

Quarterly Consolidated Financial Results for the 2nd Quarter, Ended September 30, 2023 (Japanese GAAP)

November 9, 2023

Name of Listed Company: **Kaneka Corporation**

Stock Exchange Listing: Tokyo

Code Number: 4118

URL <https://www.kaneka.co.jp/en/>

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Scheduled date for filing financial statements: November 13, 2023 Scheduled date of dividend distribution: December 5, 2023

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

1. Consolidated Financial Results for the 2nd Quarter, Ended September 30, 2023

(from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 1, 2023 – Sep. 30, 2023	370,116	(2.8)	12,606	(39.4)	12,741	(43.4)	8,897	(46.3)
Apr. 1, 2022 – Sep. 30, 2022	380,602	15.2	20,813	(9.6)	22,518	7.8	16,568	12.2

Note: Comprehensive income: ¥26,201 million [(1.5%)] for the six months ended September 30, 2023
¥26,605 million [40.2%] for the six months ended September 30, 2022

	Basic net income per share	Diluted net income per share
Apr. 1, 2023 – Sep. 30, 2023	¥ 137.09	¥ 136.71
Apr. 1, 2022 – Sep. 30, 2022	¥ 252.67	¥ 252.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of September 30, 2023	¥ million 841,246	¥ million 456,974	51.9%
As of March 31, 2023	782,640	436,422	53.3%

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income):

¥436,878 million as of September 30, 2023

¥417,372 million as of March 31, 2023

2. Dividends

	Annual dividends				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
Apr. 1, 2022 – Mar. 31, 2023	¥ –	¥ 55.00	¥ –	¥ 55.00	¥ 110.00
Apr. 1, 2023 – Mar. 31, 2024	–	55.00			
Apr. 1, 2023 – Mar. 31, 2024 (Forecasts)			–	55.00	110.00

Note: Changes in dividend forecast during the quarter under review: None

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

(from April 1, 2023 to March 31, 2024)

(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	779,000	3.1	35,500	1.2	33,500	3.4	26,000	13.0	400.58

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

※ Notes

(1) Changes in principal subsidiaries during the term: None

(2) Application of simplified methods of accounting and specific accounting methods: None

(3) Changes in accounting principles, changes in estimates, or restatements

1. Changes owing to revisions in accounting standards: None

2. Changes other than 1. above: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares issued (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 outstanding during the period (calculated cumulatively from the beginning of the fiscal year):

September 30, 2023	68,000,000 shares	March 31, 2023	68,000,000 shares
September 30, 2023	3,085,700 shares	March 31, 2023	3,106,293 shares
September 30, 2023	64,905,854 shares	September 30, 2022	65,573,827 shares

※These financial statements are exempt from audit procedures to be performed by certified public accountants or an audit firm.

※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 based on information currently available to the Company and certain assumptions determined to be reasonable by 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) Earnings Forecasts and Other Forward-looking Statements" under "1. Quarterly Consolidated Financial Results" on page 5.

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1. Quarterly Consolidated Financial Results

(1) Operating Results

➤ **State of the Global Economy - Delayed economic recovery and uncertain outlook -**

During the first six months (April 1 to September 30, 2023, "1H") of the fiscal year ending March 31, 2024, the situation in the Middle East became more tense in addition to the prolonged Russian invasion of Ukraine. Further, geopolitical and country risks have become a major factor that delays the global economic recovery. In Europe and the U.S., monetary tightening continues, and the global economy remains stagnant due to friction between the U.S. and China and the shrinking Chinese economy.

A wide range of primary industries such as agriculture and fisheries, and manufacturing including digital components, continues to face a situation with no end in sight.

➤ **Kaneka Group's Business Performance - Sales and profits decreased while sound performance in Life Science fields -**

Under these circumstances, Kaneka Group's business performance for 1H was as follows. Consolidated net sales were ¥370,116 million (down 2.8% year-on-year), operating income was ¥12,606 million (down 39.4% year-on-year), ordinary income was ¥12,741 million (down 43.4% year-on-year), and net income attributable to owners of parent was ¥8,897 million (down 46.3% year-on-year).

Under the severe demand environment, the second quarter (July 1 to September 30, 2023, "2Q") showed recovery, with earnings at the above or same level of the first quarter (April 1 to June 30, 2023, "1Q") in all business segments. While overseas demands in Material Solutions Unit (SU), E & I Technology, and Performance Fibers remained slow, Health Care SU and Nutrition SU solidly contributed to profits. Portfolio transformation has been progressing steadily. Net profit has continued to improve since the previous 3Q (October 1 to December 31, 2022).

