countries are not expected to recover to the pre-COVID-19 level until 2022 at the earliest.

Similarly, in emerging markets and developing countries, China's GDP had already returned to the pre-pandemic level in 2020. Meanwhile, many other countries are unlikely to return to the pre-COVID-19 level for some time, even in 2023.

The Japanese economy experienced negative growth of 4.8 percent in 2020. In Japan, business conditions have not recovered to the pre-pandemic level. The negative economic impact of a resurgence of COVID-19 cases has become a cause for concern.



A major cold wave in the U.S. has affected global supply chains. In addition, the overall outlook is expected to remain uncertain and unsteady for some time.

➤ Kaneka Group's Business Performance

Under these conditions, the Kaneka Group's business performance for the fiscal year under review (April 1, 2020 to March 31, 2021) was as follows. Consolidated net sales amounted to ¥577,426 million (down 4.0% year on year) and operating income was ¥27,544 million (up 5.9% year on year). Ordinary income was ¥22,066 million (up 9.4% year on year). Net income attributable to owners of parent was ¥15,831 million (up 13.1% year on year).

Business performance for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1 Q	2 Q	3 Q	4 Q	Total	Full year	3Q · 4Q	
Net sales	126,644	140,069	154,769	155,942	577,426	(24,087) (4.0%)	9,053 3.0%	43,997 16.5%
Operating income	2,029	5,005	10,253	10,256	27,544	1,530 5.9%	7,312 55.4%	13,475 191.6%
Ordinary income	823	3,194	8,614	9,434	22,066	1,900 9.4%	7,558 72.0%	14,031 349.2%
Net income attributable to owners of parent	437	2,039	7,183	6,171	15,831	1,827 13.1%	5,397 67.8%	10,877 439.2%

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

Net sales by segment for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1Q	2Q	3Q	4Q	Total	Full year	3Q · 4Q	
	Material SU	48,894	55,587	60,240	65,787	230,509	(11,286) (4.7%)	4,646 3.8%
Quality of Life SU	29,738	33,924	39,159	38,153	140,976	(13,860) (9.0%)	1,387 1.8%	13,649 21.4%
Health Care SU	11,698	12,756	14,068	13,899	52,422	6,070 13.1%	3,573 14.6%	3,513 14.4%
Nutrition SU	35,938	37,560	41,062	37,806	152,368	(5,063) (3.2%)	(552) (0.7%)	5,370 7.3%
Others	373	241	238	296	1,149	52 4.8%	(1) (0.2%)	(81) (13.2%)
Total	126,644	140,069	154,769	155,942	577,426	(24,087) (4.0%)	9,053 3.0%	43,997 16.5%

Operating income by segment for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1Q	2Q	3Q	4Q	Total	Full year	3Q · 4Q	
	Material SU	2,855	4,518	6,465	9,433	23,272	2,646 12.8%	5,475 52.5%
Quality of Life SU	1,236	2,692	4,439	2,281	10,650	(3,539) (24.9%)	114 1.7%	2,790 71.0%
Health Care SU	2,298	2,672	3,213	3,252	11,436	2,519 28.2%	1,598 32.8%	1,495 30.1%
Nutrition SU	827	605	1,882	1,564	4,879	(768) (13.6%)	160 4.9%	2,014 140.7%
Others	248	92	98	158	598	50 9.2%	(3) (1.5%)	(84) (24.8%)
Adjustment	(5,436)	(5,576)	(5,844)	(6,433)	(23,291)	620 -	(32) -	(1,265) -
Total	2,029	5,005	10,253	10,256	27,544	1,530 5.9%	7,312 55.4%	13,475 191.6%

➤ Group-wide Business Performance

Overall, the recovery in the Kaneka Group's business results was primarily driven by overseas demand.

In the first quarter (April-June 2020; "1Q") and second quarter (July-September 2020; "2Q"), the Kaneka Group posted large decreases in sales and profits as it was impacted directly by the coronavirus shock. From the third quarter (October-December 2020; "3Q") onward, the Kaneka Group's networked "Global and Local" platform linking "local production for local consumption" around the world was able to fully demonstrate the power of its diversity.

In 3Q and the fourth quarter (January-March 2021; "4Q"), Group-wide business results regained and surpassed the momentum it had before the COVID-19 crisis. In comparison to 1Q and 2Q, sales and profits both increased substantially. Earnings growth was also restored on a full-year basis.

