

Appendices

Consolidated Financial Statements

Consolidated Balance Sheets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets			
Current assets:			
Cash and cash equivalents	¥ 39,970	¥ 47,414	\$ 360,123
Notes and accounts receivable - trade	147,993	142,195	1,333,391
Inventories	112,434	104,215	1,013,010
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,722	1,735	15,515
Other current assets	13,365	11,684	120,415
Allowance for doubtful accounts	(1,238)	(973)	(11,154)
Total current assets	314,246	306,270	2,831,300
Property, plant and equipment:			
Land	31,355	32,545	282,503
Buildings and structures	199,621	194,565	1,798,549
Machinery, equipment and vehicles	577,115	564,428	5,199,703
Construction in progress	26,339	12,712	237,310
Other	3,697	3,728	33,309
	838,127	807,978	7,551,374
Less accumulated depreciation	586,205	570,503	5,281,602
Property, plant and equipment, net	251,922	237,475	2,269,772
Intangible assets:	13,425	9,892	120,957
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	4,115	5,514	37,075
Other	57,640	63,857	519,326
Long-term loans receivable	1,100	1,229	9,911
Deferred tax assets	6,864	5,669	61,843
Other	10,537	10,145	94,938
Allowance for doubtful accounts	(261)	(270)	(2,352)
Total investments and other assets	79,995	86,144	720,741
	¥ 659,588	¥ 639,781	\$ 5,942,770

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, 2019, which was ¥110.99 to U.S. \$1.00.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liabilities and net assets			
Current liabilities:			
Short-term loans payable	¥ 63,982	¥ 50,356	\$ 576,466
Current portion of long-term loans payable	3,687	9,298	33,219
Current portion of bonds payable	10,000	—	90,098
Notes and accounts payable:			
Trade	84,797	84,914	764,006
Construction	11,545	8,373	104,018
Other	18,682	18,971	168,321
Income taxes payable	2,865	4,481	25,813
Accrued expenses	13,764	13,514	124,011
Other current liabilities	4,590	4,975	41,357
Total current liabilities	213,912	194,882	1,927,309
Noncurrent liabilities:			
Bonds payable	—	10,000	—
Long-term loans payable	45,123	45,848	406,550
Net defined benefit liability	34,985	37,325	315,209
Provision for directors' retirement benefits	266	297	2,397
Deferred tax liabilities	2,137	1,441	19,254
Other noncurrent liabilities	2,438	3,389	21,965
Total noncurrent liabilities	84,949	98,300	765,375
Contingent liabilities			
Net assets			
Shareholders' equity:			
Capital stock			
Authorized—150,000,000 shares			
Issued —68,000,000 shares	33,047	33,047	297,748
Capital surplus	32,784	32,799	295,378
Retained earnings	272,944	264,964	2,459,176
Less treasury stock, at cost—2,778,423 shares in 2019			
4,456,938 shares in 2018	(11,602)	(18,684)	(104,532)
Total shareholders' equity	327,173	312,126	2,947,770
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	19,643	24,731	176,980
Deferred gains or losses on hedges	(110)	(109)	(991)
Foreign currency translation adjustments	(4,008)	(3,035)	(36,111)
Remeasurements of defined benefit plans	(5,706)	(7,527)	(51,410)
Total accumulated other comprehensive income	9,819	14,060	88,468
Subscription rights to shares	432	301	3,892
Non-controlling interests	23,303	20,112	209,956
Total net assets	360,727	346,599	3,250,086
	¥ 659,588	¥ 639,781	\$ 5,942,770

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Consolidated Statements of Income

