

Financial Summary

Fiscal Year Ended March 31, 2021

May 13, 2021
Kaneka Corporation

Contents

Summary	1
Net sales, Operating income by Segment	2
Business Performance by Segment	4
Consolidated Balance Sheet	8
Consolidated Cash Flow	9
Consolidated Business Forecasts	10

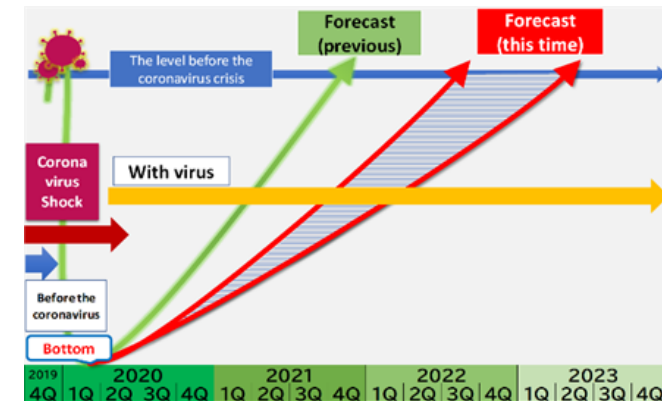
The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the Company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements.

(Billions of yen)

	FY2020					Difference (year on year)				FY2020 3Q · 4Q vs. 1Q · 2Q	
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Full year (Apr.-Mar.)		3Q·4Q (Oct.-Mar.)		Amount	%
						Amount	%	Amount	%		
Net sales	126.6	140.1	154.8	155.9	577.4	(24.1)	(4.0%)	9.1	3.0%	44.0	16.5%
Operating income	2.0	5.0	10.3	10.3	27.5	1.5	5.9%	7.3	55.4%	13.5	191.6%
Ordinary income	0.8	3.2	8.6	9.4	22.1	1.9	9.4%	7.6	72.0%	14.0	349.2%
Net income attributable to owners of parent	0.4	2.0	7.2	6.2	15.8	1.8	13.1%	5.4	67.8%	10.9	439.2%

(State of the Global Economy)

- In 2020, the global economy is estimated to have contracted by 3.3 percent due to the significant impact of the COVID-19 pandemic.
- Except for the U.S. and China, conditions will remain uncertain in developed and developing countries alike, and are not expected to return to pre-COVID-19 levels until some time from 2022 to 2023.



(Kaneka Group's Business Performance)

- In the 1st quarter (April-June 2020; "1Q") and 2nd quarter (July-September 2020; "2Q"), the Kaneka Group posted large decreases in sales and profits.
- In the 3rd quarter (October-December 2020; "3Q") and 4th quarter (January-March 2021; "4Q") performance recovered pre-pandemic momentum, sales and profits increased substantially compared to 1Q and 2Q and earnings increased on a full-year basis.
- Operating income exceeded the ¥10.0 billion level in both 3Q and 4Q.



Net sales, Operating income by Segment

(Billions of yen)

	Net sales											
	FY2020					Difference (year on year)				FY2020 3Q·4Q vs. 1Q·2Q		
						Full year (Apr.-Mar.)		3Q·4Q (Oct.-Mar.)				
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Amount	%	Amount	%	Amount	%	
Material Solutions Unit	48.9	55.6	60.2	65.8	230.5	(11.3)	(4.7%)	4.6	3.8%	21.5	20.6%	
Quality of Life Solutions Unit	29.7	33.9	39.2	38.2	141.0	(13.9)	(9.0%)	1.4	1.8%	13.6	21.4%	
Health Care Solutions Unit	11.7	12.8	14.1	13.9	52.4	6.1	13.1%	3.6	14.6%	3.5	14.4%	
Nutrition Solutions Unit	35.9	37.6	41.1	37.8	152.4	(5.1)	(3.2%)	(0.6)	(0.7%)	5.4	7.3%	
Others	0.4	0.2	0.2	0.3	1.1	0.1	4.8%	(0.0)	(0.2%)	(0.1)	(13.2%)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
Total	126.6	140.1	154.8	155.9	577.4	(24.1)	(4.0%)	9.1	3.0%	44.0	16.5%	