Operating income surpassed the ¥10.0 billion level in both 3Q and 4Q.

The Kaneka Group has made progress on overcoming the COVID-19 crisis and transforming its business portfolio and strengthening its earnings base.

➤ Operating Performance by Business Segment

In 3Q and 4Q, all business segments recorded dramatic increases in sales and profits in comparison to 1Q and 2Q. Additionally, profits for each period increased over the corresponding period of the previous year.

New market growth has restarted, covering the sharp downturns experienced in 1Q and 2Q.

There has been a strong resurgence in overseas demand in every segment.

The momentum behind growth in the Kaneka Group's business results has been strengthening further, centered on overseas business, led by Asia and followed by the U.S. and Europe.

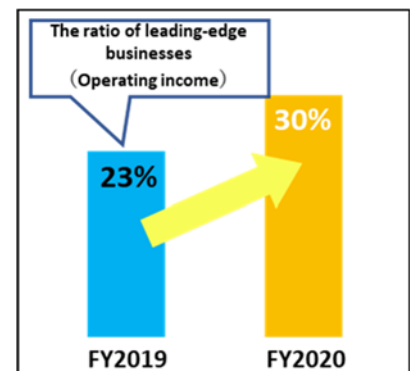
➤ **Foundation Businesses and Leading-edge Businesses**

The growth driver of leading-edge businesses is the evolution of innovative breakthrough technology, which brings together the Group's knowledge and experience (research stock) across the whole Group.

Notably, in the Health Care field, the Group manufactures products that address social issues, and this has served as a driving force behind business performance. Among these products are biotechnology products that will contribute directly to ending the COVID-19 crisis, such as vaccines, therapeutics, and testing kits. Other products include the active form of coenzyme Q10, which activates the immune function of cells, and lactic acid bacteria, along with materials used in hygiene gloves (raw materials for resins).

Moreover, E & I Technology and PV & Energy management feature Kaneka's unique technologies, such as technologies for building 5G into society and realizing carbon neutrality. These technologies are already entering a new phase of growth.

The Kaneka Group is implementing R&D-driven management to provide competitive products and solutions that capture market needs, with a focus on differentiation. R&D-driven management has pushed up sales and spurred growth earnings.



The leading-edge businesses are accounting for a steadily growing share of the total corporate net sales and earnings. This indicates that progress is being made on business portfolio transformation.

In Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS) and Performance Fibers in the foundation businesses, the Kaneka Group has posted growing sales of high-value-added products led by R&D for the overseas markets. Overall, as the market returns back to normal levels, the Group's businesses with scale, are underpinning the improved earnings capabilities of the entire Group.

Operating performance by business segment was as follows:

① **Material Solutions Unit**

- In Vinyls and Chlor-Alkali, the overall PVC market in Asia is rapidly improving, led by emulsion PVC for disposable hygiene gloves, which is currently in strong demand to address COVID-19. Plants in Japan and overseas continue to operate at full capacity to meet this surging demand.
- In Modifiers, the Group's overall sales significantly surpassed the previous year's level across both PVC and non-PVC applications. The Group captured increased demand for construction material and DIY applications in Europe and the U.S., and for non-PVC applications (automobiles, PCs and home electronics) in Asia.
- In Modified silicone polymers, sales of new products expanded in Europe and the U.S. In parallel, the development of construction applications and industrial applications in China and Asia has come into fruition, pushing up sales to all-time high levels in 3Q and 4Q.
- Inquiries for Kaneka Biodegradable Polymer Green Planet™ have increased rapidly as global trends

targeting carbon neutrality have become evident.

The Group is accelerating joint development with major global brand holders, the development of processing technologies needed to address market needs, and further cost reduction measures. The Group is in the final stage of deciding on large scale resin plant.

