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Kaneka Integrated Report 2022

kaneka



Sustainable Solutions

for an Evolving World.

Kaneka Integrated Report 2022

The Dreamology Company

—Make your dreams come true—

Trial & Error experiment driven company

KANEKA thinks “Wellness First”.

Kaneka contributes to the sustainability of the earth, develops its business in a “wellness-first” direction, energizes people, adds vibrancy to business, and helps build a happier society. To make the world more wellness-first.

Kaneka takes an innovative approach to science, and seeks to fulfill people’s dreams by offering a wide variety of solutions.

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Before We Are No Longer Able to Live on the Earth



Kimikazu Sugawara
Chairman and Representative Director

Perspectives From Kaneka's Purpose Management

The caption at the beginning was borrowed from the book,
On The Future: Prospects for Humanity,
by astrophysicist Martin Rees.

This book is about the future.

This book begins here.

It offers some hopes, fears, and speculations about "what lies ahead."

It states that our ability to sustain a world that is more vulnerable
than ever for much longer depends on our ability to accelerate
one kind of technology while suppressing another.

There are now so many of us and our collective

"footsteps" have not only transformed

but have also devastated the entire biosphere in some cases.

The natural environment is being increasingly stressed.

If a critical threshold is crossed,

our activities may cause dangerous climate change and mass extinction.

A dried-up, emaciated world will be passed on to future generations as a result.

Yet, there is no need to put the brakes on technology to reduce this risk.

On the contrary—we must deepen our understanding of nature
and deploy the right technologies more quickly.

We have been entrusted as Earth's stewards in a particularly critical time.

That is the theme of this book.

So it concludes.



Yes.

Martin Rees' perspectives discussed here are exactly the Purpose Management aims at "KANEKA The Dreamology Company—Make your dreams come true."

I have decided on this caption to express my agreement.

Kaneka is refining its technology in three domains: the environmental and energy crisis; the food crisis, and the wellness (better living) crisis; and we aspire to provide optimal solutions through their social implementation. We share Martin Rees' sense of urgency.

Life Is a Chemical Reaction.

For several years, I have cast animals, plants, and other life forms that spring forth vigorously in nature, the "joy of life," as the main characters on the front cover of our integrated reports.

Why?

The reason is clear.

At the cellular level, the life force of all life forms, including humans, plants, and animals, can mostly be explained by a common language called "chemical reactions." This is where Kaneka comes in as a chemical company.

Let's open your elementary school science textbooks.

It explains that life consists of sustenance—through taking nutrients into the body by eating, as well as digestion, absorption, metabolism, assimilation, and catabolism through chemical reactions involving enzymes—and trying to reproduce.

Life, to live, is a chemical reaction.

To live is also to eat.



Kaneka's policy is to research the "mysteries of life" and to support a society that fosters life. This is because the universal understanding in chemistry, that "life is a chemical reaction," is the starting point for our activities (such as research).

The human genome was decoded in 2003.

What we have found is that, in terms of DNA, humans are hardly different from other organisms.

While we may look different, in terms of DNA, life is all the same.

The Miracle of the Earth and the Birth of Life

When it was created 4.6 billion years ago, the Earth was a ball of fire. Over the next 500 million years or so, this fireball transformed into a planet covered by an ocean, and according to research, minerals dissolved into the ocean to give rise to a wide variety of organic matter. Life was born.

Ultimately, the Earth and all of its life forms, when the footsteps of their origins are tracked, lead to a single source.

By the way, humans are said to have undoubtedly sown the seeds of most of the problems currently facing the planet and its human inhabitants.

Therefore, I believe that for humans to survive as a species, we must change our thought patterns, zoom out, and reconsider problems from the perspective of "life on Earth," which includes the planet and all of its life forms.



The New Frontier of Biomanufacturing and Chemistry

I repeat.

Life and Earth are one, and chemical reactions are its common substance.

Each domain is a new frontier that Kaneka is striving in.

For example, the KANEKA Biodegradable Polymer Green Planet™, which will be discussed later in this report, as well as genome editing technologies, biopharmaceuticals, regenerative and cellular medicine, organic dairy businesses, supplements, biomanufacturing including fermentation and culture process technologies, PV Technology, E&I, and medical devices, among others.

Each research may appear different, but they are all connected to the big “life,” that is, life on Earth.

This is the new frontier created by chemistry.



Hybrid Management of the Toy Box

Innovation is a new combination that moves things differently.

To create new combinations between different things in different business fields.

This is what Kaneka calls “Hybrid Management.”

The stunning combination of technologies.

Our researchers are transcending fields and endeavoring to create new combinations never seen before.

This challenge may be a result of Kaneka being like a toy box.

A toy box filled with varied and different things.

We are enjoying the blessings of diversity.



Serendipity is being born inside the toy box.

I am proud of our dedicated researchers.

I hope you can see why the integrated reports featured plants and animals as the main characters.

The Post-Pandemic Future

It is said that the global population will reach 9.7 billion by 2050.

What can humanity do in the face of global crises such as the environment and energy, food, climate change, and world wars?

This worry is worsening.

Furthermore, dramatic advances have been made in fields such as biotechnology, cyber, and AI, and even the possibility of humanity’s exodus from the planet has been discussed.

As the pandemic comes to an end, the post-COVID world is at a historical crossroads. In other words, the period before and after the pandemic is set to decisively alter the course of history.

History never returns to where it was before.

The thriving and revival of humanity depend on how science and technology can help us resolve social problems.

Saving the planet with chemistry.

Kaneka, as a resident of Earth, will work swiftly to make science and technology dreams a reality and to apply them to solve social problems.

Kaneka is a Dreamology Company.

While we’re on the topic of integrated reports, I’d like to add a word on why animals breaking eggshells were included.

“You can’t make an omelette without breaking eggs”



That is, it takes a bit of courage to do something new.
If you're too scared to break an egg, you can't enjoy a delicious omelette.
The saying shows France's national character.
Additionally, "Kites rise highest against the wind, not with it."
(Winston Churchill)
We are betting on creative innovation with this feeling.



Restoring Bonds —Trust & Respect—

Following the easing of COVID-19 border restrictions in many countries,
I immediately went to the U.S. and Europe (for the first time in three years).
I was making do with online meetings and messages until then,
but once I got in touch with the realities of our customers and colleagues on-site,
I discovered that my perceptions were vastly different.
Without realizing it,
our communication had become fragmented.

The end of the pandemic is the beginning of a
"new Trust & Respect."

Customers and colleagues restoring a true
"One Team" by bringing back trust and respect.
Mending the divisions.
My mind is set.

Trust People & Mutual Respect is a tradition that
has continued since Kaneka's founding over 70 years ago.
It is embedded within our company song,
"Eichi Aratani (Anew Wisdom)".

Kaneka Is a Human Driven Company —The Evolution of "1-on-1"—

People are everything.
The pandemic reminded us how unnatural it is that people cannot talk face to face.
Our communication has become impaired
under the threat of something unidentifiable.
We have become unable to speak up.
We have been forced into silence.
While this is improving with the cure of time,
restoring considerate and humane communication
remains a large issue in management.

We have restarted activities to rebuild connections,
such as the first Run, Run, Run. Kaneka (group ekiden competition) in three years.

By the way, it has been five years since the "Kaneka 1-on-1" system began.
Kaneka was the pioneer of the "1-on-1" system in Japan.

The framework of this system consists of:

- Increasing corporate value and driving growth through the growth of our people.
- To accomplish this, supervisors and subordinates meet on a regular (at least biweekly) basis to review the progress of plans and the development of the subordinate's career and skills.

The system is evolving.

Leadership and followership.

We will strengthen the mechanism that allows the captain to unite
the crew's feelings to create winning momentum.

We will reset the soul of the system.



I Diversity: Creating New Value and Women’s Participation

“Wow, I never thought of it that way!”
“Your perspectives are unique and always moving.”
Diversity of ideas!
I want to fill Kaneka with such “idea craftsmen.”
I want to amaze the world with their creativity and human magic.
I work with this in mind.

Unbound by gender, age, nationality, and other circumstances.
I want you to leap out of the box.
I want the hands of different and diverse employees to create new value.
This is what Kaneka considers diversity.

My job is to bring out their unhindered performance as
a stage director.

“It is not the strongest of the species that survives,
nor the most intelligent that survives. It is the one that
is most adaptable to change.” (Darwin)

I understood him as saying that only companies that
can attract a diversity of DNA—a diversity of human
resources that cause change—can survive.
“Be different!” is probably the keyword for diversity.

We are actively hiring and promoting women.
We are expanding women’s opportunities because
we want to amaze the world with a diversity of ideas.



I Positive Thinking: Let’s Remove Limits!

The other day, I received a courtesy visit
from the players of the Kashima Antlers (we are their official partner).
The soccer club striving as one team to be the best in Japan and
the world parallels the way we work as a passionate
group to achieve a sustainable future.

Our new themes are deepening Trust & Respect between colleagues
and pushing past limits (Limitless Adventure).
Let’s remove the limits.

“Innovation is the market introduction of a technical or organizational novelty,
not just its invention.” (Schumpeter)

“The human mind, if left alone, will lean 90% negative.
So put it into words, be aware of it,
and act with positive thinking.” (Joseph Murphy)

“Based on my experiences, I can’t do it, it’s impossible.”
Wave goodbye to these negativity bugs.
As our experiences have taught us our limits,
we should also be able to learn to let them go.



I Serendipity: The Ability to Connect the Dots

While trying many things out of curiosity, something unexpected happens through chance encounters and seemingly unrelated events.

Discovering new wonders and seizing lucky combinations.

This must be the best part about research.

The goddess of serendipity arrives in an everyday, ordinary appearance.

This is how I feel after having spent many years on research sites.

The trigger that gives birth to serendipity is the everyday research that connects the dots.

Like deer running through the woods,
research sites are thriving with serendipity.

When Edison said, "I have not failed.

I have successfully found 10,000 ways that will not work,"
he gave us the trick to encountering serendipity.

The age of discontinuity.

Without an antenna for things other than what is of
immediate interest, the way we view things becomes
extremely narrow.

If you come across something out of the ordinary,
don't miss that opportunity; take a detour.

According to research, around 30 to 50% of important
scientific discoveries are said to be a result of unintentional
coincidences.

Like this, the value realized by chance wasn't something
that was initially expected or sought after.

They were completely unexpected.

Let's keep in mind that research is planning for coincidences.



I Don't Forecast the Future, Plan It

It's not about "how the future will be," but "what to do with the future."

The unknown arouses anxiety and makes you want to know what lies just ahead.

It's tempting to try and forecast the future.

But what is more important than forecasting the future, is to plan the future.

That is, to demonstrate adaptability.

Responding quickly and appropriately to change

—being reactive; staying ahead of change

—being proactive; and the best is

creating the future with your own hands

—being creative.

Kaneka will act with a clear purpose and

principles to plan a future and then realize

that future.



Gratitude and Prayers

I believe management is about responding to change while moving back and forth between the whole and its parts.
The whole is a part, and a part is the whole.

Although the brain has long been thought to be the only command center for organisms, recent research has led us to believe, for example, that the brain and gut operate independently, led by gut bacteria.

The same is true with management.
God is in the details.
Each and everything that happens on-site,
and change in each and every employee,
are the factors that harmonize the whole operation.

Management is truly about the whole picture
—shine a light on the details.

There would be a no greater joy for me than if, while reading this report, you could understand the relationship between the whole and its parts in management.
Each and every narrative I present here are Kaneka’s most important principles and major policies themselves.

We have continued to focus on human-driven management this past year.
I report this with gratitude and prayers for all of you.



What We Considered in Our Mid-Term Plan

I am sometimes moved by nursery rhymes and fairy tales.
The Mother Goose Nursery Rhymes are full of lessons that touch me deeply to this day.

*For want of a nail, the shoe was lost.
For want of a shoe, the horse was lost.
For want of a horse, the rider was lost.
For want of a rider, the battle was lost.
For want of a battle, the kingdom was lost.
And all for the want of a horseshoe nail.*

A small gap in the mind can lead to a big failure.
I think it’s a great lesson.
It also expresses very well, “The whole is a part, and a part is the whole.”
Those who have played with jigsaw puzzles may already know this,
but I believe using the parts to paint the whole picture is essential.

(1) Progress Management

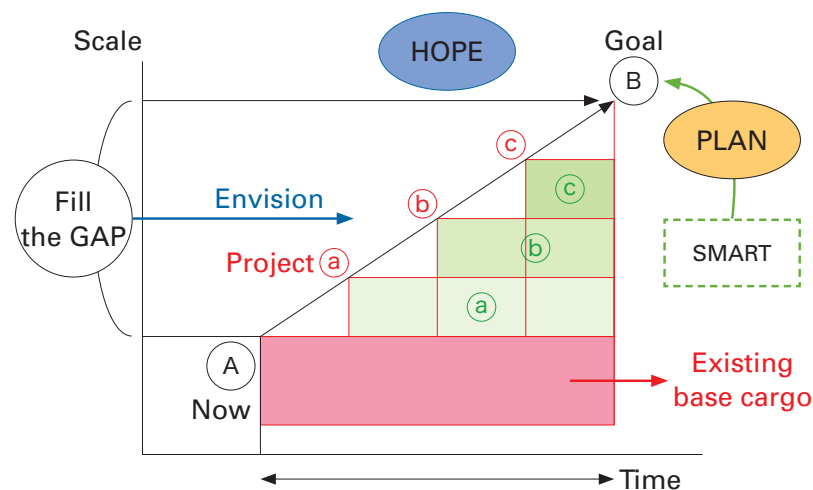
The mid-term plan is an inspection (monitoring) of the runway leading towards a tremendous leap.
Reconfirm the future (aspiration = romance) that each business aims for, structure it as a vision, and specify the dates and scale.
I propose a vision to achieve speed and dynamism by structuring critical issues, which are choke points (Issue Management), and by assigning priorities to issues (Direction Management). The mid-term plan will meticulously visualize progress management, which is comprised of these three managements.



Before We Are No Longer Able to Live on the Earth

(2) From Hope to Plan with SMART

Identify what should be done now by backcasting from how the future should look.
Visualize from the SMART (Specific, Measurable, Actionable, Realistic, Time-Limited) perspective and bring the whole picture to the forefront.
Through this, hope becomes plan.



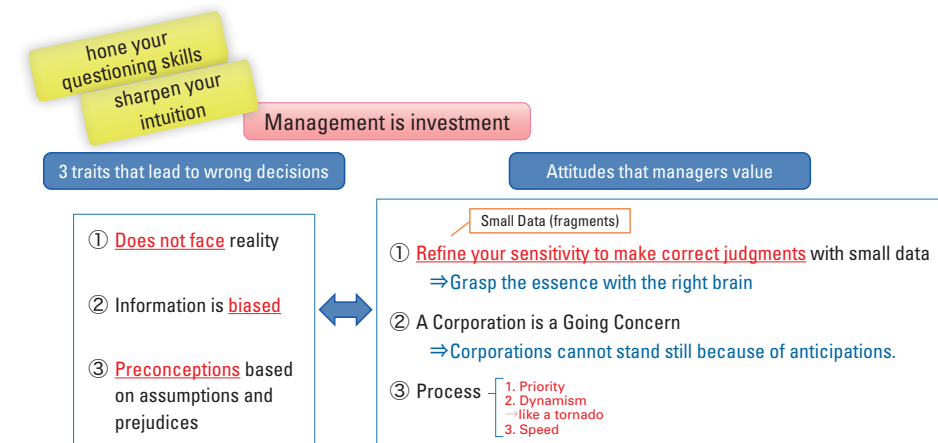
(3) 3R+S

Every leader in an organization has the power to decide, together with the responsibility that goes with it.
Every leader must exercise leadership with determination, using their power correctly to lead the organization toward its goals.
Become aware of this mission, think for yourselves, and ignite people's hearts with positive action.
Passion is born from action, and it spreads.

- ① Right Practice
State what you want to do specifically
- ② Right Posture, Standing tall
Straighten your back, correct your posture
- ③ Right Effort
Give it your all
- ④ Single Minded Way
Work earnestly

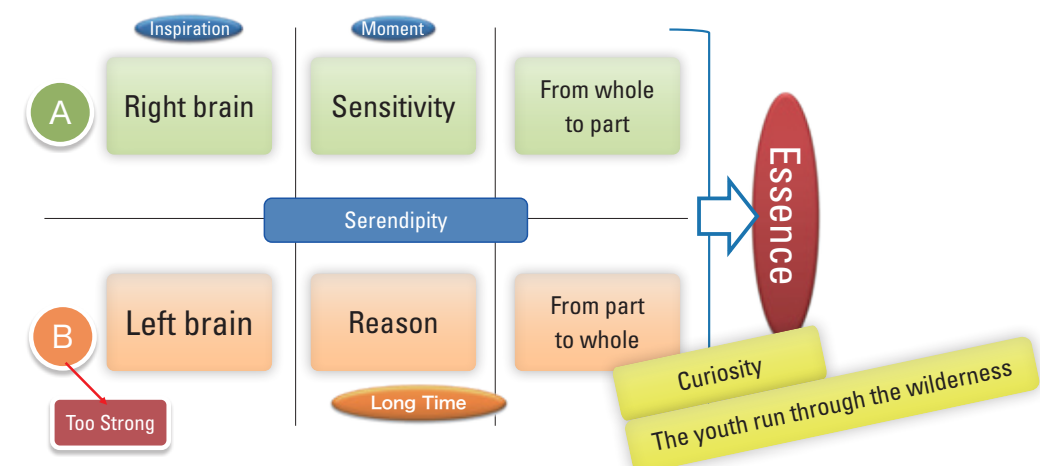
(4) Management Is Investment

Beginnings are a revival of mindfulness.
Review past efforts without preconceptions and deep-clean the mental litter.
Become humbly aware of yourself on the edge of a cliff,
and don't repeat the laziness of not having started.
Don't fall into the pattern of making the wrong decisions.
Focus on the future that has already begun in front of
you and see into its essence with discernment.



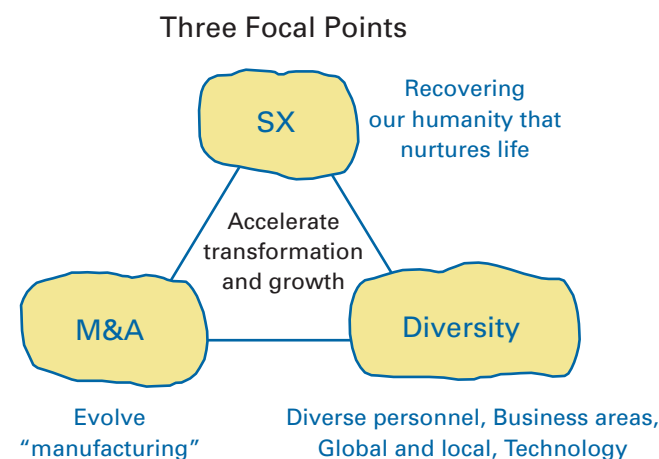
(5) Serendipity Is Intuition

Luck comes to those who are ready.
Cherish your burning curiosity and inspired heart.
Have the mindset of stepping out of existing boxes and observing from above; and hone your ability to notice the sprouts of growth, discover, and imagine.



Accelerate the “3+5” Strategic Platform

I would like to reiterate the “3 Focal Points and 5 Initiatives” that form the foundation of our strategy. First, the three focal points (focuses) are ① Restoring life-nurturing humanity “SX” (sustainability + DX); ② Promoting structural reform through M&A; and ③ Promoting diversity through diverse people, business areas, regions, and technologies. We will accelerate transformation and growth by prioritizing these three points.



Five Initiatives

- 1) Strengthening the Asian Strategy
- 2) Advancing Digital Transformation (DX)
- 3) Advancing Carbon Neutrality
- 4) Alliances and M&As
- 5) Diversity Committee

1. Strengthening the Asian Strategy

We will accelerate the development of the Chinese market in particular, through local business planning and dispatch capabilities, making full use of the Asian regional headquarters structure. We will incorporate Asian dynamism.

2. Advancing Digital Transformation (DX)

Under the DX & Carbon Neutral Committee, we will accelerate efforts that integrate DX and CN (carbon neutrality) in the manufacturing sector.

We will concretize production technology strategies and production innovation concepts to realize CN by upgrading our digital platform, which includes manufacturing innovations that apply digital technologies as well as R&B.

3. Advancing Carbon Neutrality

The DX & Carbon Neutral Committee will lead our efforts to accelerate the realization of CN throughout the company with the integration of DX. To achieve a 30% GHG reduction in FY2030 compared to FY2013, we will strive to both reduce our environmental impact and increase business efficiency. We will accomplish this through energy conservation, manufacturing innovations, alternative fuels, and the introduction of low-CO₂ electricity, as well as through the introduction of our own Internal Carbon Pricing (ICP) system and LCA evaluation mechanism.

4. Alliances and M&As

We will strengthen our open innovation and alliance activities that link our external and internal resources, based on the high level of expertise of the Investment Planning Committee and the Global Open Innovation Planning Department.

5. Diversity Committee

We have created opportunities to raise the stage for women’s advancement, such as through roundtable discussions with female executives.

We will promote human resource-oriented policies by enhancing the activities of specialized teams that promote the further advancement of women.

We will also facilitate human capital diversification through initiatives such as career recruitment and expanding the appointment of female executives.

Purpose of the Management Policies

“Wellness First” Health Management to Achieve Sustainability (ESG Management)

1. KANEKA The Dreamology Company – Make your dreams come true –

We will be a company that serves people’s lives through our adventures in the “sea of wonders” that is chemistry.

2. Solution Provider

We will contribute to building a sustainable society based on the Triple Package of Management System Transformation.

3. Hybrid Management

We will accelerate transformation and growth by combining diverse technologies and promoting hybrid management, which creates valuable solutions.

4. Trial & Error Experiment Driven Company

We will strive to be a Value Creating Company, transforming into a new portfolio, by operating under the guideline of being a passionate experiment company (keeping only what is worth testing extensively), and through repeated renewals.

Selection and Concentration

1. Domain

We will accelerate portfolio transformation with the three crises (Environment and Energy, Food, and Wellness) as our business domains.

2. R&B (Research & Business)

We will push ahead with the development of innovative materials (breakthrough technology) and proactively invest management resources in research and development activities, which is an investment in the future.

3. The Strategic Investment of Resources

We will make timely investments that contribute to the growth strategy with speed and scale. We will also make proactive investments that will lead to business expansion, such as in strengthening our capabilities and in facilities to manufacture new products. Furthermore, we will reinforce our core business groups while accelerating portfolio transformation through the rapid growth of leading + large new businesses.

I Strengthening the Management Platform

1. Speed Up the Implementation of New Businesses Into Society

We will apply a “selection and concentration” approach to themes with scale and improve the productivity of R&B.

2. Innovate and Upgrade Operations Through Digital Transformation

We will implement business transformation by introducing a new personnel system that will increase the motivation and productivity of employees, as well as become an organization and people that continue to create high value.

3. Evolve “Kaneka 1-on-1”

We will enhance our ability to solve problems on-site by creating a physically strong “One Team” with a strategy (game plan) to win.

4. Open Innovation

We will proactively carry out alliances and M&As, thereby accelerating the transformation of our business portfolio and accelerating discontinuous growth.



Management Philosophy Structure

Sustainable, Human
Driven Management

“Declaration of Kaneka United”

1
Corporate
Philosophy

With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrading the quality of life.

2
Corporate
Ideals

Toward an Even More Impressive and Productive Future

Hold in your hands the future you have always dreamed of. We are a highly perceptive and collaborative value-creating group or, as we like to say, a “Dreamology Company.”* We want to look at the future from the same perspective as our customers. The future that Kaneka visualizes is one that connects us with our customers.

* “Dreamology” is an expression coined from ‘dream’ and ‘ology’ (science). Our “Dreamology Company” is a “highly perceptive and collaborative value-creating group.”

Five
“ties”

1. Tie to the future	As a research and development company brimming with creative energy and passion, we will create future-oriented businesses that leap beyond current market needs and back them up with new product development, thus protecting the global environment and contributing to the quality of life.
2. Tie to the world	We are determined to become a truly global enterprise with diverse human resources working together on a global scale. Our presence will be felt in markets around the world, including newly emerging ones.
3. Tie with value	We are proud of our unity and identity as the Kaneka Group and will take on the challenges of value creation and business innovation through close collaboration.
4. Tie for innovation	We will never cease to pursue innovation, fusing wisdom from both internal and external sources without getting caught up in organizational compartmentalization and conventional ways of doing things.
5. Tie with people	We in the Kaneka Group believe that the wellspring of corporate growth resides in human resources and will continue to seek innovation as we cultivate and nurture our valued employees.

In 2018, Kaneka Group established the ESG Charter, aiming to evolve its ESG management.

3
ESG Charter

Putting the Corporate Philosophy Into Practice

1. We offer solutions characterized by value to global markets and contribute to the evolution of lifestyles and the environment through innovative chemistry.

- ① We bring innovation to lifestyles and the environment by harnessing the unlimited potential of chemical materials to help communities achieve sustainability. (Earthology Chemical Solution)
- ② By adopting a unified approach to food and medicine that is defined by a focus on chemistry, we provide innovative solutions that empower people to live healthier lives. (Active Human Life Solution)

2. We fulfill our social responsibility by empowering individual employees to put our corporate philosophy into practice through serious, forward-looking effort.

