

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2022 and 2021

Assets	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Current assets:			
Cash and cash equivalents	¥ 40,712	¥ 46,360	\$ 332,646
Notes and accounts receivable—trade	—	135,618	—
Notes and accounts receivable—trade, and contract assets	164,128	—	1,341,028
Inventories	140,483	109,685	1,147,833
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,481	1,667	12,103
Other current assets	17,656	17,114	144,261
Allowance for doubtful accounts	(1,552)	(1,423)	(12,680)
Total current assets	362,910	309,024	2,965,193
Property, plant and equipment:			
Land	32,855	31,744	268,452
Buildings and structures	228,539	219,730	1,867,301
Machinery, equipment and vehicles	640,545	614,774	5,233,645
Construction in progress	24,105	21,808	196,958
Other	6,549	6,186	53,516
	932,596	894,245	7,619,874
Less accumulated depreciation	(661,321)	(625,081)	(5,403,390)
Property, plant and equipment, net	271,275	269,164	2,216,483
Intangible assets:	14,977	13,829	122,375
Investments and other assets:			
Investment securities			
Unconsolidated subsidiaries and affiliates	3,635	3,523	29,700
Other	55,107	54,526	450,257
Long-term loans receivable	660	761	5,399
Deferred tax assets	7,504	6,206	61,312
Other	11,190	10,623	91,434
Allowance for doubtful accounts	(300)	(229)	(2,458)
Total investments and other assets	77,796	75,411	635,647
	¥ 726,959	¥ 667,429	\$ 5,939,699

* 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, 2022, which was ¥122.39 to U.S. \$1.00.

Liabilities and Net assets	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Current liabilities:			
Short-term loans payable	¥ 84,014	¥ 74,832	\$ 686,446
Current portion of long-term loans payable	5,978	9,349	48,847
Notes and accounts payable:			
Trade	92,068	75,757	752,257
Construction	6,353	8,706	51,914
Other	20,770	18,801	169,710
Income taxes payable	3,466	4,376	28,325
Accrued expenses	15,467	14,410	126,375
Other current liabilities	6,382	6,068	52,146
Total current liabilities	234,502	212,303	1,916,024
Non-current liabilities:			
Bonds payable	10,000	10,000	81,706
Long-term loans payable	28,627	25,161	233,905
Net defined benefit liability	31,559	32,073	257,864
Provision for directors' retirement benefits	295	314	2,415
Deferred tax liabilities	2,018	1,647	16,495
Provision for product warranties	2,331	—	19,045
Other non-current liabilities	5,420	4,889	44,286
Total non-current liabilities	80,253	74,085	655,719
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Capital stock			
Authorized — 150,000,000 shares			
Issued — 68,000,000 shares	33,046	33,046	270,012
Capital surplus	31,392	31,103	256,494
Retained earnings	309,507	289,544	2,528,859
Less treasury stock, at cost — 2,761,323 shares in 2022			
2,762,766 shares in 2021	(11,528)	(11,535)	(94,198)
Total shareholders' equity	362,417	342,159	2,961,167
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	21,331	20,863	174,290
Deferred gains or losses on hedges	(4)	(9)	(38)
Foreign currency translation adjustments	4,381	(3,753)	35,798
Remeasurements of defined benefit plans	(975)	(2,160)	(7,969)
Total accumulated other comprehensive income	24,732	14,939	202,080
Subscription rights to shares	619	516	5,057
Non-controlling interests	24,435	23,424	199,649
Total net assets	412,204	381,040	3,367,956
	¥ 726,959	¥ 667,429	\$ 5,939,699

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Net sales	¥ 691,530	¥ 577,426	¥ 601,514	\$ 5,650,216
Cost of sales	494,880	410,486	432,374	4,043,474
Gross profit	196,649	166,940	169,139	1,606,742
Selling, general and administrative expenses	153,086	139,395	143,124	1,250,811
Operating income	43,562	27,544	26,014	355,930
Other income (expenses):				
Interest and dividend income	1,648	1,445	1,684	13,469
Interest expenses	(1,064)	(1,259)	(1,714)	(8,694)
Gain on sales of investment securities	19	796	627	158
Gain on sales of property, plant and equipment	—	—	315	—
Income from compensation for damage	—	1,624	—	—
Loss on disposal of property, plant and equipment	(1,638)	(2,402)	(1,916)	(13,389)
Foreign exchange gains (losses), net	1,159	250	(968)	9,475
Equity in earnings of affiliates, net	132	109	150	1,084
Litigation expenses	—	(289)	(996)	—
Restructuring charges	(2,692)	—	—	(22,000)
Impairment losses	(1,059)	(897)	—	(8,654)
Product warranty expenses	(2,331)	—	—	(19,045)
Loss on disaster	—	(1,099)	—	—
Gain on contribution of securities to retirement benefit trust	—	—	378	—
Other, net	(1,331)	(3,621)	(3,777)	(10,881)
Income before income taxes and non-controlling interests	36,405	22,201	19,797	297,451
Income taxes				
Current	10,075	6,372	4,809	82,320
Deferred	(1,398)	(1,354)	(490)	(11,424)
Net income	27,728	17,184	15,479	226,555
Net income attributable to non-controlling interests	1,240	1,353	1,475	10,136
Net income attributable to owners of parent	¥ 26,487	¥ 15,831	¥ 14,003	\$ 216,418

