

Consolidated Balance Sheets

Note: The U.S. dollar amounts appearing on the following pages represent the arithmetical results of translating yen into U.S. dollars at the rate of ¥115.02 to US\$1.00, the approximate rate of exchange as at December 31, 2021.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
ASSETS			
Current assets			
Cash and deposits	¥ 236,237	¥ 198,982	\$ 2,053,875
Notes and accounts receivable	319,546	287,900	2,778,181
Allowance for doubtful accounts	(1,426)	(1,092)	(12,398)
Inventories	203,879	190,208	1,772,548
Other current assets	40,295	46,645	350,329
Total current assets	798,531	722,644	6,942,536
Property, plant and equipment			
Land	242,556	264,589	2,108,816
Buildings and structures	343,574	351,987	2,987,084
Machinery, equipment and vehicles	955,138	1,016,307	8,304,101
Leased assets	30,429	34,026	264,554
Construction in progress	38,782	38,980	337,173
	1,610,479	1,705,890	14,001,727
Less: Accumulated depreciation	(950,958)	(978,771)	(8,267,762)
Net property, plant and equipment	659,521	727,119	5,733,965
Investments and other assets			
Customer related assets	141,141	152,564	1,227,100
Investment securities	103,798	106,408	902,434
Long-term loans	674	741	5,856
Net defined benefit asset	33,088	21,184	287,668
Deferred tax assets	15,207	15,883	132,208
Other	79,131	105,609	687,980
Allowance for doubtful accounts	(466)	(7,747)	(4,051)
Total investments and other assets	372,572	394,643	3,239,195
Goodwill			
	311,766	359,200	2,710,539
Total assets	¥2,142,390	¥2,203,606	\$18,626,235

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term debt	¥ 74,451	¥ 72,645	\$ 647,287
Current portion of long-term debt	72,857	56,387	633,425
Notes and accounts payable	239,897	191,067	2,085,702
Income taxes payable	17,180	6,041	149,364
Provision for repairs	4,848	28	42,152
Provision for bonuses	8,815	8,815	76,642
Provision for bonuses for directors	71	—	617
Provision for stock payments	39	13	336
Provision for business structure improvement	—	1,748	—
Other current liabilities	70,492	75,327	612,869
Total current liabilities	488,650	412,071	4,248,394
Noncurrent liabilities			
Long-term debt less current portion	683,448	906,365	5,941,991
Deferred tax liabilities	60,144	63,372	522,900
Provision for repairs	96	3,168	835
Provision for stock payments	196	204	1,708
Provision for business structure improvement	812	654	7,058
Net defined benefit liability	17,523	24,750	152,345
Deferred tax liabilities for land revaluation	30,128	30,241	261,934
Other noncurrent liabilities	42,941	44,701	373,333
Total noncurrent liabilities	835,287	1,073,455	7,262,102
Contingent liabilities			
Net assets			
Shareholders' equity			
Capital stock			
Authorized, 330,000,000 shares			
Issued (2021): 184,901,292 shares	182,146	—	1,583,604
Issued (2020): 149,711,292 shares	—	140,564	—
Capital surplus	119,772	78,190	1,041,317
Retained earnings	143,335	165,572	1,246,172
Less: Treasury stock at cost (2021): 3,824,243 shares	(11,655)	—	(101,331)
Less: Treasury stock at cost (2020): 3,828,732 shares	—	(11,657)	—
Total shareholders' equity	433,598	372,669	3,769,761
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,838	3,728	24,678
Deferred gains or losses on hedges	1,167	908	10,146
Revaluation reserve for land	28,928	29,034	251,504
Foreign currency translation adjustments	38,421	(506)	334,040
Remeasurements of defined benefit plans	9,036	128	78,564
Total accumulated other comprehensive income	80,391	33,292	698,932
Non-controlling interests	304,463	312,119	2,647,045
Total net assets	818,452	718,080	7,115,738
Total liabilities and net assets	¥2,142,390	¥2,203,606	\$18,626,235