- ① We actively contribute to our communities by cultivating understanding of the cultures and customs of the countries and regions where we do business and by pursuing corporate activities that are deeply rooted in those communities.
- ② We operate our businesses in a fair and impartial manner based on the principles of free competition and legal compliance.
- ③ We’re committed to communicating with shareholders and other stakeholders and to making information about our operations available in a timely and appropriate manner.
- ④ We strive to foster an organizational culture that respects the personalities and uniqueness of all employees so that they can enjoy good health, feel motivated, and make the most of their abilities.
- ⑤ Reflecting a commitment to make safety the top priority in our operations, we work to create safe and healthy workplaces, ensure product safety, and protect and preserve the environment.

As good citizens, we look towards the same future as all stakeholders from the same viewpoint.

Based on the “Declaration of Kaneka United”, we provide valuable solutions through our mission of Kaneka thinks “Wellness First”.



WE SUPPORT



Support for the United Nations Global Compact

In March 2015, Kaneka Group became a signatory to the United Nations Global Compact. The UN Global Compact is a voluntary code of conduct through which the top management of signatory companies commit themselves to take action aimed at achieving ten principles in the four areas of Human Rights, Labour, Environment, and Anti-Corruption. As Kaneka Group with a global network, we actively share information about our commitment to global sustainable growth as a responsible corporate citizen with our stakeholders and the international community.

Purpose Management and 3 Value Drivers

The backbone of our innovation consists of two management systems: “Kaneka Tower” and “Triple package as management system transformation”.

Kaneka Tower

Key basic structure of our management model
– Its viewpoint and perspective (what is valued) –

【Purpose】

Ability to grow tall

Kaneka as a “Trial & Error experiment driven company”

- ESG management
- “Wellness First” health management

【Value①】

Inner strengths

- 1. Diversity**
Broad business domains / Diverse range of technologies / Global corporate activities / Diverse workforce
- 2. Shift from materials to solutions**
- 3. Serve as an interface between markets and technology**
- 4. From small to big**
 - Start small and grow big
 - Cell division through clustering
 - Born small, Grow Big!!
- 5. “Kaneka 1-on-1”**
Facilitate personal growth through employees’ job performance

【Value②】

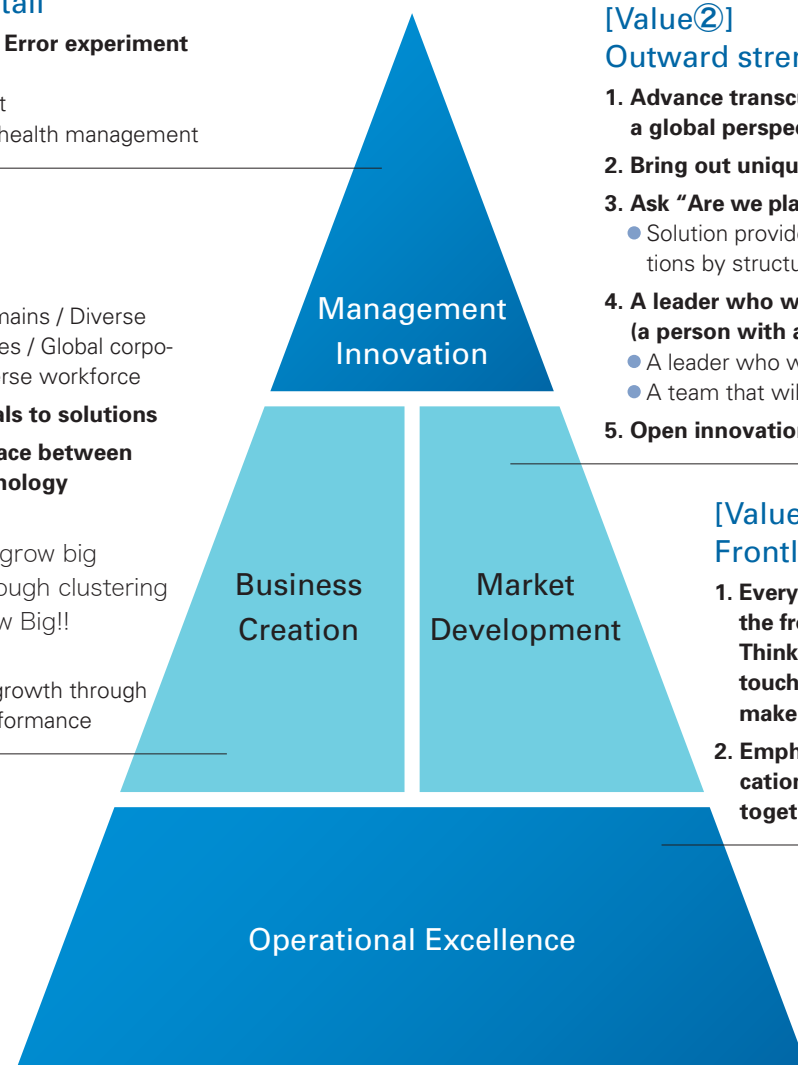
Outward strengths

- 1. Advance transculturation from a global perspective**
- 2. Bring out uniqueness**
- 3. Ask “Are we playing a useful role?”**
 - Solution provider that provides solutions by structuring customers needs
- 4. A leader who will face challenges (a person with an edge)**
 - A leader who will influence people
 - A team that will unite to tackle issues
- 5. Open innovation**

【Value③】

Frontline execution

- 1. Every value is created on the frontline**
Think by seeing, hearing, and touching on the frontline to make decisions
- 2. Emphasize Value Communication to link the frontlines together**



Don't Forecast the Future, Plan It

Demonstrate Adaptability

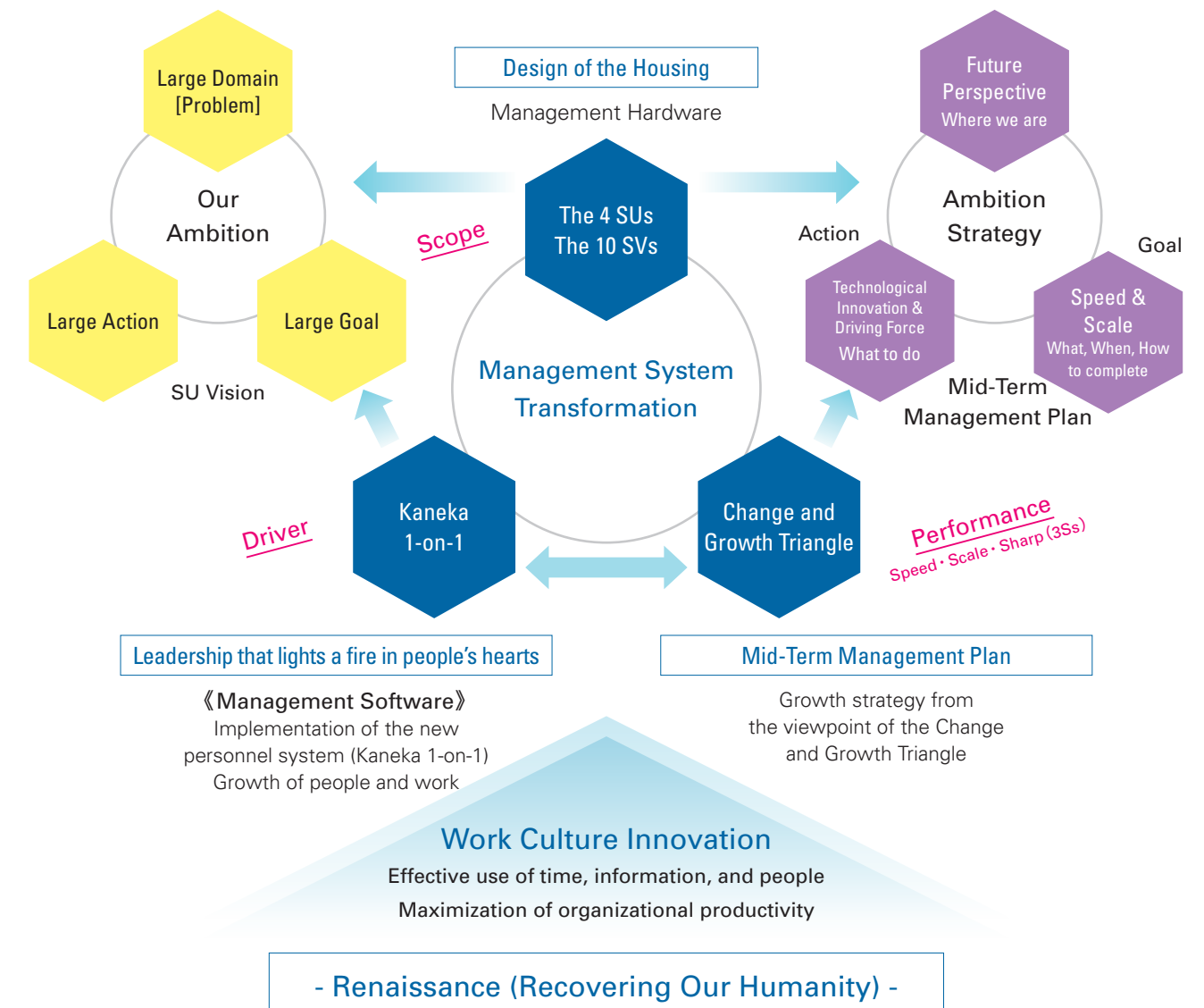
Trial & Error experiment driven company

We try new things without fear of failure.
We enjoy answers produced from accumulated experiments.
We continue to be a “Trial & Error experiment driven company,” creating unique solutions.



Management System

Triple package as management system transformation
Further accelerate transformation to a solution provider based on a new management system



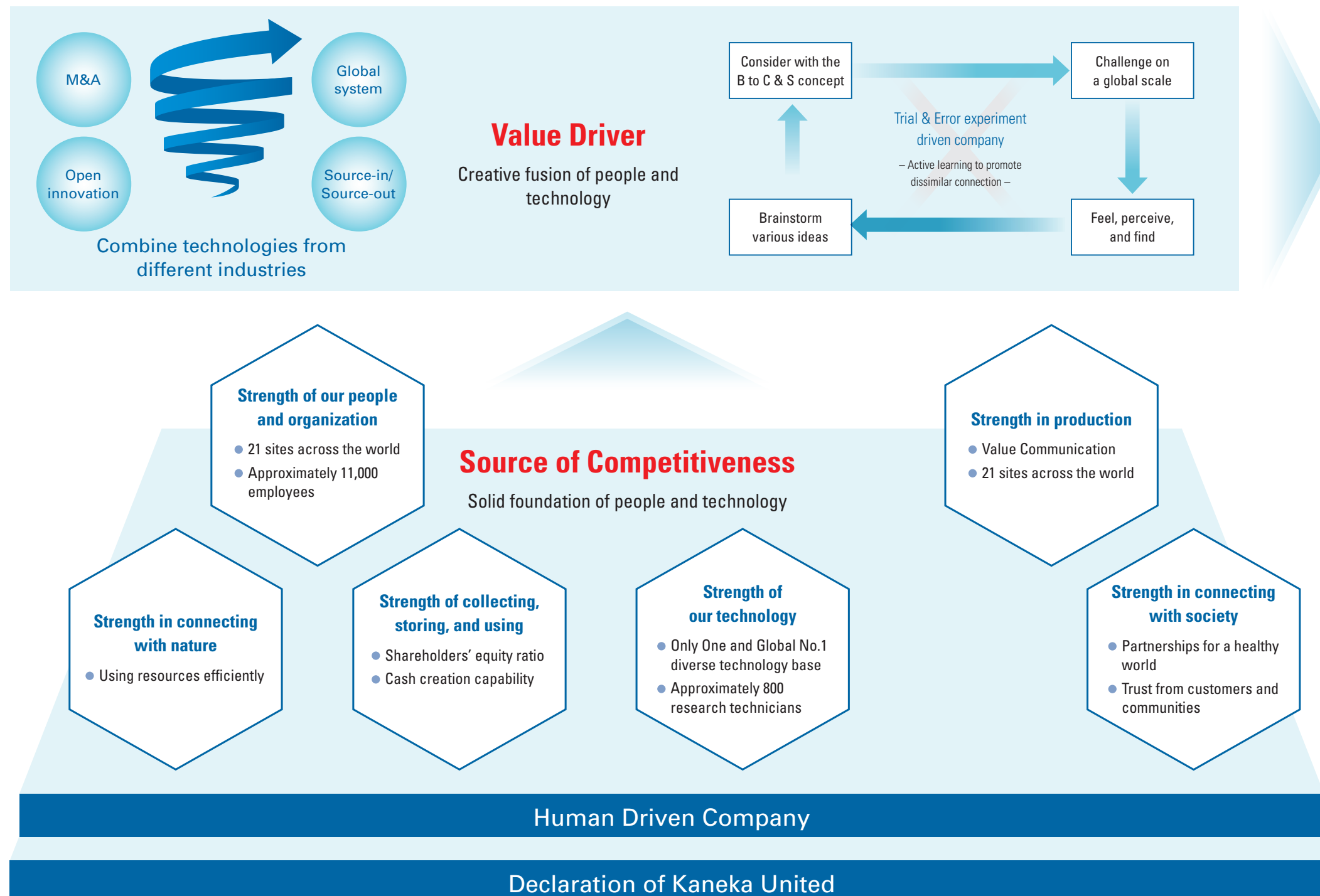
Value Creation Process

Advancement of Kaneka's value creation process (based on creative fusion of people and technology)

Kaneka's Meaning of Existence
Purpose

Providing solutions through innovative material development across our global network
through the repeated creative fusion of people and our breakthrough technology

Resolution of Social Issues
KANeka thinks "Wellness First".



We realize a society where everyone can enjoy nature's bounty, using clean and sustainable resources and energy.



We realize a society where safe, secure and highly nutritious food is available to everyone and where food producers are also satisfied.



We realize a society where everyone has access to leading-edge medical services and can continue to live a healthy and vibrant life.

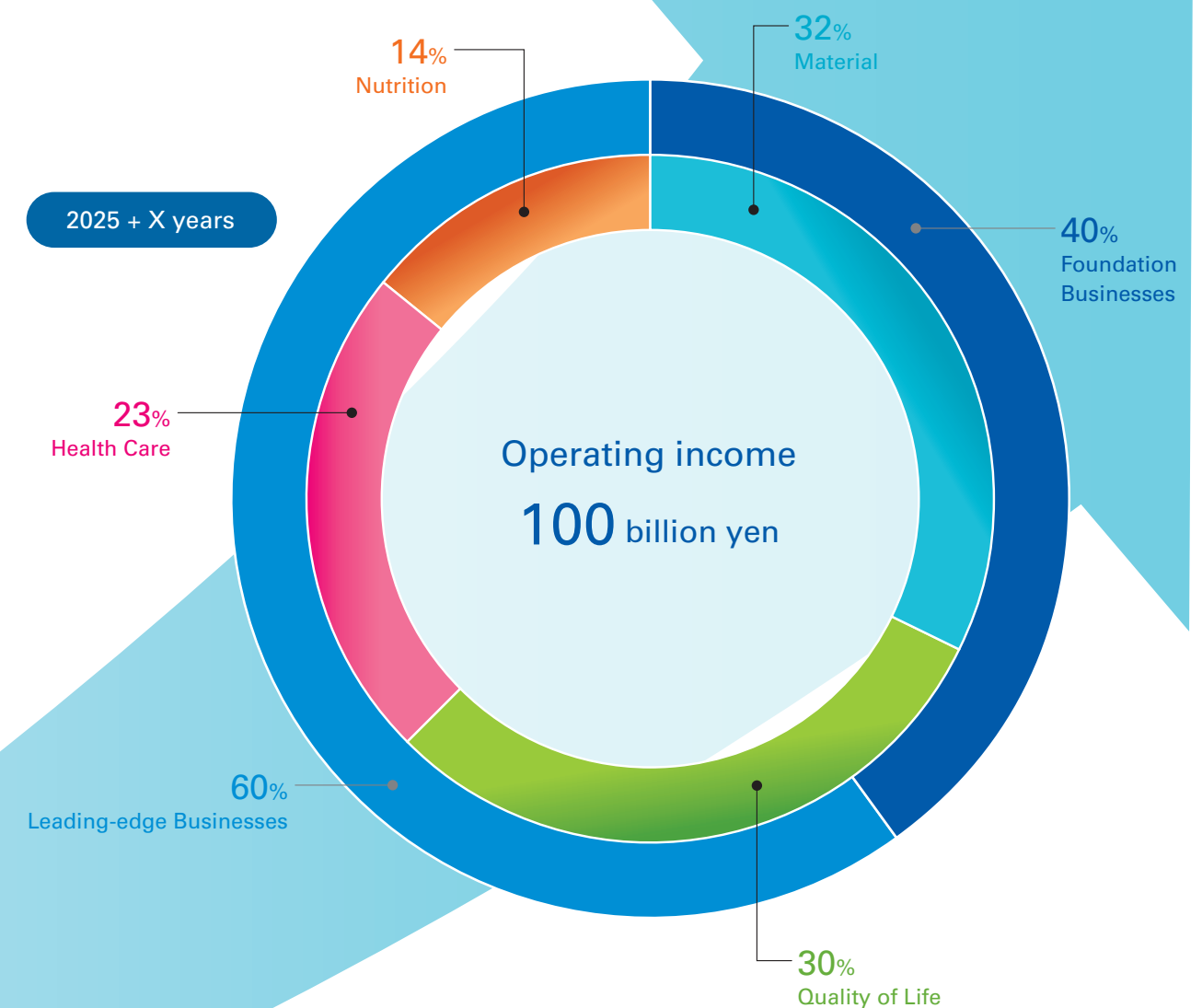
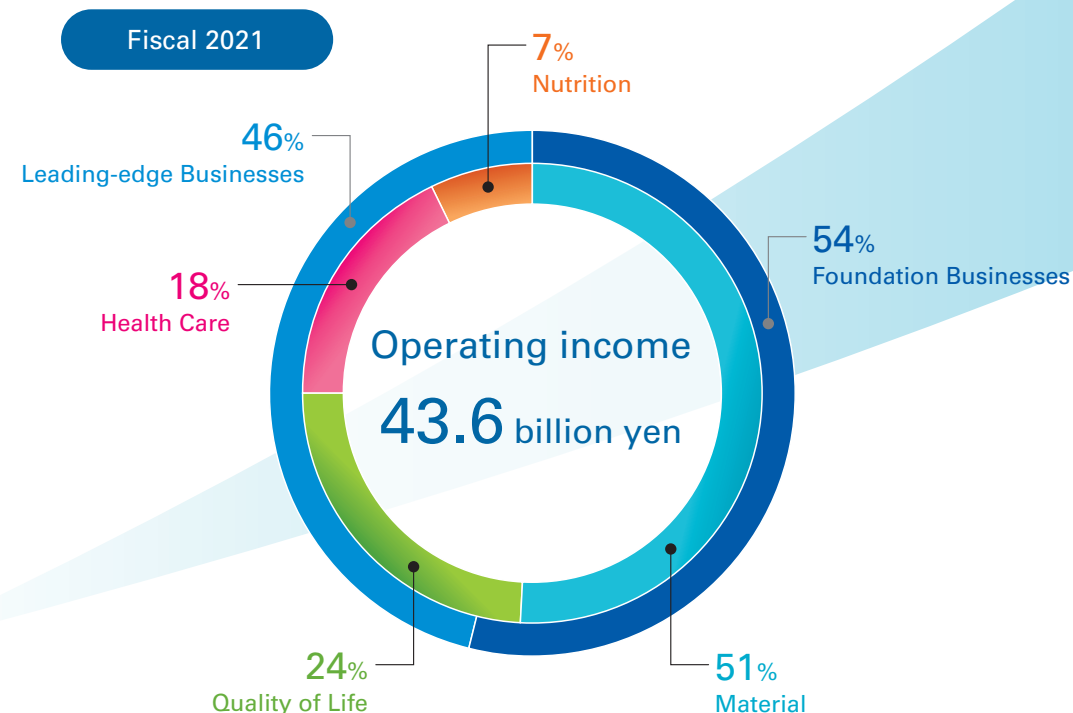
The Path of Hybrid Management - Promoting Portfolio Transformation -

Our hybrid management approach aims to create unique and valuable new solutions by combining a wide variety of different technologies and solutions, thereby helping to solve social problems. We will accelerate our selection and concentration of investments and hasten the transformation of our business portfolio.

We will strategically invest resources (people, goods, and money) to develop unique and differentiated technologies that cannot be copied. We will expand the business of our advanced business groups to achieve significant earnings growth.

Our foundation businesses will also work to bolster their business foundations by thoroughly strengthening differentiation capabilities and making capital investments to enhance supply capabilities, continuously ramping up earnings.

Operating Income Ratio by Solutions Unit (SU)



Investing in Leading-edge Businesses

Nutrition SU

- Construct new dairy product plant
- Construct new probiotics product plant

Leading-edge Businesses
60%

Health Care SU

- Increase biopharmaceutical capacity at Kaneka Eurogentec S.A.
- Increase API capacity
- Construct blood purification system plant
- Construct new catheter plant

Material SU

- Increase biodegradable polymer capacity
- Increase MS capacity
- Increase PVC capacity
- Increase MOD capacity

Quality of Life SU

- Construct additional high-performance polyimide film and optical film facilities
- Increase PV heterojunction cell capacity
- Construct additional modacrylic fiber facilities

Foundation Businesses + Infrastructure
40%

Fiscal 2022-2024 Investment plan
300 billion yen

Earthology Chemical Solution

Material Solutions Unit

To support the advancement of life and the environment by drawing out the richness of materials
Material Value Creator

Social issues to be solved



Achieving sustainable mobility



Improving convenience and comfort



Protecting the Earth's environment

Solutions provided by the Material Solutions Unit

[Automotive] Lightweighting and increased fuel efficiency
[Aerospace] Lightweighting and increased functionality

[Social infrastructure] Infrastructure development in response to global population growth and urbanization

[Environmental issues] Solving the marine microplastics pollution problem

Major product lines by Solutions Vehicle (SV)

Vinyls and Chlor-Alkali SV



Chemicals
Caustic soda, sodium hypochlorite, hydrochloric acid



Polyvinyl chloride
Kanevinyl™



Cross-linked PVC
Kane XEL™, Kanevinyl™



PVC-PVAc polymers
Kanevinyl™

Performance Polymers (MOD) SV



Impact modifiers
Kane Ace™MB, Kane Ace™IM



Processing aids/Specialty additives
Kane Ace™MPA

Performance Polymers (MS) SV



Silyl-terminated polyether
KANEKA MS POLYMER™, KANEKA SILYL™



Acrylic silicon polymer
KANEKA GEMLAC™

We bring innovation to lifestyles and the environment by harnessing the unlimited potential of chemical materials to help communities achieve sustainability.

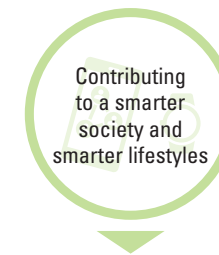
Quality of Life Solutions Unit

To produce the leading edge of the enhancement of the quality of life through the power of materials
Quality of Life Pathfinder

Social issues to be solved



Contributing to comfortable living



Contributing to a smarter society and smarter lifestyles



Contributing to the development of society through temperature control technology



Contributing to a rich life

Solutions provided by the Quality of Life Solutions Unit

[Energy saving] ZEH/ZEB design and construction

[Digital devices] Lightweight, compact, wearable, high performance

[Transportation solutions] Products requiring temperature control, such as pharmaceuticals

[New functional textiles] Textiles that make living spaces more vivid

Major product lines by Solutions Vehicle (SV)

Foam & Residential Techs SV



Polypropylene foam made with the bead method
Eperan-PP™



Polystyrene foam made with the bead method
Kanepearl™

PV & Energy management SV



Roof-integrated photovoltaics
VISOLA™, others



Photovoltaic power generation systems for public and industrial installations
GRANSOLA™

E & I Technology SV



Super heat-resistant polyimide film
Pixeo™, Apical™



Optical acrylic resin

Performance Fibers SV

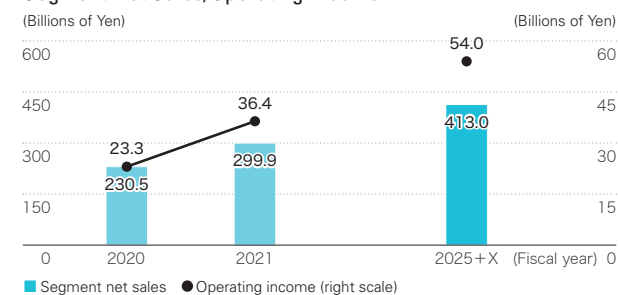


Materials for hair accessory products
KANEKALON™



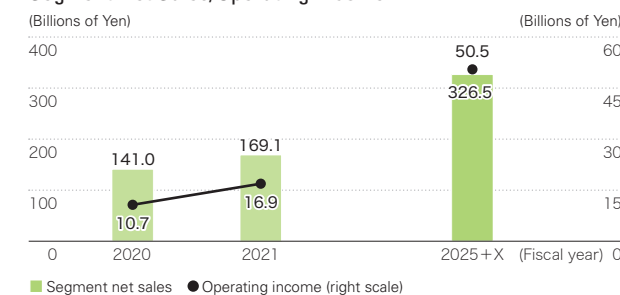
Performance fibers eco fur
KANEACARON™

Segment Net Sales/Operating Income



- Strengthening the glocal supply system of local production for local consumption
- Developing new products and providing solutions that meet the needs of each market.
- Shifting to high-value-added areas

Segment Net Sales/Operating Income



- Providing a wide range of solutions using the power of superior materials and unique services
- Business expansion leveraging breakthrough technologies

Active Human Life Solution

Health Care Solutions Unit

To create a world where advanced medical means are available to as many people as possible
Medical Edge Explorer

Social issues to be solved



Solutions provided by the Health Care Solutions Unit

[Regenerative medicine and cell therapy]
Early application and promotion of regenerative medicine and cell therapy
Automated cell culture system, drug discovery support

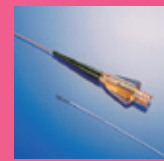
[Leading-edge pharmaceuticals]
Protein A carriers, biopharmaceuticals, nucleic acid pharmaceuticals

[Leading-edge medical devices]
Drug-coated balloon

[Small molecule pharmaceuticals]
Active pharmaceutical ingredients, generics

Major product lines by Solutions Vehicle (SV)

Medical SV



Medical device
Balloon catheter for vessel stenosis dilatation



Adsorption Type Blood Purification Device
Rheocarna™



Regenerative medicine and cell therapy
Cell washing concentration system



Genetic diagnostic products

Pharma & Supplemental Nutrition SV (Pharma)



APIs and intermediates for small molecule pharmaceuticals



Affinity chromatography resin for purification of monoclonal antibody
KANEKA KanCap™ series



Products and services for biopharmaceuticals



Transdermal medicine

By adopting a unified approach to food and medicine that is defined by a focus on chemistry, we provide innovative solutions that empower people to live healthier lives.

