

# Quarterly Financial Results for the 2nd Quarter, Ended September 30, 2021 (Japanese GAAP, Consolidated)

November 9, 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

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Scheduled date for submitting financial statements: November 12, 2021 Scheduled date of dividend distribution: December 6, 2021

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

## 1. Consolidated Business Performance for the 2nd Quarter, Ended September 30, 2021

(from April 1, 2021 to September 30, 2021)

(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. 2021 – Sep. 2021	330,267	23.8	23,015	227.2	20,891	420.0	14,766	496.2
Apr. 2020 – Sep. 2020	266,714	(11.1)	7,034	(45.1)	4,017	(58.5)	2,476	(59.0)

Note: Comprehensive income: ¥18,972 million (188.4%) for the six months ended September 30, 2021

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

	Net income per share	Fully diluted net income per share
Apr. 2021 – Sep. 2021	¥ 226.35	¥ 225.75
Apr. 2020 – Sep. 2020	37.97	37.88

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2021	¥ million 686,534	¥ million 396,723	54.2%
As of March 31, 2021	667,429	381,040	53.5

(Reference) Shareholders' equity: ¥372,362 million as of September 30, 2021

¥357,098 million as of March 31, 2021

## 2. Dividends

	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 2020 – Mar. 2021	¥ —	¥ 50.00	¥ —	¥ 50.00	¥ 100.00
Apr. 2021 – Mar. 2022	—	50.00			
Apr. 2021 – Mar. 2022 (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, 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	660,000	14.3	42,000	52.5	36,500	65.4	24,000	51.6	367.88

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

※ Notes

- (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: Yes  
2. Changes other than 1. above: No  
3. Changes in accounting estimates: No  
4. Restatements: No

Note: For changes owing to revisions in accounting standards, please refer to the section entitled “(4) Notes to the Consolidated Financial Statements (Changes in Accounting Principles)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 12.

(4) Number of shares outstanding (common stock)

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

September 30, 2021	68,000,000 shares	March 31, 2021	68,000,000 shares
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2. Number of shares of treasury stock at the end of the period:

September 30, 2021	2,760,769 shares	March 31, 2021	2,762,766 shares
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3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year):

September 30, 2021	65,239,185 shares	September 30, 2020	65,230,004 shares
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(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

➤ **The Status of Global Economy**

In the first six months (April 1, 2021 to September 30, 2021, hereinafter referred to as “1H”) of the fiscal year ending March 31, 2022, the global economy followed a recovery track, underpinned by efforts such as various countries’ economic policies and monetary easing, as economic activity steadily gained strength amid continuing uncertainty from the resurgence of COVID-19. However, the business environment has remained uncertain. This uncertainty reflects factors such as delays in the supply of automobiles, housing, and other items due to shortages of semiconductor components and materials, logistics disruptions and surging raw material and energy prices.

➤ **Kaneka Group’s Business Performance**

In this business environment, the Kaneka Group’s business performance for 1H of the fiscal year ending March 31, 2022 was as follows. Consolidated net sales amounted to ¥330,267 million (up 23.8% year on year) and operating income was ¥23,015 million (up 227.2% year on year). Ordinary income was ¥20,891 million (up 420.0% year on year). Net income attributable to owners of parent was ¥14,766 million (up 496.2% year on year).

	FY2020 1H (Apr.-Sep.)	FY2021 1H (Apr.-Sep.)	Difference (year on year)
Net sales	266,714	330,267	63,552 23.8%
Operating income	7,034	23,015	15,981 227.2%
Ordinary income	4,017	20,891	16,873 420.0%
Net income attributable to owners of parent	2,476	14,766	12,289 496.2%

## Net sales and operating income by segment for the first six months (April 1, 2021 to September 30, 2021) (Millions of yen)

	Net sales							Operating income						
	FY2020			FY2021			Difference (year on year)	FY2020			FY2021			Difference (year on year)
	1Q	2Q	1H	1Q	2Q	1H		1Q	2Q	1H	1Q	2Q	1H	
Health Care SU	48,894	55,587	104,482	69,967	70,922	140,889	36,407 34.8%	2,855	4,518	7,374	9,311	8,652	17,964	10,589 143.6%
Quality of Life SU	29,738	33,924	63,663	40,856	41,878	82,735	19,071 30.0%	1,236	2,692	3,929	4,586	4,737	9,324	5,394 137.3%
Health Care SU	11,698	12,756	24,454	13,220	13,397	26,617	2,163 8.8%	2,298	2,672	4,970	2,310	2,941	5,252	281 5.7%
Nutrition SU	35,938	37,560	73,498	39,753	39,725	79,479	5,980 8.1%	827	605	1,432	1,429	656	2,085	653 45.6%
Others	373	241	615	308	236	545	(70) (11.4%)	248	92	341	177	73	251	(90) (26.4%)
Adjustment	-	-	-	-	-	-	-	(5,436)	(5,576)	(11,013)	(5,967)	(5,894)	(11,861)	(848)
Total	126,644	140,069	266,714	164,106	166,160	330,267	63,552 23.8%	2,029	5,005	7,034	11,848	11,167	23,015	15,981 227.2%

