

Sustainable Solutions
for an Evolving World.

Kaneka

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From the Editorial Team

Kaneka Integrated Report 2021, covering both financial and non-financial information, has been issued to enhance the understanding of our stakeholders regarding the Kaneka Group's value creation in the medium to long term. It is created based on the latest Mid-Term Management Plan.

Notes Regarding Future Prospects

Statements in this report regarding performance forecasts and other future prospects are based on currently available information and certain assumptions that we consider reasonable, and Kaneka Corporation does not guarantee their achievement. Actual results may differ greatly due to various factors.

Organizations Covered in This Report

This report covers Kaneka Corporation and its consolidated subsidiaries both in Japan and other countries. The data on Responsible Care activities encompass the parent and 61 Group production subsidiaries.

In this report, "Kaneka" refers specifically to Kaneka Corporation. "Kaneka Group" encompasses Kaneka Corporation and Group companies (its consolidated subsidiaries). References to "Group company / companies" do not include Kaneka Corporation.



CONTENTS

I Management Philosophy

Management Philosophy Structure “Declaration of Kaneka United”
We Are Implementing Sustainable, Human Driven Management.

II Top Message

Turning Dreams into a Vision and the Vision into Reality!

III Management Strategies

Toward Social Implementation of Solutions to “Make it Real”

Recent Topics
of Remarkable
Advancement

- Expanding the Active Use of KANEKA Biodegradable Polymer Green Planet™ to Resolve the Global Environmental Pollution Issues
- Broadening the Provision of Solutions to Resolve Infection Issues in Various Situations
- Hokkaido Initiative: Our New Challenge of Making “Wellness First from Hokkaido”
- Initiatives for Carbon Neutrality
We will realize carbon neutrality by 2050.

Management System

Purpose Management and 3 Value Drivers

ESG Management

We Base All Our Activities on Our Platform
- KANEKA thinks “Wellness First”

Value Creation Process

Advancement of Kaneka’s Value Creation Process
(Based on Creative Fusion of People and Technology)

R&B Strategies

R&B Aimed at Creating Big Businesses

Global Strategies ~Think Global, Act Local~

Our Global Network Enabling Business Development
Deeply Rooted in Local Communities

Human Resource Strategies

Human Driven Company Promoting
“Wellness First” Health Management

IV Business Foundation

- List of Directors ○ Corporate Governance (Corporate Governance, ESG Promotion)
- Business Risks and Uncertainties ○ Compliance ○ Intellectual Property
- Sustainability – Environment ○ Safety / Quality ○ Local Communities and Social Contributions

V Appendices

- Consolidated Financial Statements
- Financial and Nonfinancial Highlights
- Corporate Profile

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.



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.