	Operating income											
	FY2020					Difference (year on year)				FY2020 3Q·4Q vs. 1Q·2Q		
						Full year (Apr.-Mar.)		3Q·4Q (Oct.-Mar.)				
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Amount	%	Amount	%	Amount	%	
Material Solutions Unit	2.9	4.5	6.5	9.4	23.3	2.6	12.8%	5.5	52.5%	8.5	115.6%	
Quality of Life Solutions Unit	1.2	2.7	4.4	2.3	10.7	(3.5)	(24.9%)	0.1	1.7%	2.8	71.0%	
Health Care Solutions Unit	2.3	2.7	3.2	3.3	11.4	2.5	28.2%	1.6	32.8%	1.5	30.1%	
Nutrition Solutions Unit	0.8	0.6	1.9	1.6	4.9	(0.8)	(13.6%)	0.2	4.9%	2.0	140.7%	
Others	0.2	0.1	0.1	0.2	0.6	0.1	9.2%	(0.0)	(1.5%)	(0.1)	(24.8%)	
Adjustment	(5.4)	(5.6)	(5.8)	(6.4)	(23.3)	0.6	-	(0.0)	-	(1.3)	-	
Total	2.0	5.0	10.3	10.3	27.5	1.5	5.9%	7.3	55.4%	13.5	191.6%	

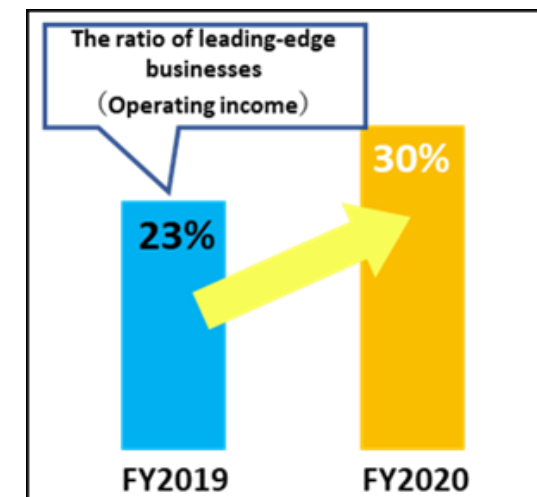
(Operating Performance by Business Segment)

- In 3Q and 4Q, all business segments recorded significant increases in sales and profits compared to 1Q and 2Q, with each increasing in profits year on year.
- New market growth started over, covering the sharp downturns of 1Q and 2Q.
- There has been a strong resurgence in overseas demand in every segment.

(Reference) Overseas sales ratio 1Q: 36% 2Q : 39% 3Q : 42% 4Q : 43%

(Foundation Businesses and Leading-edge Businesses)

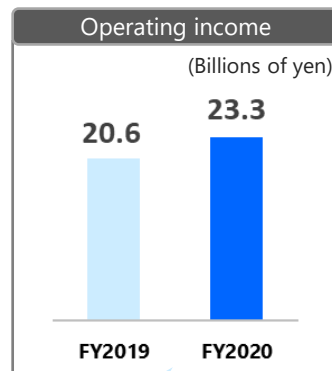
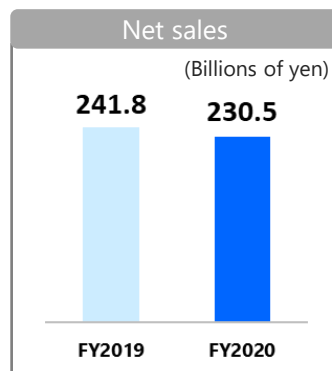
- Leading-edge businesses are accounting for a steadily growing share of the total corporate net sales and earnings, indicating that business portfolio transformation is moving forward.
- In the Health Care field, biotechnology products such as vaccines, therapeutics, and testing kits will contribute directly to ending the COVID-19 crisis.
- Results are supported by manufacturing products that address social issues, such as the active form of coenzyme Q10, which activates cells' immune functions, lactic acid bacteria, and materials used in hygiene gloves.
- 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 foundation businesses (Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS) and Performance Fibers) has expanded sales of high-value-added products in overseas markets. As the market returns to normal levels, the Group's businesses with scale are underpinning the improved earnings capabilities of the entire Group.