Nutrition Solutions Unit

To re-innovate food and health
Nutrition Value Chain Innovator

Social issues to be solved



Solutions provided by the Nutrition Solutions Unit

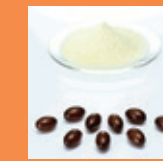
[Dietary supplements and health foods business]
Dietary supplements that help maintain and improve health

[High-value-added foods]
Functional oils and fats, antifreeze materials

[Food production support]
New high-performance fertilizer, fish meal substitute feed

Major product lines by Solutions Vehicle (SV)

Pharma & Supplemental Nutrition SV (Supplemental Nutrition)



Dietary ingredients
Kaneka Ubiquinol™



Dietary supplements
Watashi no Chikara™
Supplement series



AB-Biotics probiotics
Floradap™ series



Licorice glabra polyphenol
Kaneka Glavonoid™

Foods & Agris SV



Milk/Milk beverages
"Milk for Bread" series



Yogurt
Watashi no Chikara™
Q10 yogurt

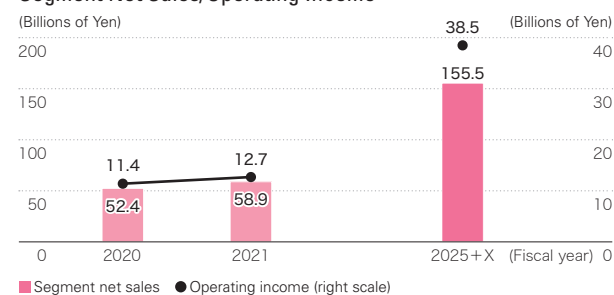


Margarine/Shortening
NOVA™/EMPEROR™



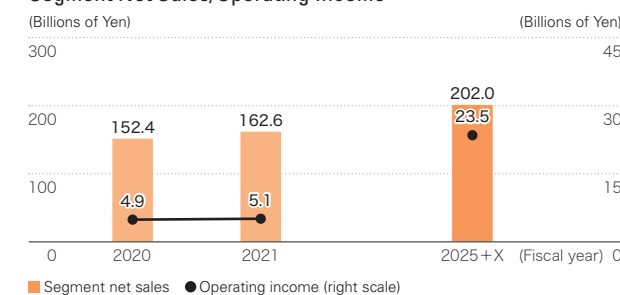
Whipping cream/Cream for kneading and other uses
LACHETE™/FRANJE™

Segment Net Sales/Operating Income



- Accelerating R&B and promoting the use of external resources through activities such as M&A and open innovation
- Delivering unique, cutting-edge medical solutions to global markets

Segment Net Sales/Operating Income

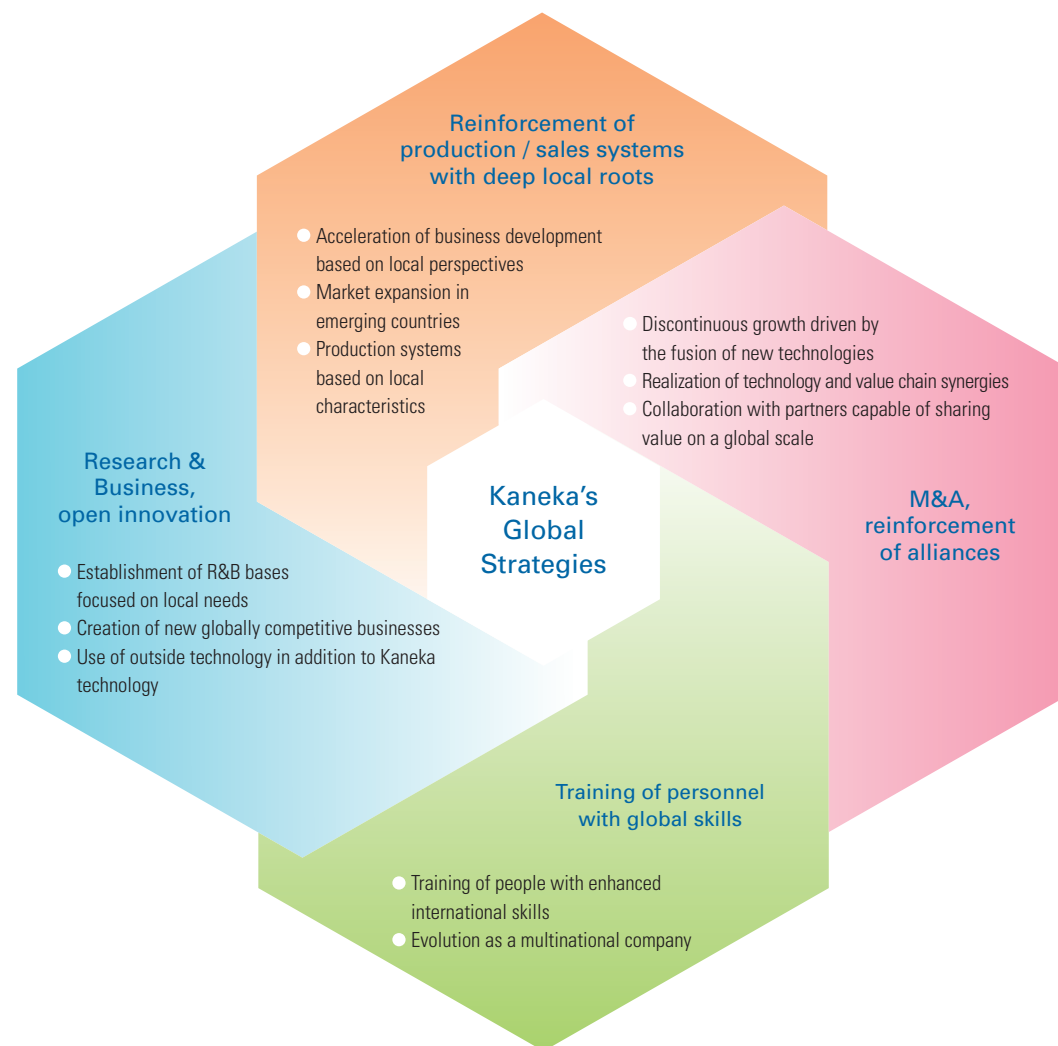


- Delivering solutions that contribute to production in the fields of food diversification, food enrichment, disease prevention, wellness, agriculture, livestock, and fishery
- Using digital technology to strengthen customer contact points and brands

Global Strategies - Think Global, Act Local -

Our global network enabling business development deeply rooted in local communities

We aim to become a company that delivers unique technologies and products all over the world, in order to save human lives and resolve social issues. To do so, we promote activities deeply rooted in local communities worldwide. We advance transculturation from a global perspective. There is no border in chemistry, and when we do business in foreign land, we focus on conducting local-based business (glocal business) by overcoming cultural differences. Our goal is to become a company with a global presence by offering valuable solutions to the world market in a timely manner. Think Global, Act Local.



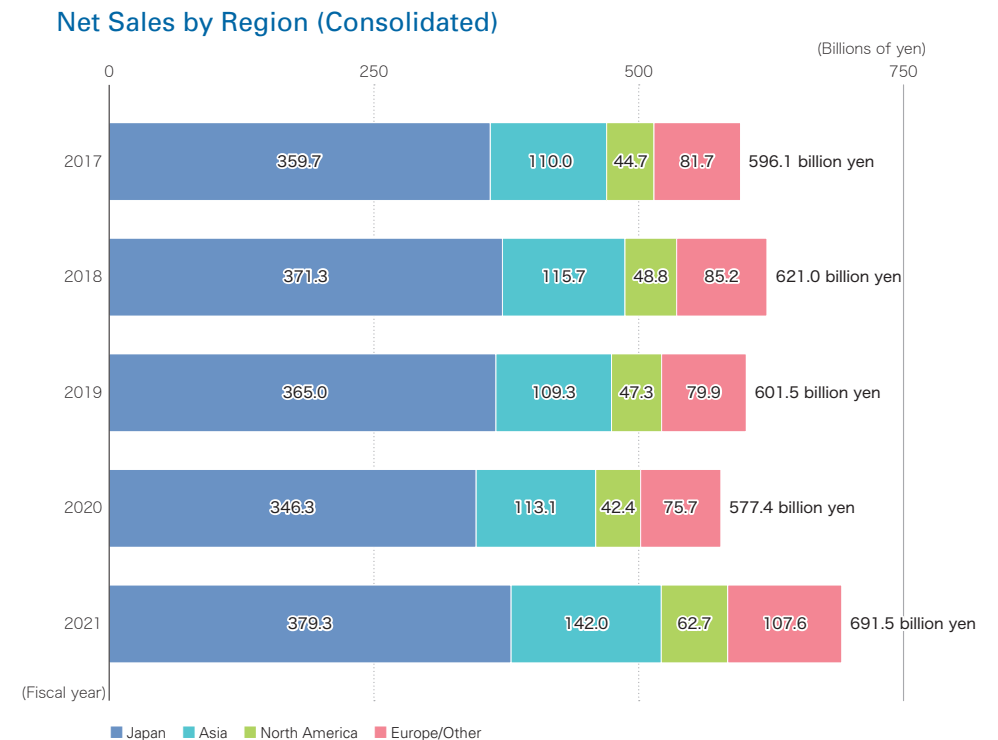
We establish a headquarter in each region in order to make speedy business development that makes much closer connection with the local community.

Each of 4 "Solutions Units" draws up a global strategy for products and services it handles that incorporates both domestic and overseas subsidiaries, and develop business activities based on such strategy.

We have approximately 50 overseas subsidiaries, as well as 2 research institutes in 20 countries of overseas. The consolidated number of employees is approximately 11,000, and among them, 3,000 are working in overseas sites.

Net Sales Share by Region

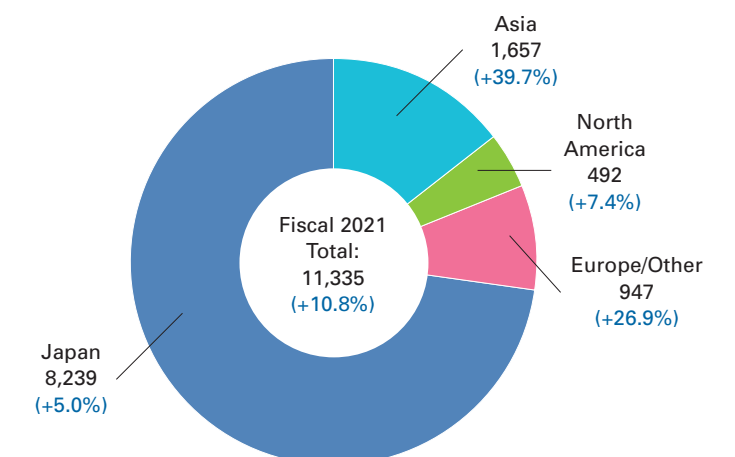
In fiscal 2021, we significantly increased sales both domestically and internationally (+16.0% over fiscal 2017). In particular, overseas sales expanded, and the proportion of overseas sales reached 45%, the highest ever.



Number of Employees by Region

In fiscal 2021, the number of employees globally increased by 10.8% over 2017. The numbers of overseas employees in Asia, in North America, and in Europe all exceeded the rate of increase in Japan, a figure that is in line with business expansion overseas.

Number of Employees by Region (Consolidated)



* () is compared to fiscal 2017

A Limitless Adventure

To be limitless is to remove the rigid mind of self-restraint that says “I can’t do it. It’s impossible.”
We are embarking on a limitless adventure.

Kaneka delivers valuable solutions
for the “Wellness” of the world

— Human Resource Strategies Trust & Respect

Kaneka is a Human Driven Company

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Development of Human Resources and Leaders Centered on Kaneka 1-on-1/
Promotion of Diversity - Beyond Attributes - /Promotion of Wellness

P. 46

— R&B Strategies

Bringing people and technology together to venture into uncharted domains
R&B at Kaneka, the Dreamology Company

Biomanufacturing/R&B IP Strategy

— Manufacturing Strategies

Achieving a sustainable plant that combines digital transformation with
carbon neutrality

P. 54

Carbon Neutrality/Digital Transformation (DX)

P. 60

[Interview with an External Director]

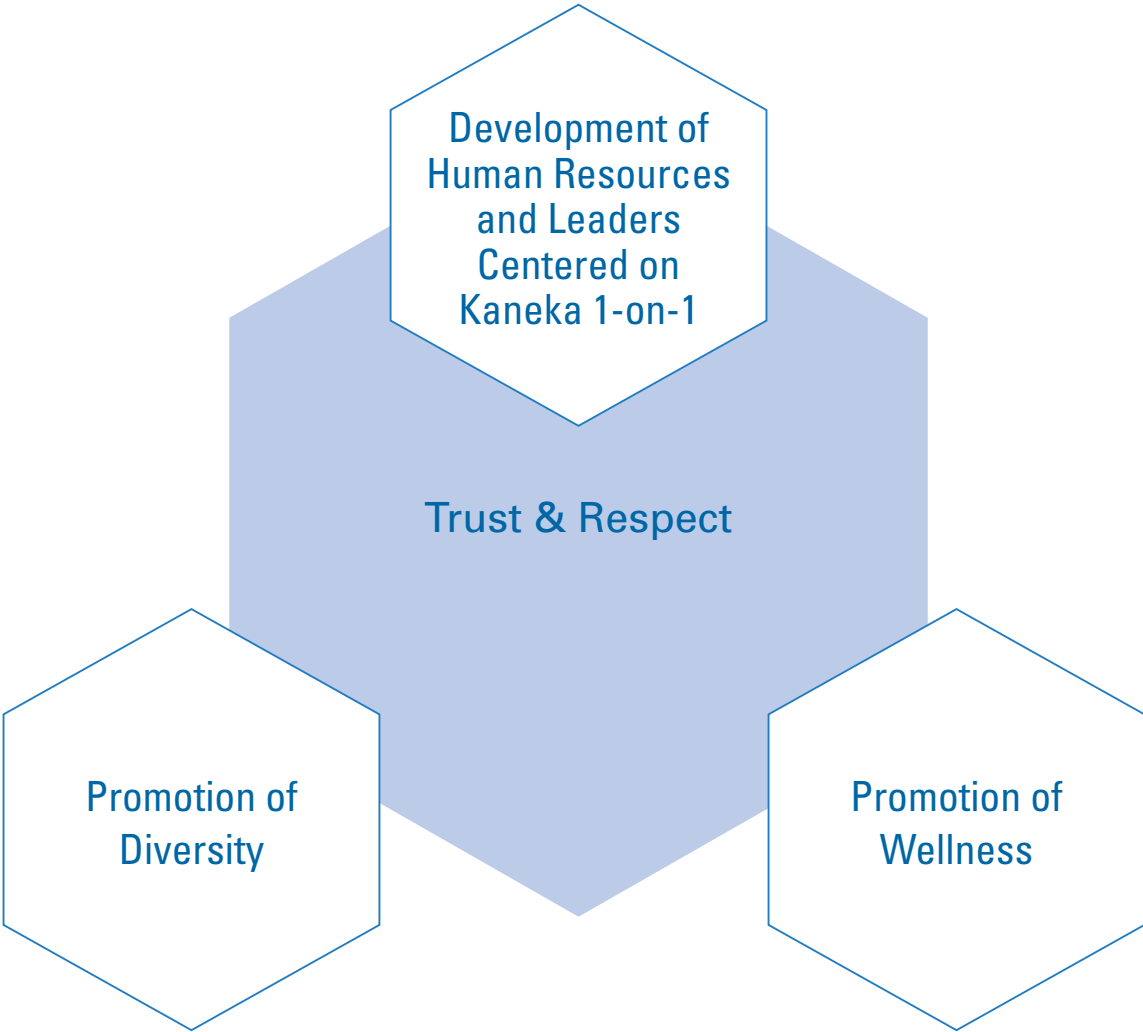
Kaneka’s Diversity Brings Broader Possibilities

Human Resource Strategies

Trust & Respect
Kaneka is a Human Driven Company

Our growth is driven by the willingness of each employee to take on challenges. We create an environment of openness to challenges—one that provides opportunities, fosters growth, and enables change. That guides Kaneka’s human resource strategies as a Human Driven Company.

Human Resource Strategy the Three Pillars



Development of Human Resources and Leaders Centered on Kaneka 1-on-1

We use Kaneka 1-on-1 to provide high-quality on-the-job training. Through Hitotsubu-no-Tane Momi Juku, top management is working to develop our next-generation leaders.



Promotion of Diversity - Beyond Attributes -

New ideas emerge from the diverse viewpoints of diverse personalities. That is the kind of diversity we aim for.



Promotion of Wellness

The physical and mental health of each employee is an indispensable foundation for each individual to boldly take on challenges. We are also working to nurture ties between coworkers so that they can cooperate with each other.

Development of Human Resources and Leaders Centered on Kaneka 1-on-1

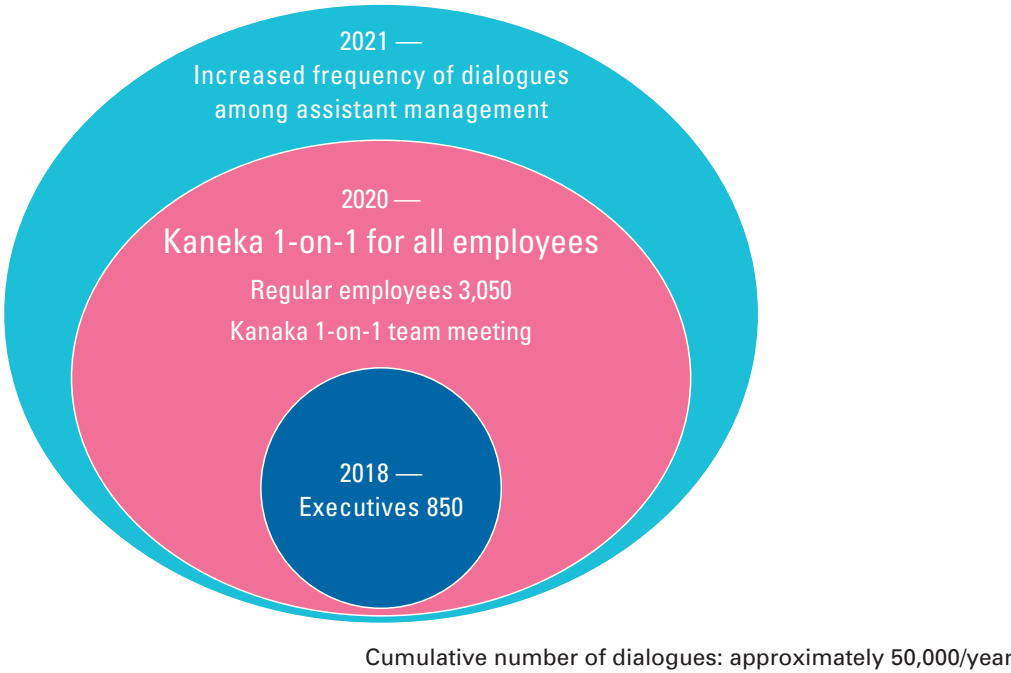
Kanaka 1-on-1: lighting a fire in people’s hearts

People are everything. A major challenge for management is to improve communication skills to think of people and be close to them.
We want to light a fire in people’s hearts. With this in mind, we created Kaneka 1-on-1.

The aim of Kaneka 1-on-1

- Increase corporate value through the growth of people and drive the growth of the Company.
- Team supervisors and subordinates frequently conduct one-to-one dialogues that focus on reviewing progress against plans and on building skills that will help subordinates develop their careers.
- Empowering people and organizations (lighting a fire in their hearts) by building relationships through dialogue.

Expansion of Kaneka 1-on-1 (to Kaneka 1-on-1 for all employees)



Kaneka 1-on-1 is our original system for year-end personnel evaluation. Through it, supervisors and subordinates engage in frequent dialogue and review organizational goals and personal growth.

We will evolve Kaneka 1-on-1 with the aim of enhancing leadership and followership.

Development of Leaders Hitotsubu-no-Tane Momi Juku

Hitotsubu-no-Tane Momi Juku, our training program led by top management, entered its eighth year in 2022.

This program provides job rotations and challenging assignments, offering participants a chance to gain new experience and strengthen their leadership and management skills in different environments.

The graduates in this program have been positioned to management-level executives, such as directors and department heads.

We are increasing the participation of female executives and promoting the development of female leaders.



Completion ceremony at the final presentation session

Number of Participants in Hitotsubu-no-Tane Momi Juku

Fiscal year	2018	2019	2020	2021	2022 (currently enrolled)	Cumulative total since start of course
Number of participants	12	12	12	12	12	97
Of which, female	1	0	0	3	3	7

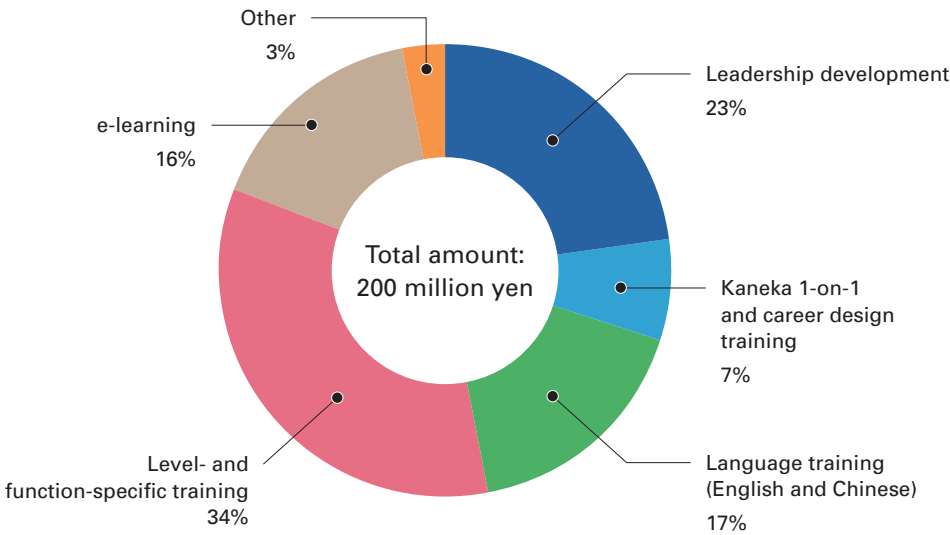
Developmental Training

We focus on three areas in our developmental training:

- Leadership development
- Kaneka 1-on-1 training
- Language training (English and Chinese)

We are also using e-learning to expand our training menu to include information security, compliance, harassment, and labor management.

Results of Company-wide Training in Fiscal 2021



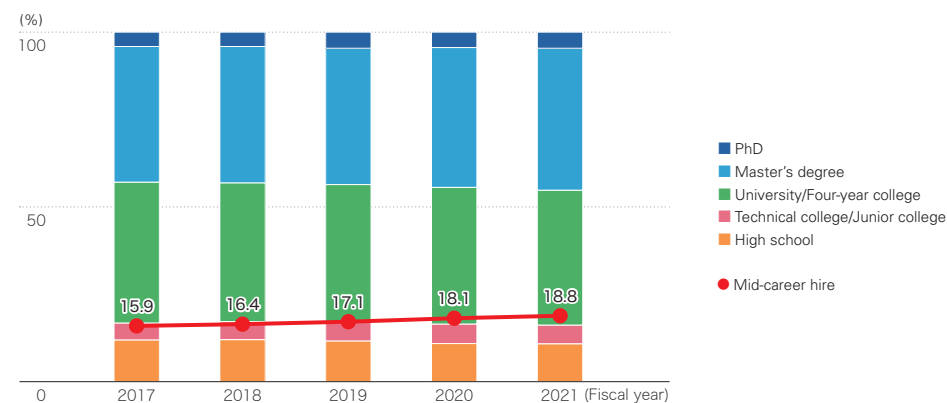
Promotion of Diversity - Beyond Attributes -

We want to attract a wide variety of human resources DNA, and through diversity in ideas create new value to inspire the world.

Composition of Executive Team

We place human development at the core of both our management philosophy and our labor agreement philosophy. We promote executives on the basis of merit, regardless of academic background or length of service.

Composition of Executive Team (as of April 1 each year)



Supporting Senior Employees

We offer career design training for each age group, creating opportunities for employees to think about their career development and about their financial plans for post-retirement.

As part of a reemployment system, we have introduced a job matching system that aligns the needs of the individual employee and the Company in five different courses classified by job category. It allows employees to work vigorously even after retirement.

Employing People with Disabilities

Our fiscal 2021 employment rate for people with disabilities is 2.53%, up from last year.

We will continue to improve this employment rate by creating a comfortable working environment and expanding job opportunities.