※SU: Solutions Unit

In the second quarter (July 1, 2021 to September 30, 2021), net sales hit a record high and operating income was at a high level above ¥10.0 billion. For 1H, sales and income rose in all business segments compared with the previous fiscal year.

In leading-edge businesses, Health Care Solutions Unit saw steady progress on business results amid a resurgence in COVID-19. The main contributing factors were the start of production new facilities for enhancement of biologics capacity, growth in sales of PCR testing kits and reagents, and the launch of new blood purification system products. In E & I Technology, as remote work was adopted more widely in society, sales grew for polyimide products used in smartphones and PCs and resin for acrylic films used in

large-screen TVs. In addition, rapid progress is being made on initiatives to reduce environmental impact to achieve carbon neutrality, which is leading to heightened needs for photovoltaic module products based on Kaneka's unique technologies. Meanwhile, in foundation businesses, amid surging raw materials prices, we strengthened our earnings base in areas such as Performance Polymers (MOD), Performance Polymers (MS), and Performance Fibers by using our global network to steadily capture overseas demand. The transformation of our business portfolio is progressing.

※ Foundation businesses ... Vinyls and Chlor-Alkali, Performance Polymers, Foam & Residential Techs, Performance Fibers, Foods  
 Leading-edge businesses... E & I Technology, Pharma, Medical, Supplemental Nutrition, Agris, PV & Energy management

Operating performance by business segment was as follows:

### ①Material Solutions Unit

- In Vinyls and Chlor-Alkali, strong demand for PVC resins continued in the Asian market, while overseas market prices of caustic soda rose.
- In Modifiers, demand has grown globally for non-PVC applications (automobiles, PCs and home electronics). Construction applications in Europe and the U.S. were also in surging demand.
- In Modified silicone polymers, sales growth has accelerated in Asia as the new frontier. Overall global demand, including demand in Europe and the U.S., has continued to grow steadily. Further capacity enhancements will be considered.
- KANEKA Biodegradable Polymer Green Planet™ has continued to be adopted by more new companies. As customer inquiries pick up, Kaneka has advanced major joint development projects with brand holders around the world who are strongly interested in reducing their environmental impact. We are moving quickly to finalize facility plans to enhance production capacity.

### ②Quality of Life Solutions Unit

- In Foam & Residential Techs, sales were firm for expandable polystyrene resin and extruded polystyrene foam boards, but there was an impact from surging raw material costs. Recovery in demand is slow for polyolefin foam for automobiles.
- In PV & Energy management, the Japanese government announced the "Outline and Implementation of Energy Efficiency Measures, etc. in Housing and Buildings toward a Decarbonized Society" in August. As efforts to promote the widespread adoption of renewable energy become more active, the installation of photovoltaic modules has gained momentum. Sales of Kaneka's high-efficiency photovoltaic module products for detached and multi-unit housing are growing at an accelerated pace.
- In E & I Technology, sales were strong for polyimide products for smartphones and OLED displays and resin for acrylic film for large-screen TVs.
- In Performance Fibers, demand for hair accessories for the African market has remained extremely strong, and sales of products for fire-resistant materials are trending firmly.

### ③Health Care Solutions Unit

- In Medical, sales increased sharply for a newly launched blood purification system for treatment of arteriosclerosis obliterans (ASO). Sales of catheters, such as coils for embolization of brain aneurysms, increased mainly to overseas markets. PCR testing kits for COVID-19 variants were newly sold. Kaneka will strive to help prevent the spread of COVID-19.
- In Pharma, particularly biopharmaceuticals, contract manufacturing of COVID-19 vaccines was started on newly added production lines at Kaneka Eurogentec S.A. Research reagents and testing and diagnostic services performed favorably. In small molecule pharmaceuticals, active pharmaceutical ingredient projects progressed steadily.

