

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese GAAP)

May 14, 2024

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 Annual General Meeting of Shareholders: June 27, 2024

Scheduled date of dividend distribution: June 6, 2024

Scheduled date for filing annual securities report: June 27, 2024

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

1. Consolidated Financial Results for the Fiscal Year Ended March 2024 (from April 1, 2023 to March 31, 2024)

(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 – Mar. 31, 2024	762,302	0.9	32,579	(7.1)	29,222	(9.8)	23,220	0.9
Apr. 1, 2022 – Mar. 31, 2023	755,821	9.3	35,087	(19.5)	32,411	(20.6)	23,008	(13.1)

Note: Comprehensive income: ¥51,300 million [28.0%] in the fiscal year ended March 31, 2024

¥40,064 million [5.8%] in the fiscal year ended March 31, 2023

	Basic net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to sales ratio
	¥	¥	%	%	%
Apr. 1, 2023 – Mar. 31, 2024	357.90	356.87	5.3	3.5	4.3
Apr. 1, 2022 – Mar. 31, 2023	349.59	348.66	5.7	4.3	4.6

Reference: Equity in earnings (losses) of affiliates: ¥177 million in the fiscal year ended March 31, 2024

¥137 million in the fiscal year ended March 31, 2023

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2024	870,205	474,383	52.1	7,068.91
As of March 31, 2023	782,640	436,422	53.3	6,431.63

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

¥453,463 million as of March 31, 2024

¥417,372 million as of March 31, 2023

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the fiscal year-end
	¥ million	¥ million	¥ million	¥ million
Apr. 1, 2023 – Mar. 31, 2024	61,911	(58,771)	(1,519)	43,278
Apr. 1, 2022 – Mar. 31, 2023	28,710	(41,970)	12,352	40,699

2. Dividends

	Annual dividends					Total cash dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
	¥	¥	¥	¥	¥	¥ million	%	%
Apr. 1, 2022 – Mar. 31, 2023	—	55.00	—	55.00	110.00	7,254	31.5	1.8
Apr. 1, 2023 – Mar. 31, 2024	—	55.00	—	55.00	110.00	7,098	30.7	1.6
Apr. 1, 2024 – Mar. 31, 2025 (Forecasts)	—	60.00	—	60.00	120.00		30.9	

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending March 31, 2025

(from April 1, 2024 to March 31, 2025)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	790,000	3.6	38,000	16.6	34,000	16.3	24,500	5.5	388.18

※ Notes

(1) Changes in principal subsidiaries during the fiscal year: None

(2) 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

(3) Number of shares issued (common stock)

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

March 31, 2024	66,000,000 shares	March 31, 2023	68,000,000 shares
March 31, 2024	1,851,007 shares	March 31, 2023	3,106,293 shares
March 31, 2024	64,879,390 shares	March 31, 2023	65,815,697 shares

Reference: Overview of Non-Consolidated Financial Results

1. For the Fiscal Year Ended March 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2023 – Mar. 2024	366,950	(0.6)	7,201	(44.1)	16,041	(26.3)	17,770	(13.5)
Apr. 2022 – Mar. 2023	369,172	10.3	12,893	(8.0)	21,765	(32.8)	20,536	(27.6)

	Basic net income per share	Diluted net income per share
	¥	¥
Apr. 2023 – Mar. 2024	273.90	273.11
Apr. 2022 – Mar. 2023	312.03	311.20

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of March 31, 2024	593,312	303,364	51.0	4,718.95
As of March 31, 2023	545,286	285,398	52.2	4,388.34

Reference: Equity (Shareholders' equity + Valuation and translation adjustments):

¥302,715 million as of March 31, 2024

¥284,775 million as of March 31, 2023

※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 "(4) Earnings Forecasts and Other Forward-looking Statements" under "1. Overview of Consolidated Financial Results" on page 7.

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1. Overview of Consolidated Financial Results

(1) Operating Results

➤ State of the Global Economy - Fragmentation and economic volatility -

In the current fiscal year (April 1, 2023 to March 31, 2024), although the COVID-19 pandemic ended during the period, the global economic outlook remained uncertain due to ongoing geopolitical risks such as the prolonged Ukraine crisis and the outbreak of new conflicts in the Middle East. Amid monetary policy turmoil in the U.S. and Europe, which have been plagued by inflation, friction between the U.S. and China, and economic downturn in China, the global economy has had a volatile year lacking a clear direction.

As for Japan, the yen continues to depreciate. Economic and monetary policies have stalled and GDP has fallen to fourth place in the world, with a possibility of slipping to fifth place. These critical issues affecting national development show no signs of ending.

The world is fragmented by country and region, and synchronized economies and growth scenarios are not foreseeable.

As we face such uncertain times, tossed about by “fragmentation and volatility”, we will refine our global activities with local roots, which is our company’s DNA, and accelerate the implementation of new products and businesses with our research & development strategy of “one and only Kaneka R2B”.

We are refining our technology, updating our portfolio, and expanding our business.
Above all, it's all about people.

➤ Kaneka Group's Business Performance - Sales increased and profits decreased, but profits increased significantly in the second half -

Under these circumstances, Kaneka Group’s consolidated business performance for the fiscal year ended March 31, 2024 was as follows.