Supporting Employees of Foreign Nationalities

We are also resuming our development of leadership human resources at overseas group companies, having paused these activities due to the COVID-19 pandemic.

In 2022, we hosted an executive from Kaneka (Malaysia) Sdn. Bhd. in Japan, increasing their experience as management executives.

Active Participation of Female Employees

We promote the active participation of women, with the aim of increasing the number of female employees involved in decision-making.

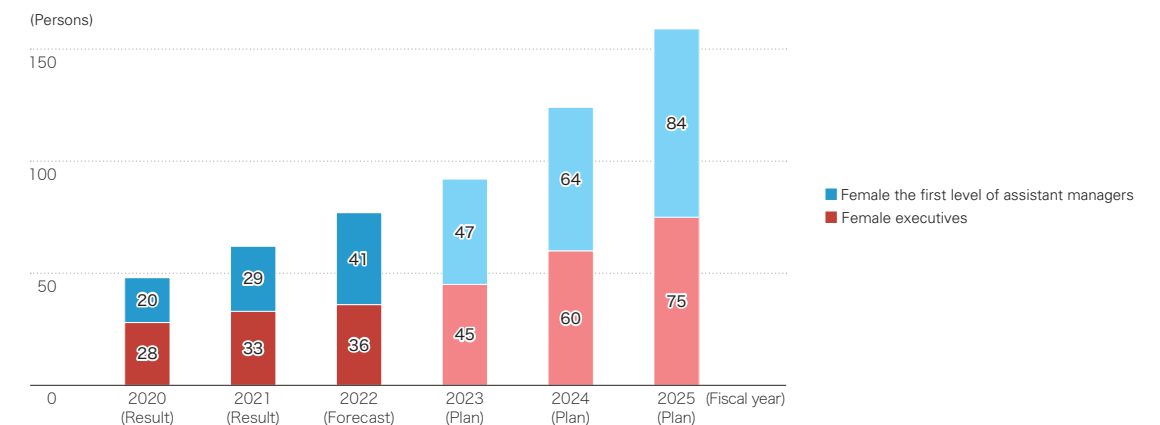
Action Plans for Promotion of Active Participation of Female Employees (Plan period: April 2021 to March 31, 2026)

Target 1	Increase the number of female executives threefold or more.
Target 2	Increase the rate of male employees who take childcare leave for 2 consecutive weeks or longer within a year after their child is born to 30% or more.
Target 3	Work on preparing workplace environment for female employees.

Executive Level

We are accelerating the development and promotion of female executives so that we can achieve our action plans. The number of female candidates for executive positions, as the first level of assistant managers, is increasing each year.

Female Executives and Candidates

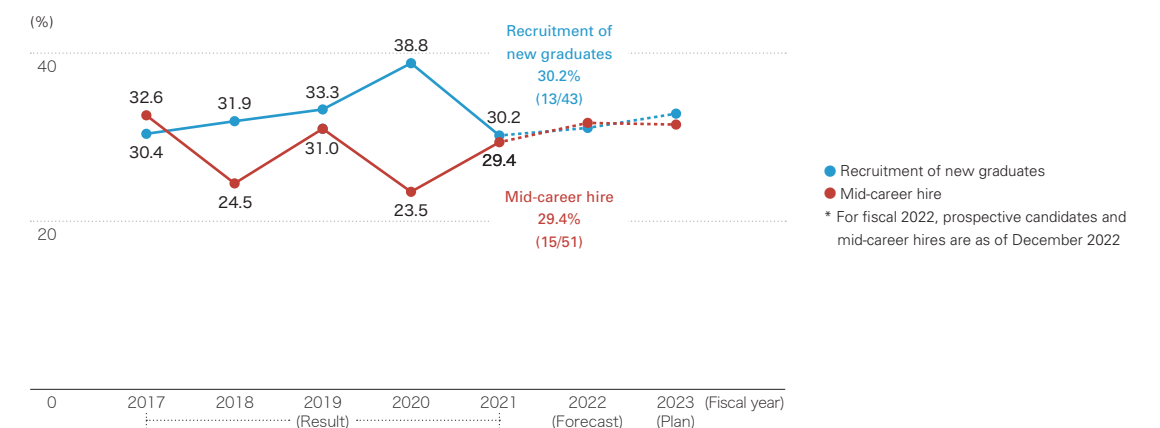


Recruitment

In our recruitment in fiscal 2021, women accounted for 30.2% of the technical college and university graduate hires and 29.4% of mid-career hires.

We will continue to increase our recruitment of women and work to provide an environment where women can play an active role.

Percentage of Female Among New Recruits



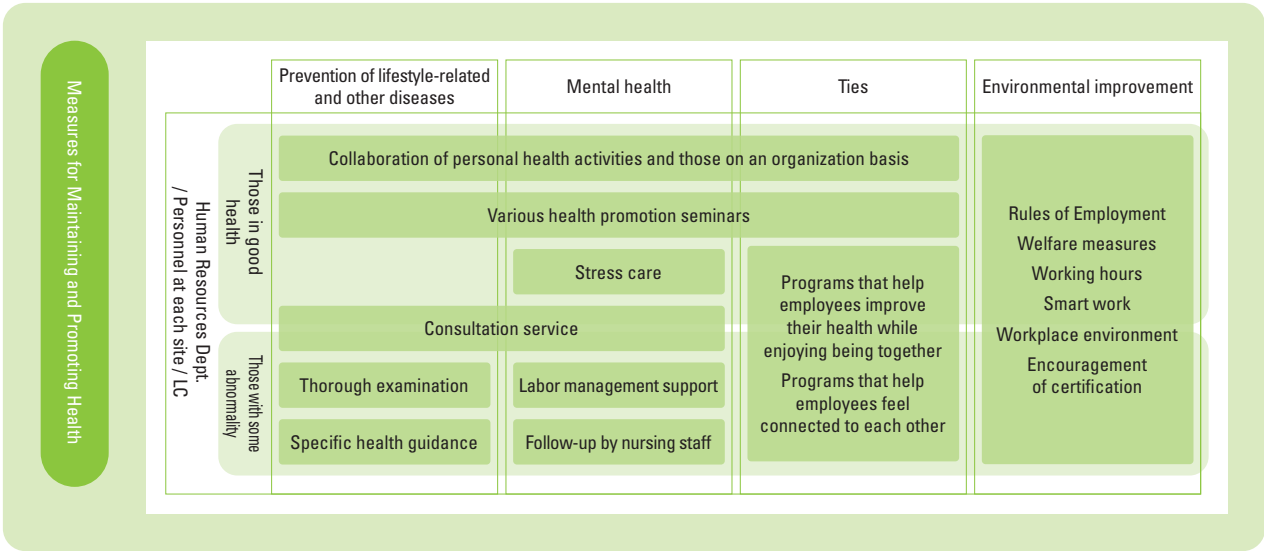
Promotion of Wellness

To be able to boldly take on challenges, each employee must be healthy in body and mind. We have defined Vision for Health based on which we are working to improve the wellness of our employees and our organization. The Engine of Sustainability Management will lead a company-wide task force to promote wellness and create a healthy organization. This initiative focuses on three perspectives: prevention of lifestyle-related and other diseases, mental health, and ties between people.

Goals of Our Vision for Health

- Organization: A workplace where everyone can work healthy and freely as one team, and each person can develop and show the full potential of one's unique character and ability
- Coworkers: Employees who spend their healthy and vibrant lives, and work on their jobs

Measures for Maintaining and Promoting Health



Wellness Promotion System



Wellness centers around the ties between people, organizations and the Group.

We are working to break down the physical and psychological barriers created by the COVID-19 pandemic and to restore the ties between our employees and the Group.

Participation of Group Employee Runners in the Hokkaido Marathon

The Hokkaido Marathon, of which Kaneka is a sponsor, was held for the first time in three years. Approximately 100 runners from the Kaneka Group ran the Sapporo course.



Run, Run, Run. Kaneka 2022

The group ekiden was held for the first time in three years. Around 2,400 employees and family members of the Group attended the event. In keeping with the theme of the event, to breathe the same air, laugh, cheer, and celebrate, there were smiles all around and ties between people were formed.



KANEKA Wellness Center Kaze no Mori
Creating a New Culture - Bringing Takasago Manufacturing Site Together -

In July 2022, Kaze no Mori was completed at Takasago Manufacturing Site. It will serve as a base for promoting the wellness of our employees and the local community. We have begun an initiative to create a new Takasago Manufacturing Site culture centered on Kaze no Mori. The main gate has also been updated so that employees leaving Kaze no Mori can feel nature and come to work feeling refreshed.



Photo by Norihito Yamauchi



R&B Strategies

Bringing people and technology together to venture into uncharted fields
R&B at Kaneka, the Dreamology Company

To help build sustainability in society, we have defined our business domains in terms of three crises: "Environment and Energy," "Food," and "Wellness." Our Research & Business is guided by the belief that it is only when research extends to social implementation (business) that it becomes true research.

We have the courage to go outside the box (our own fields), to take in cutting-edge technologies, and to combine these with our own proprietary technologies. That is how we drive Creative Innovation.

Actions to embody the concept of Kaneka as
"Trial & Error experiment driven company"

Promoting innovation through three "I"s

Identifying promising technologies through three "I"s

- Impactful
- Innovative
- Implementable

A group of individuals who believe in serendipity and set the stage for happenstance with "Scientific Mindset"

From R&D to R&B

- Global research network
- Solution Provider
- Social implementation

Clustering domains

Born small and grow big

Macromolecular technology

Self-developed Technologies

Fermentation technology

Open Innovation

Self-developed Technologies with Introduced Technologies

Drug-coated balloon technology

Cell separation and culturing technology

Microbial biopharmaceutical production technology

Precision polymerization technology

Bioorganic synthesis technology

Biotechnology

Adsorption separation technology

Resin foaming technology

Functional film processing technology

Powder granulation technology

Resin modification / blending technology

Spinning technology

Metal microfabrication technology

Thin-film formation technology

OLED device designing technology

Key Technologies and Key Drivers for the Future

Polyimide resin



Super heat-resistant polyimide film

Heat-resistant composite materials



Aerospace and aircraft materials

Biodegradable polymer



Biodegradable polymer

Energy management



Roof-integrated photovoltaics

OLED Lighting devices



Organic LED lighting

Next-generation breeding technology



Genome edited crop

Food production support



New high-performance fertilizer

Catheters



Drug-coated balloon catheter

Regenerative medicine and cell therapy



iPS cells / Stem cells

Thermosetting resin compounding / processing technology

Three Crises
Resolution of Social Issues
Social Implementation of
New Materials and Systems

Environment / Energy

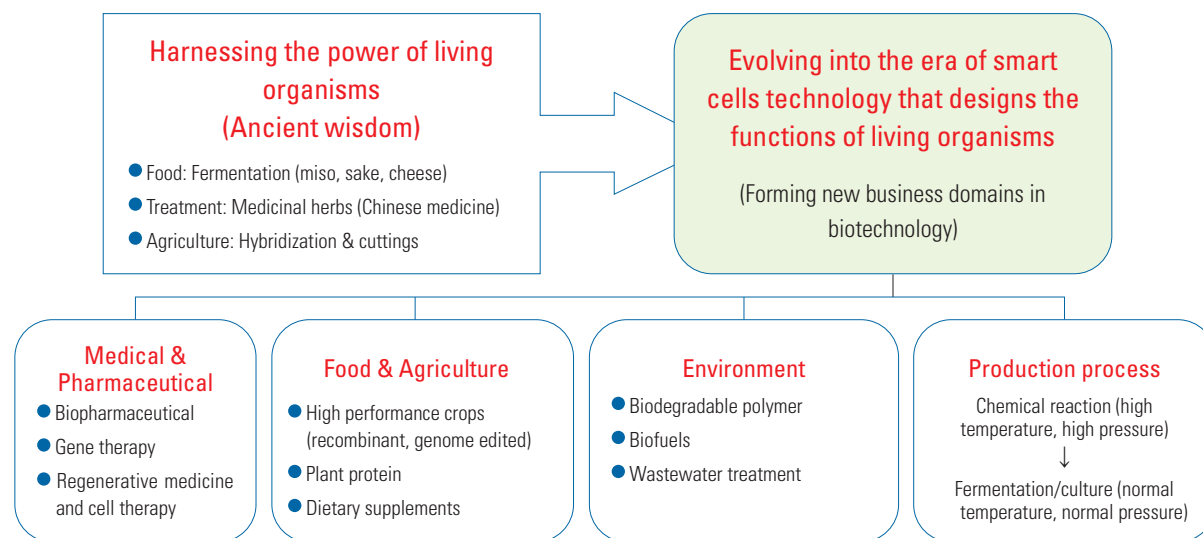
Food

Wellness

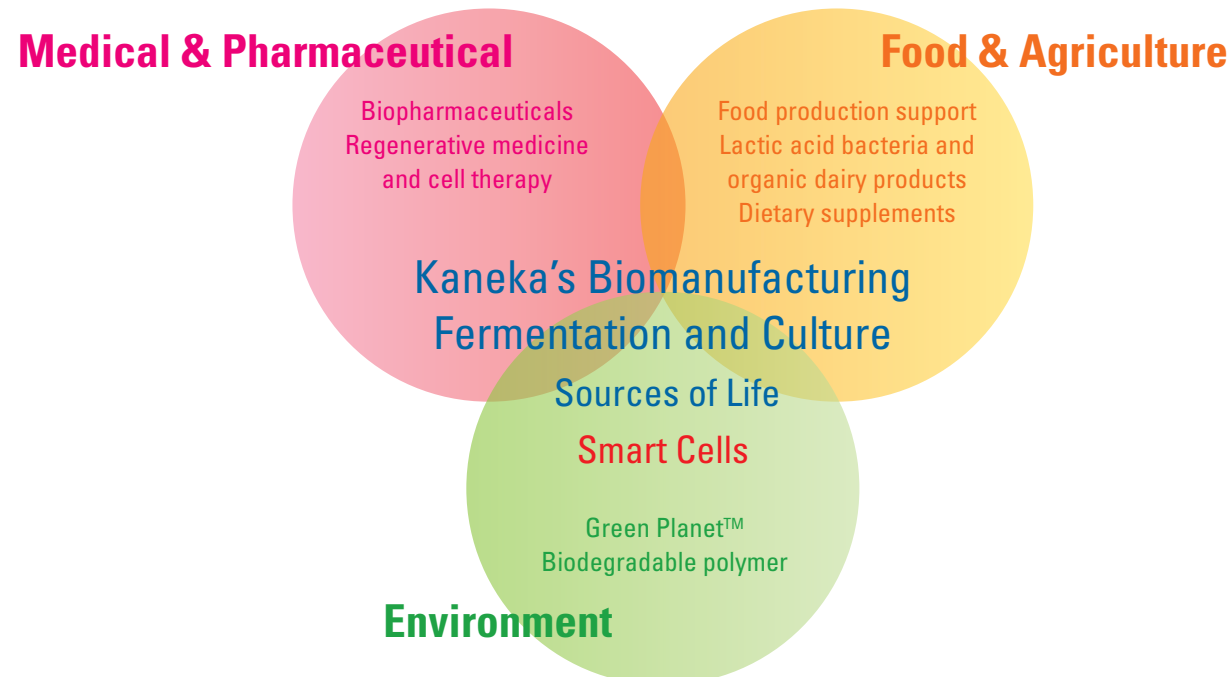
Biomanufacturing

Accelerated technological advances in recent years have greatly expanded the potential of biomanufacturing. This has made it possible to harness the power of living organisms to produce complex substances that cannot be produced by chemical processes. It has also enabled eco-friendly production technologies that use fermentation and culture processes without the need for high temperatures and pressures.

Kaneka is **an advanced biomanufacturing company** that started out with technologies for yeast and other fermentation. We have accumulated technologies in various fields such as pharmaceuticals, agriculture, and environmental fields.



Kaneka's Biomanufacturing Contributes to Three Strategic Areas



The Miraculous Polymer Green Planet™: A Creative Fusion of People and Technology

Green Planet™ is derived from 100% biomass and is highly biodegradable even in the ocean. We are implementing this miraculous polymer in response to the growing needs of society. It is the outcome of a

creative fusion of various people and technologies at Kaneka and of many years of accumulated breeding and culture technology and process development technology in the field of polymer materials.

Progress in Social Implementation

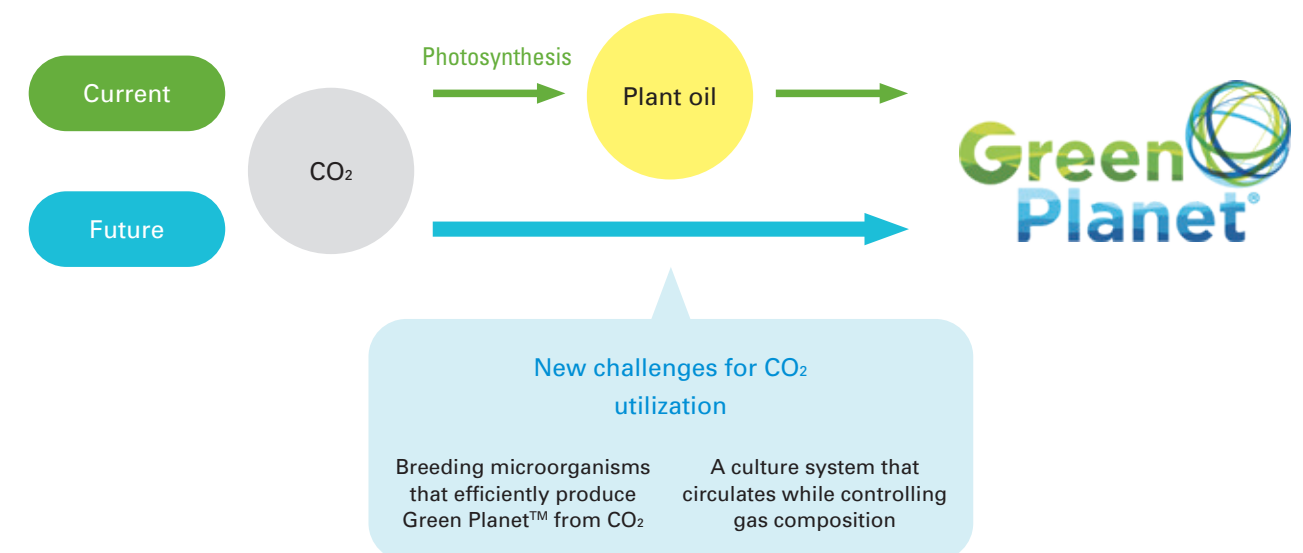
In 2022, with new national laws and regulations being enforced, the public awareness of the issue of plastics further grew. Inquiries have surged from brand holders needing to reduce their use of disposable plastics. We are advancing our development of processing technology to meet this need and expanding applications.



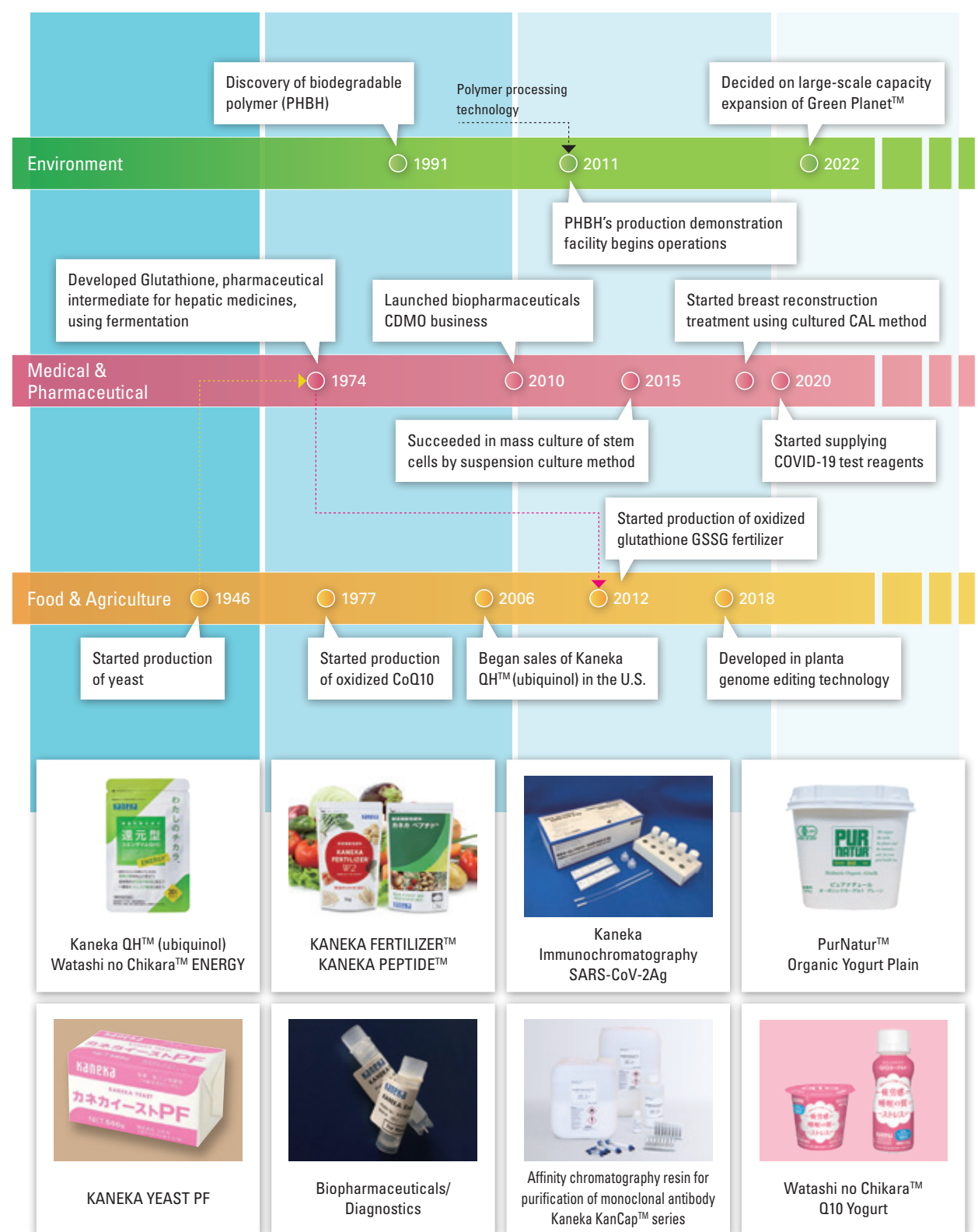
Further Evolution of Green Planet™ Toward a Decarbonized Society

To help tackle the growing social issue of reducing GHG emissions, we are working to develop technologies that use carbon dioxide as a direct resource. Research into producing Green Planet™ from carbon dioxide and hydrogen has already been successful at the laboratory level. Going forward, we will continue to

develop technologies for breeding high-productivity microorganisms and for building the world's first gas culture demonstration plant for practical use. We will also continue researching applications for producing a wide variety of polymers.



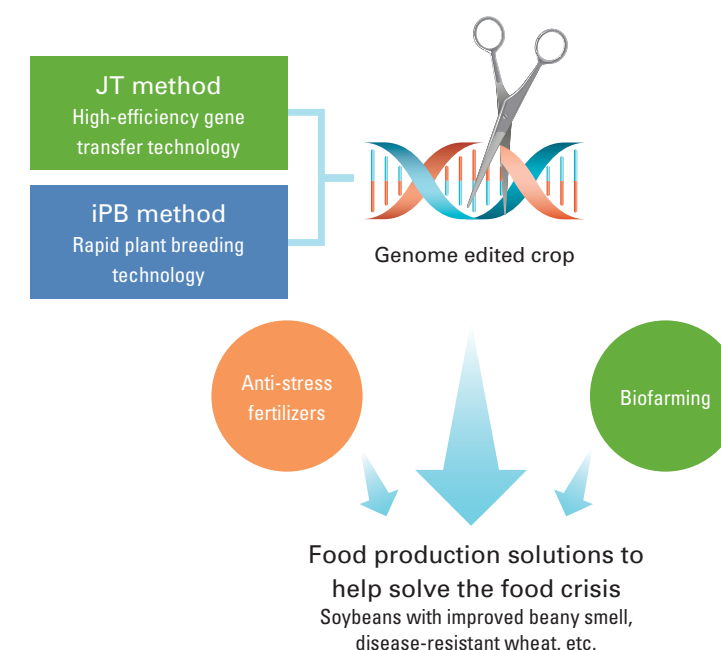
Kaneka Is a Leader in Biomanufacturing



Product lines (partially) based on biomanufacturing in key strategic areas (environment, medical & pharmaceutical, food & agriculture)

Biomanufacturing to Break Through the Food Crisis

Advances are being made in genome-editing technology for improving crops. We are moving ahead with deploying technology that will lead to the creation of new business models, focusing on combining two unique breeding technologies, the iPB method and the JT method. In addition, we will combine our proprietary food production support technologies, such as anti-stress fertilizers and bio-pesticides, to expand into large-scale seed-related businesses.



Biomanufacturing to Diversify Pharmaceutical Modalities



At Kaneka Eurogentec S.A., we have decided to increase our GMP* manufacturing capacity for mRNA. Production capacity will be about five times the current level. Kaneka Eurogentec provides drug discovery companies with plasmid DNA, proteins, and oligonucleic acids as active pharmaceutical ingredients for biopharmaceuticals. We have also started manufacturing services for mRNA since 2020, and we will continue to expand our business by enhancing our capabilities.

* GMP (Good Manufacturing Practice): A system for ensuring that products are consistently produced and controlled according to quality standards.