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Net income	¥ 27,728	¥ 17,184	¥ 15,479	\$ 226,555
Other comprehensive income:				
Valuation difference on available-for-sale securities	455	6,746	(5,437)	3,723
Deferred gains or losses on hedges	5	93	7	41
Foreign currency translation adjustments	8,495	3,924	(3,668)	69,410
Remeasurements of defined benefit plans	1,179	5,825	(2,280)	9,638
Share of other comprehensive income of associates accounted for using equity method	(7)	10	(0)	(61)
Total other comprehensive income	10,128	16,600	(11,379)	82,752
Comprehensive income	¥ 37,856	¥ 33,784	¥ 4,099	\$ 309,307
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 36,280	¥ 31,978	¥ 2,976	\$ 296,434
Comprehensive income attributable to non-controlling interests	1,575	1,806	1,123	12,872

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CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2022, 2021 and 2020

	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,046	¥ 33,046	¥ 33,046	\$ 270,012
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	270,012
Capital surplus				
Balance at beginning of year	31,103	30,962	32,784	254,133
Changes of items during the period				
Change in treasury shares of parent arising from transactions with non-controlling interests	289	141	(1,821)	2,361
Total changes of items during the period	289	141	(1,821)	2,361
Balance at the end of current period	31,392	31,103	30,962	256,494
Retained earnings				
Balance at beginning of year	289,544	280,265	272,944	2,365,749
Changes of items during the period				
Dividends from surplus—¥100.00 per share	(6,523)	(6,523)	(6,848)	(53,300)
Change of scope of consolidation	—	(21)	167	—
Net income attributable to owners of parent	26,487	15,831	14,003	216,418
Disposal of treasury stock	(1)	(7)	(1)	(8)
Total changes of items during the period	19,963	9,278	7,321	163,109
Balance at the end of current period	309,507	289,544	280,265	2,528,859
Treasury stock				
Balance at beginning of year	(11,535)	(11,583)	(11,601)	(94,248)
Changes of items during the period				
Purchase of treasury stock	(4)	(3)	(4)	(35)
Disposal of treasury stock	10	52	23	85
Total changes of items during the period	6	48	18	49
Balance at the end of current period	(11,528)	(11,535)	(11,583)	(94,198)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	20,863	14,246	19,642	170,464
Changes of items during the period				
Net changes of items other than shareholders' equity	468	6,616	(5,395)	3,825
Total changes of items during the period	468	6,616	(5,395)	3,825
Balance at the end of current period	21,331	20,863	14,246	174,290
Deferred gains or losses on hedges				
Balance at beginning of year	(9)	(103)	(110)	(79)
Changes of items during the period				
Net changes of items other than shareholders' equity	5	93	7	41
Total changes of items during the period	5	93	7	41
Balance at the end of current period	(4)	(9)	(103)	(38)

	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Foreign currency translation adjustments				
Balance at beginning of year	¥ (3,753)	¥ (7,395)	¥ (4,008)	\$ (30,671)
Changes of items during the period				
Net changes of items other than shareholders' equity	8,135	3,641	(3,387)	66,470
Total changes of items during the period	8,135	3,641	(3,387)	66,470
Balance at the end of current period	4,381	(3,753)	(7,395)	35,798
Remeasurements of defined benefit plans				
Balance at beginning of year	(2,160)	(7,956)	(5,705)	(17,649)
Changes of items during the period				
Net changes of items other than shareholders' equity	1,184	5,796	(2,250)	9,679
Total changes of items during the period	1,184	5,796	(2,250)	9,679
Balance at the end of current period	(975)	(2,160)	(7,956)	(7,969)
Subscription rights to shares				
Balance at beginning of year	516	482	431	4,221
Changes of items during the period				
Net changes of items other than shareholders' equity	102	34	50	836
Total changes of items during the period	102	34	50	836
Balance at the end of current period	619	516	482	5,057
Non-controlling interests				
Balance at beginning of year	23,424	22,128	23,302	191,395
Changes of items during the period				
Net changes of items other than shareholders' equity	1,010	1,295	(1,173)	8,254
Total changes of items during the period	1,010	1,295	(1,173)	8,254
Balance at the end of current period	24,435	23,424	22,128	199,649
Total net assets				
Balance at beginning of year	381,040	354,094	360,726	3,113,328
Changes of items during the period				
Dividends from surplus—¥100.00 per share	(6,523)	(6,523)	(6,848)	(53,300)
Change of scope of consolidation	—	(21)	167	—
Net income attributable to owners of parent	26,487	15,831	14,003	216,418
Purchase of treasury stock	(4)	(3)	(4)	(35)
Disposal of treasury stock	9	44	21	76
Change in treasury shares of parent arising from transactions with non-controlling interests	289	141	(1,821)	2,361
Net changes of items other than shareholders' equity	10,905	17,477	(12,149)	89,106
Total changes of items during the period	31,163	26,945	(6,631)	254,627
Balance at the end of current period	¥ 412,204	¥ 381,040	¥ 354,094	\$ 3,367,956