Consolidated net sales were ¥762,302 million (up 0.9% year-on-year),

Operating income was ¥32,579 million (down 7.1% year-on-year),

Ordinary income was ¥29,222 million (down 9.8% year-on-year), and

Net income attributable to owners of parent was ¥23,220 million (up 0.9% year-on-year).

Business performance for the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024) (Millions of yen)

	FY2022	FY2023	Difference (year-on-year)
Net sales	755,821	762,302	6,480 0.9%
Operating income	35,087	32,579	(2,508) (7.1%)
Ordinary income	32,411	29,222	(3,188) (9.8%)
Net income attributable to owners of parent	23,008	23,220	212 0.9%

Net sales and operating income by business segments

(Millions of yen)

	Net sales										Difference (year-on-year)
	FY2022					FY2023					
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	
Material SU	88,919	83,975	77,812	83,147	333,854	77,659	78,814	81,444	84,982	322,902	(10,952) (3.3%)
Quality of Life SU	45,000	42,194	43,812	41,758	172,766	40,878	43,880	46,638	44,785	176,182	3,415 2.0%
Health Care SU	16,623	17,369	18,658	18,134	70,786	17,745	18,448	17,209	21,452	74,856	4,069 5.7%
Nutrition SU	41,879	44,091	46,018	45,350	177,339	46,037	46,006	49,038	46,099	187,182	9,843 5.6%
Others	316	231	240	286	1,074	419	226	280	252	1,178	103 9.7%
Total	192,739	187,863	186,541	188,678	755,821	182,740	187,376	194,611	197,574	762,302	6,480 0.9%

	Operating income										Difference (year-on-year)
	FY2022					FY2023					
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	
Material SU	10,756	7,947	3,767	4,978	27,449	5,513	6,610	6,996	8,375	27,495	45 0.2%
Quality of Life SU	4,600	4,069	4,386	3,075	16,131	2,939	4,159	4,655	3,607	15,361	(769) (4.8%)
Health Care SU	3,856	3,653	4,471	3,701	15,682	2,967	2,926	2,451	4,596	12,941	(2,740) (17.5%)
Nutrition SU	806	1,296	2,290	3,192	7,585	2,277	2,298	3,820	3,680	12,076	4,490 59.2%
Others	186	95	112	159	554	288	101	151	125	667	113 20.4%
Adjustment	(7,994)	(8,460)	(8,221)	(7,640)	(32,316)	(8,381)	(9,093)	(9,070)	(9,417)	(35,963)	(3,646) -
Total	12,212	8,601	6,808	7,465	35,087	5,603	7,002	9,004	10,968	32,579	(2,508) (7.1%)

※SU : Solutions Unit

➤ Remarks on the Group-wide Business Performance

① Rapid recovery of business performance

In the current fiscal year ended March 31, 2024, Group-wide business performance was characterized by operating income that bottomed out at ¥5.6 billion in 1Q (April 1 to June 30, 2023), and the pace of recovery accelerated in each successive quarter, to ¥7.0 billion in 2Q (July 1 to September 30, 2023), ¥9.0 billion in 3Q (October 1 to December 31, 2023), and ¥11.0 billion in 4Q (January 1 to March 31, 2024).

Although substantial negative forces remain, such as the inflation-driven downturn in construction demand in Europe and the U.S. and inventory adjustments in the electronics market, business performance abruptly turned towards profit recovery in the second half. Despite a sluggish first half primarily due to extremely volatile post-COVID-19 fluctuations in demand, strong momentum returned to each Solutions Vehicle in the second half.

In particular, operating income in 4Q reached ¥11.0 billion thanks to contributions from overseas business Solutions Vehicles such as Modifiers, Modified Silicone polymers, and E & I Technology, which are targeting results in R2B, and Supplemental Nutrition and Foods (Nutrition Solutions Unit), which are shifting towards a development strategy utilizing unique and niche technologies not found anywhere else. Business performance in Medical grew steadily, and Vinyls and Chlor-Alkali and Foam & Residential Techs have also gotten out of the worst period.

FY2023 operating income: 1H vs. 2H comparison

(Billions of yen)

2H operating income: YoY comparison

(Billions of yen)

	Operating income				
	FY2022		FY2023		
	1H	2H	1H	2H	Difference
Material SU	18.7	8.7	12.1	15.4	3.2
Quality of Life SU	8.7	7.5	7.1	8.3	1.2
Health Care SU	7.5	8.2	5.9	7.0	1.2
Nutrition SU	2.1	5.5	4.6	7.5	2.9
Total	20.8	14.3	12.6	20.0	7.4

	Operating income		
	FY2022	FY2023	Difference
	2H	2H	
Material SU	8.7	15.4	6.6
Quality of Life SU	7.5	8.3	0.8
Health Care SU	8.2	7.0	(1.1)
Nutrition SU	5.5	7.5	2.0
Total	14.3	20.0	5.7

(1H: April 1 to September 30, 2H: October 1 to March 31)

② Leading-Edge Businesses Driving Kaneka's Portfolio Transformation

For Medical, Supplemental Nutrition, Modified Silicone polymers, E & I Technology, and PV & Energy management, our differentiated and unique technologies and open innovation bore fruit, resulting in steady growth in performance.

For Medical, business performance grew steadily. Since technological sophistication is the driving force behind the development of this business, we are actively engaged in open innovation, including M&A and technological alliances, leveraging our Japanese business model that is highly trusted by physicians. With overseas markets such as the U.S., China, and Asia as our next strategic move, we are focusing all our efforts on strengthening our R2B capabilities and restructuring our sales system. We aim to develop the Medical business into a driver of company growth.