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Net sales	¥ 621,044	¥ 596,143	¥ 548,222	\$ 5,595,495
Cost of sales	446,255	426,960	385,362	4,020,677
Gross profit	174,789	169,183	162,860	1,574,818
Selling, general and administrative expenses	138,747	132,294	129,695	1,250,086
Operating income	36,042	36,889	33,165	324,732
Other income (expenses):				
Interest and dividend income	1,921	1,602	1,783	17,308
Interest expenses	(2,014)	(1,692)	(1,428)	(18,146)
Gain on sales of investment securities	1,515	—	1,602	13,650
Gain on sales of property, plant and equipment	428	—	626	3,856
Loss on disposal of property, plant and equipment	(2,521)	(1,745)	(2,534)	(22,714)
Foreign exchange gains (losses), net	(334)	455	(2,270)	(3,009)
Equity in earnings of affiliates, net	30	147	118	270
Gain on negative goodwill	—	954	—	—
Litigation expenses	(1,684)	(1,088)	(963)	(15,173)
Restructuring charges	(1,851)	(1,782)	—	(16,677)
Gain on step acquisitions	444	1,430	—	4,000
Environmental expenses	—	(567)	—	—
Provision of allowance for doubtful accounts	—	(638)	—	—
Settlement received	1,052	—	—	9,478
Gain on contribution of securities to retirement benefit trust	1,608	—	—	14,488
Other, net	(2,727)	(2,880)	(1,407)	(24,569)
Income before income taxes and non-controlling interests	31,909	31,085	28,692	287,494
Income taxes				
Current	7,894	8,372	7,089	71,124
Deferred	40	(83)	88	360
Net income	23,975	22,796	21,515	216,010
Net income attributable to non-controlling interests	1,737	1,224	1,030	15,650
Net income attributable to owners of parent	¥ 22,238	¥ 21,572	¥ 20,485	\$ 200,360

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, 2019, which was ¥110.99 to U.S. \$1.00.

Consolidated Statements of Comprehensive Income

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Net income	¥ 23,975	¥ 22,796	¥ 21,515	\$ 216,010
Other comprehensive income:				
Valuation difference on available-for-sale securities	(5,164)	2,440	5,047	(46,527)
Deferred gains or losses on hedges	(2)	(47)	(9)	(18)
Foreign currency translation adjustments	(1,178)	2,116	(4,268)	(10,613)
Remeasurements of defined benefit plans	1,800	2,154	1,248	16,218
Share of other comprehensive income of associates accounted for using equity method	(5)	3	(2)	(45)
Total other comprehensive income	(4,549)	6,666	2,016	(40,985)
Comprehensive income	¥ 19,426	¥ 29,462	¥ 23,531	\$ 175,025
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 17,997	¥ 27,959	¥ 22,597	\$ 162,150
Comprehensive income attributable to non-controlling interests	1,429	1,503	934	12,875

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Consolidated Statements of Changes in Net Assets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,047	¥ 33,047	¥ 33,047	\$ 297,748
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	33,047	33,047	33,047	297,748
Capital surplus				
Balance at beginning of year	32,799	32,813	34,936	295,513
Changes of items during the period				
Change in treasury shares of parent arising from transactions with non-controlling interests	(15)	(14)	(2,123)	(135)
Total changes of items during the period	(15)	(14)	(2,123)	(135)
Balance at the end of current period	32,784	32,799	32,813	295,378
Retained earnings				
Balance at beginning of year	264,964	248,524	234,378	2,387,278
Changes of items during the period				
Dividends from surplus - ¥64.00 per share	(5,906)	(5,934)	(6,329)	(53,212)
Change of scope of consolidation	—	823	—	—
Net income attributable to owners of parent	22,238	21,572	20,485	200,360
Disposal of treasury stock	(0)	(21)	(10)	(0)
Cancellation of treasury stock	(8,352)	—	—	(75,250)
Total changes of items during the period	7,980	16,440	14,146	71,898
Balance at the end of current period	272,944	264,964	248,524	2,459,176
Treasury stock				
Balance at beginning of year	(18,684)	(16,753)	(15,559)	(168,340)
Changes of items during the period				
Purchase of treasury stock	(1,768)	(2,619)	(1,812)	(15,929)
Disposal of treasury stock	498	688	618	4,487
Cancellation of treasury stock	8,352	—	—	75,250
Total changes of items during the period	7,082	(1,931)	(1,194)	63,808
Balance at the end of current period	(11,602)	(18,684)	(16,753)	(104,532)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	24,731	22,338	17,451	222,822
Changes of items during the period				
Net changes of items other than shareholders' equity	(5,088)	2,393	4,887	(45,842)
Total changes of items during the period	(5,088)	2,393	4,887	(45,842)
Balance at the end of current period	19,643	24,731	22,338	176,980
Deferred gains or losses on hedges				
Balance at beginning of year	(109)	(61)	(52)	(982)
Changes of items during the period				
Net changes of items other than shareholders' equity	(1)	(48)	(9)	(9)
Total changes of items during the period	(1)	(48)	(9)	(9)
Balance at the end of current period	(110)	(109)	(61)	(991)

