



FUJIKURA KASEI Group

Consolidated Financial Statements

as of March 31, 2022

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Independent Auditor's Report

FUJIKURA KASEI CO.,LTD.
Consolidated Balance Sheet
as of March 31, 2022

as of	March 31, 2022 (Thousands of yen)	March 31, 2022 (Thousands of U.S. dollars)
Assets		
Current assets:		
Cash on hand and in banks	¥ 13,530,833	\$ 110,537
Trade notes and accounts receivable	9,858,601	80,538
Merchandise and finished products	4,108,863	33,566
Work in process	87,598	716
Raw materials and supplies	2,931,719	23,950
Other current assets	881,876	7,203
Allowance for doubtful accounts	(149,510)	(1,221)
Total current assets	<u>31,249,980</u>	<u>255,289</u>
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	5,586,025	45,634
Machinery, equipment and vehicles	2,346,580	19,170
Tools, furniture and fixtures	777,092	6,348
Land	4,550,638	37,175
Lease assets	391,865	3,201
Construction in progress	340,671	2,784
Total property, plant and equipment	<u>13,992,871</u>	<u>114,312</u>
Intangible fixed assets:		
Software	134,690	1,100
Others	844,033	6,895
Total intangible fixed assets	<u>978,723</u>	<u>7,995</u>
Investments and other assets		
Investment securities	3,150,865	25,740
Long-term loans receivable	199,847	1,633
Deferred tax assets	525,944	4,297
Other assets	2,805,080	22,915
Allowance for doubtful accounts	(139,938)	(1,143)
Total investments and other assets	<u>6,541,798</u>	<u>53,442</u>
Total fixed assets	<u>21,513,392</u>	<u>175,749</u>
Total assets	<u>¥ 52,763,372</u>	<u>\$ 431,038</u>

FUJIKURA KASEI CO.,LTD.
Consolidated Balance Sheet
as of March 31, 2022

as of	March 31, 2022 (Thousands of yen)	March 31, 2022 (Thousands of U.S. dollars)
Liabilities and Net Assets		
Current liabilities:		
Trade notes and accounts payable	¥ 5,031,797	\$ 41,106
Short-term borrowings	2,911,290	23,783
Lease obligations	102,033	834
Accrued income taxes	277,144	2,264
Accrued expenses	1,025,169	8,375
Provision for bonuses	608,896	4,974
Other current liabilities	1,150,914	9,402
Total current liabilities	<u>11,107,243</u>	<u>90,738</u>
Long-term liabilities:		
Lease obligations	169,148	1,382
Deferred tax liabilities	113,206	925
Retirement benefit liability	2,394,572	19,562
Long-term accounts payable-other	109,316	893
Other long-term liabilities	350,368	2,862
Total long-term liabilities	<u>3,136,610</u>	<u>25,624</u>
Total liabilities	<u>14,243,853</u>	<u>116,362</u>
Net assets:		
Shareholders' equity		
Common stock	5,352,121	43,723
Capital surplus	5,040,199	41,175
Retained earnings	24,259,147	198,179
Treasury stock	(524,976)	(4,289)
Total shareholders' equity	<u>34,126,491</u>	<u>278,788</u>
Accumulated other comprehensive income		
Unrealized holding gains on securities	552,498	4,514
Foreign currency translation adjustments	1,118,815	9,140
Remeasurements of retirement benefits	(9,370)	(77)
Total accumulated other comprehensive income	<u>1,661,943</u>	<u>13,577</u>
Non-controlling interests		
	<u>2,731,085</u>	<u>22,311</u>
Total net assets	<u>38,519,519</u>	<u>314,676</u>
Total liabilities and net assets	<u>¥ 52,763,372</u>	<u>\$ 431,038</u>

