

Consolidated Financial Statements

Consolidated Balance Sheets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2020 and 2019

Assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current assets:			
Cash and cash equivalents	¥ 37,606	¥ 39,970	\$ 345,550
Notes and accounts receivable - trade	134,110	147,993	1,232,294
Inventories	117,259	112,434	1,077,452
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,819	1,722	16,715
Other current assets	17,366	13,363	159,570
Allowance for doubtful accounts	(1,303)	(1,237)	(11,973)
Total current assets	306,858	314,245	2,819,611
Property, plant and equipment:			
Land	31,304	31,354	287,645
Buildings and structures	207,065	199,621	1,902,648
Machinery, equipment and vehicles	593,774	577,115	5,455,983
Construction in progress	27,038	26,338	248,444
Other	4,750	3,697	43,654
	863,933	838,127	7,938,375
Less accumulated depreciation	(600,876)	(586,205)	(5,521,241)
Property, plant and equipment, net	263,056	251,922	2,417,134
Intangible assets:	13,180	13,424	121,115
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	3,422	4,114	31,447
Other	45,258	57,640	415,865
Long-term loans receivable	1,005	1,100	9,242
Deferred tax assets	10,035	6,864	92,215
Other	10,684	10,536	98,180
Allowance for doubtful accounts	(241)	(260)	(2,220)
Total investments and other assets	70,166	79,994	644,732
	¥ 653,262	¥ 659,587	\$ 6,002,593

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, 2020, which was ¥108.83 to U.S. \$1.00.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current liabilities:			
Short-term loans payable	¥ 76,760	¥ 63,981	\$ 705,324
Current portion of long-term loans payable	12,074	3,687	110,948
Current portion of bonds payable	—	10,000	—
Notes and accounts payable:			
Trade	73,509	84,797	675,448
Construction	12,222	11,545	112,307
Other	16,824	18,681	154,590
Income taxes payable	2,408	2,864	22,127
Accrued expenses	13,489	13,763	123,951
Other current liabilities	4,310	4,592	39,609
Total current liabilities	211,599	213,912	1,944,309
Noncurrent liabilities:			
Bonds payable	10,000	—	91,886
Long-term loans payable	33,293	45,122	305,922
Net defined benefit liability	38,308	34,985	352,006
Provision for directors' retirement benefits	317	266	2,920
Deferred tax liabilities	1,576	2,137	14,485
Other noncurrent liabilities	4,071	2,437	37,412
Total noncurrent liabilities	87,568	84,948	804,634
Contingent liabilities			
Net assets			
Shareholders' equity:			
Capital stock			
Authorized—150,000,000 shares			
Issued —68,000,000 shares	33,046	33,046	303,655
Capital surplus	30,962	32,784	284,500
Retained earnings	280,265	272,944	2,575,260
Less treasury stock, at cost—2,774,049 shares in 2020			
2,778,423 shares in 2019	(11,583)	(11,601)	(106,434)
Total shareholders' equity	332,691	327,173	3,056,981
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	14,246	19,642	130,909
Deferred gains or losses on hedges	(103)	(110)	(947)
Foreign currency translation adjustments	(7,395)	(4,008)	(67,953)
Remeasurements of defined benefit plans	(7,956)	(5,705)	(73,109)
Total accumulated other comprehensive income	(1,208)	9,818	(11,100)
Subscription rights to shares	482	431	4,435
Non-controlling interests	22,128	23,302	203,334
Total net assets	354,094	360,726	3,253,650
	¥ 653,262	¥ 659,587	\$ 6,002,593

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Consolidated Statements of Income

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Net sales	¥ 601,514	¥ 621,043	¥ 596,142	\$ 5,527,098
Cost of sales	432,374	446,254	426,959	3,972,938
Gross profit	169,139	174,789	169,183	1,554,160
Selling, general and administrative expenses	143,124	138,747	132,294	1,315,119
Operating income	26,014	36,041	36,888	239,041
Other income (expenses):				
Interest and dividend income	1,684	1,920	1,602	15,475
Interest expenses	(1,714)	(2,014)	(1,692)	(15,749)
Gain on sales of investment securities	627	1,515	—	5,767
Gain on sales of property, plant and equipment	315	427	—	2,901
Loss on disposal of property, plant and equipment	(1,916)	(2,521)	(1,745)	(17,610)
Foreign exchange gains (losses), net	(968)	(333)	454	(8,903)
Equity in earnings of affiliates, net	150	29	146	1,384
Gain on negative goodwill	—	—	954	—
Litigation expenses	(996)	(1,683)	(1,087)	(9,157)
Restructuring charges	—	(1,851)	(1,781)	—
Gain on step acquisitions	—	443	1,429	—
Environmental expenses	—	—	(566)	—
Provision of allowance for doubtful accounts	—	—	(637)	—
Settlement received	—	1,051	—	—
Gain on contribution of securities to retirement benefit trust	378	1,608	—	3,474
Other, net	(3,777)	(2,725)	(2,879)	(34,709)
Income before income taxes and non-controlling interests	19,797	31,909	31,085	181,915
Income taxes				
Current	4,809	7,893	8,371	44,193
Deferred	(490)	40	(83)	(4,511)
Net income	15,479	23,975	22,796	142,233
Net income attributable to non-controlling interests	1,475	1,736	1,224	13,560
Net income attributable to owners of parent	¥ 14,003	¥ 22,238	¥ 21,571	\$ 128,672