② Quality of Life Solutions Unit

- In Foam & Residential Techs, the agriculture and fisheries sectors and housing starts were weak in Japan. In this environment, expandable polystyrene resin and extruded polystyrene foam boards saw growth in their market shares and sales. Sales of polyolefin foam recovered in step with a global rebound in automobile production. Tack Pack, a low-temperature transportation solution material for safely transporting COVID-19 vaccines, has started to be adopted by national and local governments, providing yet another new application.
- In PV & Energy management, sales of high-efficiency photovoltaic module products for homes steadily increased due to factors such as a growing load rate among home builders. The carbon neutrality issue is a perfect opportunity for this business. The Group is working to expand the market for energy conservation solutions, such as electricity generating windows (transparent solar panels) and electricity generating walls (wall-mounted solar panels), which are consonant with efforts to make zero-energy housing (ZEH) and zero-energy building (ZEB) more prevalent in society.
- In E & I Technology, demand increased for tablets and laptop PCs, and smartphones in connection with growth in remote work. Supported by these favorable trends, PIXEO products recorded an all-time high level of shipments. New product development for 5G smartphones also progressed steadily. Sales increased for polyimide varnish, supported by the increasing shift to smartphones with OLED displays.
- In Performance Fibers, hair accessories for the African market began to steadily improve in 3Q. Sales in 4Q surpassed the previous year's level by a large margin.

③ Health Care Solutions Unit

- Medical, along with Pharma, is a core domain where business will be expanded into the future. In the fiscal year ended March 31, 2021, the treatment frequency of patients decreased due to the COVID-19 crisis, but it held steady overall. The Group concentrated on adopting new approaches to sales promotion activities, such as Web planning. Sales of catheters increased both in Japan and overseas. Blood purification systems saw increased overseas sales. Favorable sales of coils for embolization of brain aneurysms (a new product) pushed up earnings. In addition, a new blood purification system for treatment of arteriosclerosis obliterans (ASO) commenced sales in March. This system has been well received by the market and is expected to serve as a strategic product for capturing a high-valued-added niche field.
- Pharma, along with Medical, is a core domain where business will be expanded. In the fiscal year ended March 31, 2021, the COVID-19 crisis became increasingly serious. In this environment, order intake rapidly increased for active pharmaceutical ingredients for Avigan® Tablet, Kaneka Eurogentec S.A.'s reagents for PCR tests, and contracted production of vaccine intermediates. Earnings rose sharply year on year. The Kaneka Group's investment in the additional biopharmaceutical production lines of Kaneka Eurogentec S.A., which were completed in fall 2020, was decided at the best possible timing. These additional production lines are expected to be brought into full operation and to successfully contribute to earnings growth.

④ Nutrition Solutions Unit

- In Supplemental Nutrition, there has been a heightened awareness of the importance of increasing immunity among European and U.S. consumers. Against this backdrop, sales of the active form of

coenzyme Q10 increased significantly. The lactic acid bacteria products of AB-Biotics posted solid sales in Europe. The next step will be to develop and strengthen the production and sales framework for these products in the U.S. With this step, the Group will shift its ability to drive sales growth into a higher gear.

- In Foods & Agris, inbound tourism demand continued to decrease and sales to the food service sector remained weak in connection with the COVID-19 crisis. Working together with the Supplemental Nutrition team, the Group launched “Watashi No Chikara (My Energy)[™] - Q10 Yogurt,” which contains the active form of Coenzyme Q10 (Ubiquinol). The Kaneka Group’s lineup of authentic dairy products, such as “Milk Tea for Bread lovers” has proven popular among consumers. The Group will give top priority to undertaking a fundamental reorganization of its supply chain, including order receipt and placement for products and production and sales management through digital transformation (DX), and to improving productivity. The Group will establish business infrastructure that greatly improves profitability by fully harnessing DX technologies.

(2) Overview of Consolidated Financial Position

Total assets were ¥667,429 million as of March 31, 2021, up ¥14,167 million compared with March 31, 2020, mainly due to increases in cash and deposits and investment securities. Liabilities totaled ¥286,389 million, down ¥12,778 million, mainly due to a decrease in loans payable. Moreover, net assets were ¥381,040 million, up ¥26,945 million, mainly due to increases in retained earnings and valuation difference on available-for-sale securities.

(3) Overview of Consolidated Cash Flows

In the fiscal year ended March 31, 2021, net cash provided by operating activities was ¥74,040 million, mainly due to income before income taxes and depreciation and amortization. Net cash used in investing activities amounted to ¥43,229 million. Cash was mainly used for the purchase of property, plant and equipment. Net cash used in financing activities was ¥21,903 million, mainly owing to cash dividends paid and repayment of loans payable. As a result, cash and cash equivalents as of March 31, 2021 totaled ¥46,360 million, up ¥8,754 million compared with March 31, 2020.