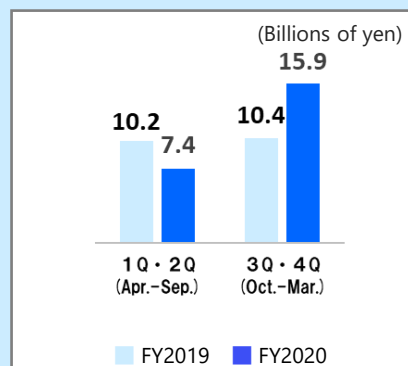
Business Performance by Segment (Material Solutions Unit)

Net sales **¥230.5 billion** 【down 4.7% YoY】

Operating income **¥23.3 billion** 【up 12.8% YoY】



Operating income
(1Q • 2Q vs. 3Q • 4Q)



Vinyls and Chlor-Alkali

- Sales increased in emulsion PVC for disposable hygiene gloves used for COVID-19. The overall PVC market in Asia is rapidly improving and plants in Japan and overseas continue to operate at full capacity to meet this surging demand.

Performance Polymers (MOD)

- The Group's overall sales increased significantly year on year across both PVC and non-PVC applications, capturing increased demand for construction materials and DIY applications in Europe and the U.S., and for non-PVC applications in Asia.

Performance Polymers (MS)

- Sales of new products expanded in Europe and the U.S., while applications in construction and industry flourished in China and the rest of Asia.
- Sales reached record all-time high levels in 3Q and 4Q.

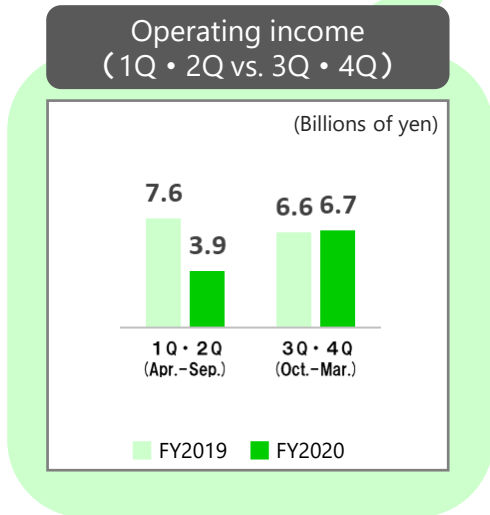
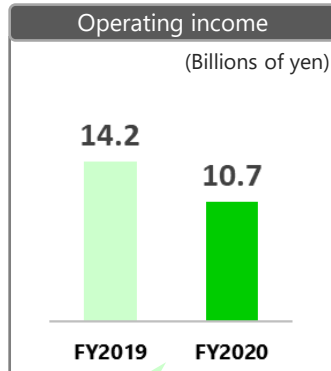
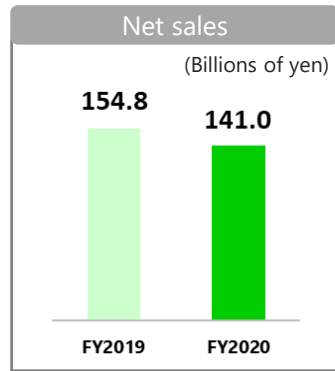
New Business

- Inquiries for Kaneka Biodegradable Polymer Green Planet™ increased rapidly and the Group is accelerating joint development with major global brand holders, development of processing technologies and further cost reduction measures.
- The Group is in the final stage of deciding on large scale resin plant.

Business Performance by Segment (Quality of Life Solutions Unit)

Net sales ¥141.0 billion 【down 9.0% YoY】

Operating income ¥10.7 billion 【down 24.9% YoY】



Foam & Residential Techs

- Expandable polystyrene resin and extruded polystyrene foam boards increased market shares even though domestic demand was weak.
- Polyolefin foam is recovering in step with a recovery in automobile production.
- Tack Pack, a low-temperature transportation solution material for safely transporting COVID-19 vaccines, has started employment as a new application.

PV & Energy management

- Sales of high-efficiency photovoltaic module products for homes increased load rate among home builders rose.
- Carbon neutrality is providing a tailwind. The Group is expanding the market for energy conservation solutions, such as electricity generating windows and electricity generating walls, complimenting efforts for social implementation of ZEH and ZEB.