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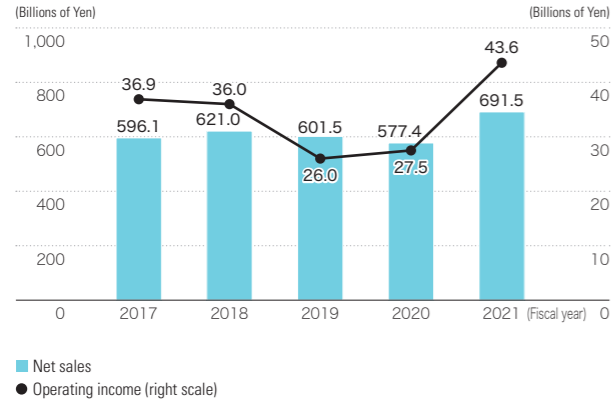
CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2022, 2021 and 2020

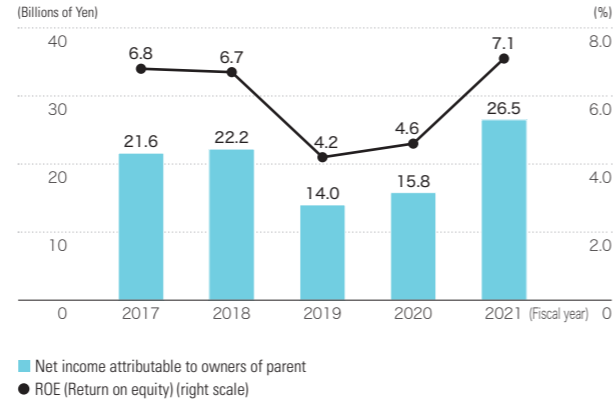
	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Cash Flows from Operating Activities				
Income before income taxes and non-controlling interests	¥ 36,405	¥ 22,201	¥ 19,797	\$ 297,451
Depreciation and amortization	37,953	36,262	34,340	310,104
Restructuring charges	2,692	—	—	22,000
Impairment losses	1,059	897	—	8,654
Product warranty expense	2,331	—	—	19,045
Insurance claim income	(1,671)	—	—	(13,656)
Gain on contribution of securities to retirement benefit trust	—	—	(378)	—
Income from compensation for damage	—	(1,624)	—	—
Increase (decrease) in net defined benefit liability	879	2,034	896	7,187
Increase (decrease) in allowance for doubtful accounts	162	59	67	1,330
Interest and dividend income	(1,648)	(1,445)	(1,684)	(13,469)
Interest expenses	1,064	1,259	1,714	8,694
Equity in earnings of affiliates, net	(132)	(109)	(150)	(1,084)
Loss (gain) on disposal of property, plant and equipment	498	765	53	4,075
Gain on sales of investment securities	(19)	(796)	(627)	(158)
Decrease (increase) in notes and accounts receivable-trade	(25,608)	(246)	13,197	(209,237)
Decrease (increase) in inventories	(27,541)	8,838	(5,572)	(225,034)
Increase (decrease) in notes and accounts payable-trade	14,628	1,392	(11,120)	119,525
Others	3,328	6,221	(4,083)	27,194
Subtotal	44,381	75,710	46,450	362,622
Interest and dividend income received	1,717	1,533	1,787	14,036
Interest expenses paid	(1,085)	(1,325)	(1,721)	(8,873)
Proceeds from insurance income	512	—	—	4,185
Proceeds from compensation for damage	—	1,624	—	—
Income taxes paid	(11,419)	(3,502)	(6,531)	(93,301)
Net cash provided by operating activities	34,106	74,040	39,983	278,670
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(37,329)	(39,431)	(42,977)	(305,006)
Proceeds from sales of property, plant and equipment	—	—	725	—
Purchase of intangible assets	(2,601)	(2,965)	(3,297)	(21,252)
Purchase of investment securities	(77)	(74)	(175)	(633)
Proceeds from sales and distributions of investment securities	877	57	867	7,167
Proceeds from redemption of investment securities	—	104	4,000	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(336)	—	—	(2,746)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	37	—
Payments of loans receivable	(398)	(874)	(1,238)	(3,256)
Collection of loans receivable	632	1,145	872	5,170
Others	(362)	(1,191)	(620)	(2,961)
Net cash used in investing activities	(39,595)	(43,229)	(41,807)	(323,519)
Cash Flows from Financing Activities				
Net increase (decrease) in short-term loans payable	6,606	(3,515)	14,121	53,982
Proceeds from long-term loans payable	9,119	776	1,362	74,513
Repayment of long-term loans payable	(9,390)	(11,712)	(4,366)	(76,726)
Proceeds from issuance of bonds	—	—	10,000	—
Redemption of bonds	—	—	(10,000)	—
Repayments of lease obligations	(618)	(501)	(244)	(5,052)
Purchase of treasury stock	(4)	(3)	(4)	(35)
Proceeds from sales of treasury stock	0	0	0	3
Cash dividends paid	(6,523)	(6,523)	(6,848)	(53,303)
Proceeds from share issuance to non-controlling shareholders	0	—	390	0
Cash dividends paid to non-controlling interests	(231)	(260)	(314)	(1,893)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(63)	(162)	(4,574)	(521)
Net cash used in financing activities	(1,105)	(21,903)	(479)	(9,033)
Effect of exchange rate change on cash and cash equivalents	946	(198)	(201)	7,734
Net increase (decrease) in cash and cash equivalents	(5,647)	8,708	(2,505)	(46,146)
Cash and cash equivalents at beginning of period	46,360	37,606	39,970	378,793
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	45	141	—
Cash and cash equivalents at end of period	¥ 40,712	¥ 46,360	¥ 37,606	\$ 332,646