The Challenge of Bringing Regenerative Medicine and Cell Therapy to Society

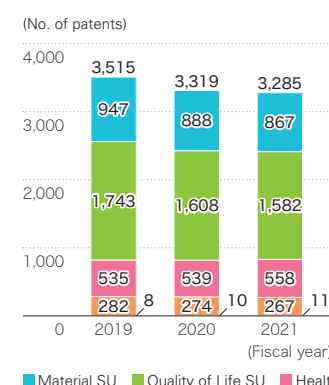
Cellport Clinic YOKOHAMA, which is operated by Group company Biomaster, Inc., has established autologous cell therapy technology and accumulated a world-leading clinical record of more than 1,300 cases. In addition to the field of plastic surgery focusing on breast reconstruction, we will expand into the field of orthopedic surgery for conditions such as knee osteoarthritis.



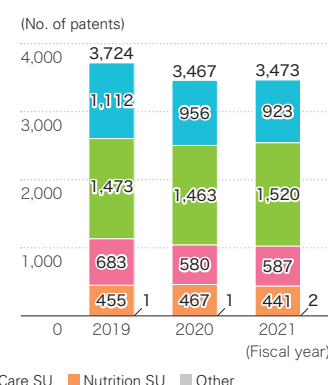
R&B Intellectual Property Strategy

We aim to secure rights to the results of our research and development and to provide solutions at an early stage. We consider intellectual property to be one of the outputs of R&B's activities and strive to acquire intellectual property such as results and know-how. In addition, non-research employees also understand the importance of intellectual property and use it in their work.

Number of Domestic Patents Held



Number of Foreign Patents Held

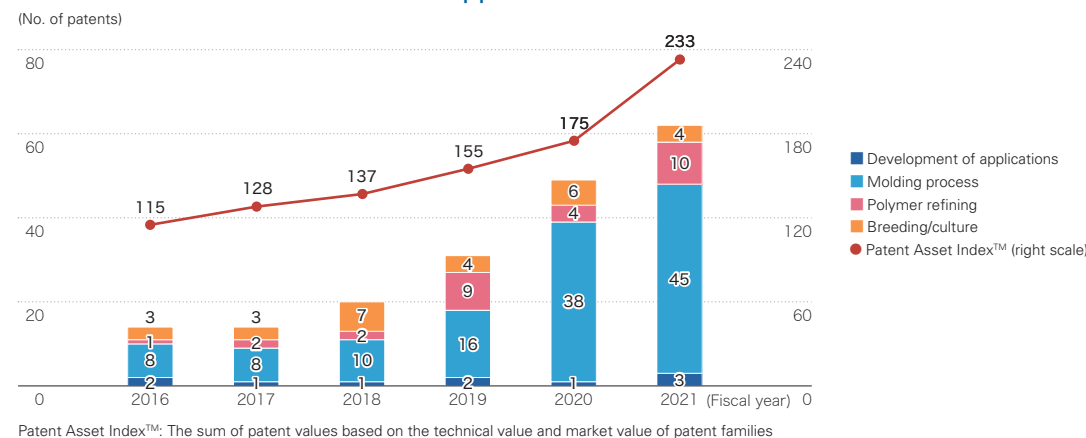


In fiscal 2021, we newly registered 258 domestic patents and 280 foreign patents. At the same time, we strive to manage our intellectual property expenses efficiently, and actively abandon unused patents. At the end of fiscal 2021, the number of patents held was 3,285 domestic patents and 3,473 foreign patents, roughly level with the previous fiscal year.

We evaluate patents in terms of qualitative as well as quantitative aspects. We have introduced LexisNexis' PatentSight™, and continue to monitor the Patent Asset Index™, a patent value index based on the technical value and market value of patent families, as one of our indicators. We are forming a network of rights strategically, both in terms of quality and quantity.

PatentSight™ and Patent Asset Index™ are registered trademarks of PatentSight GmbH.

Number of Green Planet™ Patent Applications and Value of Patents



As a fusion of our unique technologies, Green Planet™ is a key theme that we focus on from the perspective of intellectual property, and we are actively applying for patents. A wide variety of applications have been developed from the breeding and culture of bacterial strains and polymer refining to molding processing technology. This has led to an increase in the number of applications. The Patent Asset Index™ has been steadily increasing, showing that the value of patents is improving. Going forward, we will continue to accelerate our acquisition of rights with a view to delivering results in social implementation.

Actively Using Data

Strong Promotion of Intellectual Property and Digital Transformation

To check for relevant prior art, we have embarked on an attempt to use AI search tools to optimize our pre-patent application prior art search while shortening

the time frame required for reporting. In addition, we are carrying out trials of AI tools for searches of other companies' patents done by researchers.

IP Landscape™ Initiatives

We are also making use of IP landscape™ that combine intellectual property and non-intellectual property information for analysis. In fiscal 2021, we assigned a full-time staff member in the Intellectual Property Department to identify the needs of the R&B departments and explore our own IP landscape™ through trial and error.

For example, in searching for applications for newly developed resins, we structure the results of analyses so as to combine information such as patent trends and press releases of other companies in similar materials. This provides information to aid decisions on business strategy.

IP landscape™ is a registered trademark of Shobayashi International Patent & Trademark Office.

Accumulating Intellectual Property for Kaneka's Technological Challenges

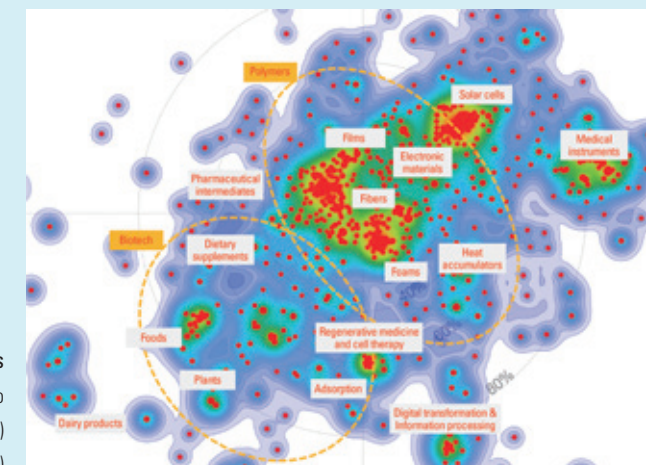
We have created a landscape map for a full overview of our accumulation of technology. From the map, we can see that we have expanded our technology mainly to core polymer technology and biotechnology. At the same time, we have also ventured into uncharted domains that appear to be technological enclaves, such as medical instruments and solar cells.

In recent years, we have accumulated experience in developing technologies that use information processing technology and also in tackling new fields such as dairy products in the food field.

Going forward, we will continue to take on the challenge of creating value in new areas. We will also work on new challenges by combining existing technologies and external technologies.

Landscape map of Kaneka's proprietary technologies

Overview of our published patents (applications filed from 2002 to 2021) by VALUENEX Radar (VALUENEX Japan Inc.) (The plotline (in red) indicates 2017-2021 applications)



Manufacturing Strategies

Achieving a sustainable plant that combines digital transformation with carbon neutrality

The Future of Kaneka Will Be Created from the Practice of Manufacturing in the Field.

Based on a safe and reliable plant that puts safety first, we are realizing production technology and process technology that enable new product production, cost reduction, workload reduction, and high efficiency, and thoroughly strengthening the global competitiveness of our manufacturing.

Reviving Manufacturing at Kaneka

We will strengthen our R&B+P initiative, which strongly integrates R&B and manufacturing, and we will quickly implement new technologies in a competitive manner. We have launched the “Manufacturing R&B” & Production Technology Collaboration Council to accelerate our efforts. To realize the strong manufacturing of an R&D-driven company, we are enhancing our network planning functions and capabilities to connect our organizations for manufacturing, sales, and customers and markets. We are also improving the planning function that oversees these functions and manages overall design.

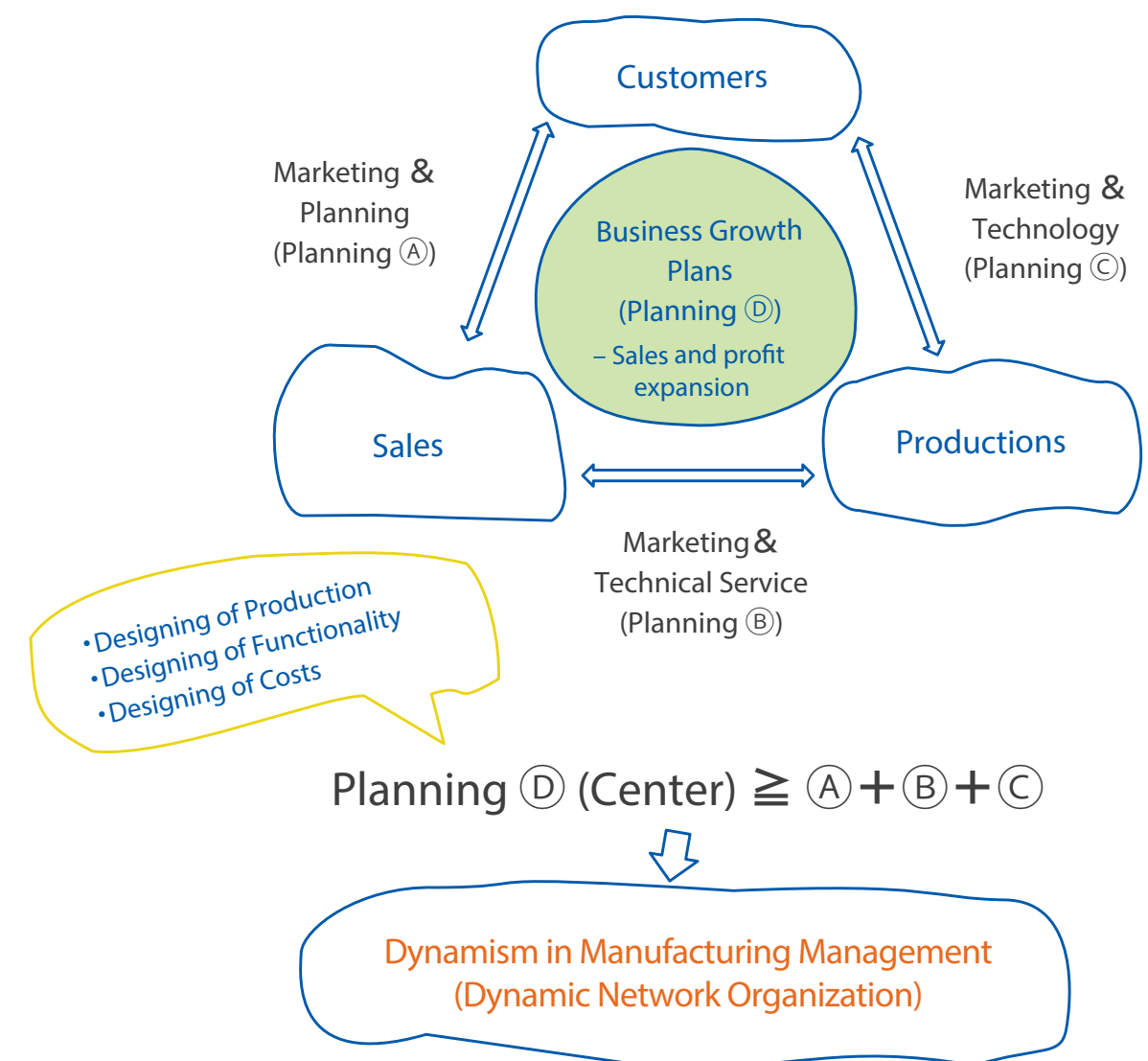
Digital and Environmental Initiatives

As a reactive company that responds properly to the changing times, we are promoting the use of digital technology to quickly realize innovations manufacturing and operations. We believe that proactively staying ahead of society’s rapid shift toward carbon neutrality is vital for businesses to survive. In addition to our own decarbonization, we are working to realize carbon neutrality for society as a whole.

Manufacturing Means Applying R&B+P

→ Enhancement of four planning functions and capabilities

→ P stands for Productions.

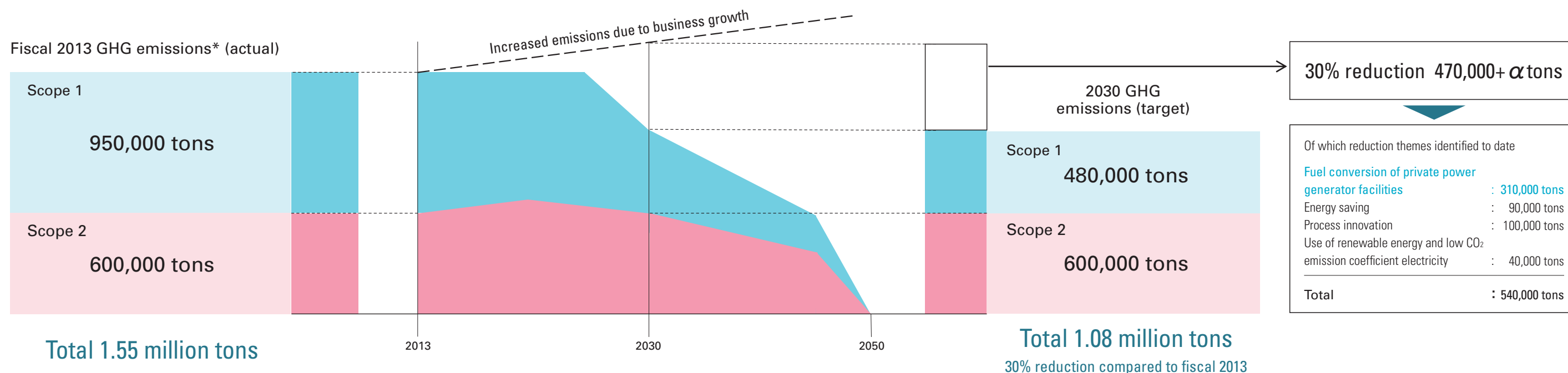


Carbon Neutrality

The Kaneka Group aims to reduce Scope 1 and 2 GHG emissions, which include domestic and overseas Group companies, by 30% by 2030 (compared to fiscal 2013) and to achieve carbon neutrality by 2050.

We are currently working to identify and implement themes for reducing GHG emissions.

To further accelerate capital investment, **we have designed an internal carbon pricing system, which will be operational from fiscal 2023.**



* GHG emissions: a value indicating the sum total of energy-origin CO₂ emissions, non-energy-origin CO₂ emissions, and the CO₂ equivalents of methane and N₂O emissions, calculated in accordance with the GHG protocol.

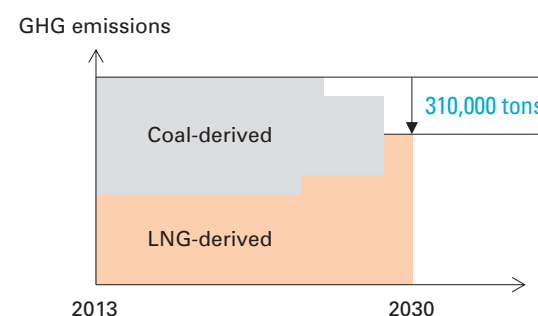
Progress to Date - Identifying GHG Emissions Reduction Themes -

In fiscal 2022, for the GHG emissions reduction of 30% (470,000+ α tons) set out in our 2030 target, **we have identified themes for 540,000 tons.** We will proceed with technical verification for each theme. Going forward, we will expand our GHG emissions reduction themes to domestic and overseas Group companies.

We will actively incorporate Scope 2 reduction measures, including at our overseas sites.

1) Fuel Conversion

The fuel for private power generators at Takasago Manufacturing Site will be converted from coal to natural gas (LNG) in stages, and the use of coal will be discontinued by 2030.



2) Energy Saving

As a new energy saving technology, we have started to examine exhaust heat recovery by heat pumps, which has a wide range of application for each of our plants.

3) Process Innovation

We are acquiring pilot demonstration facilities to establish innovative technologies at our manufacturing plants, including vinyl chloride monomers.

4) Use of Renewable Energy and Low CO₂ Emission Factor for Electricity

Kaneka (Malaysia) Sdn. Bhd. has started to purchase low CO₂ emission factor for electricity as a way of reducing Scope 2 emissions.

In addition, we are promoting the use of renewable energy, through measures such as installing in-house photovoltaic modules and self-transporting the power that we generate.



Photovoltaic power generation equipment installed at the Kaneka Takasago Distribution Center

Digital Transformation (DX)

We are accelerating our efforts to integrate DX and carbon neutrality (CN) in the area of manufacturing as we work to create new value.
We will transform our work culture by promoting production innovation using digital technology and by upgrading our Company-wide digital platform, including R&B.

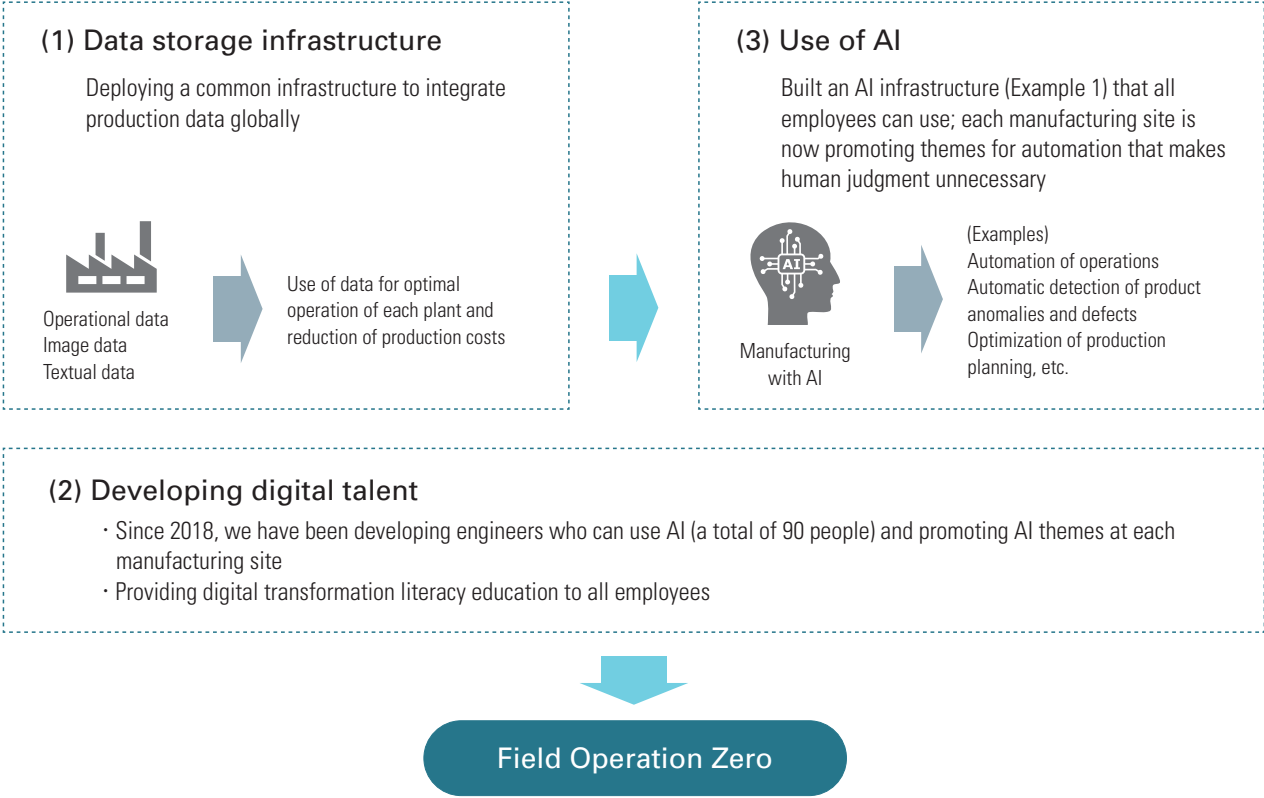


Accelerating DX to Maximize Social and Economic Value

DX roadmap

	2020	2030	Metrics
<div>Society</div> <div>Customers</div>	<div>Creating new value</div> <div>Technology establishment and mass production through R&B+P</div> <div>Reform of contacts with markets and customers</div>	<div>Digital marketing</div> <div>"Manufacturing R&B" & Production Technology Collaboration Council</div>	<div>Net sales of new products</div> <div>Portfolio GHG emissions reduction</div>
<div>In-house</div>	<div>Field Operation Zero</div> <div>Zero on-site work in the plant</div>	<div>Optimizing costs through production and logistics</div> <div>Using AI to check operational safety</div> <div>Shift to monitoring-driven operations</div> <div>Stabilizing production process</div> <div>Data storage infrastructure, use of AI</div> <div>Developing digital talent</div>	<div>Workload rate</div> <div>Labor productivity</div> <div>Cost</div> <div>Quality, safety, environment</div>
	<div>Strengthening digital platform</div> <div>Strengthening infrastructure</div> <div>Developing digital talent</div>		

Progress on DX Roadmap



Specific Examples

Example 1: Effects of using AI infrastructure

We have introduced a Company-wide AI infrastructure to reduce development costs and shorten timeframes. We are working on a total of more than 100 AI utilization themes at each site.

Conventional individual development

Using in-house AI infrastructure

Initial cost and development period

Linking control systems

Developing operation screens

Developing work screens

Developing AI models

Extracting and processing data

Linking control systems

Configuration only with standard package features

Reducing development costs by more than half

Outsourcing expenses

In-house manufacturing costs

1-2 year commitment period

6 months - 1 year commitment period

Example 2: Automation of transport work

Automated the transfer of molded products in the factory, reducing the number of workers to zero. (Kaneka Hokkaido Styrol Co., Ltd.: Field Operation Zero initiative at Shibetsu Plant)

Kaneka's Diversity Brings Broader Possibilities



New External Director
Yuko Sasakawa
Representative Director and President of
IMAGINENEXT INC.
Outside Director of Gakujo Co., Ltd.

Half a year has passed since you became an external director of Kaneka.
How do you see the Company now?

The first thing that struck me about the Company was that the Corporate Philosophy and Management Philosophy have taken deep root throughout the organization, and are guiding Kaneka to become a company that works steadfastly toward resolving social issues. The more I find out about efforts the Company is taking to make this happen, the more wonderful I think it is.

To initiate a direct dialogue with employees, you also set up a round-table discussion with female executives.

I was struck by how diverse the participants were. They came from a range of age brackets, and I was surprised to hear that some had joined the Company through mid-career hiring or switched from being contract employees to their current positions. I've worked in the HR industry for a long time, and have heard about the efforts various client companies are making, but I think that such an approach to hiring is still uncommon among large Japanese companies, especially long-standing companies in the manufacturing sector.

In a broad sense, I think diversity, more than being just about women's empowerment, involves the coming together and expansion of various businesses, technologies, and people.

I believe diversity will be the most crucial aspect of corporate management going forward. Management will be called on more and more to consider how many standpoints and perspectives they take into account and the height and breadth of these perspectives.

Kaneka is poised to make great strides forward, having positioned becoming embedded in and part of the culture of local communities as the route to becoming a global company. In Japan as well, the Company is pursuing activities that are grounded in Hokkaido and other regional communities. I think this is another facet of diversity that I want to affirm.

Because I see Kaneka as a company that takes on challenges in a range of areas rather than simply trying to grow a single business as large as possible, I think having more diverse talent to take the lead in various fields will be increasingly important.

I attended an internal research conference the other day. It was thrilling to hear from researchers who are pursuing challenges in a number of directions. I gathered that venues like that are where cross-fertilization between researchers takes place. It was an opportunity to get a feel for the culture of a Trial & Error experiment driven company that creates innovation through unexpected combinations.

It occurred to me that Green Planet™, launched more than 30 years ago, has also come as far as it has because biotechnology researchers, macromolecular researchers, and people from various other areas of expertise came together as a team. That's amazing, and I look forward to the wealth of innovation we can expect down the road.

The Company is also investing in the future, such as deciding to build a new factory for medical devices in Hokkaido. Every time I see the Board of Directors give approval for different large-scale projects it makes me excited to anticipate how they will bear fruit in the future.

As a Trial & Error experiment driven company, Kaneka faces a wide range of challenges.
Of course, not only in research, but also in manufacturing, sales, and other roles,
Kaneka employees all share an attitude of taking on challenges.

I think the Company has a climate that encourages employees to take on challenges and a robust framework for supporting them in doing that. I would like to see all employees move forward with confidence. Each upward step opens out onto a different vista. I feel most people waver between the fear of taking a step forward and the courage to take a leap. But since Kaneka is a Trial & Error experiment driven company, I encourage employees to view opportunities as another kind of experiment and seize upon them. I think it's fine to go on trying and sometimes failing. That's the kind of company Kaneka is.