(4) Performance Forecasts for the Fiscal Year Ending March 31, 2022

➤ Continuing Uncertainty

The International Monetary Fund (IMF) announced its forecasts in April. It now predicts global economic growth of 6.0 percent in 2021, marking a rapid recovery. This growth outlook reflects the economic benefits delivered by major economic policy support and growing vaccine coverage in developed countries. However, the outlook is undeniably uncertain when considering the following factors, among others: (1) How and when the COVID-19 pandemic will end; (2) Natural disasters caused by global warming may be unpredictable; and (3) Geopolitical risk could be elevated, as seen in events such as the rekindling of tensions between the U.S. and China. Conditions continue to warrant careful vigilance.

➤ “Wellness First” Health Management to Achieve Sustainability (ESG Management)

Technological innovation and digital transformation (DX) are accelerating a paradigm shift in society. Global initiatives to create a decarbonized society that aims for carbon neutrality have been gathering momentum.

Kaneka has developed a conceptual framework to better understand these social trends. It has identified the “Global Environment and Energy Crisis,” “Food Crisis,” and “Health (Wholesome Living) Crisis,” as three sustainability crises and is engaging each crisis as a business domain. Chemistry, as its name implies, is all about the process of transformation.

Kaneka will rise to the opportunity of transforming the pain inflicted by changes in the world into a

gain. It will contribute to the preservation of the global environment and the sustainable recovery of our humanity. Kaneka will implement “Wellness First” health management that supports a society that nurtures life.

In March 2021, Kaneka announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, Kaneka will redouble its efforts to realize carbon neutrality.

➤ **We Are Implementing Sustainable, Human Driven Management**

Amid the COVID-19 crisis, the Kaneka Group has given top priority to protecting the health and safety of employees all over the world and their family members. In the process, the Group has striven to maintain production in many businesses considered to be essential businesses in countries and regions worldwide, thereby fulfilling its duty to provide a stable supply of products.

Concurrently, the Group has expanded the supply of COVID-19 therapeutics, vaccine-related products, supplements for better health, and materials for hygiene products. It is steadily transforming its business portfolio. Every member of the Group must take the initiative to anticipate change as a paradigm changer and respond in a timely manner. The Group sees change as an opportunity for Kaneka to take a huge leap forward.

Moreover, the Group sees the world’s initiatives to realize a sustainable society as fundamentally driven by the desire to achieve a recovery in our humanity.

➤ **Performance Forecasts for the Fiscal Year Ending March 31, 2022**

In leading-edge businesses, earnings are expected to increase in the Health Care field, as Pharma continues to contribute to society amid the COVID-19 crisis, together with Medical, which will launch sales of new products. In addition, E & I Technology is expected to deliver increased earnings, based on anticipated growth in sales of new polyimide products for 5G. In foundation businesses, sales are forecast to increase in materials businesses against the backdrop of a continuing surge in overseas demand.

In the fiscal year ending March 31, 2022, leading-edge businesses and foundation businesses are both anticipated to maintain their strong momentum, supported by sales growth in overseas markets, as was the case in the fiscal year ended March 31, 2021.

Forecast for Consolidated Business Performance for the Fiscal Year Ending March 31, 2022
(April 1, 2021 to March 31, 2022)

	FY2020 result	FY2021 forecast	Difference
Net sales (Millions of yen)	577,426	620,000	42,573 7.4%
Operating income (Millions of yen)	27,544	37,000	9,455 34.3%
Ordinary income (Millions of yen)	22,066	32,500	10,433 47.3%
Net income attributable to owners of parent (Millions of yen)	15,831	22,000	6,168 39.0%
Net income per share (Yen)	242.68	337.25	94.57

(Millions of yen)

	Net sales			Operating income		
	FY2020 result	FY2021 forecast	Difference	FY2020 result	FY2021 forecast	Difference
Material SU	230,509	243,000	12,490 5.4%	23,272	24,000	727 3.1%
Quality of Life SU	140,976	152,000	11,023 7.8%	10,650	15,000	4,349 40.8%
Health Care SU	52,422	68,000	15,577 29.7%	11,436	15,000	3,563 31.2%
Nutrition SU	152,368	156,000	3,631 2.4%	4,879	6,000	1,120 23.0%
Others	1,149	1,000	(149) (13.0%)	598	500	(98) (16.4%)
Adjustment	-	-	-	(23,291)	(23,500)	(208) -
Total	577,426	620,000	42,573 7.4%	27,544	37,000	9,455 34.3%

The Group's assumed exchange rates and raw materials prices for the next fiscal year are as follows. The Group is assuming exchange rates of ¥105 to the U.S. dollar and ¥125 to the euro, and a domestic naphtha price of ¥45,000 per kiloliter.

2. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP). The timing of the adoption of International Financial Reporting Standards (IFRS) has not yet been determined at this time. However, we are collecting information and have begun examining the issues in preparation for implementing the adoption of IFRS in the future.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2019	FY2020
	Term ended March 31, 2020	Term ended March 31, 2021
Assets		
Current assets		
Cash and deposits	38,748	47,716
Notes and accounts receivable-trade	134,110	135,618
Short-term investment securities	190	205
Merchandise and finished goods	66,057	54,161
Work in process	8,727	9,198
Raw materials and supplies	42,474	46,325
Other	17,852	17,221
Allowance for doubtful accounts	(1,303)	(1,423)
Total current assets	306,858	309,024
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,012	91,295
Machinery, equipment and vehicles, net	110,073	112,593
Land	31,304	31,744
Construction in progress	27,038	21,808
Other, net	10,627	11,721
Total property, plant and equipment	263,056	269,164
Intangible assets		
Goodwill	3,306	2,948
Other	9,874	10,881
Total intangible assets	13,180	13,829
Investments and other assets		
Investment securities	48,548	57,917
Investments in capital	346	206
Long-term loans receivable	1,005	761
Long-term prepaid expenses	2,171	2,143
Deferred tax assets	10,035	6,206
Other	8,299	8,406
Allowance for doubtful accounts	(241)	(229)
Total investments and other assets	70,166	75,411
Total noncurrent assets	346,403	358,405
Total assets	653,262	667,429

(Millions of yen)

	FY2019	FY2020
	Term ended March 31, 2020	Term ended March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	73,509	75,757
Short-term loans payable	88,835	84,181
Accounts payable-other	28,755	27,253
Accrued expenses	13,382	14,299
Income taxes payable	2,408	4,376
Accrued consumption taxes	1,030	995
Provision for directors' bonuses	107	111
Other	3,572	5,327
Total current liabilities	211,599	212,303
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	33,293	25,161
Deferred tax liabilities	1,576	1,647
Net defined benefit liability	38,308	32,073
Provision for directors' retirement benefits	317	314
Other	4,071	4,889
Total noncurrent liabilities	87,568	74,085
Total liabilities	299,167	286,389
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	30,962	31,103
Retained earnings	280,265	289,544
Treasury stock	(11,583)	(11,535)
Total shareholders' equity	332,691	342,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,246	20,863
Deferred gains or losses on hedges	(103)	(9)
Foreign currency translation adjustment	(7,395)	(3,753)
Remeasurements of defined benefit plans	(7,956)	(2,160)
Total accumulated other comprehensive income	(1,208)	14,939
Subscription rights to shares	482	516
Noncontrolling interests	22,128	23,424
Total net assets	354,094	381,040
Total liabilities and net assets	653,262	667,429

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income		(Millions of yen)	
	FY2019	FY2020	
	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021	
Net sales	601,514	577,426	
Cost of sales	432,374	410,486	
Gross profit	169,139	166,940	
Selling, general and administrative expenses	143,124	139,395	
Operating income	26,014	27,544	
Non-operating income			
Interest income	138	97	
Dividends income	1,545	1,348	
Foreign exchange gains	—	250	
Equity in earnings of affiliates	150	109	
Insurance claim income	474	—	
Gain on sales of noncurrent assets	315	—	
Gain on contribution of securities to retirement benefit trust	378	—	
Other	552	924	
Total non-operating income	3,555	2,729	
Non-operating expenses			
Interest expenses	1,714	1,259	
Loss on retirement of noncurrent assets	1,916	2,402	
Foreign exchange losses	968	—	
Other	4,804	4,546	
Total non-operating expenses	9,403	8,207	
Ordinary income	20,166	22,066	
Extraordinary income			
Gain on sales of investment securities	627	796	
Compensation income for damage	—	1,624	
Total extraordinary income	627	2,420	
Extraordinary losses			
Litigation expenses	996	289	
Impairment losses	—	897	
Loss on disaster	—	1,099	
Total extraordinary losses	996	2,286	
Income before income taxes	19,797	22,201	
Income taxes-current	4,809	6,372	
Income taxes-deferred	(490)	(1,354)	
Total income taxes	4,318	5,017	
Net income	15,479	17,184	
Net income attributable to non-controlling interests	1,475	1,353	
Net income attributable to owners of parent	14,003	15,831	