Financial Highlights

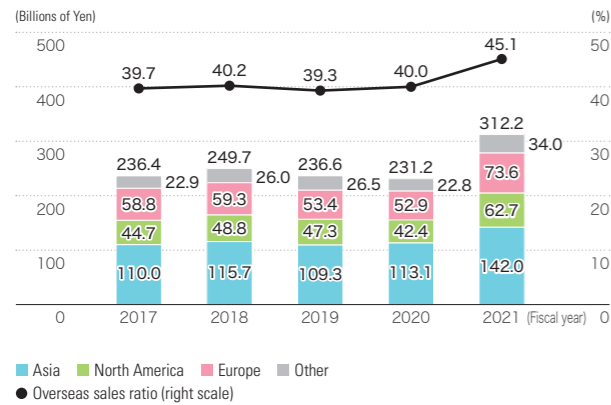
Net Sales / Operating Income



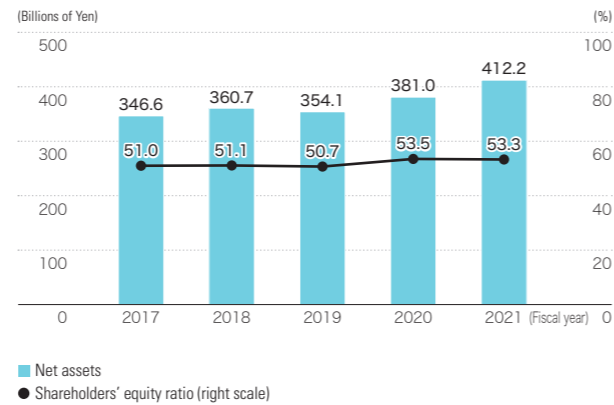
Net Income Attributable to Owners of Parent / ROE