FUJIKURA KASEI CO.,LTD.
Consolidated Statement of Income
for the Year Ended March 31, 2022

for the Year Ended	March 31, 2022 (Thousands of yen)	March 31, 2022 (Thousands of U.S. dollars)
Net sales	¥ 48,214,371	\$ 393,876
Cost of sales	34,027,777	277,982
Gross profit	<u>14,186,594</u>	<u>115,894</u>
Selling, general and administrative expenses	12,957,156	105,850
Operating income	<u>1,229,438</u>	<u>10,044</u>
Non-operating income		
Interest and dividend income	77,897	636
Rent income	69,995	572
Equity in earnings of affiliates	43,005	351
Gain on sales of investment securities	114,579	936
Others	142,480	1,164
Total non-operating income	<u>447,956</u>	<u>3,659</u>
Non-operating expenses		
Interest expenses	42,960	351
Foreign exchange losses	352	3
Guarantee commission	5,473	45
Loss on disposal of fixed assets	6,121	50
Provision of allowance for doubtful accounts	130,060	1,062
Others	43,381	354
Total non-operating expenses	<u>228,347</u>	<u>1,865</u>
Ordinary income	<u>1,449,047</u>	<u>11,838</u>
Income before income taxes	<u>1,449,047</u>	<u>11,838</u>
Income taxes		
Current	581,945	4,754
Deferred	56,820	465
Total income taxes	<u>638,765</u>	<u>5,219</u>
Net Income	<u>810,282</u>	<u>6,619</u>
Profit attributable to non-controlling interests	<u>69,184</u>	<u>565</u>
Profit attributable to owners of parent	<u>¥ 741,098</u>	<u>\$ 6,054</u>

FUJIKURA KASEI CO.,LTD.
Consolidated Statement of Changes in Net Assets
for the Year Ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	¥ 5,352,121	¥ 5,040,199	¥ 24,027,316	¥ (524,976)	¥ 33,894,660
Changes during the year					
Cash dividends paid			(509,267)		(509,267)
Profit attributable to owners of parent			741,098		741,098
Net changes in items other than those in shareholders' equity					—
Total changes during the year	—	—	231,831	—	231,831
Balance at the end of the period	¥ 5,352,121	¥ 5,040,199	¥ 24,259,147	¥ (524,976)	¥ 34,126,491

(Thousands of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on securities	Foreign currency translation adjustments	Remeasurements of retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the period	¥ 476,672	¥ 116,986	¥ (618,348)	¥ (24,690)	¥ 2,634,994	¥ 36,504,964
Changes during the year						
Cash dividends paid				—		(509,267)
Profit attributable to owners of parent				—		741,098
Net changes in items other than those in shareholders' equity	75,826	1,001,829	608,978	1,686,633	96,091	1,782,724
Total changes during the year	75,826	1,001,829	608,978	1,686,633	96,091	2,014,555
Balance at the end of the period	¥ 552,498	¥ 1,118,815	¥ (9,370)	¥ 1,661,943	¥ 2,731,085	¥ 38,519,519

FUJIKURA KASEI CO.,LTD.
Consolidated Statement of Changes in Net Assets
for the Year Ended March 31, 2022

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	\$ 43,723	\$ 41,175	\$ 196,285	\$ (4,289)	\$ 276,894
Changes during the year					
Cash dividends paid			(4,160)		(4,160)
Profit attributable to owners of parent			6,054		6,054
Net changes in items other than those in shareholders' equity					—
Total changes during the year	—	—	1,894	—	1,894
Balance at the end of the period	\$ 43,723	\$ 41,175	\$ 198,179	\$ (4,289)	\$ 278,788

(Thousands of U.S. dollars)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gains on securities	Foreign currency translation adjustments	Remeasurements of retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of the period	\$ 3,894	\$ 956	\$ (5,052)	\$ (202)	\$ 22,311	\$ 298,218
Changes during the year						
Cash dividends paid				—		(4,160)
Profit attributable to owners of parent				—		6,054
Net changes in items other than those in shareholders' equity	620	8,184	4,975	13,779	785	14,564
Total changes during the year	620	8,184	4,975	13,779	785	16,458
Balance at the end of the period	\$ 4,514	\$ 9,140	\$ (77)	\$ 13,577	\$ 22,311	\$ 314,676

Notes to Consolidated Financial Statements

1. Notes on significant matters serving as the basis for the preparation of consolidated financial statements, etc.

(1) Matters related to the scope of consolidation

1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 19 (companies)

Names of major consolidated subsidiaries:

Fujichemi Tokyo Co.,Ltd.