Business performance for the first six months (April 1, 2023 to September 30, 2023) (Millions of yen)

	FY2022 1H(Apr.-Sep.)	FY2023 1H(Apr.-Sep.)	Difference (year-on-year)
Net sales	380,602	370,116	(10,485) (2.8%)
Operating income	20,813	12,606	(8,206) (39.4%)
Ordinary income	22,518	12,741	(9,777) (43.4%)
Net income attributable to owners of parent	16,568	8,897	(7,670) (46.3%)

Net sales and operating income by business segments

(Millions of yen)

	Net sales				Operating income			
	FY2023			Difference (year-on-year)	FY2023			Difference (year-on-year)
	1Q	2Q	Total		1Q	2Q	Total	
Material SU	77,659	78,814	156,474	(16,420) (9.5%)	5,513	6,610	12,123	(6,580) (35.2%)
Quality of Life SU	40,878	43,880	84,758	(2,436) (2.8%)	2,939	4,159	7,099	(1,569) (18.1%)
Health Care SU	17,745	18,448	36,193	2,200 6.5%	2,967	2,926	5,893	(1,616) (21.5%)
Nutrition SU	46,037	46,006	92,043	6,073 7.1%	2,277	2,298	4,575	2,472 117.6%
Others	419	226	645	98 17.9%	288	101	389	107 38.0%
Adjustment	-	-	-	-	(8,381)	(9,093)	(17,475)	(1,020) -
Total	182,740	187,376	370,116	(10,485) (2.8%)	5,603	7,002	12,606	(8,206) (39.4%)

※SU : Solutions Unit

In “Life Focus Management”, the management plan announced in May 2023, we defined Life Science fields as technologies that make life on earth healthy, and we are working to shift our focus to these business fields. We are steadily implementing measures to further expand our business in Medical, Pharma, Supplemental Nutrition, dairy products, and PV & Energy management, and are accelerating market development in Green Planet and Food Production Support.

The operating performance by business segment was as follows:

① Material Solutions Unit

This unit recorded sales and profits slow to recover amid prolonged economic stagnation in Europe, the U.S., and Asia, despite bottoming out in the previous 3Q.

- For Vinyls and Chlor-Alkali, sales of both PVC and caustic soda were affected by the delayed recovery of the Chinese economy and a decline in the Asian market, resulting in weak performance.
- For Modifiers, demand for non-PVC products and the Asian market have been on a recovery trend since the late 2Q, while the demand-supply adjustments for construction use are prolonged on the back of ongoing high inflation and high interest rates in Europe and the U.S. Sales of epoxy masterbatch (MX) mainly for EV structural adhesives have grown, and sales for new applications are also expanding.
- For Modified Silicone polymers, after bottoming out, profit increased with sales expansion to new regions and applications. To address the rising global demand, we are increasing production capacity in Belgium.
- For Green Planet, we have established various processing technologies, which are the key to market development, as well as formulation technologies to improve the required functionality. With these technologies, we are making progress in strengthening our biomanufacturing capabilities. Further, progress has been made in joint development and product launch with major brand holders in Japan, the U.S., and Europe.

② Quality of Life Solutions Unit

This unit recorded decreased sales and profits mainly due to the weak smartphone market.

- For Foam & Residential Techs, although demand remained weak, profit margin improved mainly through price revisions of expandable polystyrene beads. Demand is recovering for expanded polyolefin foam products in the automotive sector, both in Japan and overseas. Both sales and profits increased overall.
- For PV & Energy management, sales of high-efficiency photovoltaic modules for residential use are firm. As the mandatory installation of PV in new houses is spreading nationwide, we are strengthening our production capability.
- For E & I Technology, although the smartphone market demand showed recovery, its momentum is slower than expected. As for polyimide products, we are expecting the strong recovery period to begin in the third quarter (October 1 to December 31, 2023, “3Q”) or later. Demand for acrylic resins for large-screen TVs and polyimide varnishes for organic EL has bottomed out and on track for growth.
- For Performance Fibers, shipments to African market have showed a recovery trend after bottoming out in the 1Q. The market for new high-performance products such as light-weight, water-repellent, and anti-bacterial properties is highly evaluated. We are focusing on efforts to increase demand by launching these new products and expanding sales to untapped regions in Africa.

③ Health Care Solutions Unit

This unit recorded solid performance due to Medical Device sales expansion. On the other hand, some shipments in Pharma were delayed until the 3Q or later.