For Pharma, demand adjustment continued and performance remained sluggish, but 4Q saw a significant shift toward recovery. In Bio-CDMO and small molecule pharmaceuticals, joint development activities with customers have progressed and momentum has returned. Looking ahead to the next fiscal year, we are aggressively pursuing further large projects in both domestic and overseas markets.

③ Strong Performance of Foundation Businesses

Modifiers, which experienced a significant drop of demand in the European, U.S., and Asian markets due to post-COVID-19 volatility, has gotten out of a period of excess market inventory and global supply-demand imbalance. Comparisons between the first and second half of the current fiscal year and comparisons between the current and the previous fiscal year's second half both show significant profit growth.

Like Modifiers, Vinyls and Chlor-Alkali and Foam & Residential Techs, which are focused on activities to create a scalable global niche market by strengthening technology differentiation capabilities, have also emerged from the worst period. After suffering from a collapse of supply and demand in the general-purpose market and deteriorated market conditions, Vinyls and Chlor-Alkali has maintained stable performance, although it has not returned to the profitability of the COVID-19 period when the supply-demand balance was tight.

Performance Fibers aimed for recovery after bottoming out in 1Q, but due to prolonged inflation and currency depreciation in African countries, 4Q was a temporary demand adjustment phase. We are diligently pursuing R2B activities that will enable us to offer unique and distinctive fibers that are only possible with Kanekalon by enhancing its functionality. In the hair accessories field, we are expanding our domain and strengthening sales in Sub-Saharan Africa and North, Central, and South America, with Nigeria as our focal point.

For Foods & Agris, profitability improved significantly due to further progress in the sales shift to high-value-added products and expansion of profit margin. We plan to maintain this high level of performance. New businesses such as Pur Natur dairy products, coenzyme Q10 yogurt and gummies, organic A2 milk, and BENOIT NIHANT Belgian chocolate are running strong and leading the portfolio transformation in the Foods business.

④ Progress of Investment Plan for Growth

For Medical, a new production facility for blood purification devices in Tomatoh, Hokkaido, is scheduled to start operation in 2Q of the fiscal year ending March 31, 2025. Furthermore, we expanded our lineup of catheter products with open innovation, such as by acquiring a company with biodegradable magnesium stent technology and by importing and selling stents used to retrieve blood clots.

For Pharma, construction is proceeding as planned for Kaneka Eurogentec S.A.'s production facility for mRNA, which is expected to grow at a high rate for adoption in therapeutics for genetic diseases and cancer.

In the Material Solutions Unit, construction of the demonstration plant for the mass production of KANEKA Biodegradable Polymer Green Planet™ that aims to protect the global environment by reducing single-use plastics, is progressing smoothly. In addition, the capacity expansion of Modified Silicone polymers in Belgium, where global demand is expected to increase, will be completed as planned this spring.

We have decided to make a major capital investment to decommission the coal boilers at Takasago. We will take this opportunity of fuel conversion at our in-house power generation facilities, which employ an innovative process, to further conserve energy and aim to go carbon neutral by 2050.

We will aggressively pursue investments that will accelerate the growth of our leading-edge businesses and strengthen the base of our foundation businesses.

The operating performance by business segment was as follows:

① **Material Solutions Unit**

This unit was affected by economic slowdown in Europe, the U.S., and Asia, resulting in lower profits in the first half, but profits increased significantly in the second half due to supply and demand recovery. On a full-year basis, the unit recovered to the previous year's level.

- For Vinyls and Chlor-Alkali, both PVC and caustic soda were affected by the decline in the Asian market, but performance has been recovering since 3Q.
- For Modifiers, demand-supply adjustments continued throughout the year, but demand has been recovering at all locations since 3Q, resulting in a significant year-on-year increase in profits in the second half. Profitability improved as efforts to strengthen business competitiveness made steady progress.
- For Modified Silicone polymers, sales remained strong in response to its unique functional characteristics. We aim to expand our business by fully leveraging our increased production capacity in Belgium to be completed this spring.
- For Green Planet, progress has been made in joint development with major brand holders and its adoption in new applications increased.

② **Quality of Life Solutions Unit**

This unit achieved higher sales and higher profits in Foam & Residential Techs, E & I Technology, and PV & Energy management, but reported higher sales and lower profits overall due to ongoing demand-supply adjustments in Performance Fibers.

- For Foam & Residential Techs, profit margin improved, resulting in higher sales and higher profits overall. Sales of polyolefin foam recovered in the automobile sector and its adoption in EV applications has expanded.
- For PV & Energy management, domestic sales of high-efficiency photovoltaic modules for single homes were firm. The government's promotion of GX and the growing trend of municipal mandates regarding the use of renewable energy drew further attention to our products. To stimulate demand for zero-energy building (ZEB), in which walls and windows generate electricity, we established the joint sales company with Taisei Corporation.
- For E & I Technology, polyimide shipments were affected by the adjustment of smartphone production in the first half of the year, but demand has recovered since 3Q, especially in the Chinese market. Acrylic resins for large-screen TVs experienced a temporary demand adjustment, but have recovered since 4Q.
- For Performance Fibers, demand was sluggish due to the significant impact of inflation and currency depreciation in African countries. We will focus on stimulating end-user demand by strengthening marketing strategies and proactively introducing new high-performance products.