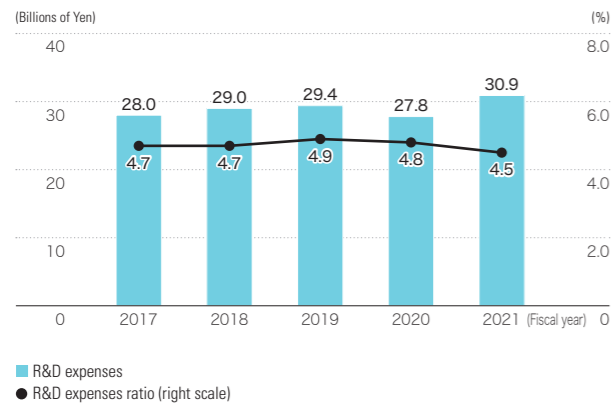
Overseas Sales / Overseas Sales Ratio



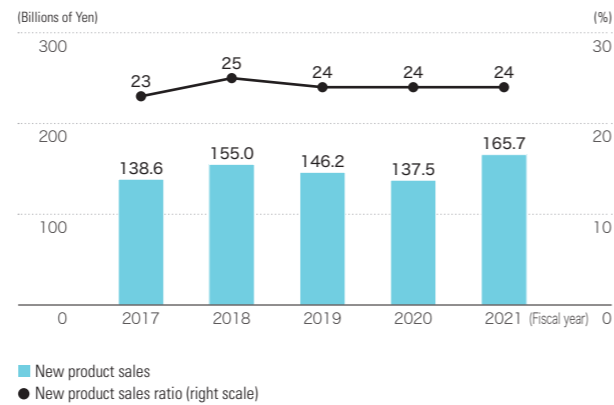
Net Assets / Shareholders' Equity Ratio



R&D Expenses / R&D Expenses Ratio

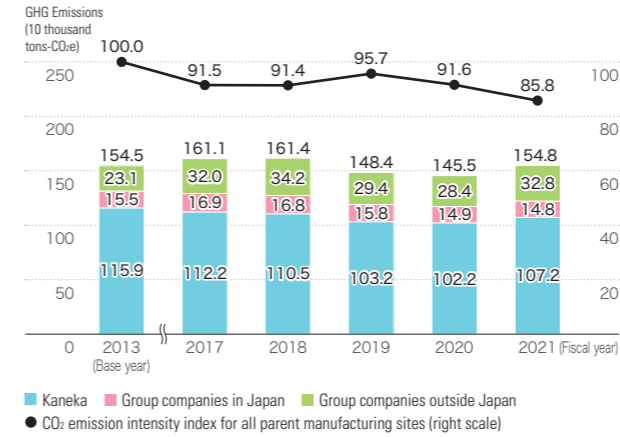


New Product Sales / New Product Sales Ratio

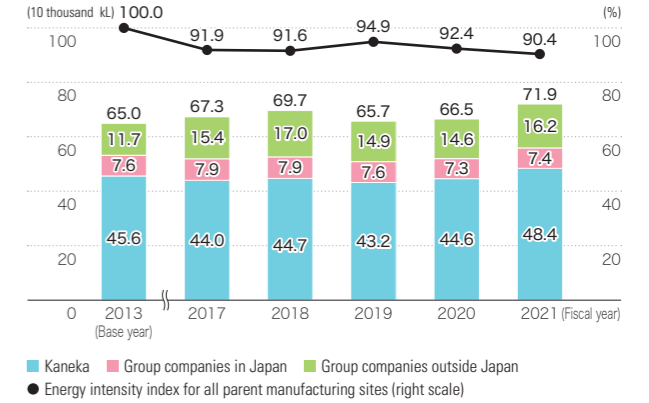


Nonfinancial Highlights

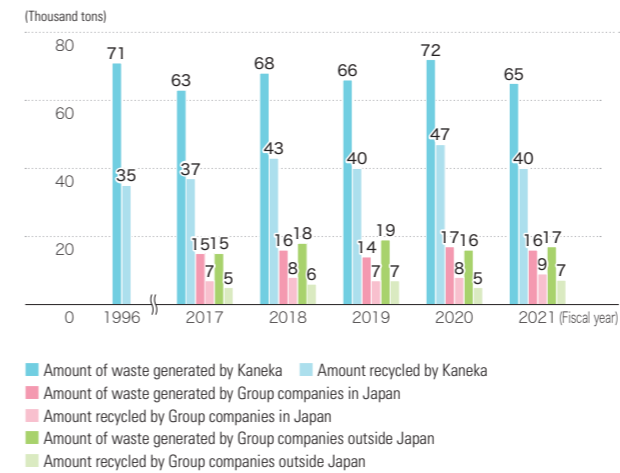
GHG Emissions and Energy Origin CO2 Emission Intensity Index



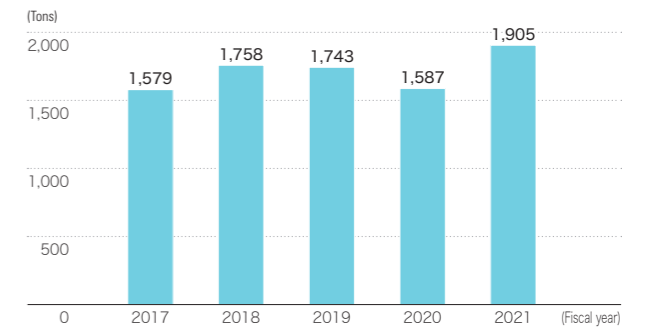
Energy Consumption and Energy Intensity Index



