

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets			
Current assets:			
Cash and cash equivalents	¥ 46,360	¥ 37,606	\$ 418,756
Notes and accounts receivable—trade	135,618	134,110	1,224,991
Inventories	109,685	117,259	990,749
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,667	1,819	15,062
Other current assets	17,114	17,366	154,591
Allowance for doubtful accounts	(1,423)	(1,303)	(12,858)
Total current assets	309,024	306,858	2,791,292
Property, plant and equipment:			
Land	31,744	31,304	286,739
Buildings and structures	219,730	207,065	1,984,742
Machinery, equipment and vehicles	614,774	593,774	5,553,019
Construction in progress	21,808	27,038	196,988
Other	6,186	4,750	55,877
	894,245	863,933	8,077,368
Less accumulated depreciation	(625,081)	(600,876)	(5,646,113)
Property, plant and equipment, net	269,164	263,056	2,431,254
Intangible assets:	13,829	13,180	124,918
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	3,523	3,422	31,830
Other	54,526	45,258	492,516
Long-term loans receivable	761	1,005	6,876
Deferred tax assets	6,206	10,035	56,057
Other	10,623	10,684	95,954
Allowance for doubtful accounts	(229)	(241)	(2,074)
Total investments and other assets	75,411	70,166	681,160
	¥ 667,429	¥ 653,262	\$ 6,028,626

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2021, which was ¥110.71 to U.S. \$1.00.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities and net assets			
Current liabilities:			
Short-term loans payable	¥ 74,832	¥ 76,760	\$ 675,928
Current portion of long-term loans payable	9,349	12,074	84,449
Notes and accounts payable:			
Trade	75,757	73,509	684,291
Construction	8,706	12,222	78,645
Other	18,801	16,824	169,823
Income taxes payable	4,376	2,408	39,534
Accrued expenses	14,410	13,489	130,166
Other current liabilities	6,068	4,310	54,811
Total current liabilities	212,303	211,599	1,917,651
Noncurrent liabilities:			
Bonds payable	10,000	10,000	90,326
Long-term loans payable	25,161	33,293	227,273
Net defined benefit liability	32,073	38,308	289,705
Provision for directors' retirement benefits	314	317	2,842
Deferred tax liabilities	1,647	1,576	14,877
Other non-current liabilities	4,889	4,071	44,163
Total non-current liabilities	74,085	87,568	669,188
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Capital stock			
Authorized — 150,000,000 shares			
Issued — 68,000,000 shares	33,046	33,046	298,498
Capital surplus	31,103	30,962	280,944
Retained earnings	289,544	280,265	2,615,338
Less treasury stock, at cost — 2,762,766 shares in 2021			
2,774,049 shares in 2020	(11,535)	(11,583)	(104,191)
Total shareholders' equity	342,159	332,691	3,090,590
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	20,863	14,246	188,448
Deferred gains or losses on hedges	(9)	(103)	(88)
Foreign currency translation adjustments	(3,753)	(7,395)	(33,907)
Remeasurements of defined benefit plans	(2,160)	(7,956)	(19,511)
Total accumulated other comprehensive income	14,939	(1,208)	134,942
Subscription rights to shares	516	482	4,667
Non-controlling interests	23,424	22,128	211,587
Total net assets	381,040	354,094	3,441,787
	¥ 667,429	¥ 653,262	\$ 6,028,626

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CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Net sales	¥ 577,426	¥ 601,514	¥ 621,043	\$ 5,215,669
Cost of sales	410,486	432,374	446,254	3,707,760
Gross profit	166,940	169,139	174,789	1,507,909
Selling, general and administrative expenses	139,395	143,124	138,747	1,259,107
Operating income	27,544	26,014	36,041	248,802
Other income (expenses):				
Interest and dividend income	1,445	1,684	1,920	13,054
Interest expenses	(1,259)	(1,714)	(2,014)	(11,374)
Gain on sales of investment securities	796	627	1,515	7,194
Gain on sales of property, plant and equipment	—	315	427	—
Income from compensation for damage	1,624	—	—	14,672
Loss on disposal of property, plant and equipment	(2,402)	(1,916)	(2,521)	(21,697)
Foreign exchange gains (losses), net	250	(968)	(333)	2,258
Equity in earnings of affiliates, net	109	150	29	992
Litigation expenses	(289)	(996)	(1,683)	(2,616)
Restructuring charges	—	—	(1,851)	—
Impairment losses	(897)	—	—	(8,106)
Loss on disaster	(1,099)	—	—	(9,927)
Gain on step acquisitions	—	—	443	—
Settlement received	—	—	1,051	—
Gain on contribution of securities to retirement benefit trust	—	378	1,608	—
Other, net	(3,621)	(3,777)	(2,725)	(32,713)
Income before income taxes and non-controlling interests	22,201	19,797	31,909	200,538
Income taxes				
Current	6,372	4,809	7,893	57,556
Deferred	(1,354)	(490)	40	(12,237)
Net income	17,184	15,479	23,975	155,219
Net income attributable to non-controlling interests	1,353	1,475	1,736	12,224
Net income attributable to owners of parent	¥ 15,831	¥ 14,003	¥ 22,238	\$ 142,995

