

Quarterly Financial Results for the 3rd Quarter, Ended December 31, 2021 (Japanese GAAP, Consolidated)

February 8, 2022

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: Executive Officer – Investor & Public Relations Department

Phone: +81-3-5574-8090

Scheduled date for submitting financial statements: February 10, 2022 Scheduled date of dividend distribution: –

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

1. Consolidated Business Performance for the 3rd Quarter, Ended December 31, 2021 (from April 1, 2021 to December 31, 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 – Dec. 2021	508,716	20.7	33,317	92.7	31,288	147.7	22,021	128.0
Apr. 2020 – Dec. 2020	421,484	(6.8)	17,288	(8.5)	12,632	(16.6)	9,659	4.6

Note: Comprehensive income: ¥27,345 million (65.7%) for the nine months ended December 31, 2021
¥16,505 million (60.8%) for the nine months ended December 31, 2020

	Net income per share	Fully diluted net income per share
Apr. 2021 – Dec. 2021	¥ 337.55	¥ 336.63
Apr. 2020 – Dec. 2020	148.08	147.75

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2021	¥ million 712,554	¥ million 401,691	52.9%
As of March 31, 2021	667,429	381,040	53.5

(Reference) Shareholders' equity: ¥377,173 million as of December 31, 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)				60.00	110.00

Note: Changes in dividend forecast during the quarter under review: Yes

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	685,000	18.6	43,500	57.9	40,000	81.3	26,000	64.2	398.53

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 “(3) Notes to the Consolidated Financial Statements (Changes in Accounting Principles)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 11.

(4) Number of shares outstanding (common stock)

- 1. Number of shares issued at the end of the period (including treasury stock):
- 2. Number of shares of treasury stock at the end of the period:
- 3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year):

December 31, 2021	68,000,000 shares	March 31, 2021	68,000,000 shares
December 31, 2021	2,761,142 shares	March 31, 2021	2,762,766 shares
December 31, 2021	65,239,177 shares	December 31, 2020	65,232,621 shares

(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 5.

Supplementary Materials

Contents

1. Quarterly Consolidated Business Performance -----	P. 2
(1) Consolidated Business Performance -----	P. 2
(2) Consolidated Financial Position -----	P. 5
(3) Consolidated Business Forecasts -----	P. 5
2. Quarterly Consolidated Financial Statements and Main Notes -----	P. 7
(1) Quarterly Consolidated Balance Sheets -----	P. 7
(2) Quarterly Consolidated Statements of Income and Comprehensive Income -----	P. 9
(3) Notes to the Consolidated Financial Statements -----	P. 11
(Notes on the Premise of a Going Concern) -----	P. 11
(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity) ---	P. 11
(Changes in Accounting Principles) -----	P. 11
(Segment Information) -----	P. 12

1. Quarterly Consolidated Business Performance

(1) Consolidated Business Performance

➤ The Status of Global Economy

During the first nine months (April 1, 2021 to December 31, 2021) of the fiscal year ending March 31, 2022, the global economy followed a recovery track supported by the progression of COVID-19 vaccinations, the easing of infection control measures in many countries and the effects of economic and financial policies. However, uncertainty remains in the business environment due to factors such as the shortage of materials/components (e.g., semiconductors), logistics disruptions, surging raw material/energy prices, the impact of COVID-19 resurgence on production activities, rising prices, etc.

➤ Kaneka Group's Business Performance

In this business environment, our business performance for the first nine months of the fiscal year ending March 31, 2022 resulted in significant increases in sales and profits and was as follows. Consolidated net sales amounted to ¥508,716 million (up 20.7% year on year), and operating income was ¥33,317 million (up 92.7% year on year). Ordinary income was ¥31,288 million (up 147.7% year on year). Net income attributable to owners of parent was ¥22,021 million (up 128.0% year on year).