- For Medical Device, the sales of blood purification devices and catheters expanded both domestically and internationally, and solid performance continued. We are strengthening our sales system in the U.S. market to further expand our business, aiming for higher sales and profits growth from the fourth quarter (January 1 to March 31, 2024, "4Q"). The construction of a production facility for blood purification devices in Hokkaido (Japan) is proceeding well to start operation next spring. In addition, we are rapidly considering building a new catheter production facility to accommodate the global expansion of catheters.
- Pharma was affected by the settling down of the COVID-19 pandemic and customers' shipment adjustments. For the Bio-CDMO business of Kaneka Eurogentec S.A., we are working on acquiring new biopharmaceutical projects by taking advantage of our meticulous responsiveness from the development stage to mass production. For small molecule pharmaceuticals, we are striving to expand sales in both domestic and overseas markets based on our long-standing sales track record. The construction to increase the manufacturing capacity of mRNA will be completed at the year-end, and we will promote its adoption in therapeutics for genetic diseases and cancer to meet growing global demand.

④ Nutrition Solutions Unit

This unit recorded substantial increases in both sales and profits owing to continued strong performance of Foods and Supplemental Nutrition. Brisk performance is expected to continue even after 3Q.

- For Supplemental Nutrition, the sales of the active form of coenzyme Q10 are expanding steadily in the U.S., Asia, Oceania, and other regions. We will further strengthen our sales promotion activities to expand the market. For the probiotics business, sales are also expanding, and we are considering establishing new production facilities for the further sales expansion.
- For Foods, a shift to the sales of high-value-added products and improved spreads have largely contributed to business performance. We are strengthening our business foundation by expanding new high-value-added businesses, including organic dairy products. Kaneka Foods Corporation is focusing on improving profitability through transforming its business, such as by establishing a customer center for all domestic locations.

(2) Financial Position

➤ Assets, Liabilities, Net Assets

At the end of 2Q of the current fiscal year, total assets were ¥841,246 million, up ¥58,606 million from the previous fiscal year-end. This is due to an increase in inventory assets as well as in property, plant and equipment resulting from expanded capital investment and an increase in overseas group companies' assets denominated in yen resulting from the weakening of yen.

Liabilities totaled ¥384,271 million, up ¥38,053 million, primarily reflecting an increase in loans payable.

Net assets were ¥456,974 million, up ¥20,552 million, owing chiefly to an increase in foreign currency translation adjustments resulting from the weakening of yen and an increase in valuation difference on available-for-sale securities due to an increase in the fair value of shares held.

Equity ratio was 51.9%.

➤ Consolidated Cash Flows

Net cash provided by operating activities during 1H was ¥24,029 million, mainly due to the recording of income before income taxes and depreciation and amortization, offsetting the increase in working capital and payments for income taxes paid. Net cash used in investing activities amounted to ¥30,642 million, mainly due to purchase of property, plant and equipment. Net cash provided by financing activities was ¥9,873 million, mainly due to proceeds from an increase in loans payable, which offset payments for dividends. As a result, cash and cash equivalents as of September 30, 2023 totaled ¥44,900 million.

(3) Earnings Forecasts and Other Forward-looking Statements

The global economy is becoming increasingly uncertain, partly due to the outbreak of new conflicts in the Middle East. The IMF announced its 2023 global GDP growth forecast, predicting a slowdown to 3%.

Despite this stormy global economy, we expect Health Care SU in Life Science field will continue to expand its earnings as new R&B-oriented products in Pharma and Medical fulfill their potentials. Nutrition SU, composed of Foods and Supplemental Nutrition, is brisk due to growing awareness of “food and health” and the resumption of tourism to Japan. We have been taking notice of above two segments as a key business that will continue to make our business portfolio stronger. As for the Material SU and QoL SU, which had been affected by raw material’s price trends and currency fluctuations, the markets for Modifiers, E & I Technology, and Performance Fibers are beginning to recover.

We will work on to strengthen our cost competitiveness by incorporating technological innovations. Through these efforts, we expect overall performance recovery to accelerate in 3Q and beyond.

Based on the business performance up until 2Q and the business environment outlook, we have revised our forecast for consolidated business performance announced on May 12, 2023.