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Net income	¥ 17,184	¥ 15,479	¥ 23,975	\$ 155,219
Other comprehensive income:				
Valuation difference on available-for-sale securities	6,746	(5,437)	(5,164)	60,936
Deferred gains or losses on hedges	93	7	(1)	843
Foreign currency translation adjustments	3,924	(3,668)	(1,178)	35,444
Remeasurements of defined benefit plans	5,825	(2,280)	1,800	52,621
Share of other comprehensive income of associates accounted for using equity method	10	(0)	(5)	98
Total other comprehensive income	16,600	(11,379)	(4,549)	149,944
Comprehensive income	¥ 33,784	¥ 4,099	¥ 19,425	\$ 305,163
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 31,978	¥ 2,976	¥ 17,996	\$ 288,850
Comprehensive income attributable to non-controlling interests	1,806	1,123	1,429	16,313

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,046	¥ 33,046	¥ 33,046	\$ 298,498
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	33,046	33,046	33,046	298,498
Capital surplus				
Balance at beginning of year	30,962	32,784	32,799	279,669
Changes of items during the period				
Change in treasury shares of parent arising from transactions with non-controlling interests	141	(1,821)	(14)	1,275
Total changes of items during the period	141	(1,821)	(14)	1,275
Balance at the end of current period	31,103	30,962	32,784	280,944
Retained earnings				
Balance at beginning of year	280,265	272,944	264,963	2,531,529
Changes of items during the period				
Dividends from surplus—¥100.00 per share	(6,523)	(6,848)	(5,906)	(58,921)
Change of scope of consolidation	(21)	167	—	(195)
Net income attributable to owners of parent	15,831	14,003	22,238	142,995
Disposal of treasury stock	(7)	(1)	(0)	(69)
Cancellation of treasury stock	—	—	(8,351)	—
Total changes of items during the period	9,278	7,321	7,980	83,808
Balance at the end of current period	289,544	280,265	272,944	2,615,338
Treasury stock				
Balance at beginning of year	(11,583)	(11,601)	(18,683)	(104,627)
Changes of items during the period				
Purchase of treasury stock	(3)	(4)	(1,767)	(35)
Disposal of treasury stock	52	23	498	470
Cancellation of treasury stock	—	—	8,351	—
Total changes of items during the period	48	18	7,081	435
Balance at the end of current period	(11,535)	(11,583)	(11,601)	(104,191)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	14,246	19,642	24,730	128,686
Changes of items during the period				
Net changes of items other than shareholders' equity	6,616	(5,395)	(5,087)	59,762
Total changes of items during the period	6,616	(5,395)	(5,087)	59,762
Balance at the end of current period	20,863	14,246	19,642	188,448
Deferred gains or losses on hedges				
Balance at beginning of year	(103)	(110)	(108)	(931)
Changes of items during the period				
Net changes of items other than shareholders' equity	93	7	(1)	843
Total changes of items during the period	93	7	(1)	843
Balance at the end of current period	(9)	(103)	(110)	(88)

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	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Foreign currency translation adjustments				
Balance at beginning of year	¥ (7,395)	¥ (4,008)	¥ (3,035)	\$ (66,799)
Changes of items during the period				
Net changes of items other than shareholders' equity	3,641	(3,387)	(972)	32,892
Total changes of items during the period	3,641	(3,387)	(972)	32,892
Balance at the end of current period	(3,753)	(7,395)	(4,008)	(33,907)
Remeasurements of defined benefit plans				
Balance at beginning of year	(7,956)	(5,705)	(7,526)	(71,867)
Changes of items during the period				
Net changes of items other than shareholders' equity	5,796	(2,250)	1,820	52,356
Total changes of items during the period	5,796	(2,250)	1,820	52,356
Balance at the end of current period	(2,160)	(7,956)	(5,705)	(19,511)
Subscription rights to shares				
Balance at beginning of year	482	431	300	4,359
Changes of items during the period				
Net changes of items other than shareholders' equity	34	50	131	307
Total changes of items during the period	34	50	131	307
Balance at the end of current period	516	482	431	4,667
Non-controlling interests				
Balance at beginning of year	22,128	23,302	20,112	199,881
Changes of items during the period				
Net changes of items other than shareholders' equity	1,295	(1,173)	3,190	11,705
Total changes of items during the period	1,295	(1,173)	3,190	11,705
Balance at the end of current period	23,424	22,128	23,302	211,587
Total net assets				
Balance at beginning of year	354,094	360,726	346,599	3,198,399
Changes of items during the period				
Dividends from surplus—¥100.00 per share	(6,523)	(6,848)	(5,906)	(58,921)
Change of scope of consolidation	(21)	167	—	(195)
Net income attributable to owners of parent	15,831	14,003	22,238	142,995
Purchase of treasury stock	(3)	(4)	(1,767)	(35)
Disposal of treasury stock	44	21	498	400
Cancellation of treasury stock	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling interests	141	(1,821)	(14)	1,275
Net changes of items other than shareholders' equity	17,477	(12,149)	(920)	157,868
Total changes of items during the period	26,945	(6,631)	14,127	243,388
Balance at the end of current period	¥ 381,040	¥ 354,094	¥ 360,726	\$ 3,441,787