③ **Health Care Solutions Unit**

In this unit, the Medical business expanded steadily, while the Pharma business was affected by shipment adjustments through 3Q. Overall, sales increased and profits decreased.

- For Medical, the new production facility for blood purification devices in Hokkaido is scheduled to start operation. We will continue to actively invest management resources.
- Pharma experienced longer-than-expected demand adjustments from small molecule pharmaceutical and biopharmaceutical customers, but demand has been on a recovery trend since 4Q. For mRNA, we will strengthen the production system and focus on its adoption in therapeutics for genetic diseases and cancer.

④ Nutrition Solutions Unit

This unit recorded substantial increases in both sales and profits owing to the continued strong performance of Foods and Supplemental Nutrition.

- For Supplemental Nutrition, the sales of the active form of coenzyme Q10 remained firm in the U.S. Sales expanded in Asia and Oceania. For the probiotics business, sales are also expanding. Sales expansion in the U.S., the biggest market, is a challenge, and we will focus on launching a variety of new products and reinforcing our production base.
- For Foods & Agris, profit margin improved and earnings grew substantially. We aim to expand business by aggressively promoting high value-added “Business to Consumer” businesses including organic dairy products and yogurt.

(2) Financial Position

At the end of the current fiscal year, total assets were ¥870,205 million, up ¥87,565 million from the previous fiscal year-end. This is due to an increase in property, plant and equipment resulting from expanded capital investment, an increase in investment securities due to an increase in the fair value of shares held, and an increase in overseas group companies' assets denominated in yen resulting from the weakening of yen.

Liabilities totaled ¥395,822 million, up ¥49,604 million, primarily reflecting an increase in loans payable and issuance of bonds payable.

Net assets were ¥474,383 million, up ¥37,960 million, owing chiefly to an increase in retained earnings, 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 52.1%.

(3) Cash Flows

In the current fiscal year ended March 31, 2024, net cash provided by operating activities was ¥61,911 million, mainly due to the recording of income before income taxes and depreciation and amortization. Net cash used in investing activities amounted to ¥58,771 million, mainly due to purchase of property, plant and equipment. Net cash used in financing activities was ¥1,519 million due to dividends paid and purchase of treasury stock which offset proceeds from issuance of bonds. As a result, cash and cash equivalents as of March 31, 2024 totaled ¥43,278 million.

(4) Earnings Forecasts and Other Forward-looking Statements

➤ Kaneka's Purpose Management

The natural environment is being increasingly overburdened and human activities may cause dangerous climate change and mass extinction. To reduce this risk, we must further our understanding of nature and rapidly deploy the appropriate technologies. This perspective is our purpose management, “KANEKA The Dreamology Company – Make your dreams come true –.” We are refining our technology in three domains: the environmental and energy crisis, the food crisis, and the wellness (better living) crisis with an aspiration to provide optimal solutions through their social implementation.

➤ **Hybrid Management**

Innovation is “a combination that does things in a different way.” Combining different things in different business fields in a new way. We call this “hybrid management.” We will continue to solving social problems through hybrid management, which creates creative and valuable solutions through surprising combinations of Kaneka’s wide variety of different technologies.

➤ **R2B+P - Accelerating the Flow from Research to Business**

Shifting from “R&B+P” to “R2B+P,” we will promote the fusion of research and business and further accelerate the flow from research to business. We will create unique and superior materials and provide solutions to the global market. By strengthening our R2B+P initiative, which strongly integrates R2B and manufacturing, we will focus on maximizing and monetizing our business with a manufacturing-first approach and increase the speed and scale of our commercialization of new products.

➤ **Shift in Emphasis to Life Sciences**

The definition of “life science” is the technologies and creative activities that use chemistry to make life on Earth healthier. Kaneka’s “biomanufacturing,” such as the biodegradable polymer Green Planet™, genome editing technology, biopharmaceuticals, regenerative medicine and cell therapy, organic dairy products business, supplements, and fermentation culture process technology, PV technology, and medical devices are all connected to the big “life,” that is, life on Earth. Kaneka will drive the transformation of its portfolio by taking on the challenge of “R2B” in the life science area.

➤ **Think Global, Act Local**

Our strength is our global network enabling business development deeply rooted in local communities. Our mission is to deliver solutions all over the world to save human lives and resolve social issues, and we focus on conducting local-based business (glocal business) by overcoming cultural differences. Our goal is to become a company with a global presence. We will seek management resources from around the world and actively promote M&A, technology and business alliances, and open innovation to transform our global business structure and achieve rapid growth.

➤ **Diversity - New Value Creation and Women’s Participation**

By going beyond attributes such as age, gender, nationality, and race, and tapping into diversity, we bring forth new ideas. In this way, we aim to continue delivering unique Kaneka value that amazes the world. This is our vision for diversity. In particular, we are working to promote the active participation of women and strengthen the development of female leaders who will drive growth and change. Kaneka 1-on-1, which was introduced and established based on the idea that “people grow through their work, while companies grow through their people,” will evolve into a new stage, “Kaneka 1-on-1X,” to enhance individual growth and organizational performance.

We will continue to promote “Trust & Respect - Human Driven Management” this year as well.

