



Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets			
Current assets:			
Cash and cash equivalents	¥ 40,699	¥ 40,712	\$ 304,793
Notes and accounts receivable – trade, and contract assets	170,154	164,128	1,274,276
Inventories	168,115	140,483	1,259,009
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,304	1,481	9,772
Other current assets	18,193	17,656	136,249
Allowance for doubtful accounts	(1,502)	(1,552)	(11,252)
Total current assets	396,964	362,910	2,972,849
Property, plant and equipment:			
Land	33,079	32,855	247,729
Buildings and structures	240,711	228,539	1,802,680
Machinery, equipment and vehicles	665,388	640,545	4,983,062
Construction in progress	32,062	24,105	240,113
Leased assets	17,963	6,549	134,531
	989,205	932,596	7,408,117
Less accumulated depreciation	(696,590)	(661,321)	(5,216,732)
Property, plant and equipment, net	292,615	271,275	2,191,385
Intangible assets:	16,189	14,977	121,243
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	3,641	3,635	27,273
Other	53,913	55,107	403,753
Long-term loans receivable	597	660	4,473
Deferred tax assets	4,450	7,504	33,329
Other	14,550	11,190	108,970
Allowance for doubtful accounts	(283)	(300)	(2,123)
Total investments and other assets	76,870	77,796	575,676
	¥ 782,640	¥ 726,959	\$ 5,861,155

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Liabilities and net assets			
Current liabilities:			
Short-term loans payable	¥ 108,070	¥ 84,014	\$ 809,337
Current portion of long-term loans payable	8,420	5,978	63,059
Lease liabilities	1,037	641	7,769
Notes and accounts payable:			
Trade	88,663	92,068	663,999
Construction	7,610	6,353	56,996
Other	18,785	20,770	140,682
Income taxes payable	5,055	3,466	37,863
Accrued expenses	14,828	15,467	111,046
Other current liabilities	5,770	5,740	43,211
Total current liabilities	258,242	234,502	1,933,966
Non-current liabilities:			
Bonds payable	10,000	10,000	74,889
Long-term loans payable	33,706	28,627	252,429
Lease liabilities	14,709	3,569	110,159
Net defined benefit liability	20,829	31,559	155,990
Provision for directors' retirement benefits	318	295	2,381
Deferred tax liabilities	1,705	2,018	12,771
Provision for product warranties	2,057	2,331	15,406
Other non-current liabilities	4,648	1,850	34,809
Total non-current liabilities	87,974	80,253	658,838
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Capital stock			
Authorized — 150,000,000 shares			
Issued — 68,000,000 shares	33,046	33,046	247,485
Capital surplus	32,245	31,392	241,485
Retained earnings	323,213	309,507	2,420,532
Less treasury stock, at cost — 3,106,293 shares in 2023			
2,761,323 shares in 2022	(11,407)	(11,528)	(85,428)
Total shareholders' equity	377,098	362,417	2,824,075
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	22,204	21,331	166,288
Deferred gains or losses on hedges	(3)	(4)	(28)
Foreign currency translation adjustments	11,543	4,381	86,449
Remeasurements of defined benefit plans	6,529	(975)	48,897
Total accumulated other comprehensive income	40,273	24,732	301,607
Subscription rights to shares	622	619	4,661
Non-controlling interests	18,427	24,435	138,004
Total net assets	436,422	412,204	3,268,349
	¥ 782,640	¥ 726,959	\$ 5,861,155

* 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, 2023 which was ¥133.53 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
Net sales	¥ 755,821	¥ 691,530	¥ 577,426	\$ 5,660,313
Cost of sales	556,895	494,880	410,486	4,170,564
Gross profit	198,926	196,649	166,940	1,489,748
Selling, general and administrative expenses	163,838	153,086	139,395	1,226,979
Operating income	35,087	43,562	27,544	262,768
Other income (expenses):				
Interest and dividend income	1,917	1,648	1,445	14,360
Interest expenses	(1,965)	(1,064)	(1,259)	(14,719)
Gain on sales of investment securities	1,410	19	796	10,562
Depreciation of inactive non-current assets	(1,147)	(628)	(596)	(8,594)
Income from compensation for damage	—	—	1,624	—
Loss on disposal of property, plant and equipment	(1,839)	(1,638)	(2,402)	(13,774)
Loss on valuation of investment securities	(1,448)	—	—	(10,846)
Foreign exchange gains (losses), net	1,888	1,159	250	14,144
Equity in earnings of affiliates, net	137	132	109	1,027
Litigation expenses	—	—	(289)	—
Restructuring charges	—	(2,692)	—	—
Impairment losses	—	(1,059)	(897)	—
Product warranty expenses	—	(2,331)	—	—
Loss on disaster	—	—	(1,099)	—
Other, net	(1,666)	(703)	(3,025)	(12,483)
Income before income taxes and non-controlling interests	32,373	36,405	22,201	242,446
Income taxes				
Current	9,010	10,075	6,372	67,480
Deferred	(711)	(1,398)	(1,354)	(5,330)
Net income	24,074	27,728	17,184	180,296
Net income attributable to non-controlling interests	1,066	1,240	1,353	7,989
Net income attributable to owners of parent	¥ 23,008	¥ 26,487	¥ 15,831	\$ 172,307

	yen			U.S. dollars
	2023	2022	2021	2023
Net income per share—basic	¥ 349.59	¥ 406.01	¥ 242.68	\$ 2.61
Net income per share—diluted	348.66	404.95	242.13	2.61
Cash dividends applicable to the year	110.00	110.00	100.00	0.82