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	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Foreign currency translation adjustments				
Balance at beginning of year	(3,035)	(5,105)	(1,082)	(27,345)
Changes of items during the period				
Net changes of items other than shareholders' equity	(973)	2,070	(4,023)	(8,766)
Total changes of items during the period	(973)	2,070	(4,023)	(8,766)
Balance at the end of current period	(4,008)	(3,035)	(5,105)	(36,111)
Remeasurements of defined benefit plans				
Balance at beginning of year	(7,527)	(9,653)	(10,910)	(67,817)
Changes of items during the period				
Net changes of items other than shareholders' equity	1,821	2,126	1,257	16,407
Total changes of items during the period	1,821	2,126	1,257	16,407
Balance at the end of current period	(5,706)	(7,527)	(9,653)	(51,410)
Subscription rights to shares				
Balance at beginning of year	301	271	228	2,712
Changes of items during the period				
Net changes of items other than shareholders' equity	131	30	43	1,180
Total changes of items during the period	131	30	43	1,180
Balance at the end of current period	432	301	271	3,892
Non-controlling interests				
Balance at beginning of year	20,112	16,130	16,285	181,206
Changes of items during the period				
Net changes of items other than shareholders' equity	3,191	3,982	(155)	28,750
Total changes of items during the period	3,191	3,982	(155)	28,750
Balance at the end of current period	23,303	20,112	16,130	209,956
Total net assets				
Balance at beginning of year	346,599	321,551	308,722	3,122,795
Changes of items during the period				
Dividends from surplus- ¥64.00 per share	(5,906)	(5,934)	(6,329)	(53,212)
Change of scope of consolidation	—	823	—	—
Net income attributable to owners of parent	22,238	21,572	20,485	200,360
Purchase of treasury stock	(1,768)	(2,619)	(1,812)	(15,929)
Disposal of treasury stock	498	667	608	4,487
Cancellation of treasury stock	—	—	—	—
Change in treasury shares of parent arising from transactions with non-controlling interests	(15)	(14)	(2,123)	(135)
Net changes of items other than shareholders' equity	(919)	10,553	2,000	(8,280)
Total changes of items during the period	14,128	25,048	12,829	127,291
Balance at the end of current period	¥ 360,727	¥ 346,599	¥ 321,551	\$ 3,250,086

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Consolidated Statements of Cash Flows