#### ④ Nutrition Solutions Unit

- In Supplemental Nutrition, sales of the active form of coenzyme Q10 has continued at a high level, reflecting heightened awareness of the importance of increasing immunity. In Japan, the “Watashi no Chikara (My Energy)™” series of products containing the active form of coenzyme Q10 obtained new function claims, such as “improves the quality of sleep of people experiencing temporary stress,” “helps reduce temporary stress,” and “maintaining the moisture of one’s mouth.” The product lineup has been enhanced.
- In Foods & Agris, although demand has been recovering, there was an impact from a large price increase of oil and fat raw materials. Efforts were made to improve profitability by expanding sales of high-value-added products such as the renewed “Belgian Yogurt Pur Natur.” Milking has begun at “Betsukai Wellness Farm.” Through organic dairy farming, Kaneka will accelerate efforts to contribute to a sustainable society and strengthen our lineup of authentic dairy products.

#### (2) Consolidated Financial Position

- Status of Assets, Liabilities and Equity  
Total assets were ¥686,534 million as of September 30, 2021, up ¥19,105 million compared with the amount as of March 31, 2021, mainly due to an increase in inventory assets. Liabilities totaled ¥289,811 million, up ¥3,421 million, primarily reflecting an increase in notes and accounts payable-trade. Net assets were ¥396,723 million, up ¥15,683 million, owing chiefly to an increase in retained earnings.
- Consolidated Cash Flows  
Net cash provided by operating activities during 1H of the fiscal year was ¥20,102 million, mainly due to income before income taxes and depreciation and amortization, while net cash used in investing activities amounted to ¥16,908 million, mainly due to the purchase of property, plant and equipment. Net cash used in financing activities was ¥3,603 million, mainly owing to cash dividends paid. As a result, cash and cash equivalents as of September 30, 2021 totaled ¥46,368 million.

#### (3) Consolidated Business Forecasts

- The International Monetary Fund (IMF) has downwardly revised its global economic outlook. Economic uncertainty remains in place.
- While demand is recovering in developed countries, instability is growing in emerging countries due to factors such as the spread of the Delta variant and global supply chain disruptions. In addition, economic blocking is progressing in materials and energy prices, the problem of electricity restrictions in China, and other issues. Accordingly, it has become increasingly difficult to develop a clear outlook of the future. Despite the opaque business environment, Kaneka believes our strong momentum will continue in the third quarter (October 1, 2021 to December 31, 2021) onward.
- Therefore, we have upwardly revised our consolidated business forecasts announced on May 13, 2021.
- We will continue striving for transformation of our business portfolio and strengthen our earnings base.

Revisions to the forecast for consolidated business performance for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	¥ million 620,000	¥ million 37,000	¥ million 32,500	¥ million 22,000	¥ 337.25
Current forecast (B)	660,000	42,000	36,500	24,000	367.88
Change (B-A)	40,000	5,000	4,000	2,000	
Percent change (%)	6.5	13.5	12.3	9.1	
(Reference: Year ended March 31, 2020)	577,426	27,544	22,066	15,831	242.68

Forecast for consolidated business performance by segment for the fiscal year ending March 31, 2022  
(April 1, 2021 to March 31, 2022) (Millions of yen)

	Net sales			Operating income		
	Previous forecast	Revised forecast	Difference	Previous forecast	Revised forecast	Difference
Material SU	243,000	273,000	30,000 12.3%	24,000	31,000	7,000 29.2%
Quality of Life SU	152,000	168,000	16,000 10.5%	15,000	17,000	2,000 13.3%
Health Care SU	68,000	61,000	(7,000) (10.3%)	15,000	13,500	(1,500) (10.0%)
Nutrition SU	156,000	157,000	1,000 0.6%	6,000	5,500	(500) (8.3%)
Others	1,000	1,000	- -	500	500	- -
Adjustment	-	-	-	(23,500)	(25,500)	(2,000) -
Total	620,000	660,000	40,000 6.5%	37,000	42,000	5,000 13.5%

※SU : Solutions Unit

With regard to the exchange rates and raw material prices, forecast figures assume an exchange rate of ¥110 to the U.S. dollar, ¥130 to the euro and a domestic naphtha price of ¥55,000 per kiloliter from October 1, 2021 onward.

- ※ The above performance forecasts for the Kaneka Group are regarded as reasonable based on information available at the time of the announcement. Readers should be aware that actual results might vary significantly from these forecasts due to various factors.