Revisions to the forecast for consolidated business performance for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	¥ million 800,000	¥ million 42,000	¥ million 38,500	¥ million 27,000	¥ 416.06
Current forecast (B)	779,000	35,500	33,500	26,000	400.58
Change (B-A)	(21,000)	(6,500)	(5,000)	(1,000)	
Percent change (%)	(2.6)	(15.5)	(13.0)	(3.7)	
(Reference: Year ended March 31, 2023)	755,821	35,087	32,411	23,008	349.59

Revisions to the forecast for business performance by business segments (Millions of yen)

	Net sales			Operating income		
	Previous forecast	Revised forecast	Difference	Previous forecast	Revised forecast	Difference
Material SU	323,000	332,000	9,000 2.8%	27,500	25,700	(1,800) (6.5%)
Quality of Life SU	212,000	180,000	(32,000) (15.1%)	21,600	17,400	(4,200) (19.4%)
Health Care SU	82,000	79,000	(3,000) (3.7%)	17,700	16,000	(1,700) (9.6%)
Nutrition SU	182,000	187,000	5,000 2.7%	8,600	12,000	3,400 39.5%
Others	1,000	1,000	-	600	600	-
Adjustment	-	-	-	(34,000)	(36,200)	(2,200)
Total	800,000	779,000	(21,000) (2.6%)	42,000	35,500	(6,500) (15.5%)

※SU : Solutions Unit

2. Quarterly Consolidated Financial Statements and Main Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY2022 As of March 31, 2023	FY2023 2nd Quarter As of September 30, 2023
Assets		
Current assets		
Cash and deposits	41,774	46,253
Notes and accounts receivable-trade, and contract assets	170,154	183,493
Short-term investment securities	94	—
Merchandise and finished goods	89,223	97,594
Work in process	13,317	11,556
Raw materials and supplies	65,574	69,173
Other	18,327	19,275
Allowance for doubtful accounts	(1,502)	(1,597)
Total current assets	396,964	425,750
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	96,399	97,451
Machinery, equipment and vehicles, net	107,829	108,440
Other, net	88,385	104,456
Total property, plant and equipment	292,615	310,348
Intangible assets		
Goodwill	2,201	2,050
Other	13,987	14,255
Total intangible assets	16,189	16,306
Investments and other assets		
Investment securities	57,422	68,191
Other	19,731	20,958
Allowance for doubtful accounts	(283)	(309)
Total investments and other assets	76,870	88,840
Total noncurrent assets	385,675	415,495
Total assets	782,640	841,246

(Millions of yen)

	FY2022 As of March 31, 2023	FY2023 2nd Quarter As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	88,663	98,244
Short-term loans payable	116,491	137,130
Current portion of bonds payable	—	5,000
Income taxes payable	5,055	4,532
Provision	119	7
Other	47,912	54,387
Total current liabilities	258,242	299,302
Noncurrent liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	33,706	31,628
Provision	2,375	2,193
Net defined benefit liability	20,829	20,716
Other	21,063	25,430
Total noncurrent liabilities	87,974	84,969
Total liabilities	346,217	384,271
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	32,245	30,333
Retained earnings	323,213	328,526
Treasury stock	(11,407)	(11,331)
Total shareholders' equity	377,098	380,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,204	29,704
Deferred gains or losses on hedges	(3)	3
Foreign currency translation adjustment	11,543	20,224
Remeasurements of defined benefit plans	6,529	6,370
Total accumulated other comprehensive income	40,273	56,303
Subscription rights to shares	622	648
Non-controlling interests	18,427	19,447
Total net assets	436,422	456,974
Total liabilities and net assets	782,640	841,246

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2022 2nd Quarter From April 1, 2022 to September 30, 2022	FY2023 2nd Quarter From April 1, 2023 to September 30, 2023
Net sales	380,602	370,116
Cost of sales	277,284	274,003
Gross profit	103,317	96,112
Selling, general and administrative expenses	82,503	83,506
Operating income	20,813	12,606
Non-operating income		
Dividends income	928	931
Foreign exchange gains	3,365	2,007
Equity in earnings of affiliates	93	73
Other	395	408
Total non-operating income	4,783	3,420
Non-operating expenses		
Interest expenses	750	1,600
Loss on retirement of noncurrent assets	692	590
Other	1,634	1,093
Total non-operating expenses	3,077	3,285
Ordinary income	22,518	12,741
Extraordinary income		
Gain on sale of investment securities	—	1,138
Gain on sale of businesses	—	517
Total extraordinary income	—	1,656
Income before income taxes	22,518	14,397
Income taxes-current	5,563	4,806
Income taxes-deferred	(107)	14
Total income taxes	5,456	4,820
Net income	17,062	9,577
Net income attributable to non-controlling interests	493	679
Net income attributable to owners of parent	16,568	8,897