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019 From April 1, 2019 to March 31, 2020	FY2020 From April 1, 2020 to March 31, 2021
Net income	15,479	17,184
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,437)	6,746
Deferred gains or losses on hedges	7	93
Foreign currency translation adjustment	(3,668)	3,924
Remeasurements of defined benefit plans, net of tax	(2,280)	5,825
Share of other comprehensive income of associates accounted for using equity method	(0)	10
Total other comprehensive income	(11,379)	16,600
Comprehensive income	4,099	33,784
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,976	31,978
Comprehensive income attributable to noncontrolling interests	1,123	1,806

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	33,046	32,784	272,944	(11,601)	327,173
Changes of items during period					
Dividends of surplus			(6,848)		(6,848)
Change in scope of consolidation			167		167
Net income attributable to owners of parent			14,003		14,003
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock			(1)	23	21
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		(1,821)			(1,821)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,821)	7,321	18	5,517
Balance at end of period	33,046	30,962	280,265	(11,583)	332,691

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	19,642	(110)	(4,008)	(5,705)	9,818	431	23,302	360,726
Changes of items during period								
Dividends of surplus								(6,848)
Change in scope of consolidation								167
Net income attributable to owners of parent								14,003
Purchase of treasury stock								(4)
Disposal of treasury stock								21
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								(1,821)
Net changes of items other than shareholders' equity	(5,395)	7	(3,387)	(2,250)	(11,026)	50	(1,173)	(12,149)
Total changes of items during period	(5,395)	7	(3,387)	(2,250)	(11,026)	50	(1,173)	(6,631)
Balance at end of period	14,246	(103)	(7,395)	(7,956)	(1,208)	482	22,128	354,094

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	33,046	30,962	280,265	(11,583)	332,691
Changes of items during period					
Dividends of surplus			(6,523)		(6,523)
Change in scope of consolidation			(21)		(21)
Net income attributable to owners of parent			15,831		15,831
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock			(7)	52	44
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		141			141
Net changes of items other than shareholders' equity					
Total changes of items during period	—	141	9,278	48	9,467
Balance at end of period	33,046	31,103	289,544	(11,535)	342,159

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	14,246	(103)	(7,395)	(7,956)	(1,208)	482	22,128	354,094
Changes of items during period								
Dividends of surplus								(6,523)
Change in scope of consolidation								(21)
Net income attributable to owners of parent								15,831
Purchase of treasury stock								(3)
Disposal of treasury stock								44
Change in treasury shares of parent arising from transactions with noncontrolling shareholders								141
Net changes of items other than shareholders' equity	6,616	93	3,641	5,796	16,147	34	1,295	17,477
Total changes of items during period	6,616	93	3,641	5,796	16,147	34	1,295	26,945
Balance at end of period	20,863	(9)	(3,753)	(2,160)	14,939	516	23,424	381,040

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019	FY2020
	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Net cash provided by (used in) operating activities		
Income before income taxes	19,797	22,201
Depreciation and amortization	34,340	36,262
Impairment losses	—	897
Loss (gain) on contribution of securities to retirement benefit trust	(378)	—
Compensation income for damage	—	(1,624)
Increase (decrease) in net defined benefit liability	896	2,034
Increase (decrease) in allowance for doubtful accounts	67	59
Interest and dividends income	(1,684)	(1,445)
Interest expenses	1,714	1,259
Equity in losses (earnings) of affiliates	(150)	(109)
Loss (gain) on disposal of noncurrent assets	53	765
Loss (gain) on sales of investment securities	(627)	(796)
Decrease (increase) in notes and accounts receivable-trade	13,197	(246)
Decrease (increase) in inventories	(5,572)	8,838
Increase (decrease) in notes and accounts payable-trade	(11,120)	1,392
Other, net	(4,083)	6,221
Subtotal	46,450	75,710
Interest and dividends income received	1,787	1,533
Interest expenses paid	(1,721)	(1,325)
Compensation income for damage	—	1,624
Income taxes paid	(6,531)	(3,502)
Net cash provided by (used in) operating activities	39,983	74,040
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(42,977)	(39,431)
Proceeds from sales of property, plant and equipment	725	—
Purchase of intangible assets	(3,297)	(2,965)
Purchase of investment securities	(175)	(74)
Proceeds from sales and distributions of investment securities	867	57
Proceeds from redemptions of investment securities	4,000	104
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	37	—
Payments of loans receivable	(1,238)	(874)
Collection of loans receivable	872	1,145
Other, net	(620)	(1,191)
Net cash provided by (used in) investing activities	(41,807)	(43,229)