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
Net income	¥ 24,074	¥ 27,728	¥ 17,184	\$ 180,296
Other comprehensive income:				
Valuation difference on available-for-sale securities	882	455	6,746	6,611
Deferred gains or losses on hedges	0	5	93	6
Foreign currency translation adjustments	7,594	8,495	3,924	56,877
Remeasurements of defined benefit plans	7,509	1,179	5,825	56,237
Share of other comprehensive income of associates accounted for using equity method	1	(7)	10	9
Total other comprehensive income	15,989	10,128	16,600	119,742
Comprehensive income	¥ 40,064	¥ 37,856	¥ 33,784	\$ 300,039
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 38,549	¥ 36,280	¥ 31,978	\$ 288,693
Comprehensive income attributable to non-controlling interests	1,515	1,575	1,806	11,345

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,046	¥ 33,046	¥ 33,046	\$ 247,485
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	247,485
Capital surplus				
Balance at beginning of year	31,392	31,103	30,962	235,096
Changes of items during the period				
Increase by share exchange	789	—	—	5,913
Change in treasury shares of parent arising from transactions with non-controlling interests	63	289	141	475
Total changes of items during the period	853	289	141	6,388
Balance at the end of current period	32,245	31,392	31,103	241,485
Retained earnings				
Balance at beginning of year	309,507	289,544	280,265	2,317,884
Changes of items during the period				
Dividends from surplus—¥110.00 per share	(7,599)	(6,523)	(6,523)	(56,911)
Change of scope of consolidation	—	—	(21)	—
Net income attributable to owners of parent	23,008	26,487	15,831	172,307
Disposal of treasury stock	(5)	(1)	(7)	(39)
Increase by share exchange	(1,696)	—	—	(12,707)
Total changes of items during the period	13,706	19,963	9,278	102,648
Balance at the end of current period	323,213	309,507	289,544	2,420,532
Treasury stock				
Balance at beginning of year	(11,528)	(11,535)	(11,583)	(86,339)
Changes of items during the period				
Purchase of treasury stock	(8,051)	(4)	(3)	(60,296)
Disposal of treasury stock	30	10	52	228
Increase by share exchange	8,142	—	—	60,978
Total changes of items during the period	121	6	48	911
Balance at the end of current period	(11,407)	(11,528)	(11,535)	(85,428)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	21,331	20,863	14,246	159,749
Changes of items during the period				
Net changes of items other than shareholders' equity	873	468	6,616	6,538
Total changes of items during the period	873	468	6,616	6,538
Balance at the end of current period	22,204	21,331	20,863	166,288
Deferred gains or losses on hedges				
Balance at beginning of year	(4)	(9)	(103)	(35)
Changes of items during the period				
Net changes of items other than shareholders' equity	0	5	93	6
Total changes of items during the period	0	5	93	6
Balance at the end of current period	(3)	(4)	(9)	(28)



CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2023, 2022 and 2021

	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
Foreign currency translation adjustments				
Balance at beginning of year	¥ 4,381	¥ (3,753)	¥ (7,395)	\$ 32,812
Changes of items during the period				
Net changes of items other than shareholders' equity	7,162	8,135	3,641	53,637
Total changes of items during the period	7,162	8,135	3,641	53,637
Balance at the end of current period	11,543	4,381	(3,753)	86,449
Remeasurements of defined benefit plans				
Balance at beginning of year	(975)	(2,160)	(7,956)	(7,304)
Changes of items during the period				
Net changes of items other than shareholders' equity	7,504	1,184	5,796	56,202
Total changes of items during the period	7,504	1,184	5,796	56,202
Balance at the end of current period	6,529	(975)	(2,160)	48,897
Subscription rights to shares				
Balance at beginning of year	619	516	482	4,635
Changes of items during the period				
Net changes of items other than shareholders' equity	3	102	34	26
Total changes of items during the period	3	102	34	26
Balance at the end of current period	622	619	516	4,661
Non-controlling interests				
Balance at beginning of year	24,435	23,424	22,128	182,993
Changes of items during the period				
Net changes of items other than shareholders' equity	(6,007)	1,010	1,295	(44,988)
Total changes of items during the period	(6,007)	1,010	1,295	(44,988)
Balance at the end of current period	18,427	24,435	23,424	138,004
Total net assets				
Balance at beginning of year	412,204	381,040	354,094	3,086,977
Changes of items during the period				
Dividends from surplus—¥110.00 per share	(7,599)	(6,523)	(6,523)	(56,911)
Change of scope of consolidation	—	—	(21)	—
Net income attributable to owners of parent	23,008	26,487	15,831	172,307
Purchase of treasury stock	(8,051)	(4)	(3)	(60,296)
Disposal of treasury stock	25	9	44	188
Increase by share exchange	7,235	—	—	54,184
Change in treasury shares of parent arising from transactions with non-controlling interests	63	289	141	475
Net changes of items other than shareholders' equity	9,537	10,905	17,477	71,423
Total changes of items during the period	24,218	31,163	26,945	181,371
Balance at the end of current period	¥ 436,422	¥ 412,204	¥ 381,040	\$ 3,268,349