TOHKOH JUSHI CO.,LTD.

RED SPOT PAINT & VARNISH CO.,INC.

2) Names of major non-consolidated subsidiaries, etc.

Names of major non-consolidated subsidiaries:

Chukyo Paint Service Co.,Ltd.

FUJIKURA KASEI COATING INDIA PRIVATE LIMITED

Reason for exclusion from the scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of consolidation as they are all small in size and their total assets, sales, net income or loss (the amount corresponding to equity interest), retained earnings (the amount corresponding to equity interest), etc. in aggregate, do not have significant effect on the consolidated financial statements.

(2) Matters related to the application of the equity method

1) Number of non-consolidated subsidiaries and affiliates to which the equity method is applied and names of those major companies

Number of non-consolidated subsidiaries and affiliates to which the equity method is applied: 2 (companies)

Name of major companies:

RED SPOT KOREA INC.

PT. FUJIKURA KASEI INDONESIA

2) Names of non-consolidated subsidiaries and affiliates to which the equity method is not applied, etc.

Names of major companies:

(Non-consolidated subsidiaries)

Chukyo Paint Service Co.,Ltd.

FUJIKURA KASEI COATING INDIA PRIVATE LIMITED

Reason for not applying the equity method:

The equity method is not applied to these companies as the impact of excluding these non-consolidated subsidiaries from applying the equity method is insignificant on the consolidated financial statements in view of the net income or loss (the amount corresponding to equity interest) and retained earnings (the amount corresponding to equity interest), etc., and their impact is immaterial on the whole.

- 3) Matters to be specially mentioned concerning the procedure for applying the equity method
Of the companies to which the equity method is applied, we use the financial statements of their most recent business years when the business year end dates differ from the consolidated account closing date.

- (3) Matters related to the business year of consolidated subsidiaries, etc.

Of the consolidated subsidiaries, the business year end dates of RED SPOT PAINT & VARNISH CO.,INC. and 15 other companies are December 31, 2021.

On preparation of the consolidated financial statements, we use the financial statements as of the business year end date mentioned above. With respect to significant transactions arising between such date and the consolidated account closing date, we make relevant adjustments required in consolidation.

- (4) Matters related to accounting policies

- 1) Valuation policies and methods for assets

- i) Valuation policies and methods for securities:

Other securities

Those other than shares and other securities without quoted market price

Those other than shares and other securities without quoted market price are stated at market values.

Any valuation difference is recorded directly in net assets, and the cost of securities sold is calculated on the basis of the moving average method.

Share and other securities without quoted market price

Share and other securities without quoted market price are stated at cost based on the moving average method.

- ii) Valuation policies and methods for inventories

Inventories are mainly stated at cost based on the gross average method (devaluated on the balance sheet in the event of profitability deterioration).

- iii) Valuation method of derivative financial instruments

Consolidated subsidiaries adopt the market value method.

- 2) Depreciation method for depreciable assets

- i) Property, plant and equipment (excluding lease assets)

The Company and domestic consolidated subsidiaries apply the straight line method for machinery and equipment. The declining balance method is applied for all other assets, however, for buildings (excluding attached facilities) acquired on or after April 1, 1998 and for attached facilities and structures acquired on or after April 1, 2016, the straight line method is applied.

The straight line method is applied for depreciation by overseas consolidated subsidiaries.

Significant renewals and additions are capitalized at cost.

Maintenance and repairs are charged to profit.

