

Quarterly Financial Summary

2nd Quarter, Ended September 30, 2021

November 9, 2021
Kaneka Corporation

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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 1H (Apr.-Sep.)	FY2021 1H (Apr.-Sep.)	Difference	
			Amount	%
Net sales	266.7	330.3	63.6	23.8%
Operating income	7.0	23.0	16.0	227.2%
Ordinary income	4.0	20.9	16.9	420.0%
Net income attributable to owners of parent	2.5	14.8	12.3	496.2%
Net income per share	¥37.97	¥226.35		

(Global Economy)

- The global economy followed a recovery track, underpinned partly by various countries' economic policies and monetary easing, as economic activity steadily gained strength amid the resurgence of COVID-19.
- The business environment has remained uncertain due to factors such as delays in the supply of automobiles and housing caused by shortages of semiconductor components and materials, logistics disruptions and surging raw material and energy prices.

(Kaneka Group's Business Performance)

- Net sales for 2Q (July 1 to September 30, 2021) hit a record high and operating income remained at a level above ¥10.0 billion.
- For 1H (April 1 to September 30, 2021) of the fiscal year ending March 31, 2022, sales and income rose in all business segments.



Net Sales, Operating Income by Segment

(Billions of yen)

	Net sales								Operating income							
	FY2020			FY2021			Difference (1H)		FY2020			FY2021			Difference (1H)	
	1Q	2Q	1H	1Q	2Q	1H	Amount	%	1Q	2Q	1H	1Q	2Q	1H	Amount	%
Material SU	48.9	55.6	104.5	70.0	70.9	140.9	36.4	34.8%	2.9	4.5	7.4	9.3	8.7	18.0	10.6	143.6%
Quality of Life SU	29.7	33.9	63.7	40.9	41.9	82.7	19.1	30.0%	1.2	2.7	3.9	4.6	4.7	9.3	5.4	137.3%
Health Care SU	11.7	12.8	24.5	13.2	13.4	26.6	2.2	8.8%	2.3	2.7	5.0	2.3	2.9	5.3	0.3	5.7%
Nutrition SU	35.9	37.6	73.5	39.8	39.7	79.5	6.0	8.1%	0.8	0.6	1.4	1.4	0.7	2.1	0.7	45.6%
Others	0.4	0.2	0.6	0.3	0.2	0.5	(0.1)	(11.4%)	0.2	0.1	0.3	0.2	0.1	0.3	(0.1)	(26.4%)
Adjustment	-	-	-	-	-	-	-	-	(5.4)	(5.6)	(11.0)	(6.0)	(5.9)	(11.9)	(0.8)	-
Total	126.6	140.1	266.7	164.1	166.2	330.3	63.6	23.8%	2.0	5.0	7.0	11.8	11.2	23.0	16.0	227.2%

※SU : Solutions Unit

➤ **Leading-edge businesses:**

In Health Care Solutions Unit, the main contributing factors were the start of production at new facilities for enhancement of biologics capacity, and growth in sales of PCR testing kits, and the launch of new blood purification system products. In E & I Technology, sales grew for polyimide products and resin for acrylic films. Needs is heightening for photovoltaic module products, with a view to achieving carbon neutrality.

➤ **Foundation businesses:**

The earnings base was strengthened in areas such as Performance Polymers (MOD), Performance Polymers (MS), and Performance Fibers by steadily capturing overseas demand.

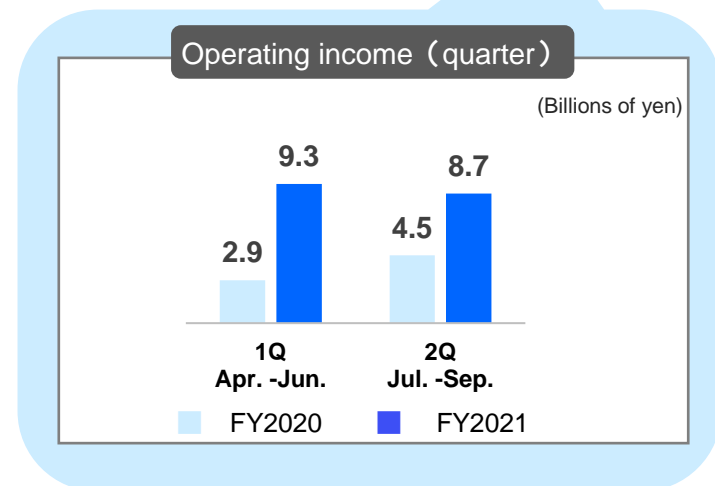
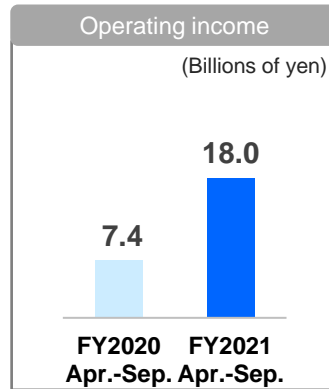
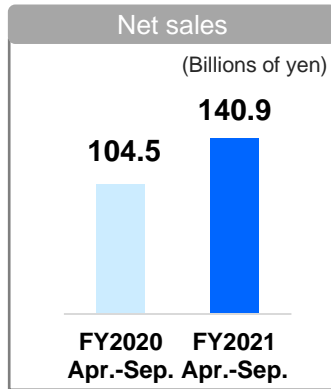
➤ Overseas sales ratio 44.5% (FY2020 1H: 37.5%)