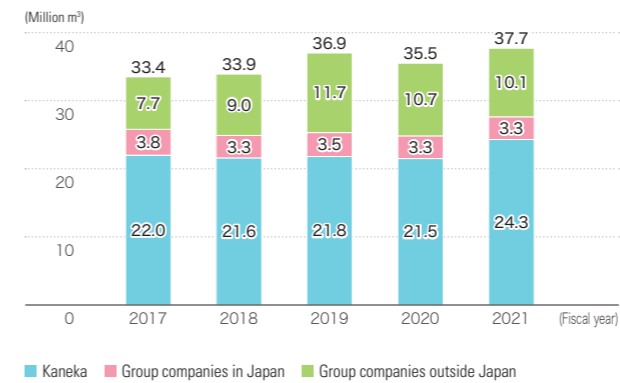
Waste Generated and Recycled



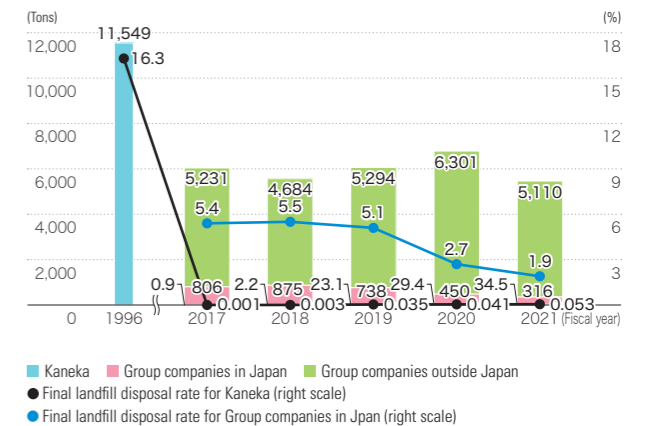
Volatile Organic Compounds Emissions



Water Consumption

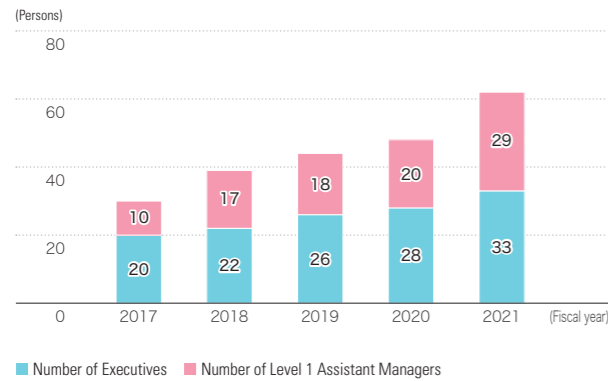


Volume and Rate of Waste Sent to Final Landfill

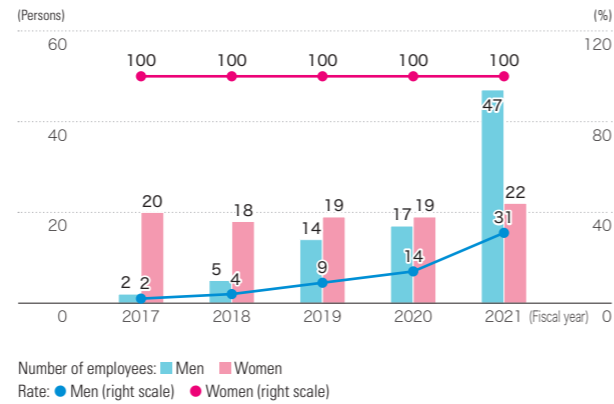


Nonfinancial Highlights

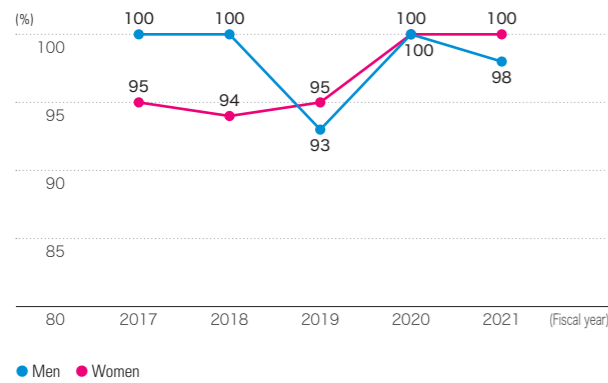
Number of Female Executives and Level 1 Assistant Managers



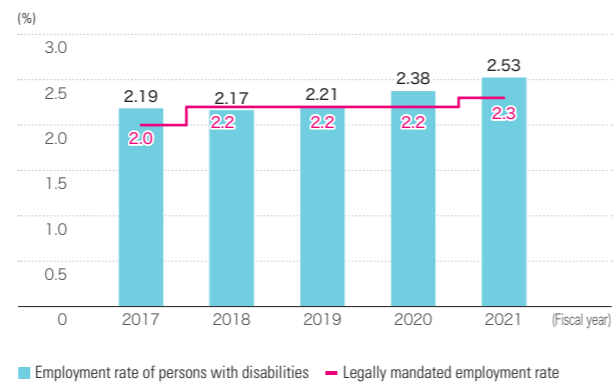
Number and Rate of Employees Taking Childcare Leave



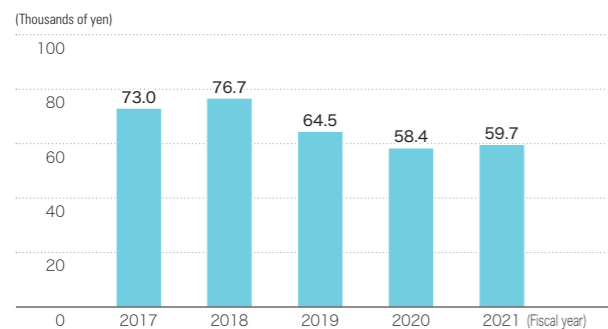
Return Rate of Employees Taking Childcare Leave