The estimated useful lives mainly applied are as follows:

Buildings and structures 3~50 years

Machinery, equipment and vehicles 4~10 years

Tools, furniture and fixtures 3~ 5 years

- ii) Intangible fixed assets

The straight line method is applied. Internal use software is amortized by the straight line method based on the useful lives within the Company (mainly 5 years).

- iii) Lease assets

Leased assets under finance lease transactions of which the ownership do not transfer

The straight line method is applied using the lease terms as useful lives and the residual value of zero.

3) Accounting policy for allowances and provisions

i) Allowance for doubtful accounts

For possible losses on uncollectable receivables, estimates of irrecoverable amounts are based on historical loss ratios for general receivables, and on an individual consideration of recoverability for specific receivables from companies in financial difficulty.

ii) Provision for bonuses

For future payment of employee bonuses, the provision for bonuses is attributable to the current fiscal year.

4) Accounting policy for revenues and expenses

The group is mainly engaged in the manufacture and sale of coating materials for plastics in the coatings business, the manufacture and sale of architectural coatings in the paints business, the manufacture and sale of conductive resin paints and conductive adhesives in the electronic materials business, the manufacture and sale of resins for toners and functional resin bases in the chemical products business, and the sale of synthetic resins and their raw and processed products in the plastics business. The Company recognizes revenue from the sale of these goods or products at the time of delivery of the goods or products because the Company believes that the customer obtains control of the goods or products and the performance obligation is satisfied at the time of delivery of the goods or products. For domestic sales of goods or products, revenue is recognized at the time of shipment because the period from the time of shipment to the time when payment for such goods or products is transferred to the customer is the normal period of time. In addition, the Company recognizes as revenue the net amount received in exchange for goods or products provided by another party, less the amount paid to such other party, for transactions that qualify as agent transactions.

5) Other significant matters serving as the basis for the preparation of consolidated financial statements

i) Accounting policy for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

ii) Accounting policy for retirement benefit liability

The Company provides for employee retirement benefits based on the estimated retirement benefit obligations and plan assets as of March 31, 2022.

Upon calculating the retirement benefit obligations, the estimated retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial gains and losses are mainly amortized from the following year in which the gain or loss is recognized by the straight line method over certain periods, which are shorter than the average remaining years of service of the employees (mainly 3 years).

(U.S. dollar amounts)

The accompanying consolidated financial statements are expressed in yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥122.41=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2022. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

(Shareholders' Equity)

The Company Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the

shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

2. Change in accounting policies

(Application of the “Accounting Standard for Revenue Recognition”, etc.)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the consolidated fiscal year ended March 31, 2022. In accordance with this accounting standard, the Company recognizes revenue at the amount expected to be received in exchange for the promised goods or products when the control of the goods or products is transferred to the customer. As a result, the Company changed the method of recognizing as revenue the net amount received in exchange for goods or products provided by another party less the amount paid to such other party, whereas it previously recognized as revenue the amount received in exchange for goods or products provided by the other party for transactions that qualify as agent transactions.

The application of the Accounting Standard for Revenue Recognition, etc. is pursuant to the transitional treatment stipulated in the provision of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying the new accounting policy retrospectively from before the beginning of the consolidated fiscal year ended March 31 2022 is added to or subtracted from the retained earnings at the beginning of the consolidated fiscal year ended March 31 2022 before applying the new accounting policy the balance at the beginning of current period. However, the new accounting policy has not been applied retrospectively to contracts in which almost all of the revenue has been recognized before the beginning of the consolidated fiscal year ended March 31 2022 in accordance with the previous treatment by applying the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition.

The effect of this on the consolidated financial statements is immaterial. Also, there is no effect on the beginning balance of retained earnings.

(Application of the “Accounting Standard for Fair Value Measurement“, etc.)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the consolidated fiscal year ended March 31, 2022 under review, and it has adopted the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in Paragraph 19 of the Accounting Standard For Fair Value Measurement, and Paragraph 44-2 of the “Accounting Standard for Financial Instrument s“ (ASBJ Statement No.10 July 4, 2019). This had no impact on the consolidated financial statements.