Business performance for the first nine months (April 1, 2021 to December 31, 2021) (Millions of yen)

	FY2020 3Q(Apr.-Dec.)	FY2021 3Q(Apr.-Dec.)	Difference (year on year)
Net sales	421,484	508,716	87,232 20.7%
Operating income	17,288	33,317	16,029 92.7%
Ordinary income	12,632	31,288	18,656 147.7%
Net income attributable to owners of parent	9,659	22,021	12,361 128.0%

Net sales and Operating income by segment for the first nine months (April 1, 2021 to December 31, 2021) (Millions of yen)

	Net sales									
	FY2020				FY2021				Difference	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	3Q (Oct.-Dec.)	Total (Apr.-Dec.)
Material SU	48,894	55,587	60,240	164,722	69,967	70,922	76,347	217,237	16,107 26.7%	52,515 31.9%
Quality of Life SU	29,738	33,924	39,159	102,823	40,856	41,878	43,403	126,138	4,243 10.8%	23,315 22.7%
Health Care SU	11,698	12,756	14,068	38,522	13,220	13,397	15,402	42,020	1,334 9.5%	3,497 9.1%
Nutrition SU	35,938	37,560	41,062	114,561	39,753	39,725	43,054	122,533	1,991 4.9%	7,972 7.0%
Others	373	241	238	853	308	236	240	785	2 1.0%	(68) (8.0%)
Total	126,644	140,069	154,769	421,484	164,106	166,160	178,449	508,716	23,679 15.3%	87,232 20.7%

	Operating income									
	FY2020				FY2021				Difference	
	1Q	2Q	3Q	Total (Apr.-Dec.)	1Q	2Q	3Q	Total (Apr.-Dec.)	3Q (Oct.-Dec.)	Total (Apr.-Dec.)
Material SU	2,855	4,518	6,465	13,839	9,311	8,652	8,303	26,267	1,838 28.4%	12,428 89.8%
Quality of Life SU	1,236	2,692	4,439	8,369	4,586	4,737	4,460	13,784	20 0.5%	5,415 64.7%
Health Care SU	2,298	2,672	3,213	8,183	2,310	2,941	3,168	8,420	(44) (1.4%)	236 2.9%
Nutrition SU	827	605	1,882	3,314	1,429	656	1,562	3,648	(319) (17.0%)	333 10.1%
Others	248	92	98	439	177	73	98	349	0	(89)
Adjustment	(5,436)	(5,576)	(5,844)	(16,857)	(5,967)	(5,894)	(7,291)	(19,152)	(1,446)	(2,295)
Total	2,029	5,005	10,253	17,288	11,848	11,167	10,301	33,317	48 0.5%	16,029 92.7%

※SU : Solutions Unit

Sales and income increased in all business segments for the first nine months of this fiscal year. Moreover, net sales for the third quarter (October 1, 2021 to December 31, 2021) achieved a record high, and operating income exceeded ¥10.0 billion for the fifth consecutive quarter.

In leading-edge businesses, the COVID-19-related business of the Health Care Solutions Unit contributed to business results. This includes contracted manufacturing of coronavirus vaccines in the biologics facilities with enhanced production capacity and sales increases of PCR testing kits/reagents. In Medical, new products in the blood purification business have also been well received by the market, and sales are steadily expanding. Moreover, as the use of digital communication expands rapidly around the world, E&I Technology significantly increased its sales for polyimide products used in smartphones and PCs and resin for acrylic films used in large-screen TVs. The rapid expansion of renewable energy usage aimed at the realization of carbon neutrality, such as through the spread of ZEH/ZEB, has given PV & Energy management a boost, and sales are increasing. Meanwhile, in the foundation businesses of Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS) in the Materials Solutions Unit, and Performance Fibers, sales continued to be strong by fulfilling the vigorous demand outside Japan via our global network, and we achieved significant increases in sales and profits, which strengthened the earning base. The transformation of our business portfolio is making steady progress.

We have recently decided to make large-scale capital investments in leading-edge and new businesses to further accelerate the transformation of the business portfolio.

① Large-scale capacity upgrade for KANEKA Biodegradable Polymer Green Planet™

(investment amount: approx. ¥15.0 billion, 15,000 tons/year, operation starting from January 2024)

KANEKA Biodegradable Polymer Green Planet™ is a biopolymer produced by a microorganism fermentation process in which plant oil is used as a primary raw material. It has excellent biodegradability not only in soil, but also in seawater. Meanwhile, it functions in the same way as plastics and offers an innovative solution to the environmental destruction wrought by disposable plastics. We could achieve the social implementation of this material thanks to our wide range of core technologies from fermentation and cultivation to polymer production.

KANEKA Biodegradable Polymer Green Planet™ is estimated to be able to replace approx. 25 million tons of disposable general-purpose plastics every year, and its spread has the potential to change the very structure of society.