➤ The transformation of our business portfolio is progressing.

Business Performance by Segment (Material Solutions Unit)

Net sales ¥140.9 billion 【up 34.8% YoY】

Operating income ¥18.0 billion 【up 143.6% YoY】



Vinyls and Chlor-Alkali

- Demand was strong for PVC resins in the Asian market.
- Overseas market prices of caustic soda rose.

Performance Polymers (MOD)

- Demand surged for construction applications in Europe and the U.S.
- Demand has grown globally for non-PVC applications (automobiles, PCs and home electronics).

Performance Polymers (MS)

- Sales growth has accelerated in Asia as the new frontier.
- With demand growing globally, including in Europe and the U.S., further capacity enhancements will be considered.

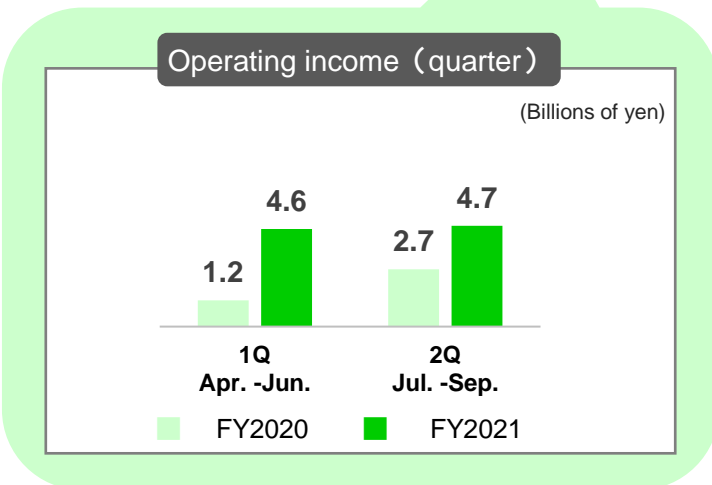
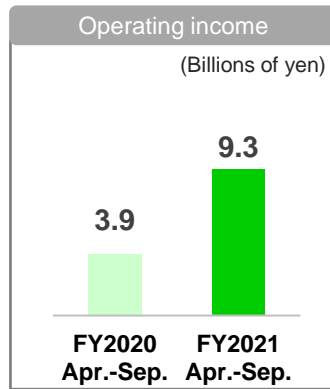
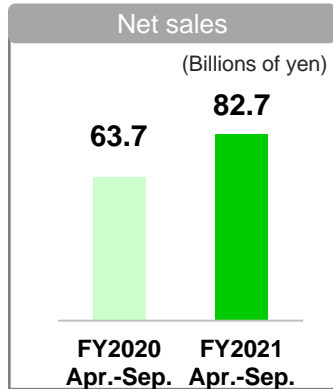
New Business

- KANEKA Biodegradable Polymer Green Planet™ is being adopted by more new companies.
- Major joint development projects have advanced 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.

Business Performance by Segment (Quality of Life Solutions Unit)

Net sales **¥82.7 billion** 【up 30.0% YoY】

Operating income **¥9.3 billion** 【up 137.3% YoY】



Foam & Residential Techs

- Sales were firm for expandable polystyrene resin (EPS) and extruded polystyrene foam boards (KLF), but there was an impact from surging raw material costs.
- Recovery in demand has been slow for polyolefin foam (EPO) for automobiles.

PV & Energy management

- With increasingly active efforts to promote the widespread adoption of renewable energy, the installation of photovoltaic modules has gained momentum.
- Sales of high-efficiency photovoltaic module products are growing.

E & I Technology

- Sales were strong for polyimide products for smartphones and OLED displays and resin for acrylic films for large-screen TVs.