Consolidated Statements of Operations

Showa Denko K.K. and Consolidated Subsidiaries
For the years ended December 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales	¥1,419,635	¥973,700	\$12,342,508
Cost of sales	1,081,642	814,378	9,403,943
Gross profit	337,994	159,322	2,938,565
Selling, general and administrative expenses	250,796	178,771	2,180,453
Operating income (loss)	87,198	(19,449)	758,112
Other income (expenses)			
Interest and dividends income	2,267	2,405	19,713
Equity in earnings of unconsolidated subsidiaries and affiliates	5,251	1,245	45,657
Gain on sales of investment securities, net	5,814	2,934	50,544
Foreign exchange gain (loss)	4,281	(2,979)	37,221
Gain on sales of noncurrent assets, net	1,104	2,645	9,602
Interest expenses	(10,006)	(6,986)	(86,993)
Loss on retirement of noncurrent assets	(4,838)	(2,627)	(42,062)
Impairment loss	(11,564)	(16,602)	(100,542)
Environmental expenses	(8,958)	—	(77,882)
Business structuring expenses	(32,767)	(5,908)	(284,881)
Financing expenses	—	(16,075)	—
Gain on sale of businesses	15,123	—	131,478
Loss on sale of businesses	(12,078)	—	(105,008)
Other, net	(17,901)	(6,864)	(155,635)
Total	(64,272)	(48,811)	(558,787)
Income (loss) before income taxes	22,926	(68,260)	199,325
Income taxes			
Current	26,957	6,891	234,371
Deferred	(6,688)	(10,051)	(58,144)
Net income (loss)	2,657	(65,101)	23,098
Net income attributable to non-controlling interests	14,751	11,203	128,244
Net income (loss) attributable to owners of the parent	¥ (12,094)	¥ (76,304)	\$ (105,146)

	Yen		U.S. dollars
	2021	2020	2021
Per share amounts			
Net loss attributable to owners of the parent: Basic	¥(77.40)	¥(523.06)	\$(0.67)
Net loss attributable to owners of the parent: Diluted	(77.40)	(523.06)	(0.67)
Cash dividends (applicable to the period)	65.00	65.00	0.57

Note: Net income per share has been computed based on the average number of shares of common stock outstanding during the respective fiscal year.

Consolidated Statements of Comprehensive Income

Showa Denko K.K. and Consolidated Subsidiaries
For the years ended December 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income (loss)	¥ 2,657	¥(65,101)	\$ 23,098
Other comprehensive income:			
Valuation difference on available-for-sale securities, net of tax	(949)	(6,101)	(8,250)
Deferred gains or losses on hedges, net of tax	259	474	2,251
Foreign currency translation adjustments	39,074	(4,770)	339,713
Remeasurements of defined benefit plans, net of tax	8,927	5,257	77,610
Share of other comprehensive income of unconsolidated subsidiaries and affiliates accounted for using equity method	958	54	8,328
Total other comprehensive income	¥48,268	¥ (5,087)	\$419,651
Comprehensive income	¥50,925	¥(70,188)	\$442,749
Comprehensive income attributable to:			
Owners of the parent	35,111	(81,294)	305,260
Non-controlling interests	15,814	11,107	137,489

Consolidated Statements of Changes in Net Assets

Showa Denko K.K. and Consolidated Subsidiaries
For the years ended December 31, 2021 and 2020