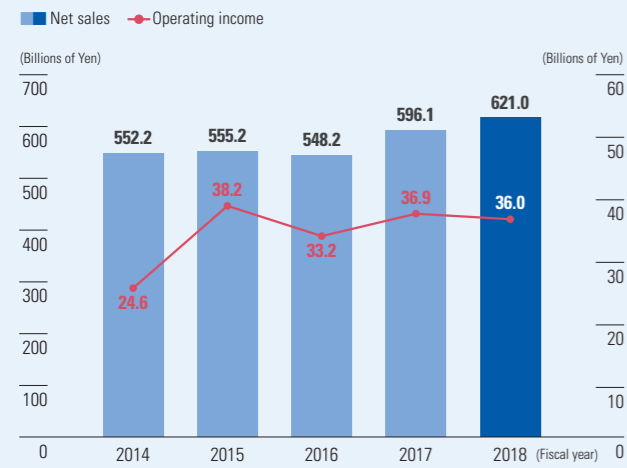
KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Cash flows from operating activities				
Income before income taxes and non-controlling interests	¥ 31,909	¥ 31,085	¥ 28,692	\$ 287,494
Depreciation and amortization	32,151	30,323	27,808	289,675
Gain on step acquisitions	(444)	(1,430)	—	(4,000)
Gain on negative goodwill	—	(954)	—	—
Restructuring charges	1,851	1,782	—	16,677
Settlement received	(1,052)	—	—	(9,478)
Gain on contribution of securities to retirement benefit trust	(1,608)	—	—	(14,488)
Increase (decrease) in net defined benefit liability	2,244	3,026	2,516	20,218
Increase (decrease) in allowance for doubtful accounts	(12)	639	34	(108)
Interest and dividend income	(1,921)	(1,602)	(1,783)	(17,308)
Interest expenses	2,014	1,692	1,428	18,146
Loss (gain) on disposal of property, plant and equipment	445	531	102	4,009
Gain on sales of investment securities	(1,515)	—	(1,602)	(13,650)
Equity in earnings of affiliates, net	(30)	(147)	(118)	(270)
Decrease (increase) in notes and accounts receivable-trade	(5,330)	(12,054)	(4,609)	(48,022)
Decrease (increase) in inventories	(9,869)	(6,176)	(4,057)	(88,918)
Increase (decrease) in notes and accounts payable-trade	(141)	8,568	7,304	(1,270)
Others	142	1,706	19	1,279
Subtotal	48,834	56,989	55,734	439,986
Interest and dividend income received	1,997	1,753	1,904	17,993
Interest expenses paid	(2,009)	(1,681)	(1,405)	(18,101)
Settlement package received	1,052	—	—	9,478
Income taxes paid	(8,761)	(7,310)	(8,113)	(78,935)
Net cash provided by operating activities	41,113	49,751	48,120	370,421
Cash flows from investing activities				
Purchase of property, plant and equipment	(43,987)	(34,113)	(36,726)	(396,315)
Proceeds from sales of property, plant and equipment	1,706	62	1,093	15,371
Purchase of intangible assets	(1,810)	(1,406)	(1,474)	(16,308)
Purchase of investment securities	(1,607)	(1,385)	(76)	(14,479)
Proceeds from sales and distributions of investment securities	1,635	157	1,586	14,731
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,464)	(102)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	227	780	—	2,045
Purchase of stocks of subsidiaries and affiliates	(1,879)	—	—	(16,929)
Payments for transfer of business	—	(332)	—	—
Payments of loans receivable	(1,221)	(934)	(315)	(11,001)
Collection of loans receivable	1,162	896	213	10,469
Others	(1,455)	(1,057)	(569)	(13,109)
Net cash used in investing activities	(47,229)	(38,796)	(36,370)	(425,525)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	13,648	6,702	(2,859)	122,966
Proceeds from long-term loans payable	3,811	5,628	6,251	34,336
Repayment of long-term loans payable	(10,881)	(9,169)	(5,986)	(98,036)
Proceeds from sales and leasebacks	—	232	—	—
Repayments of lease obligations	(128)	(266)	(171)	(1,153)
Proceeds from share issuance to non-controlling shareholders	246	—	54	2,216
Cash dividends paid	(5,906)	(5,934)	(6,329)	(53,212)
Cash dividends paid to non-controlling interests	(351)	(359)	(400)	(3,162)
Purchase of treasury stock	(1,768)	(2,618)	(1,812)	(15,929)
Proceeds from sales of treasury stock	396	475	411	3,568
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(22)	(82)	(2,772)	(198)
Net cash used in financing activities	(955)	(5,391)	(13,613)	(8,604)
Effect of exchange rate change on cash and cash equivalents	(373)	232	(281)	(3,361)
Net increase (decrease) in cash and cash equivalents	(7,444)	5,796	(2,144)	(67,069)
Cash and cash equivalents at beginning of period	47,414	41,018	43,162	427,192
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	600	—	—
Cash and cash equivalents at end of period	¥ 39,970	¥ 47,414	¥ 41,018	\$ 360,123