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022 2nd Quarter From April 1, 2022 to September 30, 2022	FY2023 2nd Quarter From April 1, 2023 to September 30, 2023
Net income	17,062	9,577
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,854)	7,595
Deferred gains or losses on hedges	8	7
Foreign currency translation adjustment	10,994	9,182
Remeasurements of defined benefit plans, net of tax	391	(158)
Share of other comprehensive income of associates accounted for using equity method	2	(3)
Total other comprehensive income	9,543	16,623
Comprehensive income	26,605	26,201
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,670	24,927
Comprehensive income attributable to non-controlling interests	935	1,273

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 2nd Quarter From April 1, 2022 to September 30, 2022	FY2023 2nd Quarter From April 1, 2023 to September 30, 2023
Net cash provided by (used in) operating activities		
Income before income taxes	22,518	14,397
Depreciation and amortization	19,563	20,105
Increase (decrease) in net defined benefit liability	(108)	(623)
Increase (decrease) in allowance for doubtful accounts	(121)	65
Interest and dividends income	(1,075)	(1,037)
Interest expenses	750	1,600
Equity in losses (earnings) of affiliates	(93)	(73)
Loss (gain) on disposal of noncurrent assets	366	226
Loss (gain) on sale of investment securities	—	(1,138)
Decrease (increase) in notes and accounts receivable-trade	(2,272)	(10,418)
Decrease (increase) in inventories	(21,725)	(5,868)
Increase (decrease) in notes and accounts payable-trade	(1,184)	7,831
Other, net	(2,960)	5,532
Subtotal	13,657	30,599
Interest and dividends income received	1,100	1,017
Interest expenses paid	(753)	(1,532)
Income taxes paid	(3,591)	(6,054)
Net cash provided by (used in) operating activities	10,412	24,029
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(19,979)	(28,466)
Proceeds from sales of property, plant and equipment	80	1
Purchase of intangible assets	(1,105)	(2,249)
Purchase of investment securities	(85)	(78)
Proceeds from sales and distributions of investment securities	0	2,031
Payments of loans receivable	(98)	(92)
Collection of loans receivable	78	185
Other, net	134	(1,973)
Net cash provided by (used in) investing activities	(20,975)	(30,642)

(Millions of yen)

	FY2022 2nd Quarter From April 1, 2022 to September 30, 2022	FY2023 2nd Quarter From April 1, 2023 to September 30, 2023
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	14,380	11,284
Proceeds from long-term loans payable	109	3,684
Repayment of long-term loans payable	(5,451)	(422)
Repayments of lease obligations	(480)	(580)
Purchase of treasury stock	(763)	(3)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(3,914)	(3,569)
Proceeds from stock issuance to non-controlling shareholders	0	—
Dividends paid to non-controlling interests	(192)	(152)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3)	(367)
Net cash provided by (used in) financing activities	3,684	9,873
Effect of exchange rate change on cash and cash equivalents	1,317	908
Net increase (decrease) in cash and cash equivalents	(5,561)	4,168
Cash and cash equivalents at beginning of period	40,712	40,699
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	32
Cash and cash equivalents at end of period	35,151	44,900

(4) Notes to the Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

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

Not applicable

(Segment Information)

I Term from April 1, 2022 to September 30, 2022

1) Sales and Income by Segment

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment	Amounts on consolidated financial statements (Note 2)
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	172,895	87,195	33,993	85,970	380,054	547	380,602	–	380,602
Intersegment	162	18	–	29	210	551	761	(761)	–
Total	173,057	87,214	33,993	86,000	380,265	1,098	381,363	(761)	380,602
Segment profit	18,703	8,669	7,510	2,103	36,986	282	37,268	(16,455)	20,813

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

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

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

(Millions of yen)

Income	Amount
Segment total	36,986
Segment profit of Others	282
Elimination of intersegment transactions	0
Corporate expenses (Note)	(16,517)
Other adjustments	61
Operating income in the quarterly consolidated statements of income	20,813

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

II Term from April 1, 2023 to September 30, 2023

1) Sales and Income by Segment

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment	Amounts on consolidated financial statements (Note 2)
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	156,474	84,758	36,193	92,043	369,471	645	370,116	–	370,116
Intersegment	105	16	–	18	141	571	712	(712)	–
Total	156,580	84,775	36,193	92,062	369,612	1,216	370,829	(712)	370,116
Segment profit	12,123	7,099	5,893	4,575	29,692	389	30,081	(17,475)	12,606

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

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

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

(Millions of yen)

Income	Amount
Segment total	29,692
Segment profit of Others	389
Elimination of intersegment transactions	1
Corporate expenses (Note)	(17,555)
Other adjustments	79
Operating income in the quarterly consolidated statements of income	12,606

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