➤ **Carbon Neutral/DX Initiatives**

We aim to reduce GHG emissions by 30% by 2030. Our goal is to achieve carbon neutral by 2050. We will work to reduce energy consumption through fuel conversion of in-house power generation facilities and process innovation. We will also strengthen our DX initiatives and greatly accelerate value creation through R2B+P. We will incorporate cutting-edge technology to evolve our production plants and build up manufacturing sites in the future. We are also working on a company-wide digital platform concept using

the latest digital technology to promote operational innovation in research and development, sales, SCM, and back-office operations.

➤ Performance Forecasts for the Fiscal Year Ending March 31, 2025

The IMF projected global economic growth of 3.2% for 2023, and it forecasts growth to continue at the same pace in 2024 and 2025. Although global inflation is expected to ease, the path to global economic growth is still uncertain.

Like this, although the global economy is anticipated to continue experiencing volatility and uncertainty in the business environment, we will focus on the social implementation of new businesses by strategically investing in management resources for Life Science businesses and leading-edge businesses that are expected to grow significantly while demonstrating our global adaptability.

In the fiscal year ending March 31, 2025, Medical and Pharma (Health Care Solutions Unit) and Foods and Supplemental Nutrition (Nutrition Solutions Unit) will drive the entire company growth by capturing the needs of the times as people become more health-conscious. In our leading-edge businesses including E & I Technology, it will be a year of accelerating R2B results. Modifiers and Modified Silicone polymers will begin to reap new results. Our foundation businesses such as Vinyl and Chlor-Alkali, Foam & Residential Techs, and Performance Fibers are expected to support company-wide performance with solid footing and generate stable earnings.

Business performance for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

	FY2023 Result	FY2024 Forecast	Difference
Net sales (Millions of yen)	762,302	790,000	27,697 3.6%
Operating income (Millions of yen)	32,579	38,000	5,420 16.6%
Ordinary income (Millions of yen)	29,222	34,000	4,777 16.3%
Net income attributable to owners of parent (Millions of yen)	23,220	24,500	1,279 5.5%
Net income per share (yen)	357.90	388.18	30.28

Net sales and operating income by segment for the fiscal year ending March 31, 2025 (Millions of yen)

	Net sales			Operating income		
	FY2023 Result	FY2024 Forecast	Difference	FY2023 Result	FY2024 Forecast	Difference
Material SU	322,902	325,000	2,097 0.6%	27,495	28,000	504 1.8%
Quality of Life SU	176,182	187,000	10,817 6.1%	15,361	17,500	2,138 13.9%
Health Care SU	74,856	89,000	14,143 18.9%	12,941	16,000	3,058 23.6%
Nutrition SU	187,182	188,000	817 0.4%	12,076	13,000	923 7.6%
Others	1,178	1,000	(178) (15.1%)	667	500	(167) (25.1%)
Adjustment	-	-	-	(35,963)	(37,000)	(1,036) (-)
Total	762,302	790,000	27,697 3.6%	32,579	38,000	5,420 16.6%

※SU : Solutions Unit

With regard to the exchange rates and raw material prices, forecast figures assume the exchange rates of ¥140 to the US dollar and ¥155 to the euro, and a domestic naphtha price of ¥65,000 per kiloliter from April 1, 2024 onward.

※The above 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 may vary from these forecasts due to various factors.

2. Basic Rationale for Selection of Accounting Standards

The Kaneka Group had adopted Japanese Generally Accepted Accounting Principles (Japanese GAAP). The timing of the adoption of International Financial Reporting Standards (IFRS) has not yet been determined at this time. However, we will keep collecting information.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2022 As of March 31, 2023	FY2023 As of March 31, 2024
Assets		
Current assets		
Cash and deposits	41,774	43,969
Notes and accounts receivable-trade, and contract assets	170,154	186,371
Short-term investment securities	94	-
Merchandise and finished goods	89,223	94,734
Work in process	13,317	11,678
Raw materials and supplies	65,574	70,883
Other	18,327	23,122
Allowance for doubtful accounts	(1,502)	(1,898)
Total current assets	396,964	428,861
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	96,399	98,883
Machinery, equipment and vehicles, net	107,829	107,975
Land	33,079	34,475
Leased assets, net	15,412	17,681
Construction in progress	32,062	63,707
Other, net	7,831	8,596
Total property, plant and equipment	292,615	331,319
Intangible assets		
Goodwill	2,201	1,859
Other	13,987	18,973
Total intangible assets	16,189	20,832
Investments and other assets		
Investment securities	57,422	70,150
Investments in capital	970	520
Long-term loans receivable	597	529
Long-term prepaid expenses	2,489	2,776
Deferred tax assets	4,450	2,766
Other	11,223	12,738
Allowance for doubtful accounts	(283)	(290)
Total investments and other assets	76,870	89,191
Total noncurrent assets	385,675	441,344
Total assets	782,640	870,205

(Millions of yen)