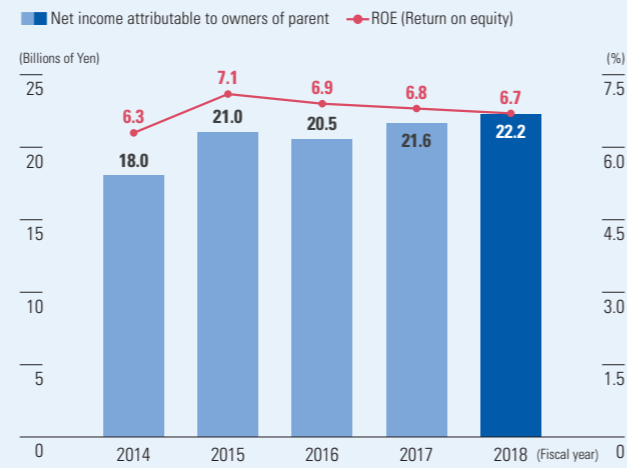
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Financial Highlights

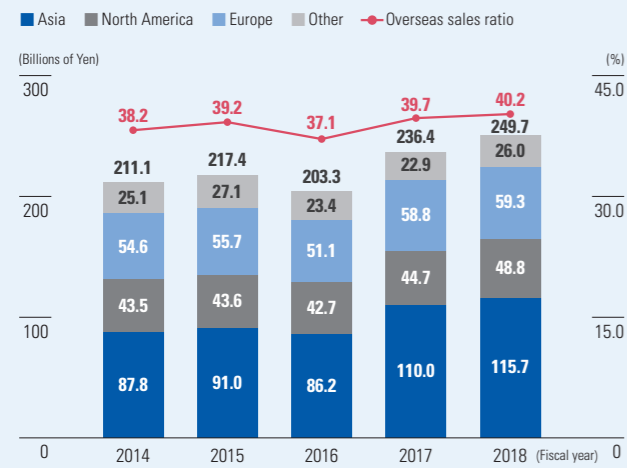
Net Sales / Operating Income



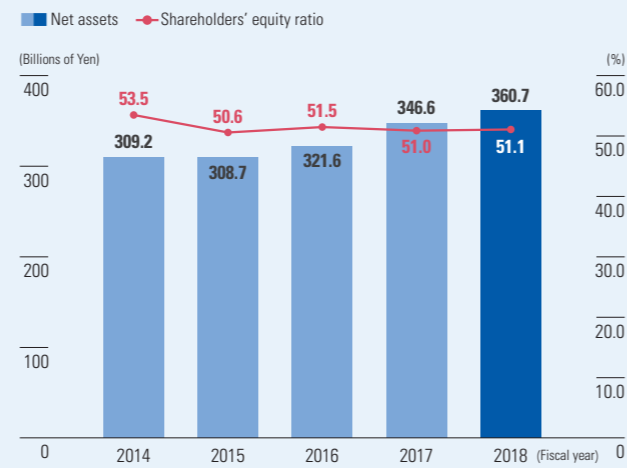
Net Income Attributable to Owners of Parent / ROE