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CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

	Millions of yen			Thousands of U.S. dollars
	2021	2020	2019	2021
Cash flows from operating activities				
Income before income taxes and non-controlling interests	¥ 22,201	¥ 19,797	¥ 31,909	\$ 200,538
Depreciation and amortization	36,262	34,340	32,150	327,544
Impairment losses	897	—	—	8,106
Gain on step acquisitions	—	—	(443)	—
Restructuring charges	—	—	1,851	—
Settlement received	—	—	(1,051)	—
Gain on contribution of securities to retirement benefit trust	—	(378)	(1,608)	—
Income from compensation for damage	(1,624)	—	—	(14,672)
Increase (decrease) in net defined benefit liability	2,034	896	2,244	18,375
Increase (decrease) in allowance for doubtful accounts	59	67	(11)	534
Interest and dividend income	(1,445)	(1,684)	(1,920)	(13,054)
Interest expenses	1,259	1,714	2,014	11,374
Loss (gain) on disposal of property, plant and equipment	765	53	445	6,916
Gain on sales of investment securities	(796)	(627)	(1,515)	(7,194)
Equity in earnings of affiliates, net	(109)	(150)	(29)	(992)
Decrease (increase) in notes and accounts receivable-trade	(246)	13,197	(5,329)	(2,227)
Decrease (increase) in inventories	8,838	(5,572)	(9,868)	79,837
Increase (decrease) in notes and accounts payable-trade	1,392	(11,120)	(141)	12,582
Others	6,221	(4,083)	139	56,193
Subtotal	75,710	46,450	48,833	683,861
Interest and dividend income received	1,533	1,787	1,997	13,847
Interest expenses paid	(1,325)	(1,721)	(2,009)	(11,972)
Proceeds from compensation for damage	1,624	—	—	14,672
Settlement package received	—	—	1,051	—
Income taxes paid	(3,502)	(6,531)	(8,760)	(31,634)
Net cash provided by operating activities	74,040	39,983	41,113	668,774
Cash flows from investing activities				
Purchase of property, plant and equipment	(39,431)	(42,977)	(43,987)	(356,170)
Proceeds from sales of property, plant and equipment	—	725	1,705	—
Purchase of intangible assets	(2,965)	(3,297)	(1,809)	(26,783)
Purchase of investment securities	(74)	(175)	(1,607)	(670)
Proceeds from sales and distributions of investment securities	57	867	1,635	518
Proceeds from redemption of investment securities	104	4,000	—	947
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	37	227	—
Purchase of stocks of subsidiaries and affiliates	—	—	(1,878)	—
Payments of loans receivable	(874)	(1,238)	(1,220)	(7,894)
Collection of loans receivable	1,145	872	1,162	10,345
Others	(1,191)	(620)	(1,454)	(10,762)
Net cash used in investing activities	(43,229)	(41,807)	(47,229)	(390,471)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	(3,515)	14,121	13,648	(31,756)
Proceeds from long-term loans payable	776	1,362	3,810	7,009
Repayment of long-term loans payable	(11,712)	(4,366)	(10,880)	(105,796)
Proceeds from issuance of bonds	—	10,000	—	—
Redemption of bonds	—	(10,000)	—	—
Repayments of lease obligations	(501)	(244)	(127)	(4,532)
Proceeds from share issuance to non-controlling shareholders	—	390	245	—
Cash dividends paid	(6,523)	(6,848)	(5,906)	(58,921)
Cash dividends paid to non-controlling interests	(260)	(314)	(351)	(2,350)
Purchase of treasury stock	(3)	(4)	(1,767)	(35)
Proceeds from sales of treasury stock	0	0	395	2
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(162)	(4,574)	(21)	(1,467)
Net cash used in financing activities	(21,903)	(479)	(954)	(197,848)
Effect of exchange rate change on cash and cash equivalents	(198)	(201)	(373)	(1,789)
Net increase (decrease) in cash and cash equivalents	8,708	(2,505)	(7,443)	78,664
Cash and cash equivalents at beginning of period	37,606	39,970	47,413	339,682
Increase in cash and cash equivalents resulting from change of scope of consolidation	45	141	—	408
Cash and cash equivalents at end of period	¥ 46,360	¥ 37,606	¥ 39,970	\$ 418,756

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