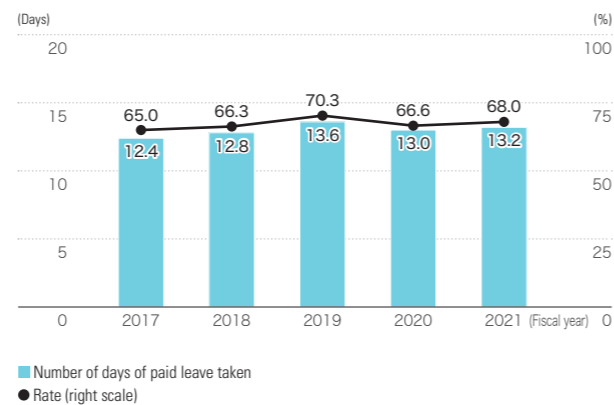
Employment Rate of Persons with Disabilities



Training Costs (per Person)



Number of Days and Rate of Paid Leave Taken



Corporate Profile

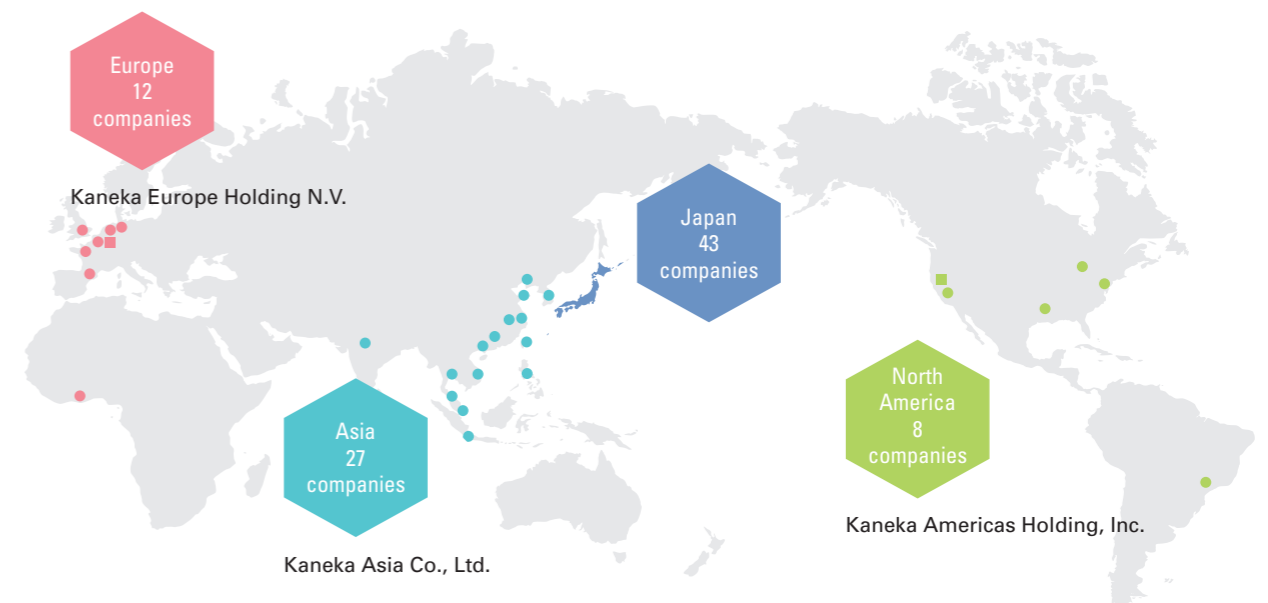
Corporate Profile (March 31, 2022)

Name	KANEKA CORPORATION
Offices	<p>Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121</p> <p>Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037</p>
Date of Establishment	September 1, 1949
Paid-in Capital	33,046 million yen
Number of Employees	11,335 (Including consolidated subsidiaries) 3,472 (Non-consolidated)

Facilities in Japan	<p>Sales Office Nagoya (Aichi Prefecture)</p> <p>Manufacturing Site Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)</p>
Research Institutes	<p>Material Solutions New Research Engine Electronics Research Laboratories Regenerative Medicine and Cell Therapy Laboratories Photovoltaic & Thin Film Device Research Laboratories Engineering Research Laboratories Process Development Research Laboratories Green Planet Technology Laboratories</p>
Affiliated Companies	112 Subsidiaries (Including 43 (in Japan) and 47 (outside Japan) consolidated subsidiaries)
URL	https://www.kaneka.co.jp/en/esg/

Global Network (March 31, 2022)

We will establish a head office in each region so that we can run our business in a way that is rooted in the region. The Kaneka Group operates in 21 countries around the world, including Japan.