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Consolidated Statements of Comprehensive (Loss) Income

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Net income	¥ 15,479	¥ 23,975	¥ 22,796	\$ 142,233
Other comprehensive income:				
Valuation difference on available-for-sale securities	(5,437)	(5,164)	2,440	(49,966)
Deferred gains or losses on hedges	7	(1)	(47)	66
Foreign currency translation adjustments	(3,668)	(1,178)	2,116	(33,708)
Remeasurements of defined benefit plans	(2,280)	1,800	2,153	(20,950)
Share of other comprehensive income of associates accounted for using equity method	(0)	(5)	2	(3)
Total other comprehensive income	(11,379)	(4,549)	6,665	(104,561)
Comprehensive income	¥ 4,099	¥ 19,425	¥ 29,462	\$ 37,671
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 2,976	¥ 17,996	¥ 27,958	\$ 27,351
Comprehensive income attributable to non-controlling interests	1,123	1,429	1,503	10,319

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Consolidated Statements of Changes in Net Assets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Shareholders' equity				
Capital stock				
Balance at beginning of year	¥ 33,046	¥ 33,046	¥ 33,046	\$ 303,655
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	303,655
Capital surplus				
Balance at beginning of year	32,784	32,799	32,813	301,241
Changes of items during the period				
Change in treasury shares of parent arising from transactions with non-controlling interests	(1,821)	(14)	(14)	(16,741)
Total changes of items during the period	(1,821)	(14)	(14)	(16,741)
Balance at the end of current period	30,962	32,784	32,799	284,500
Retained earnings				
Balance at beginning of year	272,944	264,963	248,523	2,507,988
Changes of items during the period				
Dividends from surplus - ¥100.00 per share	(6,848)	(5,906)	(5,933)	(62,928)
Change of scope of consolidation	167	—	823	1,539
Net income attributable to owners of parent	14,003	22,238	21,571	128,672
Disposal of treasury stock	(1)	(0)	(21)	(11)
Cancellation of treasury stock	—	(8,351)	—	—
Total changes of items during the period	7,321	7,980	16,440	67,272
Balance at the end of current period	280,265	272,944	264,963	2,575,260
Treasury stock				
Balance at beginning of year	(11,601)	(18,683)	(16,753)	(106,606)
Changes of items during the period				
Purchase of treasury stock	(4)	(1,767)	(2,618)	(40)
Disposal of treasury stock	23	498	687	212
Cancellation of treasury stock	—	8,351	—	—
Total changes of items during the period	18	7,081	(1,930)	171
Balance at the end of current period	(11,583)	(11,601)	(18,683)	(106,434)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	19,642	24,730	22,338	180,490
Changes of items during the period				
Net changes of items other than shareholders' equity	(5,395)	(5,087)	2,392	(49,581)
Total changes of items during the period	(5,395)	(5,087)	2,392	(49,581)
Balance at the end of current period	14,246	19,642	24,730	130,909
Deferred gains or losses on hedges				
Balance at beginning of year	(110)	(108)	(61)	(1,014)
Changes of items during the period				
Net changes of items other than shareholders' equity	7	(1)	(47)	66
Total changes of items during the period	7	(1)	(47)	66
Balance at the end of current period	(103)	(110)	(108)	(947)