## 2. Quarterly Consolidated Financial Statements and Main Notes

## (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2020 Term ended March 31, 2021	FY2021 2nd Quarter Term ended September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	47,716	47,009
Notes and accounts receivable-trade	135,618	—
Notes and accounts receivable-trade, and contract assets	—	140,489
Short-term investment securities	205	208
Merchandise and finished goods	54,161	63,288
Work in process	9,198	10,213
Raw materials and supplies	46,325	50,171
Other	17,221	18,676
Allowance for doubtful accounts	(1,423)	(1,383)
Total current assets	309,024	328,674
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	91,295	91,839
Machinery, equipment and vehicles, net	112,593	112,056
Other, net	65,274	63,788
Total property, plant and equipment	269,164	267,684
Intangible assets		
Goodwill	2,948	2,675
Other	10,881	11,415
Total intangible assets	13,829	14,090
Investments and other assets		
Investment securities	57,917	60,250
Other	17,723	16,059
Allowance for doubtful accounts	(229)	(224)
Total investments and other assets	75,411	76,085
Total noncurrent assets	358,405	357,860
<b>Total assets</b>	<b>667,429</b>	<b>686,534</b>



(Millions of yen)

	FY2020 Term ended March 31, 2021	FY2021 2nd Quarter Term ended September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	75,757	81,759
Short-term loans payable	84,181	80,622
Income taxes payable	4,376	2,991
Provision	111	6
Other	47,875	45,815
Total current liabilities	212,303	211,195
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	25,161	28,918
Provision	314	276
Net defined benefit liability	32,073	32,121
Other	6,536	7,299
Total noncurrent liabilities	74,085	78,615
Total liabilities	286,389	289,811
<b>Net assets</b>		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	31,103	31,519
Retained earnings	289,544	301,048
Treasury stock	(11,535)	(11,526)
Total shareholders' equity	342,159	354,087
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,863	22,629
Deferred gains or losses on hedges	(9)	(22)
Foreign currency translation adjustment	(3,753)	(2,583)
Remeasurements of defined benefit plans	(2,160)	(1,748)
Total accumulated other comprehensive income	14,939	18,274
Subscription rights to shares	516	612
Noncontrolling interests	23,424	23,749
Total net assets	381,040	396,723
Total liabilities and net assets	667,429	686,534

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2020 2nd Quarter From April 1, 2020 to September 30, 2020	FY2021 2nd Quarter From April 1, 2021 to September 30, 2021
Net sales	266,714	330,267
Cost of sales	192,748	233,586
Gross profit	73,965	96,680
Selling, general and administrative expenses	66,931	73,664
Operating income	7,034	23,015
Non-operating income		
Dividends income	761	777
Equity in earnings of affiliates	46	72
Other	427	503
Total non-operating income	1,235	1,353
Non-operating expenses		
Interest expenses	670	530
Loss on retirement of noncurrent assets	1,070	593
Foreign exchange losses	310	56
Other	2,200	2,298
Total non-operating expenses	4,252	3,478
Ordinary income	4,017	20,891
Extraordinary losses		
Litigation expenses	136	—
Total extraordinary losses	136	—
Income before income taxes	3,881	20,891
Income taxes-current	1,781	4,547
Income taxes-deferred	(821)	825
Total income taxes	959	5,373
Net income	2,921	15,517
Net income attributable to non-controlling interests	445	750
Net income attributable to owners of parent	2,476	14,766

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	FY2020 2nd Quarter From April 1, 2020 to September 30, 2020	FY2021 2nd Quarter From April 1, 2021 to September 30, 2021
Net income	2,921	15,517
Other comprehensive income		
Valuation difference on available-for-sale securities	2,584	1,806
Deferred gains or losses on hedges	21	(12)
Foreign currency translation adjustment	341	1,248
Remeasurements of defined benefit plans, net of tax	702	412
Share of other comprehensive income of associates accounted for using equity method	5	(0)
Total other comprehensive income	3,656	3,454
Comprehensive income	6,577	18,972
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,936	18,101
Comprehensive income attributable to noncontrolling interests	641	870