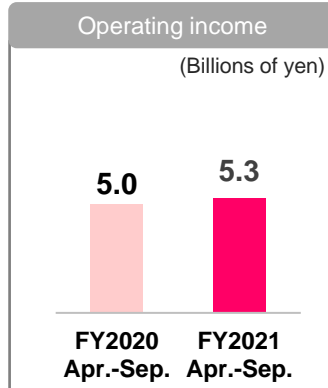
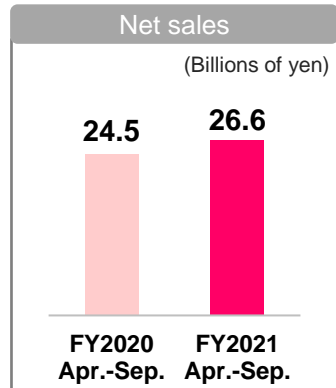
Performance Fibers

- Sales of hair accessories for the African market are strong, and sales of products for fire-resistant materials are also trending firmly.

Business Performance by Segment (Health Care Solutions Unit)

Net sales **¥26.6 billion** 【up 8.8% YoY】

Operating income **¥5.3 billion** 【up 5.7% YoY】

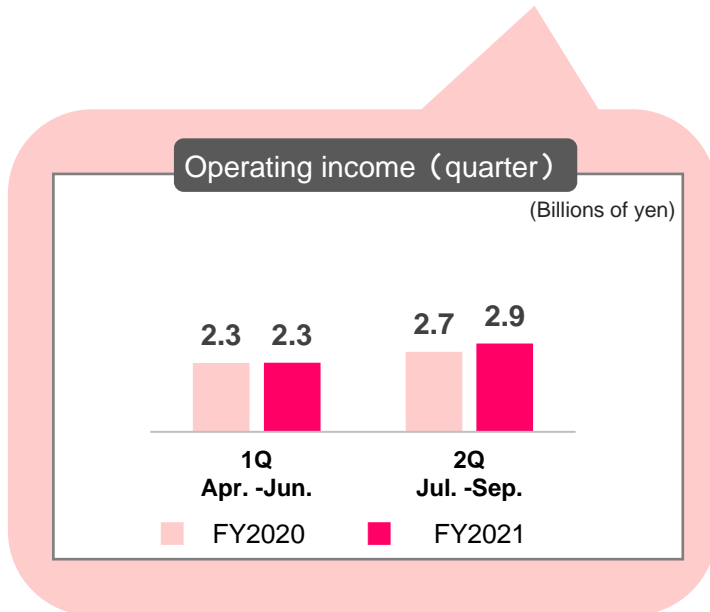


Medical

- Sales increased sharply for a new blood purification system for treatment of arteriosclerosis obliterans (ASO).
- Overseas sales grew for catheters, such as coils for embolization of brain aneurysms.
- PCR testing kits for COVID-19 variants were newly sold.

Pharma

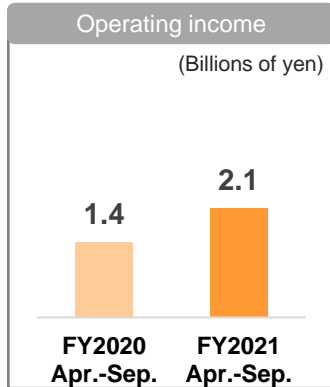
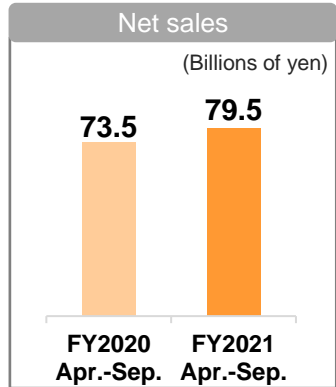
- In biopharmaceuticals, contract manufacturing of COVID-19 vaccines was started on newly added production lines at Kaneka Eurogentec S.A.
- Research reagents and testing and diagnostic services performed favorably.
- In small molecule pharmaceuticals, active pharmaceutical ingredient projects progressed steadily.



Business Performance by Segment (Nutrition Solutions Unit)

Net sales ¥79.5 billion 【up 8.1% YoY】

Operating income ¥2.1 billion 【up 45.6% YoY】



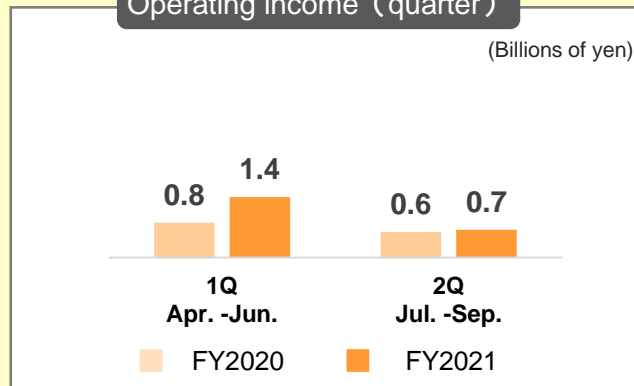
Supplemental Nutrition

- Strong sales of the active form of coenzyme Q10 continued, 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. The product lineup has been enhanced.