	FY2022 As of March 31, 2023	FY2023 As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	88,663	104,212
Short-term loans payable	116,491	116,532
Current portion of bonds payable	-	5,000
Lease liabilities	1,037	940
Accounts payable-other	25,862	35,227
Accrued expenses	14,708	15,887
Income taxes payable	5,055	4,963
Accrued consumption taxes	640	1,307
Provision for directors' bonuses	119	123
Other	5,663	7,469
Total current liabilities	258,242	291,666
Noncurrent liabilities		
Bonds payable	10,000	15,000
Long-term loans payable	33,706	40,391
Lease liabilities	14,709	17,232
Deferred tax liabilities	1,705	9,493
Net defined benefit liability	20,829	12,585
Provision for directors' retirement benefits	318	346
Provision for product warranties	2,057	1,808
Other	4,648	7,296
Total noncurrent liabilities	87,974	104,156
Total liabilities	346,217	395,822
Net assets		
Shareholders' equity		
Capital stock	33,046	33,046
Capital surplus	32,245	29,173
Retained earnings	323,213	331,933
Treasury stock	(11,407)	(6,797)
Total shareholders' equity	377,098	387,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,204	32,632
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	11,543	22,037
Remeasurements of defined benefit plans	6,529	11,438
Total accumulated other comprehensive income	40,273	66,107
Subscription rights to shares	622	648
Non-controlling interests	18,427	20,271
Total net assets	436,422	474,383
Total liabilities and net assets	782,640	870,205

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

(Millions of yen)

	FY2022 From April 1, 2022 to March 31, 2023	FY2023 From April 1, 2023 to March 31, 2024
Net sales	755,821	762,302
Cost of sales	556,895	558,087
Gross profit	198,926	204,214
Selling, general and administrative expenses	163,838	171,635
Operating income	35,087	32,579
Non-operating income		
Interest income	222	224
Dividends income	1,694	1,806
Foreign exchange gains	1,888	2,544
Equity in earnings of affiliates	137	177
Other	1,008	958
Total non-operating income	4,951	5,713
Non-operating expenses		
Interest expenses	1,965	3,361
Loss on retirement of noncurrent assets	1,839	1,722
Depreciation of inactive noncurrent assets	1,147	1,171
Other	2,675	2,814
Total non-operating expenses	7,627	9,069
Ordinary income	32,411	29,222
Extraordinary income		
Gain on sales of investment securities	1,410	7,060
Gain on sale of businesses	-	525
Total extraordinary income	1,410	7,586
Extraordinary losses		
Loss on valuation of investment securities	1,448	-
Total extraordinary losses	1,448	-
Income before income taxes	32,373	36,808
Income taxes-current	9,010	10,575
Income taxes-deferred	(711)	1,458
Total income taxes	8,298	12,033
Net income	24,074	24,775
Net income attributable to non-controlling interests	1,066	1,554
Net income attributable to owners of parent	23,008	23,220

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2022 From April 1, 2022 to March 31, 2023	FY2023 From April 1, 2023 to March 31, 2024
Net income	24,074	24,775
Other comprehensive income		
Valuation difference on available-for-sale securities	882	10,476
Deferred gains or losses on hedges	0	3
Foreign currency translation adjustment	7,594	11,133
Remeasurements of defined benefit plans, net of tax	7,509	4,909
Share of other comprehensive income of associates accounted for using equity method	1	1
Total other comprehensive income	15,989	26,525
Comprehensive income	40,064	51,300
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	38,549	49,054
Comprehensive income attributable to non-controlling interests	1,515	2,246

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	31,392	309,507	(11,528)	362,417
Changes of items during period					
Dividends of surplus			(7,599)		(7,599)
Net income attributable to owners of parent			23,008		23,008
Purchase of treasury stock				(8,051)	(8,051)
Disposal of treasury stock			(5)	30	25
Changes by share exchanges		789	(1,696)	8,142	7,235
Change in ownership interest of parent due to transactions with non-controlling interests		63			63
Net changes of items other than shareholders' equity					
Total changes of items during period	-	853	13,706	121	14,681
Balance at end of the period	33,046	32,245	323,213	(11,407)	377,098

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	21,331	(4)	4,381	(975)	24,732	619	24,435	412,204
Changes of items during period								
Dividends of surplus								(7,599)
Net income attributable to owners of parent								23,008
Purchase of treasury stock								(8,051)
Disposal of treasury stock								25
Changes by share exchanges								7,235
Change in ownership interest of parent due to transactions with non-controlling interests								63
Net changes of items other than shareholders' equity	873	0	7,162	7,504	15,541	3	(6,007)	9,537
Total changes of items during period	873	0	7,162	7,504	15,541	3	(6,007)	24,218
Balance at end of the period	22,204	(3)	11,543	6,529	40,273	622	18,427	436,422

Current fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the period	33,046	32,245	323,213	(11,407)	377,098
Changes of items during period					
Dividends of surplus			(7,139)		(7,139)
Change in scope of consolidation			(12)		(12)
Net income attributable to owners of parent			23,220		23,220
Purchase of treasury stock				(2,814)	(2,814)
Disposal of treasury stock			(3)	78	75
Cancellation of treasury stock			(7,344)	7,344	-
Change in ownership interest of parent due to transactions with non-controlling interests		(269)			(269)
Changes in liabilities for written put options over non-controlling interests		(2,802)			(2,802)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(3,072)	8,719	4,609	10,257
Balance at end of the period	33,046	29,173	331,933	(6,797)	387,355