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	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Foreign currency translation adjustments				
Balance at beginning of year	(4,008)	(3,035)	(5,105)	(36,828)
Changes of items during the period				
Net changes of items other than shareholders' equity	(3,387)	(972)	2,069	(31,124)
Total changes of items during the period	(3,387)	(972)	2,069	(31,124)
Balance at the end of current period	(7,395)	(4,008)	(3,035)	(67,953)
Remeasurements of defined benefit plans				
Balance at beginning of year	(5,705)	(7,526)	(9,653)	(52,427)
Changes of items during the period				
Net changes of items other than shareholders' equity	(2,250)	1,820	2,126	(20,682)
Total changes of items during the period	(2,250)	1,820	2,126	(20,682)
Balance at the end of current period	(7,956)	(5,705)	(7,526)	(73,109)
Subscription rights to shares				
Balance at beginning of year	431	300	271	3,968
Changes of items during the period				
Net changes of items other than shareholders' equity	50	131	29	466
Total changes of items during the period	50	131	29	466
Balance at the end of current period	482	431	300	4,435
Non-controlling interests				
Balance at beginning of year	23,302	20,112	16,130	214,120
Changes of items during the period				
Net changes of items other than shareholders' equity	(1,173)	3,190	3,981	(10,786)
Total changes of items during the period	(1,173)	3,190	3,981	(10,786)
Balance at the end of current period	22,128	23,302	20,112	203,334
Total net assets				
Balance at beginning of year	360,726	346,599	321,551	3,314,589
Changes of items during the period				
Dividends from surplus- ¥100.00 per share	(6,848)	(5,906)	(5,933)	(62,928)
Change of scope of consolidation	167	—	823	1,539
Net income attributable to owners of parent	14,003	22,238	21,571	128,672
Purchase of treasury stock	(4)	(1,767)	(2,618)	(40)
Disposal of treasury stock	21	498	666	200
Cancellation of treasury stock	—	—	—	—
Change in treasury shares of parent arising from transactions				
with non-controlling interests	(1,821)	(14)	(14)	(16,741)
Net changes of items other than shareholders' equity	(12,149)	(920)	10,552	(111,641)
Total changes of items during the period	(6,631)	14,127	25,047	(60,938)
Balance at the end of current period	¥ 354,094	¥ 360,726	¥ 346,599	\$ 3,253,650

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Consolidated Statements of Cash Flows

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2020, 2019 and 2018

	Millions of yen			Thousands of U.S. dollars
	2020	2019	2018	2020
Cash flows from operating activities				
Income before income taxes and non-controlling interests	¥ 19,797	¥ 31,909	¥ 31,085	\$ 181,915
Depreciation and amortization	34,340	32,150	30,323	315,542
Gain on step acquisitions	—	(443)	(1,429)	—
Gain on negative goodwill	—	—	(954)	—
Restructuring charges	—	1,851	1,781	—
Settlement received	—	(1,051)	—	—
Gain on contribution of securities to retirement benefit trust	(378)	(1,608)	—	(3,474)
Increase (decrease) in net defined benefit liability	896	2,244	3,026	8,237
Increase (decrease) in allowance for doubtful accounts	67	(11)	638	616