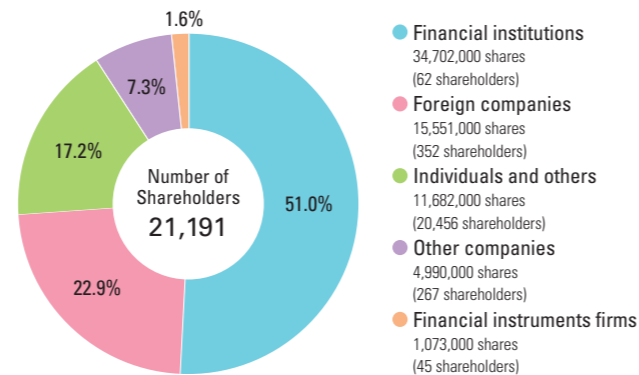
Investor Information

Stock Basic Information (March 31, 2022)

Common Stock Traded	Tokyo, Nagoya*
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Accounting Auditor	KPMG AZSA LLC
Authorized Capital	150,000,000 shares
Issued Shares	68,000,000 shares
Number of Shareholders	21,191

* We applied for delisting from the Nagoya Stock Exchange (Prime Market) on April 25, 2022 and Kaneka's stocks were delisted on June 11, 2022.

Shareholder Composition



Notes: Share numbers are rounded down to the nearest thousand. Percentages are rounded to the nearest decimal point.

Major Shareholders

Name of Shareholders	Share Units Owned (thousand shares)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,801	13.49
Custody Bank of Japan, Ltd. (Trust Account)	3,363	5.15
Nippon Life Insurance Company	3,114	4.77
Sumitomo Mitsui Banking Corporation	3,091	4.74
Meiji Yasuda Life Insurance Company	2,825	4.33
Custody Bank of Japan, Ltd. (Trust Account No. 4)	2,689	4.12
MUFG Bank, Ltd.	2,308	3.54
Mitsui Sumitomo Insurance Company, Limited	2,104	3.23
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,475	2.26
Kaneka Business Partner Shareholding Association	1,220	1.87

Notes: The numbers of Share Units Owned are rounded down to thousands of shares. The Percentage of Total Shares Issued is calculated by using deducting number of treasury shares from Number of Shares Issued and Outstanding and rounded to two decimal places. In addition to the above list, the Company maintains 2,761 thousand shares of treasury stock.

Common Stock Price Range (Tokyo Stock Exchange; Yen)

Years ended March 31	2018	2019	2020	2021	2022
High	1,114	5,620	4,535	5,000	4,990
Low	815	3,640	2,112	2,406	3,165

Notes: The above figures are stock prices quoted at the Tokyo Stock Exchange (First Section). Our shares were consolidated on the basis of one new common share for five existing common shares as of October 1, 2018.

Editorial Policy



The Kaneka Integrated Report 2022 was prepared as a booklet reporting financial and non-financial information. We hope that it will help stakeholders understand the Kaneka Group's medium- to long-term value creation. The Kaneka Group is strengthening its efforts in ESG management with the aim of caring for the life of the earth and helping to build a sustainable society. In this report, we convey our strong determination toward our mission, 'KANEKA thinks "Wellness First."' We outline how we find a healthy balance between social value and economic value creation through our business so that we can help solve social issues. We hope that this will help our shareholders, investors, and other stakeholders deepen their understanding of our company.

Cautionary Statement Regarding Forward-looking Statements

The forward-looking statements in this report are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable. Such statements do not constitute a commitment by the Company that they will be achieved. Actual results may differ significantly due to various factors.

Reporting Organizations

The scope of reporting includes Kaneka and its consolidated group companies in Japan and overseas. However, the scope of data concerning Responsible Care activities covers Kaneka and 63 Group companies (47 in Japan and 16 overseas).

In this document, Kaneka Corporation is referred to as "the Company" or "Kaneka" and Kaneka Corporation and its group companies are referred to as "the Group" or "Kaneka Group." Where the text refers only to "Group companies," this does not include Kaneka Corporation.

The totals of figures presented in tables and graphs may differ due to rounding. Some items contain revisions to data from previous years.

Referenced Guidelines

GRI Standards; Environmental Reporting Guidelines 2012 of the Ministry of the Environment; Environmental Accounting Guidelines 2005 of the Ministry of the Environment

Information Tools

The Kaneka Group posts a variety of information on its official website as a tool for communicating with stakeholders.

Financial information	<ul style="list-style-type: none"> ▶ Financial Results and Presentations ▶ Reports (To Our Shareholders) ▶ Integrated Report https://www.kaneka.co.jp/en/ir/
Non-financial information	<ul style="list-style-type: none"> ▶ Further details about the Kaneka Group's ongoing ESG activities are available on our website. ▶ ESG activities https://www.kaneka.co.jp/en/esg/