Financial Results for the Fiscal Year Ended March 31, 2021, Kaneka Corporation (4118)

(Millions of yen)

	FY2019	FY2020
	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	14,121	(3,515)
Proceeds from long-term loans payable	1,362	776
Repayment of long-term loans payable	(4,366)	(11,712)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Repayments of lease obligations	(244)	(501)
Purchase of treasury stock	(4)	(3)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(6,848)	(6,523)
Proceeds from stock issuance to noncontrolling shareholders	390	—
Dividends paid to noncontrolling interests	(314)	(260)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,574)	(162)
Net cash provided by (used in) financing activities	(479)	(21,903)
Effect of exchange rate change on cash and cash equivalents	(201)	(198)
Net increase (decrease) in cash and cash equivalents	(2,505)	8,708
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	37,606	46,360

(5) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Segment Information)

1) Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

The Company has established "Solutions Vehicle" as organizations for executing its growth strategies from a solutions perspective. There are ten Solutions Vehicles grouped into four solution domains called "Solutions Unit." Each Solutions Unit has established a global Group strategy for its products and services, bringing together subsidiaries in Japan and overseas as one to develop its business activities.

The Company therefore comprises four reporting segments categorized by solution: the "Material Solutions Unit," "Quality of Life Solutions Unit," "Health Care Solutions Unit," and "Nutrition Solutions Unit."

The Material Solutions Unit contributes to environmental protection and comfortable living by providing solutions in the form of high-performance materials to support the development of social infrastructure and mobility (i.e., weight reduction and improved fuel economy), and cutting-edge materials such as biopolymers that assist directly with the realization of environmental societies. The Quality of Life Solutions Unit contributes to energy conservation and the creation of high-quality lifestyles by providing solutions in the form of high-performance materials and unique services that respond to the need for energy conservation and adoption of smart technologies in housing and daily infrastructure. The unit is also responding to innovation in information-driven societies, such as the advancement of the IoT and AI. The Health Care Solutions Unit contributes to a society with better longevity and more sophisticated medical care by providing valuable solutions that combine devices and pharmaceuticals in fields such as medicine, health, and nursing care. The unit is also developing a unique health care business based on advanced medical technologies such as biopharmaceuticals and regenerative and cellular medicine. The Nutrition Solutions Unit contributes to health and high-quality food by providing a wide range of solutions in the form of distinctive materials and supplements that meet needs around food diversification and health promotion. The unit also provides solutions that contribute to food production support in the fields of agriculture, livestock, and fishery.

The Solutions Vehicles and main products that belong to each reporting segment are as follows:

Solutions Unit (Reporting Segments)	Solutions Vehicle	Main products
Material Solutions Unit	Vinyls and Chlor-Alkali	General PVC resins, Caustic soda, Specialty PVC resins
	Performance Polymers (MOD)	Modifiers, Epoxy masterbatch, Biodegradable polymers
	Performance Polymers (MS)	Modified silicone polymers
Quality of Life Solutions Unit	Foam & Residential Techs	Expandable polystyrene resins and products, Extruded polystyrene foam boards, Bead-method polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products
	E & I Technology	Polyimide films, Optical materials, Graphite sheets
	PV & Energy management	Photovoltaic modules, Energy storage batteries for residences
	Performance Fibers	Acrylic synthetic fibers
Health Care Solutions Unit	Medical	Medical devices
	Pharma & Supplemental Nutrition (Pharma)	Low-molecular pharmaceutical materials, API, Biopharmaceuticals
Nutrition Solutions Unit	Pharma & Supplemental Nutrition (Supplemental Nutrition)	Functional foodstuffs
	Foods & Agris	Margarine, Shortening, Bakery yeast, Spices, Antifreeze materials, Dairy products, Functional fertilizers and feeds

2) Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

Accounting treatment and procedures for reporting segments are the same as those shown in the "Notes to the Consolidated Financial Statements." Intersegment transactions are based on prevailing market prices.