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as at December 31, 2019	149,711	¥140,564	¥78,912	¥249,246	¥(11,664)	¥9,789	¥433	¥33,060	¥4,140	¥(5,114)	¥20,067	¥519,433
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	(11,693)	—	—	—	—	—	—	—	(11,693)
Net loss attributable to owners of the parent	—	—	—	(76,304)	—	—	—	—	—	—	—	(76,304)
Purchase of treasury stock	—	—	—	—	(3)	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	(0)	—	11	—	—	—	—	—	—	11
Increase by increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Decrease by decrease of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—
Change in treasury shares of the parent arising from transactions with non-controlling shareholders	—	—	(1,392)	—	—	—	—	—	—	—	—	(1,392)
Changes in liabilities for written put options over non-controlling interests	—	—	660	—	—	—	—	—	—	—	—	660
Change due to merger	—	—	10	—	—	—	—	—	—	—	—	10
Reversal of revaluation reserve for land	—	—	—	4,323	—	—	—	—	—	—	—	4,323
Net changes of items other than shareholders' equity	—	—	—	—	—	(6,061)	475	(4,026)	(4,646)	5,241	292,052	283,036
Balance as at December 31, 2020	¥149,711	¥140,564	¥78,190	¥165,572	¥(11,657)	¥3,728	¥908	¥29,034	¥(506)	¥128	¥312,119	¥718,080
Issuance of new shares	35,190	41,583	41,583	—	—	—	—	—	—	—	—	83,165
Dividends from surplus	—	—	—	(9,500)	—	—	—	—	—	—	—	(9,500)
Net loss attributable to owners of the parent	—	—	—	(12,094)	—	—	—	—	—	—	—	(12,094)
Purchase of treasury stock	—	—	—	—	(6)	—	—	—	—	—	—	(6)
Disposal of treasury stock	—	—	0	—	7	—	—	—	—	—	—	7
Increase by increase of consolidated subsidiaries	—	—	—	45	—	—	—	—	—	—	—	45
Decrease by decrease of consolidated subsidiaries	—	—	—	(690)	—	—	—	—	—	—	—	(690)
Change in treasury shares of the parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Changes in liabilities for written put options over non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Change due to merger	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	1	—	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity	—	—	—	—	—	(890)	259	(106)	38,928	8,909	(7,656)	39,433
Balance as at December 31, 2021	184,901	¥182,146	¥119,772	¥143,335	¥(11,655)	¥2,838	¥1,167	¥28,928	¥38,421	¥9,036	¥304,463	¥818,452

	Thousands	Thousands of U.S. dollars										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance as at December 31, 2020	149,711	\$1,222,079	\$679,791	\$1,439,509	\$(101,345)	\$32,416	\$7,895	\$252,427	\$(4,402)	\$1,112	\$2,713,608	\$6,243,090
Issuance of new shares	35,190	361,525	361,525	—	—	—	—	—	—	—	—	723,050
Dividends from surplus	—	—	—	(82,598)	—	—	—	—	—	—	—	(82,598)
Net loss attributable to owners of the parent	—	—	—	(105,146)	—	—	—	—	—	—	—	(105,146)
Purchase of treasury stock	—	—	—	—	(49)	—	—	—	—	—	—	(49)
Disposal of treasury stock	—	—	0	—	63	—	—	—	—	—	—	64
Increase by increase of consolidated subsidiaries	—	—	—	394	—	—	—	—	—	—	—	394
Decrease by decrease of consolidated subsidiaries	—	—	—	(5,998)	—	—	—	—	—	—	—	(5,998)
Change in treasury shares of the parent arising from transactions with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Changes in liabilities for written put options over non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Change due to merger	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	10	—	—	—	—	—	—	—	10
Net changes of items other than shareholders' equity	—	—	—	—	—	(7,738)	2,251	(923)	338,442	77,452	(66,562)	342,921
Balance as at December 31, 2021	184,901	\$1,583,604	\$1,041,317	\$1,246,172	\$(101,331)	\$24,678	\$10,146	\$251,504	\$334,040	\$78,564	\$2,647,045	\$7,115,738