E & I Technology

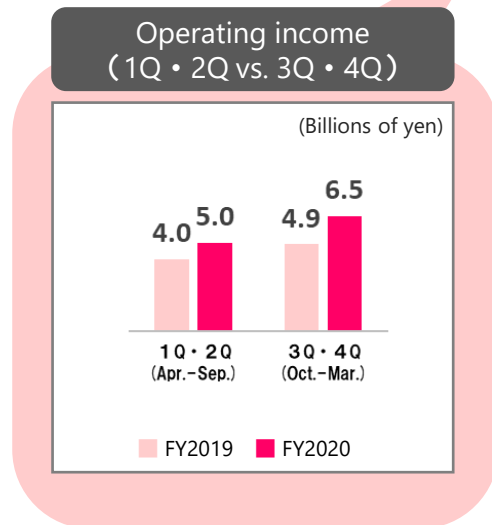
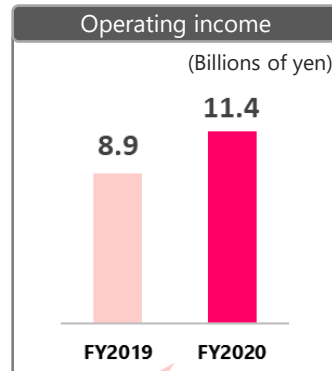
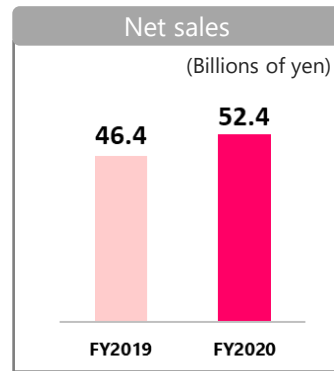
- Demand increased for tablets, laptop PCs and smartphones. Shipments of PIXEO products recorded an all-time high level.
- New product development for 5G smartphones accelerated. Sales increased for polyimide varnish for OLED displays.

Performance Fibers

- Hair accessories for the African market began to steadily recover and 4Q sales grew significantly year on year.

Business Performance by Segment (Health Care Solutions Unit)

Net sales **¥52.4 billion** 【up 13.1% YoY】
Operating income **¥11.4 billion** 【up 28.2% YoY】



Medical

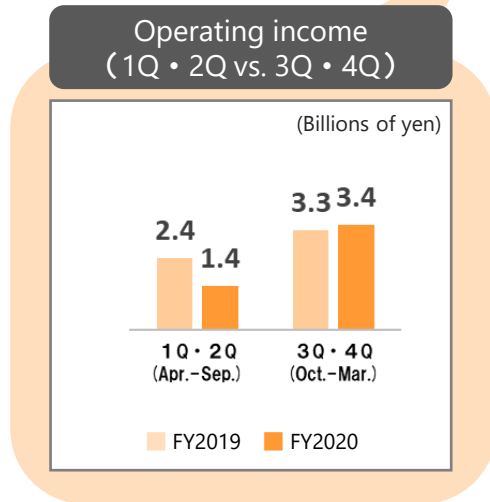
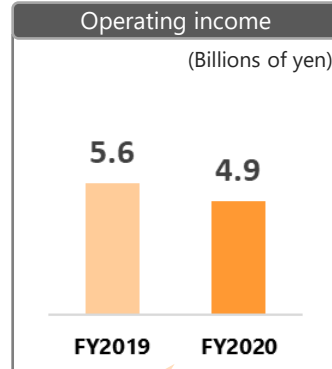
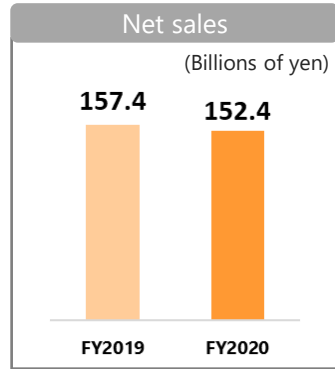
- Although the frequency of treating patients decreased due to the COVID-19 crisis, sales of catheters increased both in Japan and overseas due to sales promotion activities such as Web planning.
- Sales of coils for embolization of brain aneurysms (a new product) are strong.
- Sales started in March of a new blood purification system for treating arteriosclerosis obliterans (ASO). This system has been well received by the market.

Pharma

- Order intake rapidly increased for active pharmaceutical ingredients for Avigan® tablets, reagents for PCR tests and contracted production of vaccine intermediates. Earnings rose significantly year on year.
- Kaneka Eurogentec S.A.'s added biopharmaceutical production lines will move into full operation and are expected to contribute to earnings growth.