Interviewers

(back left) **Shinichiro Kametaka**
Executive Vice President, In charge of Human Resources,
General Manager of The Engine of Sustainability Management


(front left) **Sahori Tanaka**
Member of Diversity Committee
Head of Public Relations Group
Investor & Public Relations Department

(right) **Mami Yuki**
Secretariat of Diversity Committee
Head of Recruiting Team, Recruiting and People Development Group
Human Resources Department


List of Directors (June 29, 2022)




Kimikazu Sugawara
Chairman of the Board
(Representative Director)




Minoru Tanaka
President
(Representative Director)




Kazuhiko Fujii
Executive Vice President




Shinichiro Kametaka
Executive Vice President




Shinobu Ishihara
Member of the Board,
Senior Managing
Executive Officer




Katsunobu Doro
Member of the Board,
Managing Executive
Officer




Jun Enoki
Member of the Board,
Managing Executive
Officer




Mamoru Kadokura
Member of the Board,
Senior Managing Corporate
Executive Officer




Takeo Inokuchi
Independent Member of
the Board



Mamoru Mohri
Independent Member of
the Board



Jun Yokota
Independent Member of
the Board



Yuko Sasakawa
Independent Member of
the Board

Audit & Supervisory Board Member	Senior Managing Corporate Executive Officer	Managing Executive Officer	Executive Officer		
Hideyuki Matsui	Akira Iwazawa	Atsushi Kawakatsu	Riichi Nishimura	Etsuo Yoshiike	Isao Otsu
Masami Kishine	Yasuaki Nuri	Yoshiki Takeoka	Masahiro Ueda	Naoki Furukawa	Masanobu Yamada
Hiroshi Fujiwara	Ikuo Aoi	Yasuhiro Sumi	Takuo Ishibashi	Hiroyuki Deguchi	Satoru Katayama
Yasuhiro Uozumi	Masaaki Kimura	Shinji Mizusawa	Yasuyoshi Ueda	Masashi Nishikawa	Katsutoshi Shichijo
	Toshio Komori	Kazuo Ochiai	Osamu Ishida	Satoshi Suzuki	Ryuichi Maruyama
		Hitoshi Yahara			
		Kan Okabe			

Corporate Governance

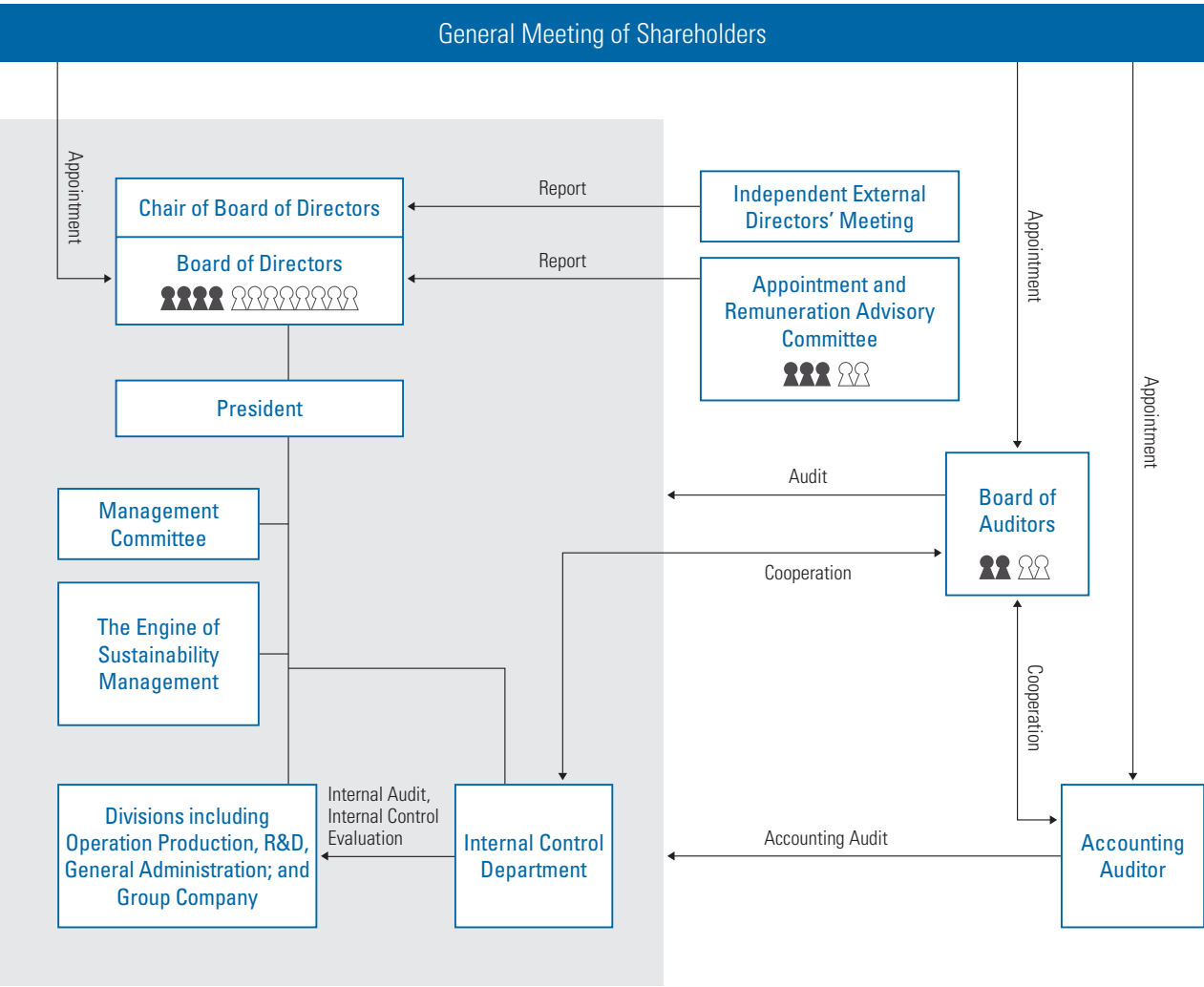
For details, see our website.
<https://www.kaneka.co.jp/en/esg/governance/corporate/>

Basic Policy

Guided by our Corporate Philosophy, Kaneka aims to achieve sustainable growth, improve medium- to long-term corporate value, and build trust among all stakeholders, including shareholders, investors, customers, local communities, vendors, and employees, realizing optimum corporate governance to fulfill our social responsibility.

Diagram of Corporate Governance System (June 29, 2022)

External Directors Internal Directors



Corporate Governance

Corporate Governance Structure

Organizational Design

We currently have four independent external directors and two independent external auditors. Since both the overseeing of business operations by the Board of Directors and auditing by the Board of Auditors are functioning well, Kaneka has chosen to be a Company with Board of Auditors under the Companies Act.

Directors and the Board of Directors

The Board of Directors seeks to ensure efficient and effective corporate governance in order to realize the company’s sustainable growth and increase corporate value in the medium to long term.

The Board of Directors exercises its oversight functions on overall management to ensure fairness and transparency, as well as to appoint management positions, evaluate and determine remuneration, evaluate serious risks and determine strategies to counter them, and make the best decisions on important business operations. The Board of Directors makes resolutions on important matters related to the management of the Kaneka Group after deliberation by the Management Committee, which includes the president. There are at most 13 members on the Board of Directors. Of these, four are independent external directors, in principle, to strengthen the oversight function. Directors serve for a period of one year to clearly define management responsibilities.

Auditors and the Board of Auditors

Auditors and the Board of Auditors seek to ensure healthy and sustainable corporate growth and to establish a structure with good corporate governance that can gain social trust by checking on the performance of directors in regard to their duties.

The Board of Auditors comprises four members, two of whom are independent external auditors in principle, and performs audits in coordination with the Accounting Auditor and the Internal Control Department. Auditors are given space to periodically exchange views with the president, and monitor the state of business operations when necessary, by attending key meetings of the Board of Directors and those of the Management Committee, which decides on the implementation of important matters, as well as division head meetings.

Appointment and Remuneration Advisory Committee / Independent External Directors’ Meeting

We have established the Appointment and Remuneration Advisory Committee and Independent External Directors’ Meeting. The Appointment and Remuneration Advisory Committee discusses remuneration of Directors, and candidates for Directors and Audit & Supervisory Board Members, and reports them to the Board of Directors. The Independent External Directors’ Meeting discusses the effectiveness of the Board of Directors to report to the Chair of the Board of Directors. In order to increase neutrality, the majority of the Appointment and Remuneration Advisory Committee are the independent external directors.

Implementation of Business Operations

Kaneka has adopted the executive officer system to harmonize the oversight function of directors with the implementation function of business operations, which also facilitates decision-making and clearly defines roles. The Board of Directors decides on key management strategies and business operations of the entire Kaneka Group, while executive officers handle business operations in their respective areas of responsibility. The Executive Officers’ Meeting is held monthly to share management policies and issues with the aim of achieving management goals speedily. Division heads, including executive officers appointed by the Board of Directors, are given extensive authority over daily business execution. Monthly division head meetings are held to enable the directors and auditors to directly hear progress reports from each division head. The Internal Control Department evaluates the effectiveness of internal control and conducts an internal audit.

Selection Criteria for Directors

At Kaneka, directors are selected by the Board of Directors, on the basis of character, judgment, expertise and experience as well as ethics, after deliberation by the Appointment and Remuneration Advisory Committee, which is comprised of directors and independent external directors.

We are expanding diverse businesses globally. In order for the Board of Directors to make accurate and prompt decisions and supervise these corporate activities, we place great importance on appointing directors with different backgrounds such as diverse

knowledge, experience, and expertise. Specifically, we expect knowledge, experience, and abilities related to business, global, technology, and corporate and governance. We also believe that the Board of Directors as a whole has a well-balanced knowledge, experience, and abilities, and is composed of an appropriate number of people.

In selecting directors, no restrictions are made in terms of gender, age or nationality.

A skill matrix covering each director is disclosed in the Notice of the Annual General Meeting of Shareholders.

Analysis and Evaluation of Effectiveness of the Board of Directors

Kaneka regularly implements an analysis and evaluation of the effectiveness of the Board of Directors, and discloses a summary of the evaluation results. Specifically, the Chair of Board of Directors periodically receives reports from the Independent External Directors’ Meeting and opinions from the internal directors.

Based on these reports, the current status of operations of the Board is evaluated. In the evaluation process in fiscal 2021, the Independent External Directors’ Meeting held discussions focusing on the operation of the Board of Directors (number of meetings held, frequency, length, contents of information provided beforehand, contents of agendas, deliberations, etc.), role of external directors, information provision to external directors, and risk management. Based on the discussion results, the Board of Directors conducted a self-evaluation. As a result, it has been confirmed that the Board of Directors functions effectively in making decisions on important matters for the Group such as risk management and supervising business execution. We will continue to enhance the effectiveness of our Board of Directors through effectiveness evaluations.

Our Efforts to Strengthen the Governance Capacity

2006	▶ Introduced the executive officer system ▶ Changed the number of directors from 21 to 13 ▶ Formulated the Basic Policy on Internal Control System
2011	▶ Appointed an external director
2013	▶ Formulated the Criteria for Independence of External Directors
2015	▶ Increased the number of external directors from 1 to 2 ▶ Formulated the Basic Policy on Corporate Governance ▶ Established the Appointment and Remuneration Advisory Committee ▶ Established the Independent External Directors’ Meeting
2016	▶ Commenced the effectiveness evaluation on the Board of Directors
2019	▶ Revised part of the Basic Policy on Corporate Governance
2020	▶ Increased the number of external directors from 2 to 4 ▶ Revised part of the Basic Policy on Corporate Governance
2021	▶ Revised part of the Basic Policy on Corporate Governance (the Majority of the Appointment and Remuneration Advisory Committee are the independent external directors, etc.)
2022	▶ Appointment of one female director

Standards for Independence of External Directors/Audit & Supervisory Board Members

We have defined the Standards for Independence of External Directors/Audit & Supervisory Board Members to guarantee the independence of independent external directors and auditors in practice.

The standards are disclosed in our notice of convocation of general meeting of shareholders, corporate governance report, etc.

ESG Promotion

For details, see our website.
<https://www.kaneka.co.jp/en/esg/promotion/prm/>

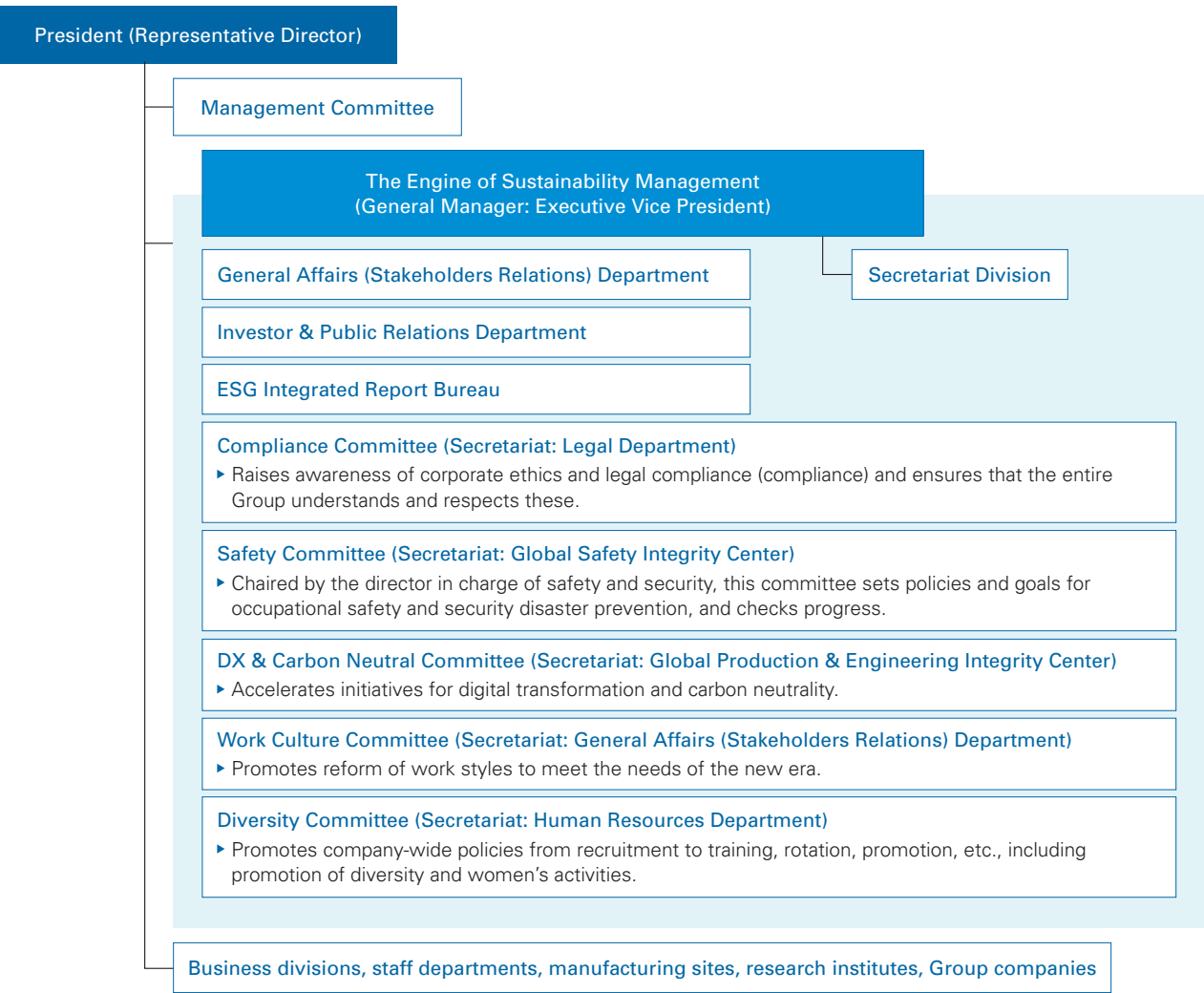
Basic Policy

In 2018, Kaneka Group established the ESG Charter to evolve its ESG management. Aiming to provide valuable solutions globally with a focus on chemistry, the ESG Charter serves as an action agenda for each employee to materialize our Corporate Philosophy.

Promotion System

We reorganized our ESG-related organization with the establishment of the Engine of Sustainability Management on April 1, 2022. It is tasked with overseeing and enhancing ESG management. The Engine of Sustainability Management consists of eight implementation organizational entities. These work to promote ESG and the SDGs overseeing the activities of all related departments across the organization. We will work to protect the environment, to contribute to the restoration of humanity, and to strengthen “Wellness First” health management to support a society that nurtures life.

Diagram of ESG Promotion System (April 1, 2022)



Business Risks and Uncertainties

For details, see our website.
<https://www.kaneka.co.jp/en/esg/governance/risk/>

Basic Policy

Kaneka Group has formulated a basic risk management policy to respond to potential risks in business operations, aiming for the goal of “Wellness First” to make the world healthy. Our basic risk management policy is that each division identifies operational risks and other types of risks that it may face, takes appropriate preventive measures, and responds appropriately in cooperation with other relevant divisions if a risk manifests itself. For preventive measures against potential risks including those related to ethics and legal compliance, the Compliance Committee oversees the development and implementation of the company-wide plans. When a risk occurs or is likely to occur, the Compliance Committee handles the risk in cooperation with the relevant divisions. We regularly check whether the above-mentioned activities are implemented properly to prevent our risk management system from falling into mere formality, and strive to maintain and improve its effectiveness.

Business-Related Risks

- Factors that may significantly affect the financial status, performance results, and cash flow status of the Kaneka Group include those described below.
1. Risks related to the novel coronavirus (COVID-19) pandemic
 2. Risks related to the Group’s ability to maintain operational advantages and trends in the Japanese and overseas economic environment
 3. Risks associated with the globalization of our business
 4. Risks of price fluctuations of raw materials and fuel
 5. Risks associated with product liability, industrial accidents and large scale disasters
 6. Risks associated with the protection of intellectual property rights
 7. Impact of environment related regulations
 8. Risks associated with legal action
 9. Risks associated with information security
 10. Other risks
- Please note that the matters described are only those that we considered risks, but that this is not an exhaustive list of risks borne by the Group. See the Financial Section for more details.

Enhancing Crisis Management Systems

Based on our basic risk management policy, we have set forth Crisis Management Regulations that define our basic system and roles for emergency response, providing emergency examples and clarifying ranks, etc. We will continue to fulfill our social responsibility by maintaining corporate activities while avoiding and reducing adverse effects on the Kaneka Group as much as possible. In preparation for an emergency, we regularly conduct a disaster drill and a safety confirmation system drill. We also provide employees with the Crisis Management Handbook about the initial response. This handbook explains emergency procedures: proper incident notification, instructions, consultation, and response, as well as the smooth flow of information.

Strengthening of Information Security

Information systems play a key role in all aspects of business activities. Based on our Basic Information Management Policy, we have put in place a risk management system at the Kaneka Group that is led by management. We appropriately manage information to avoid information leakage and other risks, and we promote effective use of information and efficiency in operations. To protect our information assets from risks, we review existing facilities and deploy new security systems and tools, and strive to enhance security levels by using the knowledge of external experts. In addition, we disseminate our Basic Information Management Policy to employees. We use the Information Security Guidebook along with hold training programs, audits, drills, and online courses to promote correct information management.

Compliance

For details, see our website.
<https://www.kaneka.co.jp/en/esg/governance/compliance/>

Basic Policy

Viewing compliance as an important management issue, we implement various initiatives to ensure compliance among all directors and employees not only with all applicable laws and regulations, but also with business and social ethics. We aim to improve

our compliance activities by thoroughly implementing the ESG Charter and the Code of Ethical Conduct, which serve as the guidelines for each individual's behavior, enabling us to build relationships of trust with our stakeholders.

Promotion System

Established under the Engine of Sustainability Management, the Compliance Committee disseminates corporate ethics and compliance to ensure under-

standing and observance throughout the Kaneka Group.

Reinforcing Legal Compliance and In-house Training

The Kaneka Group carries out business activities globally and as various rules are strengthened around the world, it faces a need for even greater legal compliance. The "Ethical Code of Conduct" and "Compliance Guidebook" that all of our directors and employees should follow are posted on the company's intranet. We strive to conduct our business activities in a fair, appropriate, and transparent manner. In fiscal 2021, there were no serious violations of laws, regulations, or rules. Improving compliance is essential for our business activities since earning the trust of our stakeholders is vital. We will continue to

conduct various training programs to strengthen legal compliance and raise awareness.



Internal Reporting and Establishment of Consultation Hotlines

To prevent compliance violations and ensure early detection and prevention, we have established internal reporting and consultation services within the Company and at outside law firms. In fiscal 2021, there were five cases of reporting and consultation concerning violation of internal rules, harassment, work content and work environment. Fact-finding investigations and hearings were con-

ducted, and the cases were handled in accordance with internal rules. The details of the cases are reported regularly to the Compliance Committee. In addition, we have established rules on whistleblowing and employee employment regulations to ensure that whistleblowers and consultants are not subject to any discrimination.

Respect for Human Rights

Human rights are the rights that anyone can feel, the right to live like a human being, which each and every one of us is born with. Since its foundation, Kaneka has practiced respect for humanity in its management. We have a fine tradition of maintaining a culture and climate that tries to make the most of the good qualities of each individual. We see respect for human rights as a fundamental principle that should be upheld by the Company and each of its employees.

Throughout our business activities, we strive to raise awareness of respect for individuality and human rights. To maintain a workplace environment where all employees feel healthy and fulfilled in their work and where there is no harassment, we will deepen awareness and understanding among employees and make the workplace environment a more comfortable place for them to work.

Sustainability — Environment —

For details, see our website.
<https://www.kaneka.co.jp/en/esg/environment/env/>

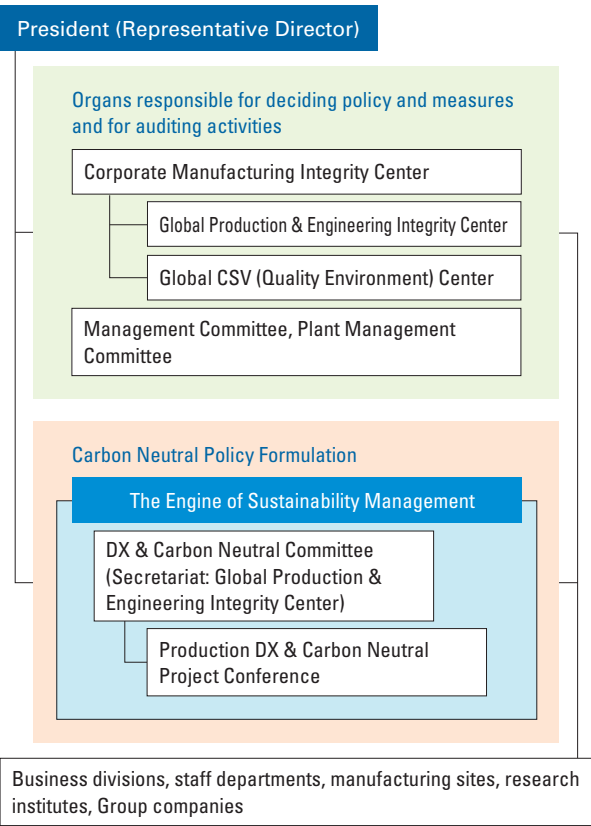
Basic Policy

In keeping with our corporate philosophy, we at the Kaneka Group will contribute to realizing sustainable development and the enrichment of society by

conserving resources and reducing environmental impacts at each stage of the entire product lifecycle.

Promotion System and Policy

Diagram of Promotion System (April 1, 2022)



When dealing with important matters relating to global environment protection, the Corporate Manufacturing Integrity Center, which is under direct presidential control, and the Global CSV (Quality Environment) Center take the lead role in sharing the issues with the Management Committee, the Plant Management Committee, and other relevant bodies and then formulating policies and measures. With specific focus on carbon neutrality, we have established a DX & Carbon Neutral Committee under the control of the Engine of Sustainability Management to accelerate initiatives. To also promote further enhanced ESG management as part of the Mid-Term Management Plan, we are strengthening initiatives on important matters. In our business activities, we are taking steps to reduce environmental impact and ensure appropriate chemical substance management and information disclosure, with the Global CSV (Quality Environment) Center playing the central role in environment conservation activities.

Basic Policies for Responsible Care

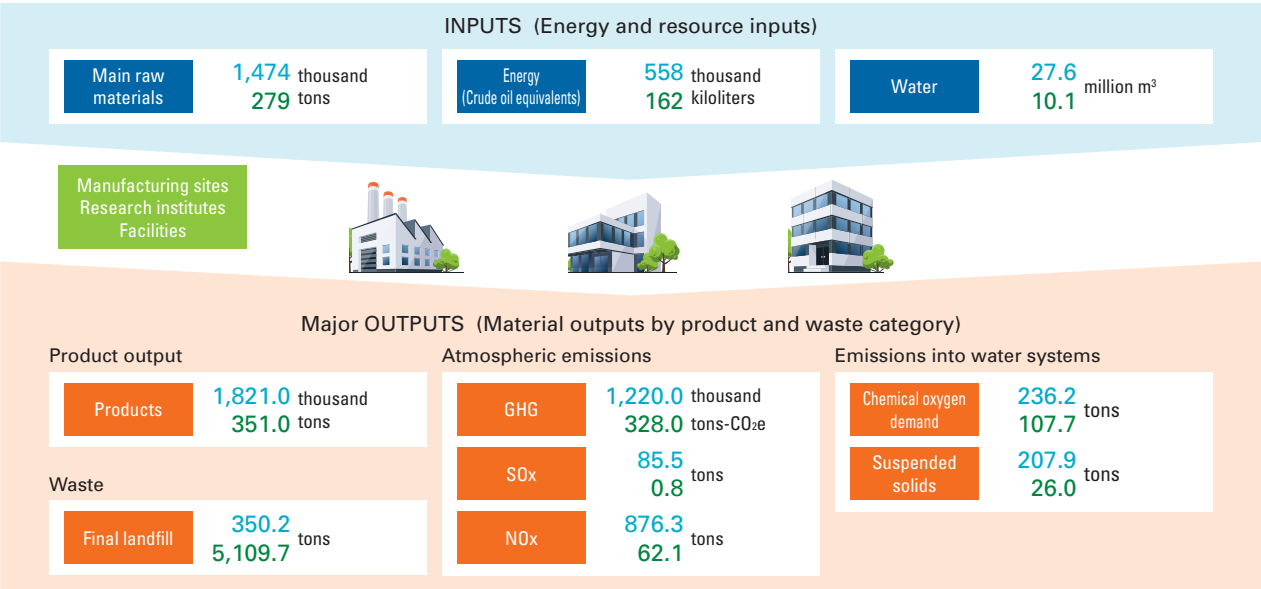
- 1. Protect the natural ecosystem and reduce environmental impact
- 2. Offer safe products and information
- 3. Develop products and technologies in consideration of the environment and safety
- 4. Reduce waste and promote the recycling of plastics
- 5. Enhance process safety, disaster-prevention, and occupational safety and health
- 6. Win public confidence

Meanwhile, toward realizing a sustainable society, we have set out the Basic Policies for Responsible Care under which we ensure strict observance of laws protecting human health and safety and rigorous compliance with environmental legislation such as the Air Pollution Control Act and the Water Pollution Control Act and the criteria set out in related agreements. Internal auditing, ESG safety and quality inspections, and other tools are used to confirm compliance and to manage environmental impact and risk reduction.