Consolidated Statements of Cash Flows

Showa Denko K.K. and Consolidated Subsidiaries
For the years ended December 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities			
Income (loss) before income taxes	¥ 22,926	¥ (68,260)	\$ 199,325
Adjustments for:			
Depreciation and amortization	97,726	68,643	849,646
Impairment loss	11,564	16,602	100,542
Amortization of goodwill	17,720	9,322	154,058
Increase (decrease) in net defined benefit liability	4,038	2,431	35,107
Interest and dividends income	(2,267)	(2,405)	(19,713)
Interest expenses	10,006	6,986	86,993
Financing expenses	—	16,075	—
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(5,251)	(1,245)	(45,657)
Loss (gain) on sales and valuation of investment securities	(5,101)	(2,619)	(44,348)
Loss on retirement of noncurrent assets	4,838	2,627	42,062
Loss (gain) on sales of noncurrent assets	(1,104)	(2,645)	(9,602)
Loss (gain) on sales of businesses	(3,045)	—	(26,474)
Business structuring expenses	32,767	5,908	284,878
Decrease (increase) in notes and accounts receivable-trade	(51,628)	14,879	(448,859)
Decrease (increase) in inventories	(43,739)	70,713	(380,274)
Increase (decrease) in notes and accounts payable-trade	72,694	(22,744)	632,008
Other, net	(34,230)	13,272	(297,587)
Subtotal	127,914	127,540	1,112,104
Interest and dividends income received	7,266	6,546	63,174
Interest expenses paid	(9,999)	(5,371)	(86,931)
Income taxes (paid) refund	(9,898)	(19,429)	(86,058)
Net cash provided by (used in) operating activities	115,283	109,286	1,002,289
Cash flows from investing activities			
Payments into time deposits	(1,666)	(885)	(14,486)
Proceeds from withdrawal of time deposits	1,507	1,144	13,101
Purchase of property, plant and equipment	(67,741)	(64,500)	(588,952)
Proceeds from sales of property, plant and equipment	2,223	7,723	19,327
Purchase of investment securities	(3,270)	(286)	(28,432)
Proceeds from sales of investment securities	9,318	22,697	81,009
Purchase of investments in subsidiaries resulting in change in the scope of consolidation	—	(890,230)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	84,133	—	731,460
Net decrease (increase) in short-term loans receivable	(1,230)	67	(10,691)
Payments of long-term loans receivable	(246)	(630)	(2,139)
Collection of long-term loans receivable	14,271	275	124,078
Other, net	(8,693)	(5,422)	(75,571)
Net cash provided by (used in) investing activities	28,606	(930,047)	248,704
Cash flows from financing activities			
Net increase (decrease) in short-term debt	11,352	(9,226)	98,695
Proceeds from long-term loans payable	24,300	702,163	211,268
Repayments of long-term loans payable	(307,247)	(44,134)	(2,671,246)
Proceeds from share issuance of bonds	99,539	—	865,407
Redemption of bonds	(25,000)	—	(217,354)
Proceeds from issuance of preferred stock	82,405	268,503	716,437
Purchase of treasury stock	(7)	(3)	(58)
Proceeds from sales of treasury stock	0	18	2
Cash dividends paid	(9,479)	(11,674)	(82,416)
Proceeds from stock issuance to non-controlling shareholders	29,766	—	258,790
Cash dividends paid to non-controlling shareholders	(16,117)	(1,397)	(140,123)
Purchase of investments in subsidiaries without change in scope of consolidation	(5,293)	(1,987)	(46,018)
Other, net	(5,960)	(5,742)	(51,822)
Net cash provided by (used in) financing activities	(121,741)	896,521	(1,058,437)
Effect of exchange rate changes on cash and cash equivalents	14,634	434	127,228
Net increase (decrease) in cash and cash equivalents	36,782	76,194	319,784
Cash and cash equivalents at the beginning of the year	197,928	121,734	1,720,811
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	229	—	1,991
Cash and cash equivalents at the end of the year	¥ 234,938	¥ 197,928	\$ 2,042,585