With this capacity increase as the first step, we will move ahead sequentially to increase production as demand spreads all over the world, based on a policy of local production for local consumption.

KANEKA Biodegradable Polymer Green Planet™ has a wide variety of applications, and these will increase further going forward. The facility has been designed to develop new products for new applications, to increase productivity through the development of innovative technologies, and to be able to conduct testing and verification to reduce costs. These experiences will also be leveraged to the next stage of upgrading capacity.

② New construction of a medical device plant in Hokkaido

(investment amount: approx. ¥10.0 billion, operation starting from May 2024)

We have acquired a business site in the eastern area of Tomakomai district in Hokkaido and decided to newly construct a state-of-the-art medical device plant, automated and advanced through a convergence of IT and AI technologies.

We will produce products that selectively remove bad cholesterol from the blood, as well as products that the market has rated highly as new treatment methods for severe cases of arteriosclerosis obliterans (ASO). Demand for these products is expected to expand rapidly in the future in the U.S. and China where there are many patients. Building the new plant will secure a supply base, and we will aim for a dramatic expansion of business.

In the plant site, our photovoltaics will be used to achieve a zero-energy factory.

We are also planning to actively use the newly acquired commercial land as a business site for areas other than the Medical business. We have positioned Hokkaido as the New Frontier and launched Hokkaido Initiative, which carries on from its start in organic farming in Betsukai, Hokkaido last year.

We have started our new challenge of making “Wellness First from Hokkaido.”

※ 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:

① Material Solutions Unit

- In Vinyls and Chlor-Alkali, strong demand mainly for PVC resins continued in Asian markets such as India, while overseas market prices of caustic soda rose.
- In Modifiers, demand has been strong in Europe and the U.S. Sales are growing globally, particularly for non-PVC applications (automobiles, PCs and home electronics). Our four-base global supply chain is displaying its strengths and showing its effectiveness as a business model with the ability to differentiate from the competitors.
- In Modified silicone polymers, demand is steadily expanding for construction applications and more, with Asia as a new frontier in addition to Europe and the U.S. Substantial demand is expected, so we are considering expanding our capabilities in the next stage.
- KANEKA Biodegradable Polymer Green Planet™ is attracting inquiries from around the world, and new adoptions are expanding. Major joint development projects are progressing with brand holders around the world who have a strong interest in reducing their environmental impact.

② Quality of Life Solutions Unit

- In Foam & Residential Techs, sales were firm for expandable polystyrene resin and extruded polystyrene foam boards, but there was a powerful impact from surging raw material costs. Recovery in demand is slow for polyolefin foam for automobiles, where production continues to decrease globally.
- In PV & Energy management, sales have expanded as the need for renewable energies was stimulated by national government policies. Demand for ZEB-oriented buildings (walls, windows and roofs) is also accelerating.
- 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 demand for fire-resistant materials is headed for recovery. Further capacity upgrades are under consideration to respond to growing demand, such as the increasing attention directed toward new products for eco fur, which has recyclable properties.

③ Health Care Solutions Unit

- In Medical, the number of general treatment cases is recovering after having slowed due to the impact of COVID-19. In blood purification systems, sales increased sharply for a new product for the treatment of arteriosclerosis obliterans (ASO). Regarding catheters, sales increased significantly for coils for embolization of brain aneurysms, mainly to overseas markets. We launched a PCR testing kit in January that simultaneously identifies the Omicron and Delta variants of the coronavirus, helping to prevent the spread of infection. Bringing the Hokkaido plant into strategic operation at an early stage is accelerating the global expansion of the medical devices business.
- In Pharma, particularly biopharmaceuticals, contract manufacturing of COVID-19 vaccines was started on enhanced production lines at Kaneka Eurogentec S.A. and is contributing to business results. Research reagents and testing and diagnostic services performed steadily, and new projects for small molecule

pharmaceuticals were captured, aiming for the further expansion of our business.