Environmental Performance

Kaneka Group is working to reduce environmental impacts by aggregating the status of energy and resource inputs and material outputs through emissions and products to grasp production activity volume, targeting Kaneka and Group companies within and outside Japan.

Material Balance in Production Activities (Fiscal 2021) Kaneka and Group companies in Japan 47 Group companies outside Japan 16



Eco-Friendly Products

Focusing on eco-friendly management, Kaneka Group has defined, enhanced, and expanded its eco-friendly products* since fiscal 2017.

* Products that can contribute to reducing global environmental impact at the stages of customer use, disposal and recycling, compared to conventional products.

Energy Creation

Product name
VISOLA™/SoltileX™/GRANSOLA™

Intended use
Photovoltaic power generation systems

Reason for environmental contribution
Creating energy with houses equipped with this product

Energy Storage

Product name
Residential electricity storage systems

Intended use
Residential stationary batteries

Reason for environmental contribution
Storing energy by houses equipped with this product

Energy Saving

Product name
Kanepearl™

Intended use
Residential/automotive foams

Reason for environmental contribution
Saving energy as insulation and lightweight residential/automotive materials

Energy Saving

Product name
Eperan™

Intended use
Automotive parts, Package cushioning materials

Reason for environmental contribution
Saving energy as lightweight automotive parts

Waste Reduction

Product name
Green Planet™

Intended use
Biodegradable Biopolymer (straws, cutlery)

Reason for environmental contribution
A naturally derived and biodegradable resin that has little environmental impact when discarded

Chemical Pollution Prevention

Product name
KANEKA Surfactin™

Intended use
Biosurfactant, Cosmetic, Cleaning agents

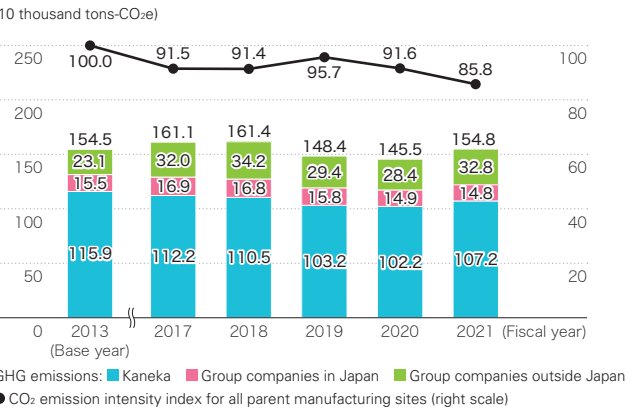
Reason for environmental contribution
A naturally derived and biodegradable material friendly to the environment

Climate Change Initiatives

To address global warming, we at the Kaneka Group are working to promote energy conservation and reduce CO₂ emissions through a range of measures, including our own environmental capital investment program. In fiscal 2021, we met our index targets for both energy intensity and CO₂ emissions intensity.

Target		Fiscal 2021 performance
Energy intensity index*1	Average annual reduction of 1% or more	90.4 (all parent manufacturing sites) 2.1% year-on-year reduction
CO ₂ emission intensity index*2	Average annual reduction of 1% or more (fixed emissions factor) Estimated fiscal 2021 performance 92.3 (fiscal 2030 target 84.3)	85.8 (all parent manufacturing sites)

GHG Emissions*3 and Energy Origin CO₂ Emission Intensity Index



*1 Energy intensity index: a value for energy intensity indexed against a value of 100 for fiscal 2013. The value is calculated by dividing manufacturing energy consumption by activity volume (all parent manufacturing site production volume).

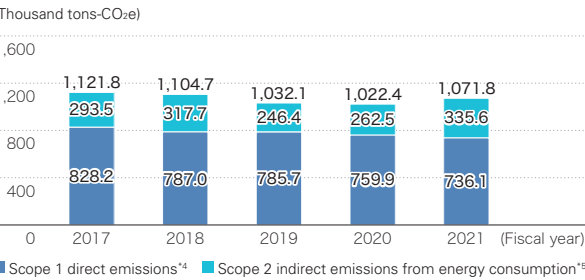
*2 CO₂ emission intensity index: a value for energy-origin CO₂ emission intensity indexed against a value of 100 for fiscal 2013. The value is calculated by dividing energy-origin CO₂ emissions by activity volume.

*3 GHG emissions volume: a value indicating the sum total of energy-origin CO₂ emissions, non-energy-origin CO₂ emissions, and the CO₂ equivalents of methane and N₂O emissions, calculated in accordance with the GHG protocol.

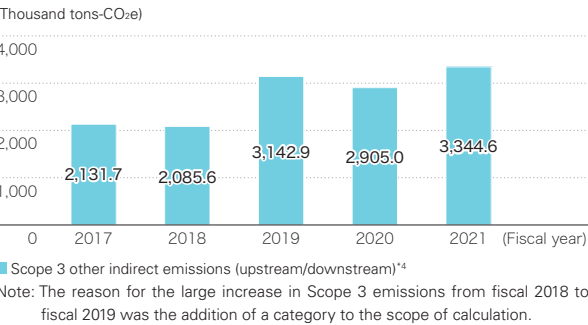
*4 Non-energy CO₂ emissions and CO₂-equivalent of methane and N₂O emissions are included.

*5 Calculated based on market standards. Scope 2 emissions calculated using the location-based method amounted to 407.2 thousand tons CO₂e.

Scope 1 and 2 Emissions (Kaneka)



Scope 3 Emissions (Kaneka)



We are implementing life cycle assessment (LCA) for our main products and intend to successively expand the range of products covered going forward. We are also working to introduce carbon-life cycle analysis (cLCA), which calculates the contribution to GHG

emissions reduction relative to comparable products, and indirect GHG emissions calculation, which covers business activities throughout the supply chain (Scope 3 emissions).

Information Disclosure in Line with TCFD

With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrading the quality of life. Guided by this corporate philosophy, the Kaneka Group will leverage its products and services to

globally offer useful solutions to the issue of climate change, and will fulfill its social responsibilities regarding the various climate change-related impacts associated with the production and distribution processes. As part of this, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2021.

Governance

To integrate and strengthen ESG management, we reorganized our ESG-related operations with effect from April 1, 2022, to establish a new organization known as the Engine of Sustainability Management with an executive vice president as its general manager. Under its supervision, the DX & Carbon Neutral Committee is tasked with driving our carbon neutral production strategy.

The committee will promote carbon neutrality by accelerating initiatives that integrate DX with carbon neutral activities in the manufacturing field. Every three months, the committee will report on its activities to management, who will discuss and decide the direction of its activities going forward.

Strategy

In fiscal 2020, to identify climate change-related business risks and opportunities and to set out relevant strategies, metrics, and targets, we formulated business impact scenarios in line with the 2 and 4 scenarios, as recommended by the TCFD, and analyzed the extent of the impacts. In fiscal 2021, we conducted a review based on the 1.5 scenario in response to the Japanese government’s declaration in October 2020 that it aims to reach carbon neutrality by 2050. To reflect the impact of the wider social environment on the Kaneka Group’s businesses, we assessed the

impact of climate change on our four business domains (Solutions Units) in the short term (5 years), medium term (10 years), and long term (30 years). We will continue to move forward with quantitative analysis based on climate change scenarios to identify the financial impact of climate change-related risks and opportunities. By taking initiatives to balance risk, we aim to boost the competitiveness of each of our businesses and thereby deliver new value. In this way, we will turn risk to our advantage.

Risk Management

We are formulating a production strategy for decarbonization, with measures ranging from energy saving and process innovation to fuel conversion, that takes account of the Japanese government’s energy policy

and other factors in the business environment. We will additionally use an internal carbon pricing system to ensure that investment projects deliver both environmental value and economic benefit.

Metrics and Targets

Reducing GHG Emissions

The Kaneka Group will realize carbon neutral operations by 2050. As an interim milestone, we have set a target of reducing GHG emissions by 30 in 2030 compared to fiscal 2013. In fiscal 2021, the sum total of the Kaneka Group’s Scope 1 and Scope 2 GHG emissions was 1,547.9 thousand tons CO₂e (0.2% increase from fiscal 2013).

Reducing Waste

The Kaneka Group is taking steps to reduce the generation of industrial waste and to promote its recycling. Kaneka and its Group companies in Japan have been working for zero emissions^{*1}, which they achieved in fiscal 2021. Meanwhile, the Kaneka Group set the target of a 57% recycling rate^{*2} for fiscal 2021 and has been moving forward with related initiatives. The actual recycling rate for fiscal 2021 was 56.3%.

^{*1} Final landfill disposal less than 0.5% of total generated waste.
^{*2} Percentage of generated industrial waste that is externally recycled (i.e., outsourced industrial waste recycled through reuse or heat recovery).

Results of Assessment of Climate Change Risks and Opportunities (1.5 Scenario)

● Climate change risk ● Climate change opportunity Small Large

Climate change risks and opportunities		Material SU	Quality of Life SU	Health Care SU	Nutrition SU	Timing of impact
Regulatory/legal	Strengthening of GHG emissions regulation	●	●	●	●	Long term
Regulatory/legal	Increased operational costs due to introduction of carbon tax (incl. supply chain)	●	●	●	●	Long term
Regulatory/legal	Regulation of GHG emissions in agricultural and livestock sector				●	Medium to long term
Technological	Acceleration of the circular economy	●	●			Long term
Technological	Low-carbon trends affecting raw material and energy sources	●	●	●	●	Long term
Market	Structural change in automotive industry	●	●			Medium to long term
Market	Increased demand for biomass-based resins and decreased demand for fossil-based plastics	●	●			Long term
Market	Land competition between agriculture, forestry, and biomass production	●			●	Medium to long term
Market	Intensified competition in sustainable agricultural products				●	Long term
Market	Impact on price of metals (lithium, nickel, platinum) from expansion of new technologies	●	●			Long term
Market	Damage to stakeholder trust and weakening of brand due to delay in climate change response	●	●	●	●	Medium to long term
Reputational	Difficulty in securing human resources	●	●	●	●	Long term
Market	Increased demand for renewable energy, energy networks, and energy-saving-related products	●	●			Medium to long term
Chronic	Increased demand for reagents and therapeutics for infectious diseases			●		Long term

Preventing Pollution and Managing Chemical Substances

We are working for the prevention of air and water pollution, the appropriate management of toxic chemical substances, and the reduction of related emissions.

Our production activities comply with the standards specified in the Air Pollution Control Act and the Water Pollution Control Act as well as the criteria in agreements with local governments.

To promote water conservation, we monitor our intake of water and take care to use it efficiently. In fiscal 2021, we assessed water risk and identified regions of high water stress. By calculating water intake from high water stress areas as a proportion of total water intake, we confirmed that the Kaneka Group as a whole is not exposed to a high level of water risk.

In the area of chemical substance management, we also reduce and control the emissions of volatile organic compounds (VOCs) and chemical substances subject to the Pollutant Release and Transfer Register (PRTR) Act, including six toxic air pollutants set independently.

Target		Fiscal 2021 performance
Air and water pollution prevention		▶ Strict compliance with standards set by Air Pollution Control Act/Water Pollution Control Act and with criteria agreed with local governments
Chemical substance emissions reduction	VOC emissions 1,800 tons or below	▶ Due to increased production volume and changes in product mix, VOC emissions, at 1,905 tons, were not on target

Reducing Waste and Recycling Resources

Since waste reduction leads to maintaining and improving the global environment through resource savings, cost cutting, CO₂ emission reduction and so on, we promote the 3Rs (Reduce, Reuse, and Recycle) company-wide. Through this effort, we promote reduction and recycling of industrial waste. We will continue promoting the 3Rs as well as the improvement activities through process analysis using Material Flow Cost Accounting (MFCA).

Target		Fiscal 2021 performance
Waste reduction	▶ Kaneka final landfill disposal rate: 0.2% or below ▶ Zero emissions at Kaneka and Group companies in Japan	▶ Kaneka final landfill disposal rate 0.053% ▶ Zero emissions achieved by Kaneka and Group companies in Japan based on final landfill disposal rate of 0.43%*
Check legal compliance of waste disposal subcontractors		▶ Visited disposal subcontractors where on-site survey was possible and carried out checklist-based inspection

* Zero emissions (Kaneka definition): final landfill disposal volume less than 0.5% of total generated waste.

Biodiversity

Considering the impacts of our businesses on ecosystems, we at Kaneka strive to develop technologies, materials and products that have less environmental impact, as well as to mitigate the environmental impact of our production. As part of our social contribution activity, we also support, participate in, and cooperate with the biodiversity activities of outside bodies.

- Takasago Manufacturing Site: Kaneka Forestry for the Future
- Osaka Manufacturing Site: Settsu-no-mori Kaneka Biotope
- Shiga Manufacturing Site: Walnut School

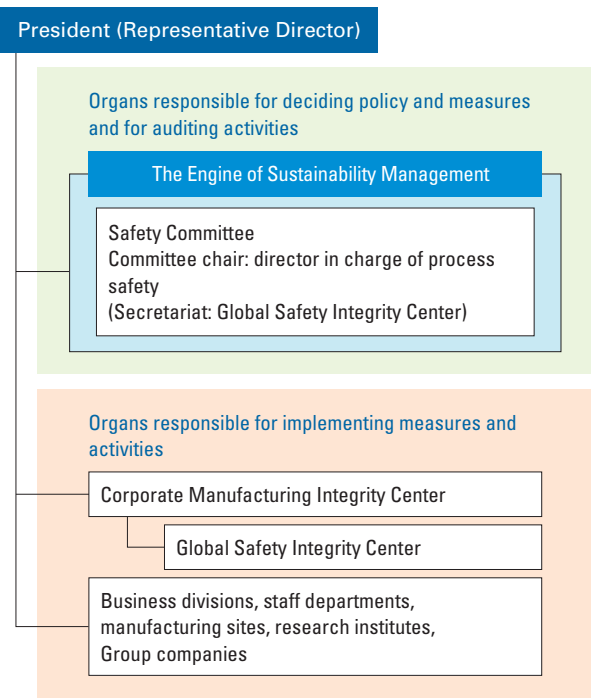
Safety / Quality (Process Safety and Disaster Prevention, Occupational Safety)

Basic Policy

Placing the top priority for management on safety, we have established the Basic Policy on Safety, under which all employees as well as all persons working at the Kaneka Group and our partner companies work to create safe and healthy workplaces and share the importance of safety with the goal of no accidents and no disasters.

Promotion System and Policy

Diagram of Promotion System (April 1, 2022)



Established under the Engine of Sustainability Management, the Safety Committee sets policies and goals related to occupational safety, process safety, and disaster prevention and to check their implementation and progress. In his greetings at New Year and on the yearly anniversary of our foundation, the president delivers a related message directly to employees.

Message from the President

On my frequent visits to our plants, I sense a growing safety awareness at each site and feel keenly that this commitment to safety has been taken fully on board by frontline staff. However, we must never imagine that we have perfected our safety system. Instead of relying on the fact that safety measures have been put in place, we must all take individual responsibility for ensuring the safety of our team. We in management will continue to work tirelessly to protect the lives of our employees and to ensure their safety and peace of mind.

As set out in our Basic Safety Policies, our Zero Accident Principles, and the Kaneka Group Code of Conduct, we prioritize safety above all else, observe the principles of safety, and work to ensure that safe practice is taken on board and strictly adhered to. In this way we seek to guarantee safety and peace of mind through stable day-to-day manufacturing operations.

Safety / Quality (Process Safety and Disaster Prevention, Occupational Safety)

Basic Safety Policies

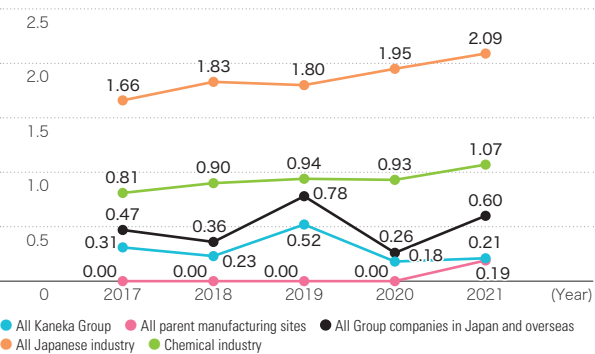
- **Safety forms our management foundation, and is the basis of all corporate activities.**
We take action with priority given to ensuring safety in all activities in the company.
- **Safety is the foundation of local and worldwide communities' confidence in Kaneka.**
We do our best to develop their trust.
- **Safety is based on our belief that "All accidents can be prevented."**
We always move forward without being satisfied with lukewarm results.
- **Safety is the responsibility of every employee in accordance with his/her duties.**
We fulfill our responsibilities by mutually clarifying the duties we have assumed.
- **Safety must be maintained continuously.**
We ensure safety through steady efforts on a daily basis.

Zero Accident Principles

- **All people, you and me, are indispensable**
We ensure everyone is working safely.
[Pledge of zero accidents]
- **Safety is everyone's responsibility**
We do not miss sparing the time to seek safety.
[Participation in safety]
- **There is no trick to safety**
We always value a fundamental approach to it.
[Adherence to safety basics]
- **Be aware of potential danger**
We endeavor to eliminate safety risks.
[Safety in advance]
- **Where there is carelessness, there is the possibility of an accident**
We do not allow even a small chance of negligence.
[99%, yet 0%]

Target		Fiscal 2021 performance
Strengthen process safety and disaster prevention		▶ ESG safety and quality inspections carried out at all parent manufacturing sites and 8 sites of 6 Group companies in Japan ▶ Emergency response and evacuation drills and comprehensive disaster prevention drills carried out in readiness for emergency
Ensure occupational health and safety		
Process accidents	Zero accidents	▶ Process accidents: 8
Occupational accidents		▶ Occupational accidents: Accidents resulting in lost time: 8; accidents not resulting in lost time: 9.

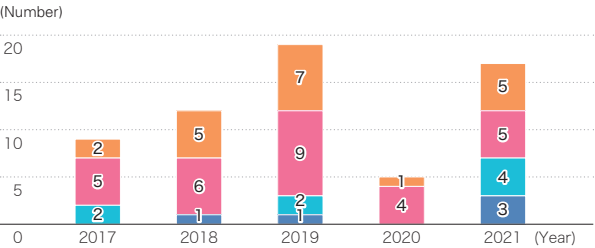
Accident Frequency Rate



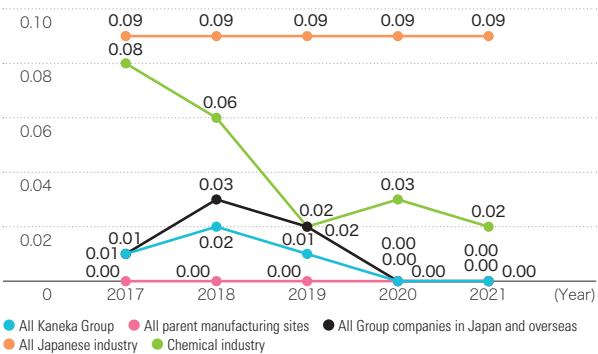
Accident Frequency Rate: An indicator that shows the frequency of occupational accidents that caused death and/or injury by indicating the number of casualties per total 1 million actual working hours.

* Both rates are calculated targeting employees at Kaneka and Group companies.

Accidents Resulting/Not Resulting in Lost Time



Accident Severity Rate



Accident Severity Rate: An indicator that shows the level of severity of occupational accidents by indicating the number of lost work days per total 1,000 working hours.

Efforts to Ensure Zero Accidents

Based on a shared commitment to safety first, management and frontline staff are advancing toward our goal of zero process accidents by working to foster a safe culture and ensure the intrinsic safety of equipment, thus inspiring public trust in the safety of our manufacturing sites.

Safe Culture

- Promotion of safety awareness: Safety management training for plant general managers and production supervisors
- Ensuring adherence to basic safety practice (the 3S's, greetings, handrail holding)
- Development of physical awareness of danger: Hands-on training to heighten sensitivity to danger based on learning through physical experience with virtual reality equipment

Equipment Safety

- Equipment safety assessment: Evaluation using HAZOP (Hazard and Operability)



Comprehensive Disaster Drills

We annually conduct comprehensive disaster drills, based on scenarios such as a large-scale earthquake or a fire caused by hazardous material leakage, jointly with local governments and local industrial facilities so that we can promptly and effectively respond to emergency situations.



Manufacturing Site	Date	Participants	Details
Takasago Manufacturing Site	December 13, 2021	2,078	An earthquake resulting in a hazardous material leakage
Osaka Manufacturing Site	November 10, 2021	1,024	An earthquake resulting in a fire
Shiga Manufacturing Site	December 20, 2021	446	An earthquake resulting in a fire
Kashima Manufacturing Site	March 7 and 14, 2022	120	A fire caused by flammable gas leakage

Safety Awards

In May 2021, our Shiga Manufacturing Site received the Safety Excellence Award in an award scheme operated by the Japan Chemical Industry Association to recognize business sites that conduct exemplary safety activities. Across the Kaneka Group as a whole, four companies received designation as a 'certified safe business site.'

Going forward, we will continue raising safety awareness toward our goal of zero accidents.



Safety / Quality (Product Responsibility)

For details, see our website.
<https://www.kaneka.co.jp/en/esg/social/safety-quality/>

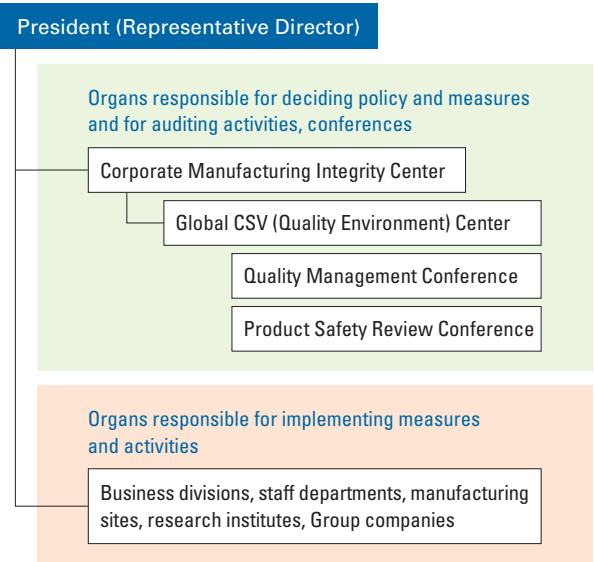
Basic Policy

Aiming to benefit society and satisfy customers through a stable supply of safe and reliable products, the Kaneka Group has set Quality Management

Regulations to ensure thorough day-to-day quality control and product safety at all stages, from product design and development to delivery to customers.

Promotion System and Policy

Diagram of Promotion System (April 1, 2022)



The Global CSV (Quality Environment) Center operates the Quality Management Conference and the Product Safety Review Conference. Through these bodies, we coordinate quality assurance activities throughout the Kaneka Group and drive quality management, including product safety assurance, at all stages from product design and development to raw material procurement, manufacturing, storage, and transportation. Each of our businesses undergoes regular third-party auditing and inspection based on ISO 9001 and other established standards and regulations. We also take steps in-house to enhance our quality management system and thereby raise product quality standards through ESG safety and quality inspections and internal audits.

Quality Assurance Initiatives

- We reviewed our systems to ensure strict legal compliance following the revision of the Pharmaceutical Affairs Law and confirmed the introduction of HACCP (hazard analysis and critical control point) in response to the revision of the Food Sanitation Act.
 - We held quality management conferences on four occasions, inviting personnel in charge of quality management in each business division, to instill the Company-wide policy and instructions and to exchange views on product quality assurance and share quality information.
 - To facilitate timely and speedy response to the demand for PCR test diagnostics during the continuing COVID-19 pandemic and to the market demand for sustainability-friendly solar roof systems, the administrative office of the Product Safety Review Conference conducted active pre-consultations to cover safety issues and put in place a service delivery system.
 - External experts were deployed by food-related Group companies to conduct ongoing checks on the operation status of quality management systems and hygiene management, including in the supply chain, as a way to further improve quality.
 - An internal audit checklist was sent to the production, sales, and administration divisions of Group companies for self-check to enhance the quality system while quantitative evaluation was carried out to identify its strengths and weaknesses. Where weaknesses were found, efforts were made in co-operation with the supervising business department to plan for the next fiscal year's checking operations as a way to target improvement.
- Going forward, we will continue working to enhance the quality management system, including in the supply chain, through audits, inspections, and other checks and human resource training. In this way, we aim to ensure full compliance and product safety.

Chemical Substance Management

We take appropriate action at all stages of product development, manufacturing, transportation, sales, and disposal based on a clear grasp of the requirements of Japanese and international laws and regulations on the management of chemical substances, with each division adapting its response to its particular circumstances. For raw material procurement, we have established the Green Procurement Standards to prevent mixing of chemicals prohibited under the Control Act.*1 When supplying products, we take active measures to convey information on the hazard level of the chemical substances, including displaying a GHS*2 label and

providing a product safety data sheet. We also take careful note of legislative trends. Among the changes in recent years have been revisions to Chinese law requiring advance registration of new chemical substances and revisions to South Korean occupational safety law and UK law on the registration, evaluation, authorization and restriction of chemical substances (REACH). Our response to these changes includes the use of external consultants.