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	22,204	(3)	11,543	6,529	40,273	622	18,427	436,422
Changes of items during period								
Dividends of surplus								(7,139)
Change in scope of consolidation								(12)
Net income attributable to owners of parent								23,220
Purchase of treasury stock								(2,814)
Disposal of treasury stock								75
Cancellation of treasury stock								-
Change in ownership interest of parent due to transactions with non-controlling interests								(269)
Changes in liabilities for written put options over non-controlling interests								(2,802)
Net changes of items other than shareholders' equity	10,427	3	10,493	4,908	25,833	26	1,843	27,703
Total changes of items during period	10,427	3	10,493	4,908	25,833	26	1,843	37,960
Balance at end of the period	32,632	(0)	22,037	11,438	66,107	648	20,271	474,383

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 From April 1, 2022 to March 31, 2023	FY2023 From April 1, 2023 to March 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	32,373	36,808
Depreciation and amortization	39,456	40,779
Increase (decrease) in net defined benefit liability	(139)	(1,527)
Increase (decrease) in allowance for doubtful accounts	(110)	315
Interest and dividends income	(1,917)	(2,031)
Interest expenses	1,965	3,361
Equity in losses (earnings) of affiliates	(137)	(177)
Loss (gain) on disposal of noncurrent assets	630	531
Loss (gain) on sales of investment securities	(1,410)	(7,060)
Loss (gain) on valuation of investment securities	1,448	-
Decrease (increase) in notes and accounts receivable-trade	(3,474)	(12,450)
Decrease (increase) in inventories	(24,875)	(4,070)
Increase (decrease) in notes and accounts payable-trade	(4,785)	13,112
Other, net	(4,620)	6,344
Subtotal	34,402	73,935
Interest and dividends income received	1,942	2,057
Interest expenses paid	(1,955)	(3,308)
Proceeds from insurance income	1,177	-
Income taxes paid	(6,856)	(10,771)
Net cash provided by (used in) operating activities	28,710	61,911
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(39,628)	(61,315)
Proceeds from sales of property, plant and equipment	87	-
Purchase of intangible assets	(2,363)	(3,951)
Purchase of investment securities	(909)	(120)
Proceeds from sales and distributions of investment securities	2,509	9,856
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,132)
Payments of loans receivable	(99)	(1,061)
Collection of loans receivable	336	282
Other, net	(1,902)	(1,328)
Net cash provided by (used in) investing activities	(41,970)	(58,771)

Financial Results for the Fiscal Year Ended March 31, 2024, Kaneka Corporation (4118)

(Millions of yen)

	FY2022	FY2023
	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	21,814	(2,378)
Proceeds from long-term loans payable	13,541	11,299
Repayment of long-term loans payable	(6,198)	(8,565)
Proceeds from issuance of bonds	-	10,000
Repayments of lease obligations	(863)	(1,270)
Purchase of treasury stock	(8,051)	(2,814)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(7,599)	(7,139)
Proceeds from stock issuance to non-controlling shareholders	0	-
Dividends paid to non-controlling interests	(284)	(279)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6)	(372)
Net cash provided by (used in) financing activities	12,352	(1,519)
Effect of exchange rate change on cash and cash equivalents	894	926
Net increase (decrease) in cash and cash equivalents	(13)	2,547
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	40,699	43,278

(5) Notes to the Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Segment Information)

1) Overview of Reportable Segments

Kaneka's reportable segment is a component of an entity for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about management resources to be allocated to the segment and assess its performance.

The Company has established "Solutions Vehicles" as organizations for executing its growth strategies from a solutions perspective. There are ten Solutions Vehicles grouped into four solution domains called "Solutions Units." Each Solutions Unit has established a global Group strategy for its products and services, bringing together subsidiaries in Japan and overseas as one to develop its business activities.

The Company therefore comprises four reportable segments categorized by solution: the "Material Solutions Unit," "Quality of Life Solutions Unit," "Health Care Solutions Unit," and "Nutrition Solutions Unit."

The Material Solutions Unit contributes to environmental protection and comfortable living by providing solutions in the form of high-performance materials to support the development of social infrastructure and mobility (i.e., weight reduction and improved fuel economy), and cutting-edge materials such as biodegradable polymers that assist directly with the realization of environmental societies.

The Quality of Life Solutions Unit contributes to energy conservation and the creation of high-quality lifestyles by providing solutions in the form of high-performance materials and unique services that respond to the need for energy conservation and adoption of smart technologies in housing and daily infrastructure. The unit is also responding to innovation in information-driven societies, such as the advancement of the IoT and AI.

The Health Care Solutions Unit contributes to a society with better longevity and more sophisticated medical care by providing valuable solutions that combine devices and pharmaceuticals in fields such as medicine, health, and nursing care. The unit is also developing a unique health care business based on advanced medical technologies such as biopharmaceuticals and regenerative and cellular medicine.

The Nutrition Solutions Unit contributes to health and high-quality food by providing a wide range of solutions in the form of distinctive materials and supplements that meet needs around food diversification and health promotion. The unit also provides solutions that contribute to food production support in the fields of agriculture, livestock, and fishery.