3. Notes on Accounting Estimates

(1) Impairment of Fixed assets for Fujichem Sonneborn Ltd

1) Amount recorded in the consolidated financial statements as of March 31, 2022.

An impairment loss: - thousands of yen (- thousands of U.S. dollars)

Property, plant and equipment and intangible fixed assets: 1,477,843 thousands of yen (12,073 thousands of U.S. dollars)

2) Information that contributes to understanding related to the content of accounting estimates

i) Computation method

In the consolidated financial statements as of March 31, 2022, the company recognized indication of impairment due to a decrease in profitability by changing an environment about business for cash generation unit related to property, plant and equipment and intangible fixed assets for the consolidated subsidiary, Fujichem Sonneborn Ltd that belongs to the coating segment. But the company reached a conclusion not to recognize an impairment loss, because the discounted future cash flows which is generated from the cash generation unit would exceed the book balance of them according to the accounting procedure of impairment

test. The estimate of future cash flow that would be gained from continuing use of the cash generation unit is based on the business plan and the estimated growth rate within long-term average growth rate in a market after the period covered by the business plan.

ii) Key assumptions

Key assumptions used for estimates of discounted future cash flows are sales volume which become the basis for the business plan, growth rate applied after the business plan and the discount rate.

iii) Impact on the consolidated financial statements in the following fiscal year

Key assumptions used for estimates of discounted future cash flows which mentioned above entail uncertainty. On the occurrence of decrease of sales volume in the business plan, slow down the rate of growth or increase of the discount rate, there is a possibility that an impairment loss will be recorded.

4. Notes to the consolidated balance sheet

	Thousands of yen	Thousands of U.S. dollars
(1) Accumulated depreciation of property, plant and equipment	25,145,631	205,421
(2) Amount of notes endorsed	93,082	760
(3) Guaranteed obligations		
The Company and consolidated subsidiaries provide the following guarantee to loans from financial institutions of unconsolidated company.		
TOHOKU TOHKOH CO.,LTD.	80,000	654
(4) Assets pledged as collateral and corresponding liabilities		
Assets pledged as collateral are as follows:		
Buildings and structures	22,314	182
Land	47,649	389
<u>total</u>	<u>69,963</u>	<u>572</u>
Liabilities corresponding to the above:		
Short-term borrowings	889,640	7,268

5. Notes to the consolidated statement of changes in net assets

(1) Matters related to type and number of issued shares and treasury stock

1) Issued shares

Type of share	Beginning of fiscal year (shares)	Increase (shares)	Decrease (shares)	End of fiscal year (shares)
Common share	32,716,878	-	-	32,716,878

2) Treasury stock

Type of share	Beginning of fiscal year (shares)	Increase (shares)	Decrease (shares)	End of fiscal year (shares)
Common share	887,714	-	-	887,714

(2) Matters related to dividends

1) Payment of dividends

Resolution	Type of share	Total amount of dividends (thousands of yen)	Total amount of dividends (thousands of U.S. dollars)	Source of dividends	Dividend per share (yen)	Dividend per share (U.S. dollars)	Reference date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2021	Common share	254,633	2,080	Retained earnings	8	0.07	March 31, 2021	June 30, 2021
Board of Directors Meeting held on November 12, 2021	Common share	254,633	2,080	Retained earnings	8	0.07	September 30, 2021	December 6, 2021

2) Dividends with reference date in the current consolidated fiscal year, which will become effective after March 31, 2022

The Company proposes the following agenda to the ordinary general meeting of shareholders which will be held on June 29, 2022.