Interest and dividend income	(1,684)	(1,920)	(1,602)	(15,475)
Interest expenses	1,714	2,014	1,692	15,749
Loss (gain) on disposal of property, plant and equipment	53	445	531	496
Gain on sales of investment securities	(627)	(1,515)	—	(5,767)
Equity in earnings of affiliates, net	(150)	(29)	(146)	(1,384)
Decrease (increase) in notes and accounts receivable-trade	13,197	(5,329)	(12,053)	121,267
Decrease (increase) in inventories	(5,572)	(9,868)	(6,176)	(51,206)
Increase (decrease) in notes and accounts payable-trade	(11,120)	(141)	8,568	(102,179)
Others	(4,083)	139	1,704	(37,521)
Subtotal	46,450	48,833	56,988	426,814
Interest and dividend income received	1,787	1,997	1,752	16,421
Interest expenses paid	(1,721)	(2,009)	(1,681)	(15,822)
Settlement package received	—	1,051	—	—
Income taxes paid	(6,531)	(8,760)	(7,309)	(60,019)
Net cash provided by operating activities	39,983	41,113	49,750	367,393
Cash flows from investing activities				
Purchase of property, plant and equipment	(42,977)	(43,987)	(34,113)	(394,906)
Proceeds from sales of property, plant and equipment	725	1,705	61	6,666
Purchase of intangible assets	(3,297)	(1,809)	(1,405)	(30,302)
Purchase of investment securities	(175)	(1,607)	(1,384)	(1,609)
Proceeds from sales and distributions of investment securities	867	1,635	156	7,973
Proceeds from redemption of investment securities	4,000	—	—	36,754
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	—	(1,463)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	37	227	780	341
Purchase of stocks of subsidiaries and affiliates	—	(1,878)	—	—
Payments for transfer of business	—	—	(331)	—
Payments of loans receivable	(1,238)	(1,220)	(933)	(11,383)
Collection of loans receivable	872	1,162	895	8,015
Others	(620)	(1,454)	(1,057)	(5,704)
Net cash used in investing activities	(41,807)	(47,229)	(38,796)	(384,154)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	14,121	13,648	6,702	129,756
Proceeds from long-term loans payable	1,362	3,810	5,628	12,519
Repayment of long-term loans payable	(4,366)	(10,880)	(9,169)	(40,124)
Proceeds from issuance of bonds	10,000	—	—	91,886
Redemption of bonds	(10,000)	—	—	(91,891)
Proceeds from sales and leasebacks	—	—	232	—
Repayments of lease obligations	(244)	(127)	(266)	(2,245)
Proceeds from share issuance to non-controlling shareholders	390	245	—	3,584
Cash dividends paid	(6,848)	(5,906)	(5,933)	(62,928)
Cash dividends paid to non-controlling interests	(314)	(351)	(358)	(2,890)
Purchase of treasury stock	(4)	(1,767)	(2,618)	(40)
Proceeds from sales of treasury stock	0	395	475	4
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,574)	(21)	(82)	(42,034)
Net cash used in financing activities	(479)	(954)	(5,390)	(4,403)
Effect of exchange rate change on cash and cash equivalents	(201)	(373)	231	(1,855)
Net increase (decrease) in cash and cash equivalents	(2,505)	(7,443)	5,795	(23,020)
Cash and cash equivalents at beginning of period	39,970	47,413	41,018	367,273
Increase in cash and cash equivalents resulting from change of scope of consolidation	141	—	600	1,297
Cash and cash equivalents at end of period	¥ 37,606	¥ 39,970	¥ 47,413	\$ 345,550