The Solutions Vehicles and main products that belong to each reportable segment are as follows:

Solutions Unit (Reportable Segment)	Solutions Vehicle	Main products
Material Solutions Unit	Vinyls and Chlor-Alkali	General PVC resins, Caustic soda, Specialty PVC resins
	Performance Polymers (MOD)	Modifiers, Epoxy masterbatch, Biodegradable polymers
	Performance Polymers (MS)	Modified silicone polymers
Quality of Life Solutions Unit	Foam & Residential Techs	Expandable polystyrene resins and products, Extruded polystyrene foam boards, Extruded polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products
	E & I Technology	Polyimide films, Optical materials, Graphite sheets
	PV & Energy management	Photovoltaic modules, Energy storage batteries for residences
	Performance Fibers	Acrylic synthetic fibers
Health Care Solutions Unit	Medical	Medical devices
	Pharma & Supplemental Nutrition (Pharma)	Small molecule pharmaceutical materials, API, Biopharmaceuticals
Nutrition Solutions Unit	Pharma & Supplemental Nutrition (Supplemental Nutrition)	Functional foodstuffs, Probiotics
	Foods & Agris	Margarine, Shortening, Bakery yeast, Spices, Antifreeze materials, Dairy products, Functional fertilizers and feeds

2) Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Accounting treatment and procedures for report segments are the same as those shown in the "Notes to the Consolidated Financial Statements." Intersegment transactions are based on prevailing market prices.

3) Segment Information by Business Category
 Previous fiscal year (from April 1, 2022 to March 31, 2023)

(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	333,854	172,766	70,786	177,339	754,747	1,074	755,821	—	755,821
Intersegment	384	33	—	51	469	1,135	1,605	(1,605)	—
Total	334,238	172,800	70,786	177,391	755,216	2,210	757,426	(1,605)	755,821
Segment profit	27,449	16,131	15,682	7,585	66,849	554	67,404	(32,316)	35,087
Segment assets	293,447	212,030	86,846	119,893	712,218	462	712,681	69,958	782,640
Others									
Depreciation	13,818	11,661	3,963	5,093	34,536	19	34,556	4,624	39,180
Amortization of goodwill	—	—	367	172	540	—	540	110	650
Investment in equity-method associates	69	2,584	—	—	2,654	—	2,654	—	2,654
Increase in fixed assets	10,642	9,885	5,229	3,718	29,476	101	29,577	14,770	44,348

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 consolidated financial statements.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(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	322,902	176,182	74,856	187,182	761,123	1,178	762,302	—	762,302
Intersegment	225	47	—	47	320	1,147	1,467	(1,467)	—
Total	323,127	176,230	74,856	187,229	761,444	2,325	763,769	(1,467)	762,302
Segment profit	27,495	15,361	12,941	12,076	67,875	667	68,542	(35,963)	32,579
Segment assets	318,282	222,946	108,205	127,832	777,267	521	777,789	92,416	870,205
Others									
Depreciation	14,388	11,562	4,397	5,300	35,648	16	35,664	4,841	40,505
Amortization of goodwill	—	—	402	153	556	—	556	119	675
Investment in equity-method associates	72	2,742	—	—	2,814	—	2,814	—	2,814
Increase in fixed assets	20,513	12,282	11,073	5,451	49,320	18	49,339	24,062	73,401

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 consolidated financial statements.

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

(Millions of yen)

Income	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Segment total	66,849	67,875
Segment profit of Others	554	667
Elimination of intersegment transactions	1	1
Corporate expenses (Note)	(32,422)	(36,053)
Other adjustments	103	88
Operating income in the consolidated statements of income	35,087	32,579

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

(Millions of yen)

Assets	From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Segment total	712,218	777,267
Segment assets of Others	462	521
Elimination of intersegment transactions	(11,171)	(12,929)
Corporate assets (Note)	81,162	106,416
Other adjustments	(32)	(1,069)
Total assets in the consolidated balance sheets	782,640	870,205

Note: Corporate assets are excess working capital at corporate level, investment securities, land and certain other assets that are not allocable to any reportable segments.

(Millions of yen)

Other items	Reportable segment total		Others		Adjustments (Note)		Consolidated	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	34,536	35,648	19	16	4,624	4,841	39,180	40,505
Amortization of goodwill	540	556	—	—	110	119	650	675
Increase in fixed assets	29,476	49,320	101	18	14,770	24,062	44,348	73,401

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

(Related Information)

Information by Geographic Area

(Sales)

Previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
414,250	152,059	74,625	77,903	36,983	755,821

Note: Sales are classified into countries or regions based on the geographic location of customers.

Fiscal year under review (from April 1, 2023 to March 31, 2024)

(Millions of yen)

Japan	Asia	North America	Europe	Other areas	Total
427,433	149,390	69,318	81,811	34,348	762,302

Note: Sales are classified into countries or regions based on the geographic location of customers.

(Per Share Information)

The basis of calculation of net assets per share, basic net income per share and diluted net income per share are shown below.

Item	Previous fiscal year From April 1, 2022 to March 31, 2023	Fiscal year under review From April 1, 2023 to March 31, 2024
Net assets per share	¥6,431.63	¥7,068.91
Basic net income per share	¥349.59	¥357.90
Diluted net income per share	¥348.66	¥356.87

Item	Previous fiscal year From April 1, 2022 to March 31, 2023	Fiscal year under review From April 1, 2023 to March 31, 2024
Basic net income per share		
Net income attributable to owners of parent (Millions of yen)	23,008	23,220
Net income attributable to common stockholders of parent (Millions of yen)	23,008	23,220
Average number of shares of common stock during the period (Thousands of shares)	65,815	64,879
Diluted net income per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	—	—
Increase in shares of common stock (Thousands of shares)	175	187
Of which, subscription rights to shares (Thousands of shares)	175	187

(Subsequent Events)

Not applicable