Business Performance by Segment (Nutrition Solutions Unit)

Net sales **¥152.4 billion** 【down 3.2% YoY】
Operating income **¥4.9 billion** 【down 13.6% YoY】



Supplemental Nutrition

- Sales of the active form of coenzyme Q10 increased in Europe and the U.S. due to heightened awareness of increasing immunity.
- Strong sales were posted AB-Biotics' lactic acid bacteria products in Europe. The Group geared up sales expansion by strengthening the U.S. production and sales framework.

Foods & Agris

- Inbound tourism demand decreased and the food service sector was weak due to the COVID-19 crisis.
- The lineup of authentic dairy products including “Watashi No Chikara (My Energy)TM - Q10 Yogurt” and “Milk Tea for Bread lovers” is popular.
- The Group is using DX for a fundamental reorganization of its supply chain, including order receipt, production and sales management to improve productivity. The Group will establish business infrastructure to improve profitability .



Consolidated Balance Sheet

(Billions of yen)

	March 31, 2020	March 31, 2021	Difference
Assets			
Current Assets	306.9	309.0	2.2
Noncurrent Assets	346.4	358.4	12.0
Total assets	653.3	667.4	14.2
Liabilities			
Interest bearing debt	130.8	118.2	(12.6)
Others	168.3	168.1	(0.2)
Total liabilities	299.2	286.4	(12.8)
Net assets			
Shareholders' equity	331.5	357.1	25.6
Others	22.6	23.9	1.3
Total net assets	354.1	381.0	26.9
Total liabilities and net assets	653.3	667.4	14.2
Shareholders' equity ratio	50.7%	53.5%	
Net assets per share	¥5,082.08	¥5,473.85	

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

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



Consolidated Cash Flow

(Billions of yen)

	FY2019	FY2020
Cash flows from operating activities	40.0	74.0
Cash flows from investing activities	(41.8)	(43.2)
Free cash flow	(1.8)	30.8
Cash flows from financing activities	(0.5)	(21.9)
Net increase (decrease) in cash and cash equivalents (*)	(2.4)	8.8
Cash and cash equivalents at end of period	37.6	46.4

* Including Effect of exchange rate change on cash and cash equivalents and Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation

- Net cash provided by operating activities was ¥74.0 billion, mainly due to income before income taxes and depreciation and amortization.
- Net cash used in investing activities amounted to ¥43.2 billion, mainly owing to purchase of property, plant and equipment.
- Net cash used in financing activities came to ¥21.9 billion, mainly owing to cash dividends paid and repayment of loans payable.

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

- **Continuing Uncertainty**
The outlook is undeniably uncertain when considering factors such as the following: (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.
- 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, and in Medical, which will have a full-scale launch of new products. Increased earnings are expected in E & I Technology 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.

(Billions of yen)

	FY2020 result	FY2021 forecast	Difference	
			Amount	%
Net sales	577.4	620.0	42.6	7.4%
Operating income	27.5	37.0	9.5	34.3%
Ordinary income	22.1	32.5	10.4	47.3%
Net income attributable to owners of parent	15.8	22.0	6.2	39.0%
Net income per share	¥242.68	¥337.25	¥94.57	

* The forecasts are based on exchange rates of ¥105 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥45,000 per kiloliter.



Consolidated Business Forecasts by Segment

(Billions of yen)

	Net sales				Operating income			
	FY2020 result	FY2021 forecast	Difference		FY2020 result	FY2021 forecast	Difference	
			Amount	%			Amount	%
Material Solutions Unit	230.5	243.0	12.5	5.4%	23.3	24.0	0.7	3.1%
Quality of Life Solutions Unit	141.0	152.0	11.0	7.8%	10.7	15.0	4.4	40.8%
Health Care Solutions Unit	52.4	68.0	15.6	29.7%	11.4	15.0	3.6	31.2%
Nutrition Solutions Unit	152.4	156.0	3.6	2.4%	4.9	6.0	1.1	23.0%
Others	1.1	1.0	(0.1)	(13.0%)	0.6	0.5	(0.1)	(16.4%)
Adjustment	-	-	-	-	(23.3)	(23.5)	(0.2)	-
Total	577.4	620.0	42.6	7.4%	27.5	37.0	9.5	34.3%

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.



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