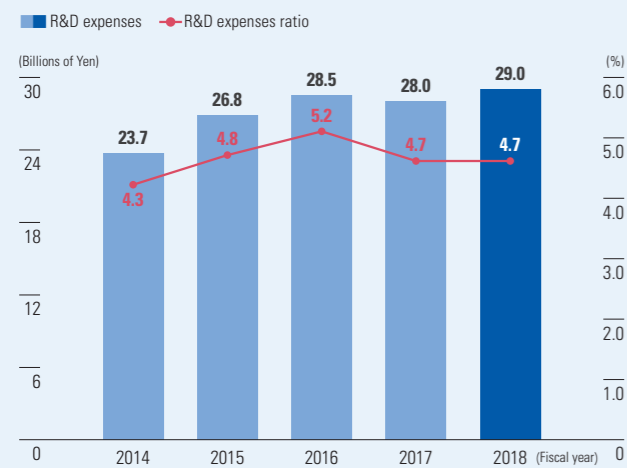
Overseas Sales / Overseas Sales Ratio



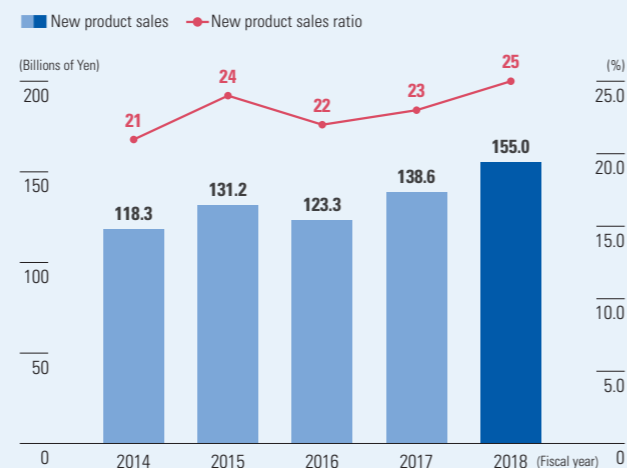
Net Assets / Shareholders' Equity Ratio



R&D Expenses / R&D Expenses Ratio

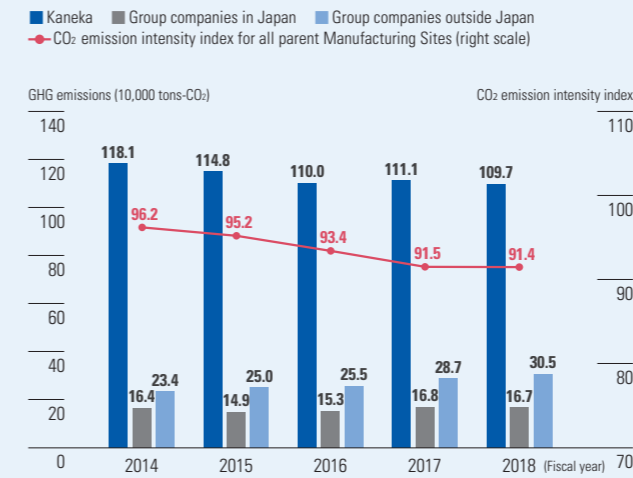


New Product Sales / New Product Sales Ratio

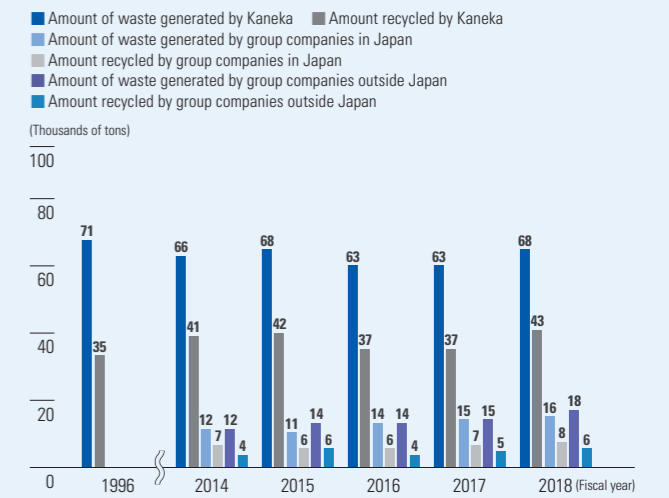


Nonfinancial Highlights

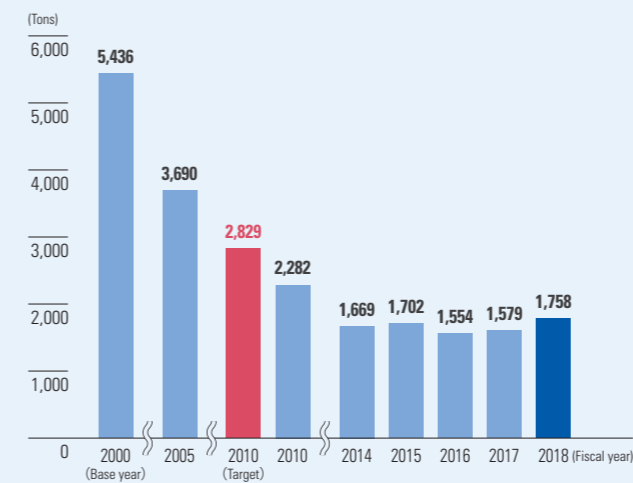
GHG Emissions and Energy-origin CO₂ Emission Intensity Index