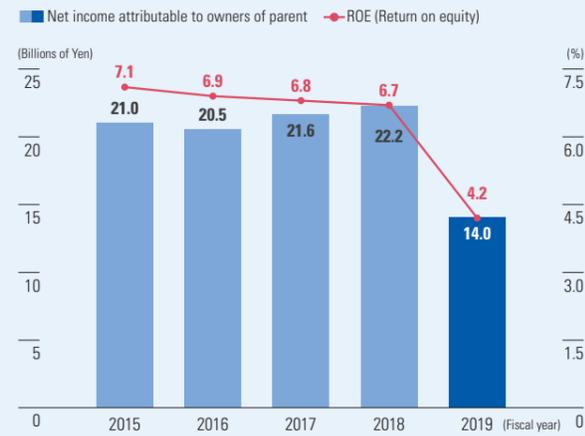
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Financial Highlights

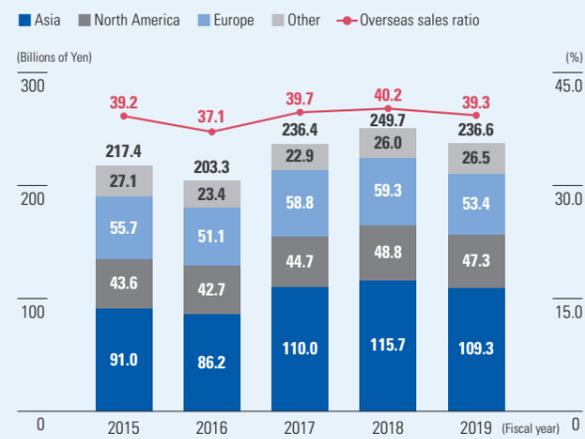
Net Sales / Operating Income



Net Income Attributable to Owners of Parent / ROE



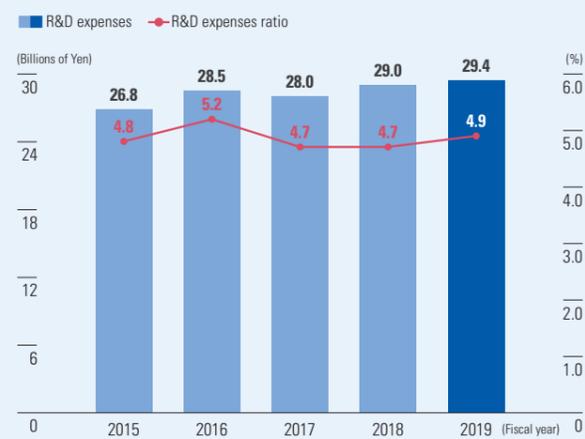
Overseas Sales / Overseas Sales Ratio



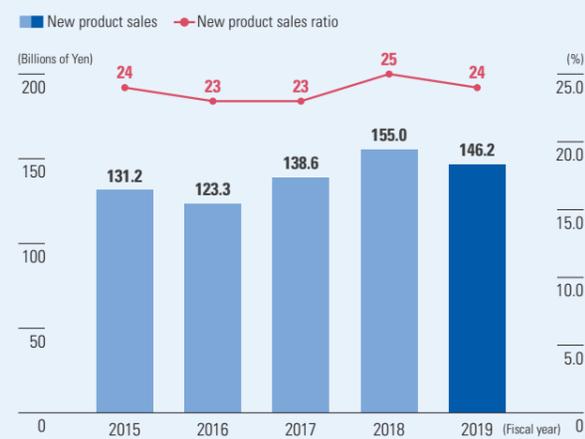
Net Assets / Shareholders' Equity Ratio



R&D Expenses / R&D Expenses Ratio

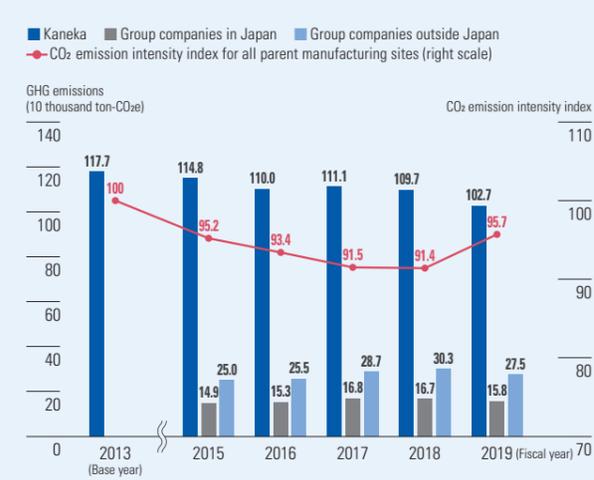


New Product Sales / New Product Sales Ratio

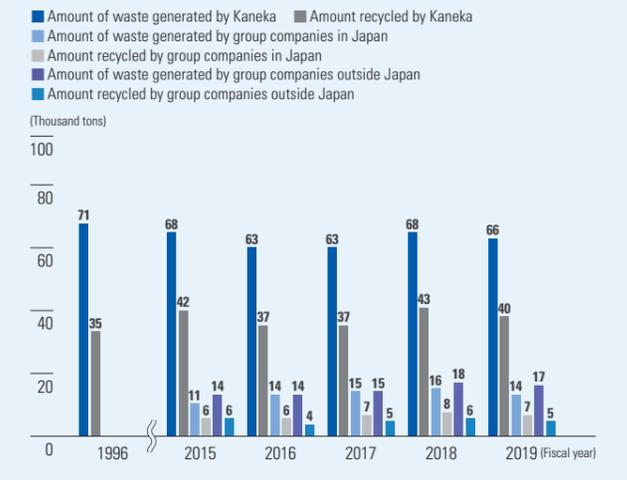


Nonfinancial Highlights

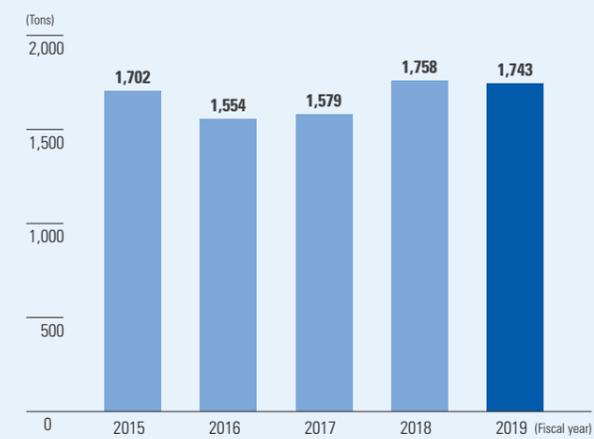
GHG Emissions and Energy Origin CO₂ Emission Intensity Index