Foods & Agris

- Demand has been recovering, but there was an impact from a large prices increase of oil and fat raw materials.
- Efforts were made to improve profitability by expanding sales of high-value-added products.
- Milking has begun at “Betsukai Wellness Farm.” Kaneka will accelerate efforts to contribute to a sustainable society and strengthen our lineup of authentic dairy products.

Operating income (quarter)





Consolidated Balance Sheet

(Billions of yen)

	March 31, 2021	September 30, 2021	Difference
Assets			
Current Assets	309.0	328.7	19.7
Noncurrent Assets	358.4	357.9	(0.5)
Total assets	667.4	686.5	19.1
Liabilities			
Interest bearing debt	118.2	118.4	0.2
Others	168.1	171.4	3.2
Total liabilities	286.4	289.8	3.4
Net assets			
Shareholders' equity	357.1	372.4	15.3
Others	23.9	24.4	0.4
Total net assets	381.0	396.7	15.7
Total liabilities and net assets	667.4	686.5	19.1
Shareholders' equity ratio	53.5%	54.2%	
Net assets per share	¥5,473.85	¥5,707.64	

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

- Total assets increased, mainly due to a rise in inventory assets.
- Liabilities increased, mainly due to a rise in notes and accounts payable-trade.
- Net assets increased, mainly due to a rise in retained earnings.



Consolidated Cash Flow

(Billions of yen)

	FY2020 1H (Apr.-Sep.)	FY2021 1H (Apr.-Sep.)
Cash flows from operating activities	28.2	20.1
Cash flows from investing activities	(22.8)	(16.9)
Free cash flow	5.4	3.2
Cash flows from financing activities	(3.0)	(3.6)
Net increase (decrease) in cash and cash equivalents (*)	2.3	0.0
Cash and cash equivalents at end of period	39.9	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 ¥20.1 billion, mainly due to income before income taxes and depreciation and amortization.
- Net cash used in investing activities amounted to ¥16.9 billion, mainly owing to purchase of property, plant and equipment.
- Net cash used in financing activities came to ¥3.6 billion, mainly owing to cash dividends paid.

Consolidated Business Revised Forecasts

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

- 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.
Economic blocking is emerging around surging raw materials prices, electricity restrictions in China, and other issues, making it increasingly difficult to develop a clear outlook on the future.
- Despite the opaque business environment, Kaneka's strong momentum will continue in 3Q (October 1 to December 31, 2021) onward.
- We have upwardly revised our consolidated business forecasts announced on May 13, 2021.
- We will continue striving for transforming our business portfolio and strengthen our earnings base.

(Billions of yen)

	FY2020	FY2021		Change	
	Result	Previous forecast (May 13,2021)	Revised forecast	Vs. previous year	Vs. previous forecast
Net sales	577.4	620.0	660.0	82.6	40.0
Operating income	27.5	37.0	42.0	14.5	5.0
Ordinary income	22.1	32.5	36.5	14.4	4.0
Net income attributable to owners of parent	15.8	22.0	24.0	8.2	2.0
Net income per share	¥242.68	¥337.25	¥367.88		

*The forecasts from October 1, 2021 are based on exchange rates of ¥110 to the U.S. dollar, ¥130 to the euro and a domestic naphtha price of ¥55,000 per kiloliter.



Consolidated Business Revised Forecasts by Segment

(Billions of yen)

	Net Sales					Operating Income				
	FY2020	FY2021		Change		FY2020	FY2021		Change	
	Result	Previous forecast (May 13, 2021)	Revised forecast	Vs. previous year	Vs. previous forecast	Result	Previous forecast (May 13, 2021)	Revised forecast	Vs. previous year	Vs. previous forecast
Material SU	230.5	243.0	273.0	42.5	30.0	23.3	24.0	31.0	7.7	7.0
Quality of Life SU	141.0	152.0	168.0	27.0	16.0	10.7	15.0	17.0	6.3	2.0
Health Care SU	52.4	68.0	61.0	8.6	(7.0)	11.4	15.0	13.5	2.1	(1.5)
Nutrition SU	152.4	156.0	157.0	4.6	1.0	4.9	6.0	5.5	0.6	(0.5)
Others	1.1	1.0	1.0	(0.1)	-	0.6	0.5	0.5	(0.1)	-
Adjustment	-	-	-	-	-	(23.3)	(23.5)	(25.5)	(2.2)	(2.0)
Total	577.4	620.0	660.0	82.6	40.0	27.5	37.0	42.0	14.5	5.0

※SU : Solutions Unit



KANEKA CORPORATION
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