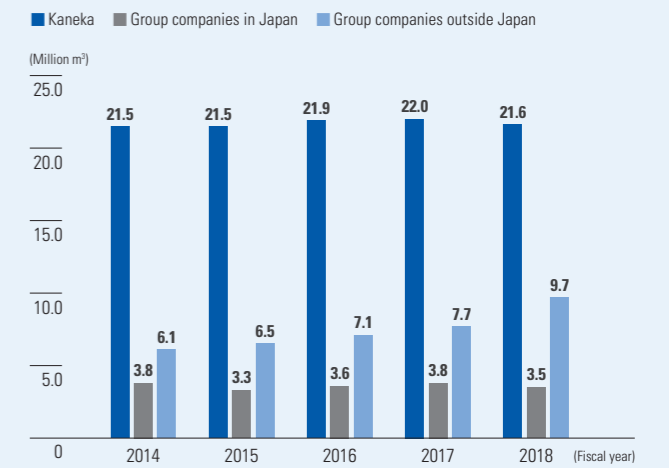
Waste Generated and Recycled



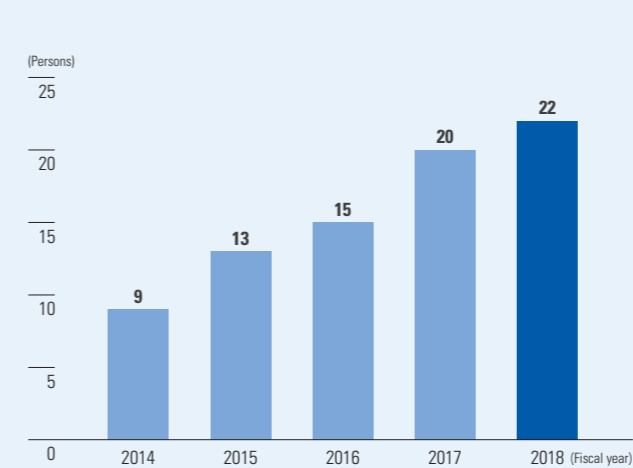
VOC Discharge: Voluntary Plan and Performance