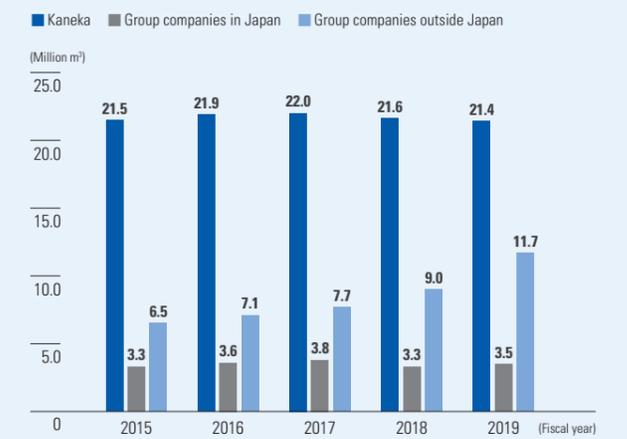
Waste Generated and Recycled



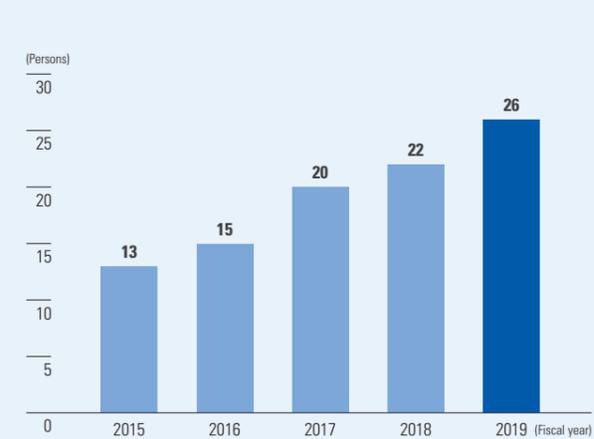
Volatile Organic Compounds Emissions



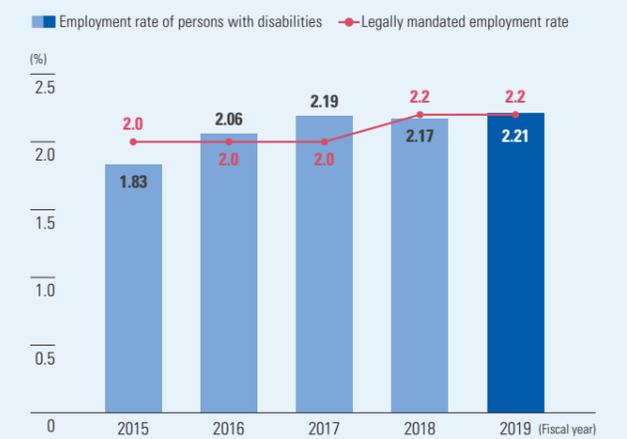
Water Consumption



Number of Female Executives



Employment Rate of Persons with Disabilities



Corporate Profile

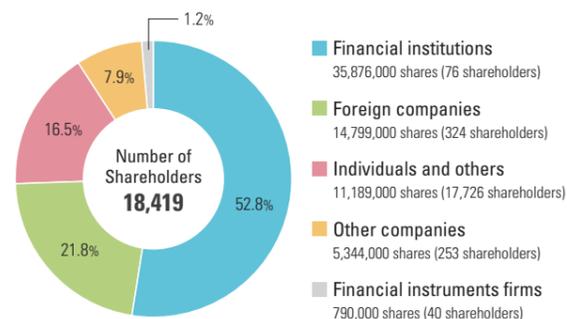
Corporate Profile (As of March 31, 2020)

Name	KANEKA CORPORATION	Facilities in Japan	Sales Office Nagoya (Aichi Prefecture)
Offices	Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121		Manufacturing Site Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
	Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037	Research Institutes	Material Solutions New Research Engine BDP Technology Laboratories Regenerative Medicine and Cell Therapy Laboratories Photovoltaic & Thin Film Device Research Laboratories Process Development Research Laboratories Process Technology Laboratories
Date of Establishment	September 1, 1949	Affiliated Companies	111 Subsidiaries (Including 43 (in Japan) and 45 (outside Japan) consolidated subsidiaries)
Paid-in Capital	33,046 million yen		
Net Sales	601.514 billion yen (Including consolidated subsidiaries)		
Number of employees	11,013 (Including consolidated subsidiaries) 3,552 (Non-consolidated)		

Investor Information (As of March 31, 2020)

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	18,419

Shareholder Composition



* 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	2016	2017	2018	2019	2020
High	1,278	1,061	1,114	5,620	4,535
Low	810	643	815	3,640	2,112

* 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

(As of December 2020)

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 Medical 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.

THE AMERICAS

- Kaneka Americas Holding, Inc.
- Kaneka North America LLC
- Kaneka Medical 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