Type of share	Total amount of dividends (thousands of yen)	Total amount of dividends (thousands of U.S. dollars)	Source of dividends	Dividend per share (yen)	Dividend per share (U.S. dollars)	Reference date	Effective date
Common share	254,633	2,080	Retained earnings	8	0.07	March 31, 2022	June 30, 2022

6. Notes related to financial instruments

(1) Matters related to conditions of financial instruments

The policy of the Company and consolidated subsidiaries is to manage funds only by short-term deposits, etc. and to raise funds by borrowings from financial institutions such as banks.

The Company and consolidated subsidiaries keep credit risks involving customers with notes receivable and accounts receivable lower by managing them in accordance with its credit management rules. Investment securities are mainly equity securities, and market values of listed shares are reviewed on a quarterly basis.

Derivative transactions are executed and managed based on the authorizations and amount limitations approved by the board of directors, and are carried out within actual requirements.

(2) Matters related to fair value of financial instruments

Carrying amount on the consolidated balance sheet, fair value and difference between the two as of March 31, 2022 are as follows:

(Thousands of yen)

	Carrying amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities			
Other securities	1,606,698	1,606,698	-
(2) Derivative transactions (*2)	(7,722)	(7,722)	-

(Thousands of U.S. dollars)

	Carrying amount on the consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investment securities			
Other securities	13,126	13,126	-
(2) Derivative transactions (*2)	(63)	(63)	-

(*1) Items recorded in the liabilities section are stated in ().

(*2) Receivables and payables arising from derivative transactions are indicated in net amounts.

(note1) The calculation methods of the fair values of financial instruments and matters related to securities and derivative transactions

(1) Investment securities

The fair values of investment securities are stated at the market prices of the stock exchange.

(2) Derivative transactions

The fair values of derivative transactions are based on the forward quotations or the fair values provided by the counterparty financial institutions.

(note2) Cash has been omitted. As for deposits, trade notes and accounts receivable, trade notes and accounts payable and short-term borrowings, since these accounts are settled in a short period of time, the fair value is nearly equal to the book value, and thus the information has been omitted.

(note3) Shares and other securities without quoted market price are unlisted equity securities (Carrying amount on the consolidated balance sheet: 64,916 thousands of yen (530 thousands of U.S. dollars)) and not included in “(1) Investment securities Other securities”.

(3) Matters related to breakdown of fair value of financial instruments for levels

Fair value of financial instruments is classified into the following three level in accordance with the observability and importance of inputs for fair value calculation.

Level 1 fair value: A type of fair value calculated on the basis of a quoted market price of an asset or liability.

Level 2 fair value: A type of fair value calculated by using observable inputs other than level 1 inputs, among inputs for calculating a fair value able to be observed.

Level 3 fair value: A type of fair value calculated by using inputs not able to be observed.

If using multiple inputs having significant effects on fair value calculation, the fair value is classified into the lowest level in order of priority for fair value calculation, among levels to which the inputs belong individually.

1) Financial assets and financial liabilities using fair value for their amounts recorded in the consolidated balance sheet

March 31, 2022

(Thousands of yen)

	Fair value			
	Level 1	Level 2	Level 3	total
Investment securities				
Other securities				
Shares	1,606,698	-	-	1,606,698
Derivative transactions	-	(7,722)	-	(7,722)
total	1,606,698	(7,722)	-	1,598,976

March 31, 2022

(Thousands of U.S. dollars)

	Fair value			
	Level 1	Level 2	Level 3	total
Investment securities				
Other securities				
Shares	13,126	-	-	13,126
Derivative transactions	-	(63)	-	(63)
total	13,126	(63)	-	13,062

2) Financial assets and financial liabilities not using fair value for their amounts recorded in the consolidated balance sheet

No applicable items, therefore, this information is omitted.

Notes Explanation of evaluation techniques used for measuring fair value and inputs regarding measuring fair value

Investment securities

Listed shares are measured using the quoted market price. Since listed shares are traded in an active market, their fair values are classified as level 1 fair value.

Derivative transactions

The fair value of forward exchange contracts is calculated using observable inputs such as exchange rates,

therefore, is classified as level 2 fair value.