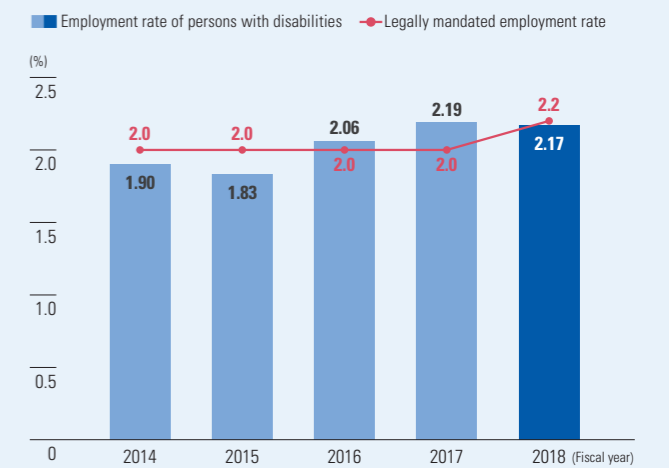
Water Consumption



Number of Female Executives



Employment Rate of Persons with Disabilities

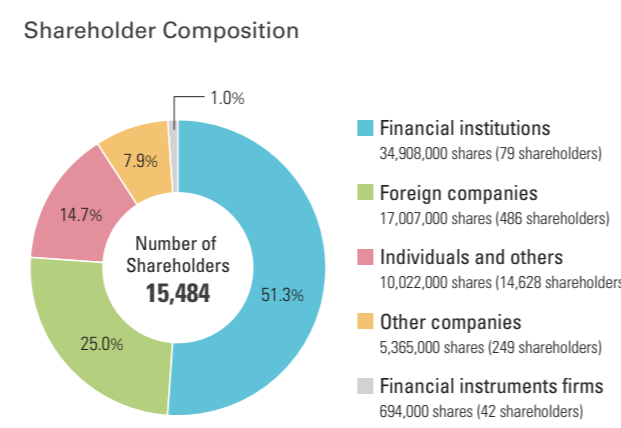


Corporate Profile

Corporate Profile		
Name	KANEKA CORPORATION	
Offices	Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121 Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037	Facilities in Japan Sales Office Nagoya (Aichi Prefecture) Manufacturing Site Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Date of Establishment	September 1, 1949	Research Institutes
Paid-in Capital	33,046 million yen (As of March 31, 2019)	Material Solutions New Research Engine BDP Technology Laboratories Biotechnology Research Laboratories Regenerative Medicine and Cell Therapy Laboratories Photovoltaic & Thin Film Device Research Laboratories Process Development Research Laboratories Process Technology Laboratories
Net Sales (Including consolidated subsidiaries)	621.043 billion yen (Fiscal year ended March 2019)	Affiliated Companies
Number of employees (Including consolidated subsidiaries)	10,571 (As of March 31, 2019)	109 Subsidiaries (Including 42 (in Japan) and 41 (outside Japan) consolidated subsidiaries)

Investor Information (As of March 31, 2019)

Common Stock Traded	Tokyo, Nagoya
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch 3-6-3, Fushimimachi, Chuo-ku, Osaka 541-8502, Japan
Accounting Auditor	KPMG AZSA LLC Ginsen Bingomachi Bldg., 3-6-5, Kawaramachi, Chuo-ku, Osaka 541-0048, Japan
Authorized Capital	150,000,000 shares
Issued Shares	68,000,000 shares
Number of Shareholders	15,484



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

Common Stock Price Range (Tokyo Stock Exchange; Yen)

Years ended March 31	2015	2016	2017	2018	2019
High	898	1,278	1,061	1,114	5,620
Low	558	810	643	815	3,640

* 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.

Global Network

EUROPE / AFRICA

- Kaneka Europe Holding N.V.
- Kaneka Belgium N.V.
- Kaneka Pharma Europe N.V.
- Kaneka Eurogentec S.A.
- Kaneka Modifiers Deutschland GmbH
- Eurogentec Deutschland GmbH
- Eurogentec Proteomics GmbH
- Eurogentec Ltd.
- Eurogentec France S.A.S.U.
- Eurogentec Nederland B.V.
- AB-Biotics, S.A.
- Kaneka Africa Liaison Office
- Kaneka's European Photovoltaics Research Laboratory



Kaneka Europe Holding N.V.
Kaneka Belgium N.V.
Kaneka Pharma Europe N.V.



ASIA / OCEANIA

- Kaneka Asia Co., Ltd.
- Kaneka Trading (Shanghai) Co., Ltd.
- Kaneka Eperan (Suzhou) Co., Ltd.
- HiHua Fiber Co., Ltd.
- Kaneka (Foshan) High Performance Materials Co., Ltd.
- Cemedine Shanghai Co., Ltd.
- Dalian Showa Plastic Co., Ltd.
- Kaneka (Malaysia) Sdn. Bhd.
- Kaneka Eperan Sdn. Bhd.
- Kaneka Paste Polymers Sdn. Bhd.
- Kaneka Innovative Fibers Sdn. Bhd.
- Kaneka Apical Malaysia Sdn. Bhd.
- Kaneka MS Malaysia Sdn. Bhd.
- Kaneka Singapore Co. (Pte) Ltd.
- Kaneka Pharma Vietnam Co., Ltd.
- Vina Showa Co., Ltd.
- Kaneka (Thailand) Co., Ltd.
- Asia Cemedine Co., Ltd.
- Showa Global (Thailand) Co., Ltd.
- Cemedine (Thailand) Co., Ltd.
- Kaneka India Pvt. Ltd.
- PT. Kaneka Foods Indonesia
- Kaneka Taiwan Corporation
- Taiwan Cemedine Co., Ltd.
- Kaneka Korea Corporation
- Cemedine Philippines Corporation
- Showa Global Ltd.
- TGA Pastry Company Pty. Ltd.



Kaneka Asia Co., Ltd.
Kaneka Trading (Shanghai) Co., Ltd.

AMERICA

- Kaneka Americas Holding, Inc.
- Kaneka North America LLC
- Kaneka Pharma America LLC
- Kaneka Aerospace LLC
- Anaspec Inc.
- Cemedine North America LLC
- Eurogentec North America Inc.
- Kaneka South America Representative Ltd.
- Kaneka US Material Research Center
- Kaneka US Innovation Center



Kaneka Americas Holding, Inc.
Kaneka North America LLC