④ Nutrition Solutions Unit

- In Supplemental Nutrition, sales of the active form of coenzyme Q10 have continued at a high level, reflecting a 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, and the product lineup has been enhanced. In the lactic acid business, progress is being made on strengthening the production system in response to increased market recognition and repeated orders in the U.S.
- Although demand is gradually recovering in Foods & Agris, there is a strong impact from a large price increase related to raw materials such as oils and fats. The media strategy succeeded for “panmusubi”, a newly launched mall-type e-commerce site, and membership is increasing. We are strengthening the B to C business by leveraging e-commerce sites and social media. Through organic farming, we will accelerate efforts to contribute to a sustainable society and work to energize the bakery and dairy industries.

(2) Consolidated Financial Position

Total assets were ¥712,554 million as of December 31, 2021, up ¥45,124 million compared with the amount as of March 31, 2021, mainly due to increases in notes and accounts receivable-trade and inventory assets. Liabilities totaled ¥310,862 million, up ¥24,473 million, primarily reflecting an increase in notes and accounts payable-trade. Net assets were ¥401,691 million, up ¥20,651 million, owing chiefly to an increase in retained earnings.

(3) Consolidated Business Forecasts

- In January, the International Monetary Fund lowered its forecast for global GDP growth in 2022 to 4.4%, a significant decrease from 2021’s 5.9%. Economic slowdowns are forecast in the U.S., where inflation is increasing, and China, which is prioritizing measures against COVID-19. In addition, there are concerns of geopolitical risk in Russia, Eastern Europe, East Asia, Near and Middle East.
- Under these conditions, we will continue to focus on “Wellness First” health management in our leading-edge businesses, through intensive Research & Business activities in electronics fields such as E&I Technology and PV & Energy management, in addition to KANEKA Biodegradable Polymer Green Planet™ and the Health Care business. Moreover, in our foundation businesses, we will leverage the power of our global network to cover the vigorous overseas demand and strengthen our strong earnings capabilities to bounce back from the changing external environment. We continue to move forward with the transformation of our business portfolio.
- Taking these circumstances into account, we have decided to upwardly revise the consolidated business forecasts announced on November 9, 2021. In conjunction with this, the forecast annual dividend per share for the fiscal year ending March 31, 2022 will increase by ¥10 per share to ¥110.

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 660,000	¥ million 42,000	¥ million 36,500	¥ million 24,000	¥ 367.88
Current forecast (B)	685,000	43,500	40,000	26,000	398.53
Change (B-A)	25,000	1,500	3,500	2,000	
Percent change (%)	3.8	3.6	9.6	8.3	
(Reference: Year ended March 31, 2021)	577,426	27,544	22,066	15,831	242.68

Forecasts 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	Change	Previous forecast	Revised forecast	Change
Material SU	273,000	295,000	22,000 8.1%	31,000	34,000	3,000 9.7%
Quality of Life SU	168,000	168,000	-	17,000	17,000	-
Health Care SU	61,000	61,000	-	13,500	13,500	-
Nutrition SU	157,000	160,000	3,000 1.9%	5,500	5,000	(500) (9.1%)
Others	1,000	1,000	-	500	500	-
Adjustment	-	-	-	(25,500)	(26,500)	(1,000) -
Total	660,000	685,000	25,000 3.8%	42,000	43,500	1,500 3.6%

※SU : Solutions Unit

With regard to the exchange rates and raw material prices, forecast figures assume an exchange rate of ¥113 to the U.S. dollar, ¥130 to the euro and a domestic naphtha price of ¥61,000 per kiloliter from December 1, 2022 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 3rd Quarter Term ended December 31, 2021
Assets		
Current assets		
Cash and deposits	47,716	42,793
Notes and accounts receivable-trade	135,618	—
Notes and accounts receivable-trade, and contract assets	—	158,562
Short-term investment securities	205	209
Merchandise and finished goods	54,161	69,036
Work in process	9,198	10,702
Raw materials and supplies	46,325	56,228
Other	17,221	20,146
Allowance for doubtful accounts	(1,423)	(1,379)
Total current assets	309,024	356,298
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	91,295	91,515
Machinery, equipment and vehicles, net	112,593	110,899
Other, net	65,274	65,268
Total property, plant and equipment	269,164	267,684
Intangible assets		
Goodwill	2,948	2,569
Other	10,881	11,541
Total intangible assets	13,829	14,111
Investments and other assets		
Investment securities	57,917	58,776
Other	17,723	15,927
Allowance for doubtful accounts	(229)	(242)
Total investments and other assets	75,411	74,460
Total noncurrent assets	358,405	356,256
Total assets	667,429	712,554