7. Notes related to revenue recognition

(1) Breakdown of revenue from contracts with customers

(Thousands of yen)

	Coatings for plastic	Architectural coatings	Electronics materials	Polymers & resins	Synthetic resins	Total
Sales revenue from contracts with customers	22,029,970	12,470,455	3,854,377	4,051,663	5,807,906	48,214,371

(Thousands of U.S. dollars)

	Coatings for plastic	Architectural coatings	Electronics materials	Polymers & resins	Synthetic resins	Total
Sales revenue from contracts with customers	179,969	101,874	31,487	33,099	47,446	393,876

(2) Basic information for understanding revenue

Basic information for understanding revenue is as stated in “(4) Matters related to accounting policies 4) Accounting policy for revenues and expenses”.

(3) Information with which to understand revenue amounts for the current fiscal year and the next fiscal year and thereafter

1) Balance of contract assets and contract liabilities

(Thousands of yen)

	Current fiscal year
Balance of receivables from contracts with customers (beginning balance)	12,866,377
Balance of receivables from contracts with customers (ending balance)	9,858,601
Contract liabilities (beginning balance)	7,642
Contract liabilities (ending balance)	19,925

(Thousands of U.S. dollars)

	Current fiscal year
Balance of receivables from contracts with customers (beginning balance)	105,109
Balance of receivables from contracts with customers (ending balance)	80,538
Contract liabilities (beginning balance)	62
Contract liabilities (ending balance)	163

Receivables from contracts with customers are trade notes and accounts receivable, and contract liabilities are mainly advances received and included in Other current liabilities. The contract liabilities (beginning

balance) of 7,642 thousand of yen (62 thousands of U.S. dollars) were recorded as revenues in the current fiscal year.

2) Transaction price allocated to remaining performance obligations

Description of transaction price allocated to the remaining performance obligations has been omitted as a practical expedient because there were no significant contracts having an original expected duration of over one year.

8. Notes related to per share information

	Yen	U.S. dollars
(1) Net assets per share	1,124.39	9.19
(2) Net income per share		
Basic	23.28	0.19
Fully diluted (*)	-	-

(*) As the Company does not have any instruments that have dilutive effect, the Company has not disclosed net income per share-fully diluted data.

The bases for calculation are as follows:

	Thousands of yen	Thousands of U.S. dollars
Profit attributable to owners of parent	741,098	6,054.23
Profit attributable to common shareholders	741,098	6,054.23
	Shares	
Number of weighted average shares	31,829,164	

9. Notes related to significant subsequent events

(Acquisition of treasury stocks)

The Company has resolved at a meeting of the Board of Directors held on May 13, 2022, the matters concerning the acquisition of treasury stocks pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act.

1. Reason for acquisition of treasury stocks

The Company will acquire its treasury stocks so that the Company carry out shareholder returns, improving capital efficiency and the flexible capital policy.

2. Detail of acquisition

(1) Class of shares to be acquired	Common shares
(2) Total number of shares to be acquired	1,000,000 shares (maximum) 3.14% of total number of issued shares excluding treasury shares
(3) Total amount of share acquisition costs	500,000,000 yen (4,084,633.61 U.S. dollars) (maximum)
(4) Acquisition period	From May 26, 2022 to February 28, 2023

(5) Method of share acquisition	Market purchase on the Tokyo Stock Exchange
3. Purchase of treasury stocks	
(1) Class of shares acquired	Common shares
(2) Total number of shares acquired	285,600 shares
(3) Total amount of share acquisition costs	136,313,300 yen (1,113,579.77 U.S. dollars)
(4) Acquisition period	From May 26, 2022 to July 31, 2022
(5) Method of share acquisition	Market purchase on the Tokyo Stock Exchange

Independent Auditor's Report

August 30, 2022

The Board of Directors
Fujikura Kasei Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan



Teruyasu Omote
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of Fujikura Kasei Co., Ltd. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's business report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.