*1 Chemical Substances Control Act: Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.
*2 GHS: A worldwide system for classifying and labelling chemicals according to their hazardous properties.

Supply Chain Management

Basic Policy

The Kaneka Group works to build relationships of trust with its business partners (suppliers) with the aim of mutual increase in corporate value. Under our Basic Procurement Policy, we pursue efficient procurement activities that also take account of fairness and equity in terms of ensuring safety and quality, protecting the global environment in areas such as climate change and biodiversity, showing respect for human rights, and ensuring legal compliance.

In 2015, we signed the United Nations Global Compact to show our agreement with its principles for voluntary action in the four areas of Human Rights, Labour, Environment, and Anti-Corruption. In 2018, with the aim of further evolving our ESG management, we additionally set out an ESG Charter as an action agenda for each individual employee to help realize our corporate philosophy. On this basis, we pursue procurement activities for a sustainable society.

Responsible Procurement Initiatives

In all procurement activities within the framework of our business operations, we undertake responsible procurement and management of raw materials and other resources. Our Basic Procurement Policy requires the general manager of each business division to put in place and take charge of an appropriate system to manage procurement, including

that of mineral raw materials, with the cooperation of business partners. Additionally, as part of sustainable raw material procurement that takes due account of the environment and human rights, we have acquired RSPO supply chain certification.

Declaration of Partnership Building

Based on the belief that it is important to actively work on strengthening the supply chain, Kaneka endorses the aims of the Council on Promoting Partnership Building for Cultivating the Future advanced by the Cabinet Office and other related ministries and agencies. We announced our Declaration of

Partnership Building in October 2022. The aim is to build new partnerships by promoting cooperation, coexistence, and coprosperity with business partners in the supply chain and other business operators seeking to create value.

Communication with Stakeholders

For details, see our website.
<https://www.kaneka.co.jp/en/esg/social/stakeholder/>

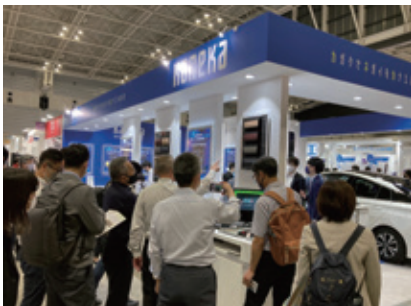
Basic Policy

Under its ESG Charter, which declares that ‘we fulfill our corporate responsibility by empowering individual employees to put our corporate philosophy into practice through serious, forward-looking effort,’ the Kaneka Group, aspires as a good corporate citizen to a

sustainable future in partnership with all its stakeholders. We will work to build relationships of trust with stakeholders through active information disclosure and communication with the aim of realizing this sustainable society.



Providing technology and product information and online store on our official website



Holding exhibitions



Sponsoring the UN World Food Programme (WFP) School Lunch Support Program as a Partner Company



Holding the Kaneka Manufacturing Class

Communication

- Interaction with local residents/participation in local events/dialogue
- Fostering youth development/hosting plant visits
- Supporting disaster reconstruction
- Participation in initiatives

Communication

- Opinion exchange with investors/analysts, holding of business and results briefings
- Timely and appropriate information disclosure on the corporate website
- General Meeting of Shareholders



Issuing reports (To Our Shareholders) twice a year

Communication

- Empowering of diverse human resources
- Employee health
- Labor-management links
- Internal whistleblowing system



Publishing four issues a year of “Kaneka News,” an in-house newsletter that strengthens ties and relationships within the Company



Offering “Healthy Eating and Eating Environment” certified smart meals at plant canteens

Kaneka Group

Customers

Society

Shareholders and Investors

Employees

The Environment

Vendors

Communication

- Communication with customers through sales and marketing
- Information posting on websites and social media
- Exhibitions
- Quality assurance/customer support



Carrying out local clean-up activities

Communication

- Initiatives on global environment protection/resource conservation/environmental impact reduction
- Promotion of environmental impact reduction in raw material procurement
- Cleaning activities/local forest conservation/environmental conservation activities
- Appropriate information disclosure



Providing an online store that connects with bakeries nationwide by supporting the purchase and development of ingredients

Communication

- Regular questionnaire surveys and dialogue with vendors
- Cooperation, coprosperity and coexistence with vendors
- Quality improvement in logistics operations
- Appropriate information disclosure
- Internal whistleblowing system

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2022 and 2021

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

* The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2022, which was ¥122.39 to U.S. \$1.00.

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

* The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2022, which was ¥122.39 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

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

Appendices

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

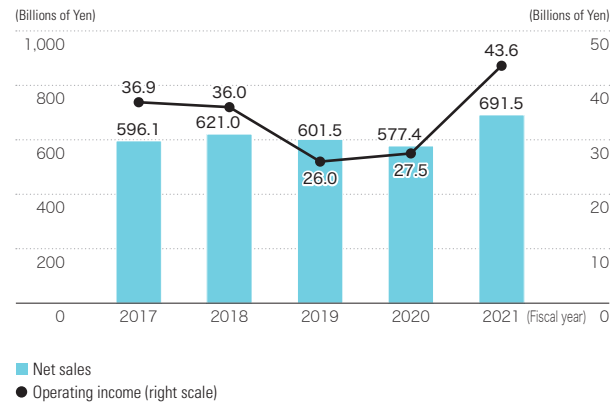
	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Foreign currency translation adjustments				
Balance at beginning of year	¥ (3,753)	¥ (7,395)	¥ (4,008)	\$ (30,671)
Changes of items during the period				
Net changes of items other than shareholders' equity	8,135	3,641	(3,387)	66,470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

* The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2022, which was ¥122.39 to U.S. \$1.00.

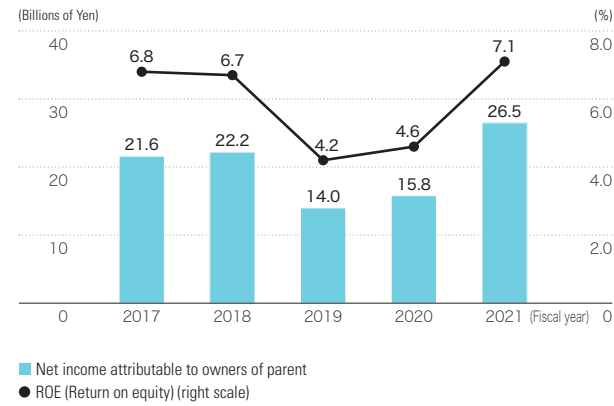
	Millions of yen			Thousands of U.S. dollars*
	2022	2021	2020	2022
Cash Flows from Operating Activities				
Income before income taxes and non-controlling interests	¥ 36,405	¥ 22,201	¥ 19,797	\$ 297,451
Depreciation and amortization	37,953	36,262	34,340	310,104
Restructuring charges	2,692	—	—	22,000
Impairment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

Financial Highlights

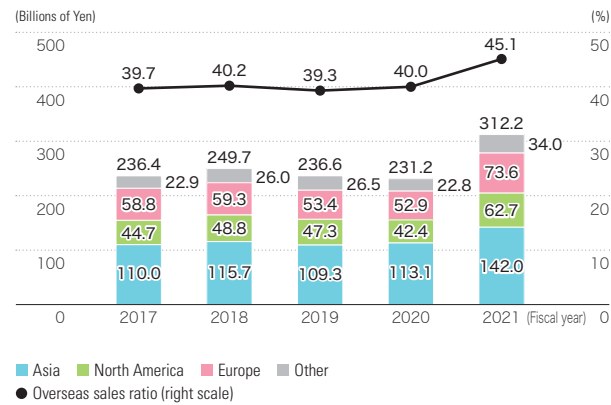
Net Sales / Operating Income



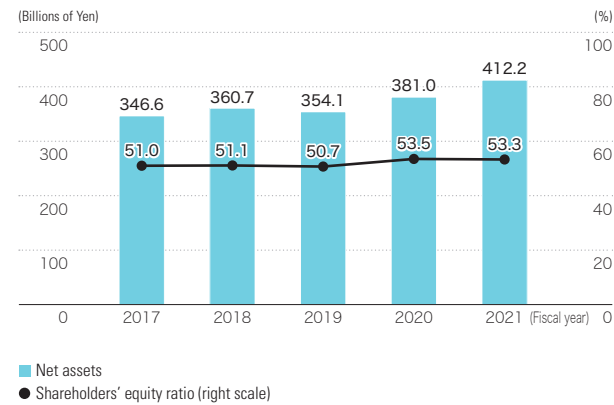
Net Income Attributable to Owners of Parent / ROE



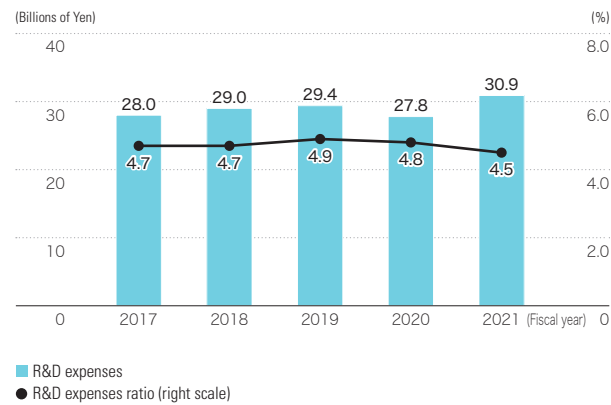
Overseas Sales / Overseas Sales Ratio



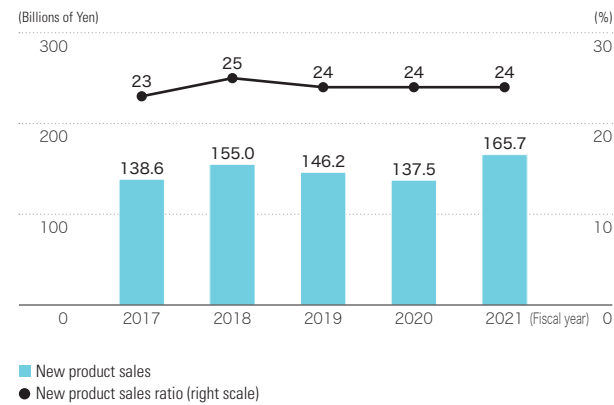
Net Assets / Shareholders' Equity Ratio



R&D Expenses / R&D Expenses Ratio

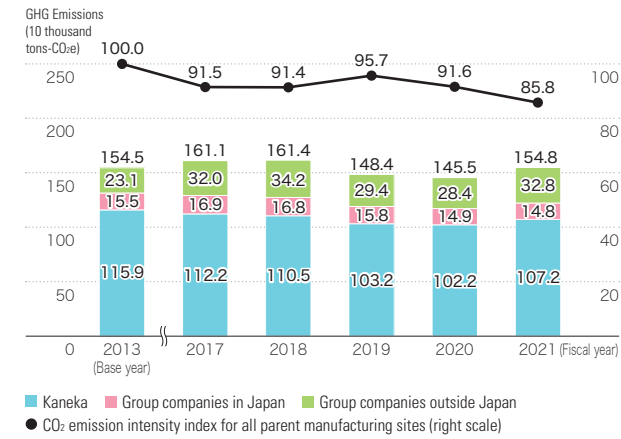


New Product Sales / New Product Sales Ratio

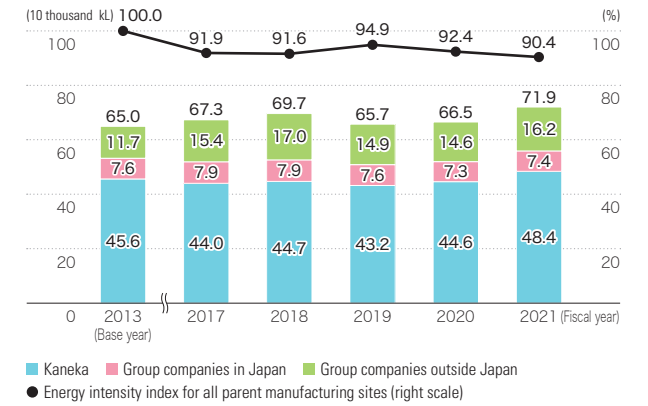


Nonfinancial Highlights

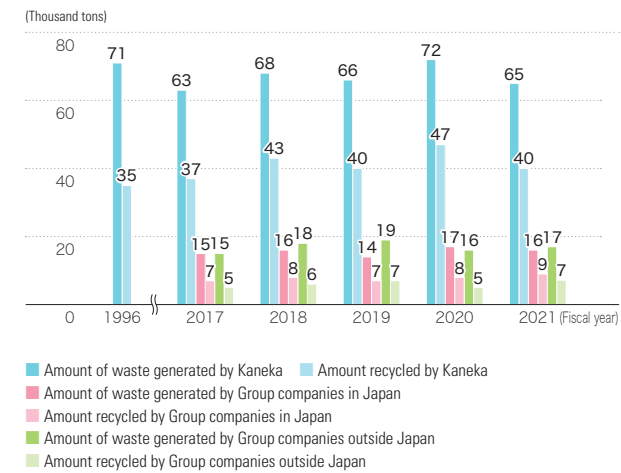
GHG Emissions and Energy Origin CO₂ Emission Intensity Index



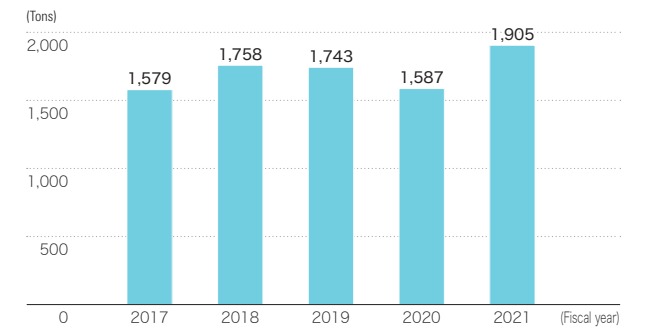
Energy Consumption and Energy Intensity Index



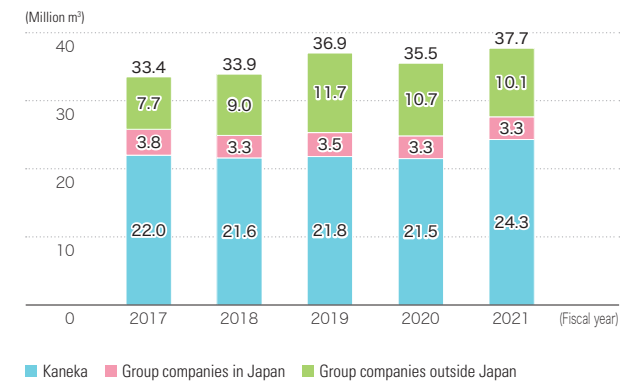
Waste Generated and Recycled



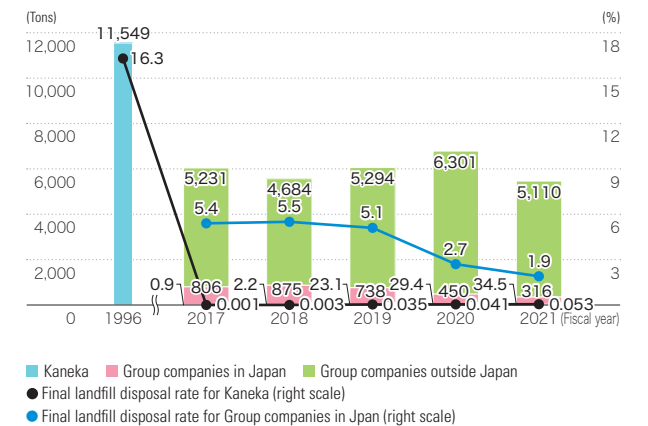
Volatile Organic Compounds Emissions



Water Consumption

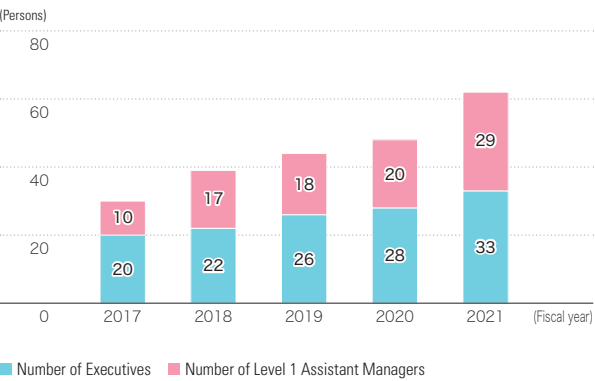


Volume and Rate of Waste Sent to Final Landfill

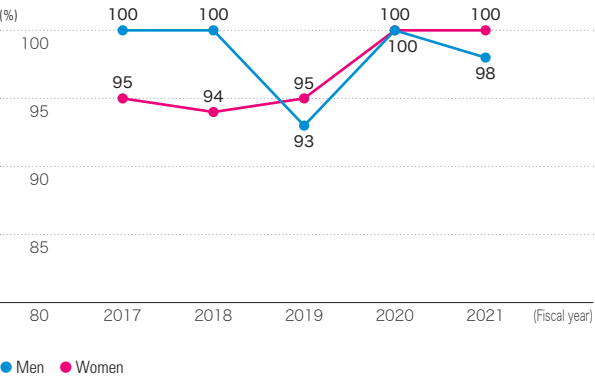


Nonfinancial Highlights

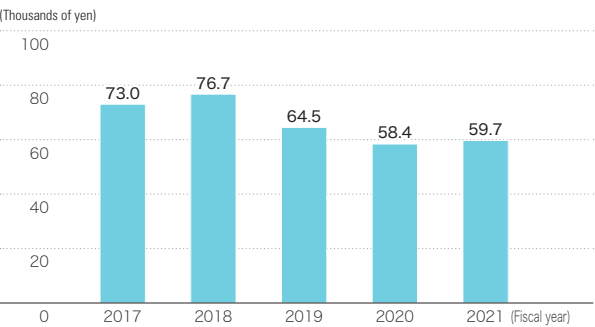
Number of Female Executives and Level 1 Assistant Managers



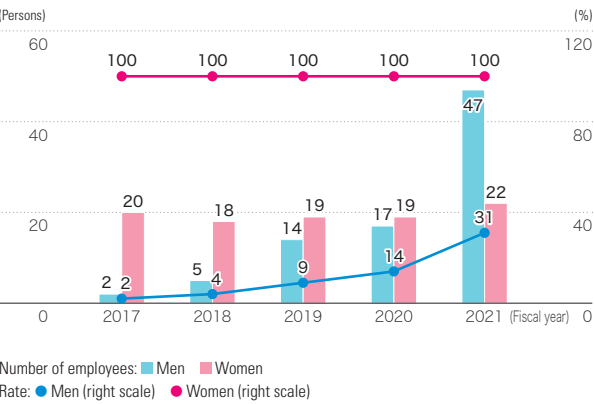
Return Rate of Employees Taking Childcare Leave



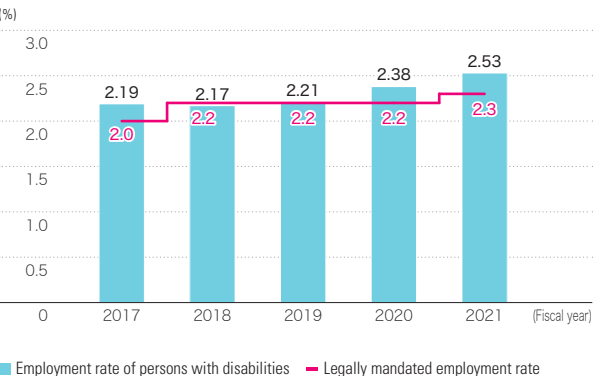
Training Costs (per Person)



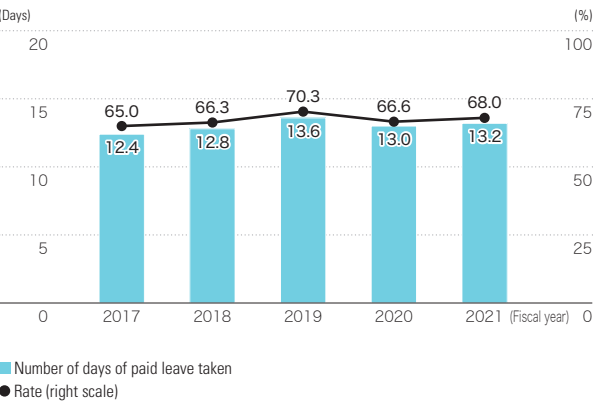
Number and Rate of Employees Taking Childcare Leave



Employment Rate of Persons with Disabilities



Number of Days and Rate of Paid Leave Taken



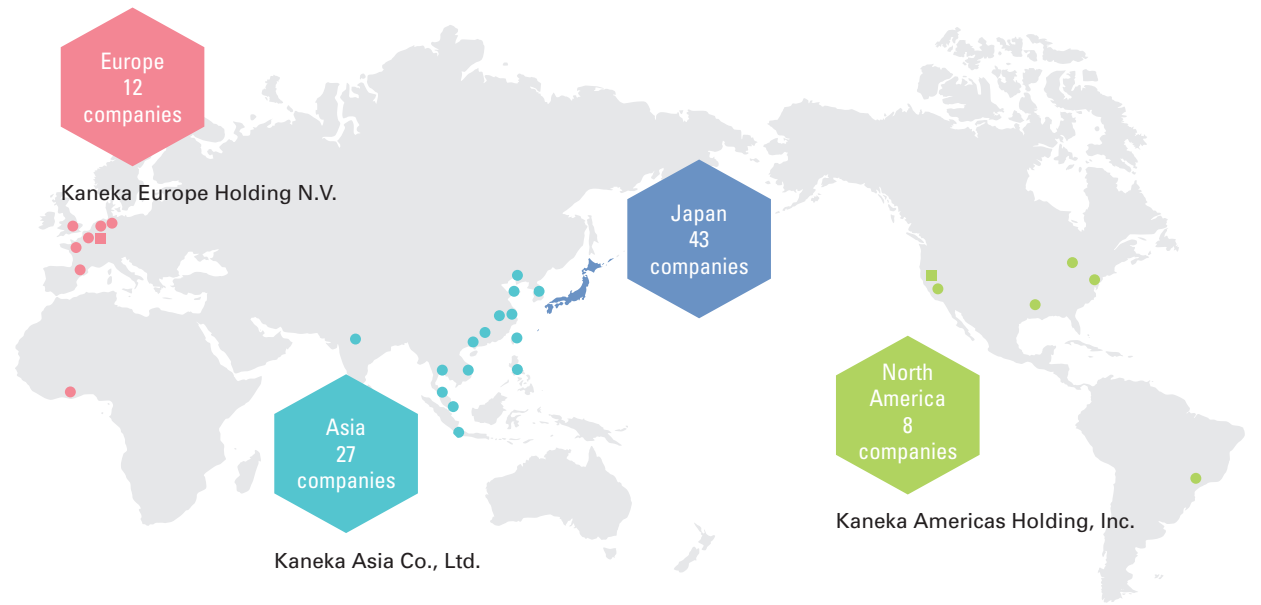
Corporate Profile

Corporate Profile (March 31, 2022)

Name	KANEKA CORPORATION	Facilities in Japan	Sales Office Nagoya (Aichi Prefecture) Manufacturing Site Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki 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 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 Electronics Research Laboratories Regenerative Medicine and Cell Therapy Laboratories Photovoltaic & Thin Film Device Research Laboratories Engineering Research Laboratories Process Development Research Laboratories Green Planet Technology Laboratories
Date of Establishment	September 1, 1949	Affiliated Companies	112 Subsidiaries (Including 43 (in Japan) and 47 (outside Japan) consolidated subsidiaries)
Paid-in Capital	33,046 million yen	URL	https://www.kaneka.co.jp/en/esg/
Number of Employees	11,335 (Including consolidated subsidiaries) 3,472 (Non-consolidated)		

Global Network (March 31, 2022)

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



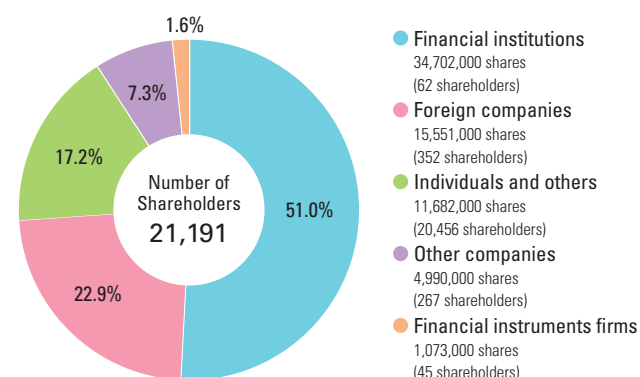
Investor Information

Stock Basic Information (March 31, 2022)

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

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

Shareholder Composition



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

Major Shareholders

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

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

Common Stock Price Range (Tokyo Stock Exchange; Yen)

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

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

Editorial Policy



The Kaneka Integrated Report 2022 was prepared as a booklet reporting financial and non-financial information. We hope that it will help stakeholders understand the Kaneka Group's medium- to long-term value creation. The Kaneka Group is strengthening its efforts in ESG management with the aim of caring for the life of the earth and helping to build a sustainable society.

In this report, we convey our strong determination toward our mission, 'KANEKA thinks "Wellness First."' We outline how we find a healthy balance between social value and economic value creation through our business so that we can help solve social issues.

We hope that this will help our shareholders, investors, and other stakeholders deepen their understanding of our company.

Cautionary Statement Regarding Forward-looking Statements

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

Reporting Organizations

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

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

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

Referenced Guidelines

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

Information Tools

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

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