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	FY2020 2nd Quarter From April 1, 2020 to September 30, 2020	FY2021 2nd Quarter From April 1, 2021 to September 30, 2021
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	3,881	20,891
Depreciation and amortization	17,787	18,875
Increase (decrease) in net defined benefit liability	927	608
Increase (decrease) in allowance for doubtful accounts	63	(46)
Interest and dividends income	(803)	(834)
Interest expenses	670	530
Equity in losses (earnings) of affiliates	(46)	(72)
Loss (gain) on disposal of noncurrent assets	346	155
Decrease (increase) in notes and accounts receivable-trade	12,068	(4,604)
Decrease (increase) in inventories	3,204	(13,712)
Increase (decrease) in notes and accounts payable-trade	(11,453)	5,810
Other, net	2,815	(70)
Subtotal	29,461	27,532
Interest and dividends income received	807	843
Interest expenses paid	(682)	(539)
Income taxes paid	(1,394)	(7,734)
Net cash provided by (used in) operating activities	28,192	20,102
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(20,778)	(16,893)
Proceeds from sales of property, plant and equipment	30	-
Purchase of intangible assets	(1,606)	(1,205)
Purchase of investment securities	(39)	(40)
Proceeds from sales and distributions of investment securities	16	818
Payments of loans receivable	(775)	(384)
Collection of loans receivable	916	198
Other, net	(530)	599
Net cash provided by (used in) investing activities	(22,766)	(16,908)

(Millions of yen)

	FY2020 2nd Quarter From April 1, 2020 to September 30, 2020	FY2021 2nd Quarter From April 1, 2021 to September 30, 2021
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	5,772	(2,007)
Proceeds from long-term loans payable	645	9,034
Repayment of long-term loans payable	(5,620)	(6,932)
Repayments of lease obligations	(251)	(285)
Purchase of treasury stock	(1)	(2)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(3,261)	(3,261)
Proceeds from stock issuance to noncontrolling shareholders	—	0
Dividends paid to noncontrolling interests	(152)	(88)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(158)	(60)
Net cash provided by (used in) financing activities	(3,027)	(3,603)
Effect of exchange rate change on cash and cash equivalents	(118)	418
Net increase (decrease) in cash and cash equivalents	2,280	8
Cash and cash equivalents at beginning of period	37,606	46,360
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	45	—
Cash and cash equivalents at end of period	39,931	46,368

(4) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

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

Not applicable

(Changes in Accounting Principles)

(Application of Accounting Standard for Revenue Recognition, etc.)

Kaneka has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) (hereinafter referred to as "Revenue Recognition Accounting Standards"), etc. from the beginning of the fiscal year ending March 31, 2022, and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. The Company has applied the alternative treatment stipulated in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," and recognizes revenue from domestic sales of goods or products upon their shipment when there is a normal period of time from shipment until control of merchandise or products is transferred to the customer.

In applying the Revenue Recognition Accounting Standards, etc., Kaneka follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the fiscal year ending March 31, 2022 has been added to or subtracted from retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy has been applied from the beginning balance of the fiscal year ending March 31, 2022. The cumulative effect on consolidated income for the second quarter of the fiscal year ending March 31, 2022 is inconsequential, and there is no impact on the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022.

As a result of applying the Revenue Recognition Accounting Standards, etc., notes and accounts receivable-trade, which was presented under current assets in the consolidated balance sheets of the previous fiscal year, has been included in notes and accounts receivable-trade, and contract assets from the first quarter of the fiscal year ending March 31, 2022. Kaneka has not reclassified the previous fiscal year using the new presentation method in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Kaneka has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) (hereinafter, "Fair Value Measurement Accounting Standards"), etc. from the beginning of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. at a future date. This does not affect the quarterly consolidated financial statements.

(Segment Information)

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

1) Sales and Income by Segment

(Millions of yen)

	Segment information					Others (Note 1)	Total	Adjustment	Figures in consolidated financial statements (Note 2)
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	104,482	63,663	24,454	73,498	266,099	615	266,714	-	266,714
Intersegment	383	13	-	15	412	537	949	(949)	-
Total	104,865	63,677	24,454	73,514	266,511	1,153	267,664	(949)	266,714
Segment profit	7,374	3,929	4,970	1,432	17,706	341	18,047	(11,013)	7,034

Notes: 1. "Others" is a business segment that is not included in the reporting segments and includes property insurance and life insurance business.

2. Segment profit is reconciled with operating income in the quarterly consolidated financial statements.

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

(Millions of yen)

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

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

II Term from April 1, 2021 to September 30, 2021

## 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	140,889	82,735	26,617	79,479	329,722	545	330,267	-	330,267
Intersegment	407	20	-	23	451	532	983	(983)	-
Total	141,297	82,755	26,617	79,503	330,173	1,077	331,250	(983)	330,267
Segment profit	17,964	9,324	5,252	2,085	34,626	251	34,877	(11,861)	23,015

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	34,626
Segment profit of Others	251
Elimination of intersegment transactions	(7)
Companywide expenses (Note)	(11,899)
Other adjustments	45
Operating income in the quarterly consolidated statements of income	23,015

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