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	Millions of yen			Thousands of U.S. dollars
	2023	2022	2021	2023
Cash Flows from Operating Activities				
Income before income taxes and non-controlling interests	¥ 32,373	¥ 36,405	¥ 22,201	\$ 242,446
Depreciation and amortization	39,456	37,953	36,262	295,488
Restructuring charges	—	2,692	—	—
Impairment losses	—	1,059	897	—
Product warranty expense	—	2,331	—	—
Insurance claim income	—	(1,671)	—	—
Income from compensation for damage	—	—	(1,624)	—
Increase (decrease) in net defined benefit liability	(139)	879	2,034	(1,043)
Increase (decrease) in allowance for doubtful accounts	(110)	162	59	(828)
Interest and dividend income	(1,917)	(1,648)	(1,445)	(14,360)
Interest expenses	1,965	1,064	1,259	14,719
Equity in earnings of affiliates, net	(137)	(132)	(109)	(1,027)
Loss (gain) on disposal of property, plant and equipment	630	498	765	4,719
Loss (gain) on sale of investment securities	(1,410)	—	—	(10,562)
Loss (gain) on valuation of investment securities	1,448	—	—	10,846
Gain on sales of investment securities	—	(19)	(796)	—
Decrease (increase) in notes and accounts receivable-trade	(3,474)	(25,608)	(246)	(26,019)
Decrease (increase) in inventories	(24,875)	(27,541)	8,838	(186,293)
Increase (decrease) in notes and accounts payable-trade	(4,785)	14,628	1,392	(35,841)
Others	(4,620)	3,328	6,221	(34,604)
Subtotal	34,402	44,381	75,710	257,636
Interest and dividend income received	1,942	1,717	1,533	14,545
Interest expenses paid	(1,955)	(1,085)	(1,325)	(14,645)
Proceeds from insurance income	1,177	512	—	8,817
Proceeds from compensation for damage	—	—	1,624	—
Income taxes paid	(6,856)	(11,419)	(3,502)	(51,345)
Net cash provided by operating activities	28,710	34,106	74,040	215,008
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(39,628)	(37,329)	(39,431)	(296,778)
Proceeds from sales of property, plant and equipment	87	—	—	653
Purchase of intangible assets	(2,363)	(2,601)	(2,965)	(17,700)
Purchase of investment securities	(909)	(77)	(74)	(6,811)
Proceeds from sales and distributions of investment securities	2,509	877	57	18,793
Proceeds from redemption of investment securities	—	—	104	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(336)	—	—
Payments of loans receivable	(99)	(398)	(874)	(741)
Collection of loans receivable	336	632	1,145	2,521
Others	(1,902)	(362)	(1,191)	(14,248)
Net cash used in investing activities	(41,970)	(39,595)	(43,229)	(314,311)
Cash Flows from Financing Activities				
Net increase (decrease) in short-term loans payable	21,814	6,606	(3,515)	163,366
Proceeds from long-term loans payable	13,541	9,119	776	101,409
Repayments of long-term loans payable	(6,198)	(9,390)	(11,712)	(46,421)
Repayments of lease obligations	(863)	(618)	(501)	(6,467)
Purchase of treasury stock	(8,051)	(4)	(3)	(60,296)
Proceeds from sales of treasury stock	0	0	0	3
Cash dividends paid	(7,599)	(6,523)	(6,523)	(56,911)
Proceeds from share issuance to non-controlling shareholders	0	0	—	0
Cash dividends paid to non-controlling interests	(284)	(231)	(260)	(2,127)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(6)	(63)	(162)	(51)
Net cash used in financing activities	12,352	(1,105)	(21,903)	92,505
Effect of exchange rate change on cash and cash equivalents	894	946	(198)	6,696
Net increase (decrease) in cash and cash equivalents	(13)	(5,647)	8,708	(100)
Cash and cash equivalents at beginning of period	40,712	46,360	37,606	304,894
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	—	45	—
Cash and cash equivalents at end of period	¥ 40,699	¥ 40,712	¥ 46,360	\$ 304,793