3) Segment Information by Business Category
 Previous fiscal year (from April 1, 2019 to March 31, 2020)

(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	241,795	154,837	46,352	157,431	600,416	1,097	601,514	—	601,514
Intersegment	1,015	24	—	33	1,073	1,088	2,162	(2,162)	—
Total	242,811	154,861	46,352	157,465	601,490	2,186	603,676	(2,162)	601,514
Segment profit	20,625	14,189	8,917	5,647	49,379	547	49,927	(23,912)	26,014
Segment assets	233,548	181,176	64,979	110,440	590,145	365	590,510	62,751	653,262
Others									
Depreciation	11,559	11,395	2,692	4,547	30,195	19	30,215	3,904	34,120
Amortization of goodwill	32	—	315	108	456	—	456	88	544
Investment in equity method	67	2,249	—	—	2,316	—	2,316	—	2,316
Increase in assets	13,099	13,518	4,313	6,052	36,983	162	37,146	10,663	47,809

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.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(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	230,509	140,976	52,422	152,368	576,276	1,149	577,426	—	577,426
Intersegment	747	28	—	30	807	1,096	1,903	(1,903)	—
Total	231,257	141,005	52,422	152,398	577,083	2,246	579,330	(1,903)	577,426
Segment profit	23,272	10,650	11,436	4,879	50,238	598	50,836	(23,291)	27,544
Segment assets	237,673	178,725	72,093	110,120	598,614	806	599,420	68,008	667,429
Others									
Depreciation	12,168	11,950	3,238	4,720	32,078	19	32,097	3,926	36,024
Amortization of goodwill	33	—	313	111	458	—	458	86	544
Investment in equity method	59	2,359	—	—	2,418	—	2,418	—	2,418
Increase in assets	9,321	12,328	4,406	5,862	31,918	136	32,055	7,089	39,144

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.

4) Reconciliation between Segment Totals and Amounts on Consolidated Financial Statements (Adjustments)

(Millions of yen)

Income	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Segment total	49,379	50,238
Segment profit of Others	547	598
Elimination of intersegment transactions	(0)	7
Companywide expenses (Note)	(23,933)	(23,451)
Other adjustments	21	153
Operating income in the consolidated statements of income	26,014	27,544

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

Financial Results for the Fiscal Year Ended March 31, 2021, Kaneka Corporation (4118)

(Millions of yen)

Assets	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Segment total	590,145	598,614
Segment assets of Others	365	806
Elimination of intersegment transactions	(16,179)	(14,402)
Companywide assets (Note)	77,373	82,002
Other adjustments	1,556	408
Total assets in the consolidated balance sheets	653,262	667,429

Note: Companywide assets are working capital, investment securities and land that are not allocable to any reporting segments.

(Millions of yen)

Other items	Segment total		Others		Adjustments (Note)		Consolidated	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	30,195	32,078	19	19	3,904	3,926	34,120	36,024
Amortization of goodwill	456	458	—	—	88	86	544	544
Increase in assets	36,983	31,918	162	136	10,663	7,089	47,809	39,144

Note: Adjustments primarily are for basic R&D that are not allocable to any reporting segments.

(Related Information)

Geographic Area

(Sales)

Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
364,960	109,344	47,306	53,426	26,475	601,514

Note: Sales are classified into countries or regions based on the geographic location of customers.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
346,261	113,084	42,384	52,880	22,816	577,426

Note: Sales are classified into countries or regions based on the geographic location of customers.

(Per Share Information)

Net assets per share, net income per share and the corresponding basis for computation, and fully diluted net income per share and the corresponding basis for computation are shown below.

Item	Previous fiscal year From April 1, 2019 to March 31, 2020	Fiscal year under review From April 1, 2020 to March 31, 2021
Net assets per share	¥5,082.08	¥5,473.85
Net income per share	¥214.70	¥242.68
Fully diluted net income per share	¥214.28	¥242.13

Item	Previous fiscal year From April 1, 2019 to March 31, 2020	Fiscal year under review From April 1, 2020 to March 31, 2021
Net income per share		
Net income attributable to owners of parent (Millions of yen)	14,003	15,831
Net income attributable to owners of parent ascribed to common stock (Millions of yen)	14,003	15,831
Average number of shares of common stock during the period (Thousands of shares)	65,224	65,233
Fully diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	(3)	(5)
(Adjustment of dilutive shares issued by subsidiaries) (Millions of yen)	(-3)	(-5)
Increase in shares of common stock (Thousands of shares)	111	128
(Of which, subscription rights to shares) (Thousands of shares)	(111)	(128)

(Subsequent Events)

Nothing to report