(Millions of yen)

	FY2020 Term ended March 31, 2021	FY2021 3rd Quarter Term ended December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	75,757	101,788
Short-term loans payable	84,181	80,923
Income taxes payable	4,376	2,204
Provision	111	6
Other	47,875	47,650
Total current liabilities	212,303	232,573
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	25,161	28,759
Provision	314	285
Net defined benefit liability	32,073	31,805
Other	6,536	7,438
Total noncurrent liabilities	74,085	78,288
Total liabilities	286,389	310,862
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	31,103	31,546
Retained earnings	289,544	305,041
Treasury stock	(11,535)	(11,528)
Total shareholders' equity	342,159	358,106
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,863	21,358
Deferred gains or losses on hedges	(9)	(20)
Foreign currency translation adjustment	(3,753)	(728)
Remeasurements of defined benefit plans	(2,160)	(1,542)
Total accumulated other comprehensive income	14,939	19,067
Subscription rights to shares	516	615
Noncontrolling interests	23,424	23,901
Total net assets	381,040	401,691
Total liabilities and net assets	667,429	712,554

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2020 3rd Quarter From April 1, 2020 to December 31, 2020	FY2021 3rd Quarter From April 1, 2021 to December 31, 2021
Net sales	421,484	508,716
Cost of sales	301,492	362,443
Gross profit	119,991	146,273
Selling, general and administrative expenses	102,703	112,955
Operating income	17,288	33,317
Non-operating income		
Dividends income	1,287	1,401
Foreign exchange gains	—	195
Equity in earnings of affiliates	81	105
Other	588	675
Total non-operating income	1,957	2,378
Non-operating expenses		
Interest expenses	985	792
Loss on retirement of noncurrent assets	1,557	951
Foreign exchange losses	601	—
Other	3,467	2,662
Total non-operating expenses	6,612	4,406
Ordinary income	12,632	31,288
Extraordinary income		
Compensation income for damage	1,624	—
Total extraordinary income	1,624	—
Extraordinary losses		
Litigation expenses	233	—
Total extraordinary losses	233	—
Income before income taxes	14,023	31,288
Income taxes-current	3,495	6,163
Income taxes-deferred	(80)	1,991
Total income taxes	3,414	8,154
Net income	10,609	23,134
Net income attributable to non-controlling interests	949	1,112
Net income attributable to owners of parent	9,659	22,021

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020 3rd Quarter From April 1, 2020 to December 31, 2020	FY2021 3rd Quarter From April 1, 2021 to December 31, 2021
Net income	10,609	23,134
Other comprehensive income		
Valuation difference on available-for-sale securities	4,058	469
Deferred gains or losses on hedges	50	(11)
Foreign currency translation adjustment	679	3,137
Remeasurements of defined benefit plans, net of tax	1,099	620
Share of other comprehensive income of associates accounted for using equity method	9	(4)
Total other comprehensive income	5,896	4,211
Comprehensive income	16,505	27,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,343	26,149
Comprehensive income attributable to non-controlling interests	1,162	1,196

(3) 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 third 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 December 31, 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	164,722	102,823	38,522	114,561	420,630	853	421,484	-	421,484
Intersegment	576	21	-	27	625	805	1,431	(1,431)	-
Total	165,298	102,845	38,522	114,589	421,256	1,659	422,915	(1,431)	421,484
Segment profit	13,839	8,369	8,183	3,314	33,706	439	34,146	(16,857)	17,288

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	33,706
Segment profit of Others	439
Elimination of intersegment transactions	4
Companywide expenses (Note)	(16,885)
Other adjustments	22
Operating income in the quarterly consolidated statements of income	17,288

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 December 31, 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	217,237	126,138	42,020	122,533	507,931	785	508,716	-	508,716
Intersegment	617	30	0	38	686	813	1,499	(1,499)	-
Total	217,854	126,169	42,020	122,572	508,617	1,598	510,215	(1,499)	508,716
Segment profit	26,267	13,784	8,420	3,648	52,120	349	52,470	(19,152)	33,317

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	52,120
Segment profit of Others	349
Elimination of intersegment transactions	(8)
Companywide expenses (Note)	(19,176)
Other adjustments	31
Operating income in the quarterly consolidated statements of income	33,317

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