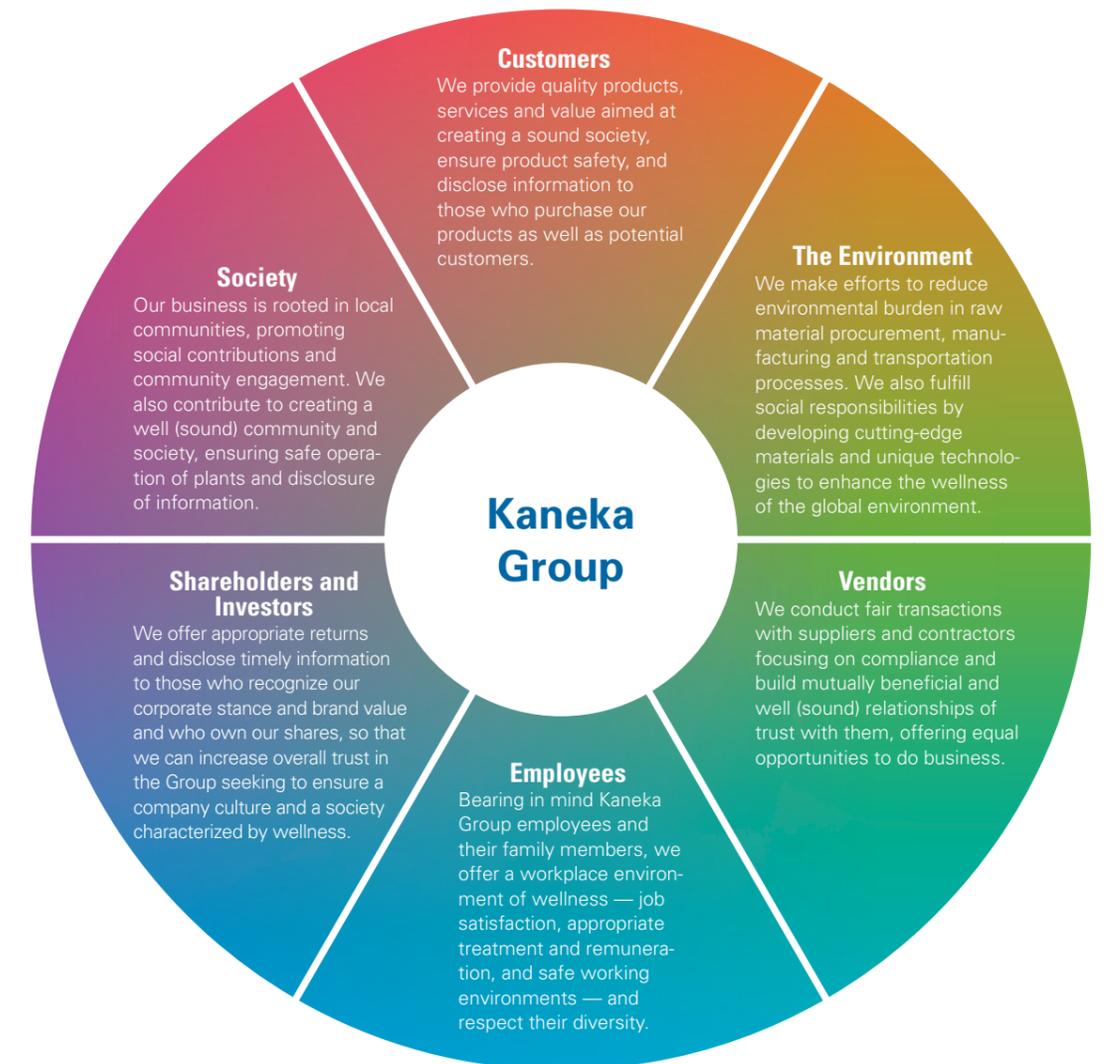
3 ESG Charter

Putting the Corporate Philosophy Into Practice

- We offer solutions characterized by value to global markets and contribute to the evolution of lifestyles and the environment through innovative chemistry.**
 - We bring innovation to lifestyles and the environment by harnessing the unlimited potential of chemical materials to help communities achieve sustainability. (Earthology Chemical Solution)
 - 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)
- We fulfill our social responsibility by empowering individual employees to put our corporate philosophy into practice through serious, forward-looking effort.**
 - 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.
 - We operate our businesses in a fair and impartial manner based on the principles of free competition and legal compliance.
 - We’re committed to communicating with shareholders and other stakeholders and to making information about our operations available in a timely and appropriate manner.
 - 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.
 - 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”.



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.

Turning Dreams into a Vision and the Vision into Reality!



Kimikazu Sugawara
Chairman and Representative Director

Gratitude, Hopes and Positive Thinking

The COVID-19 pandemic persists with no end yet in sight. Meanwhile, pessimism abounds among the public.

With that said, here are words of wisdom worth remembering at times like these.

To paraphrase sentiment voiced by psychologist and religious practitioner Dr. Joseph Murphy, when left alone, the human mind skews negative 90% of the time; therefore, he always expressed himself in a manner that embraced positive thinking.

Indeed, rumination on this mirrors my soul.

My inner-self spoke to me as I drafted this message.

I thought, “the purpose of looking ahead is not that of prompting anxiety. Instead, one should decide on what to do in the present and act immediately. It is

important to stop worrying and simply do what needs to be done. Ninety percent of a person’s concerns will not come to pass if the person does everything he or she is able to do.”

Humankind has coexisted with viruses since ancient times. Research that delves into the mysteries of virus will most certainly reveal wisdom regarding the coexistence of humanity and viruses.

I truly believe that to be the case.

Throughout this past year, we have been seeking to achieve human driven management.

I embrace the notion of gratitude and hope as I convey this message to everyone.

Hone Your Ability to Adapt and Fasten Your Seatbelts!

Accurately predicting what will happen tomorrow is truly no easy task.

That reality exemplifies this era, which brings ever-changing prospects for the future. The experience and knowledge of yesterday may prove to be useless in seeing things through.

The mayhem caused by the COVID-19 pandemic has given rise to chaos, disorder, confusion and a slew of other words that would describe the situation.

As a business person, I have developed somewhat of a sense of conviction as I take on leadership of frontline operations grappling with the threat of the pandemic.

As such, I urge companies to hone their strengths in terms of adaptability. I encourage them to seek solutions for managing the unexpected and incorporating such strategies into their business approach. In so doing, companies need to sharpen their sensibilities in developing conviction to proactively take initiative when it comes to learning from, rather than enduring, traumatic situations that catch them off guard.

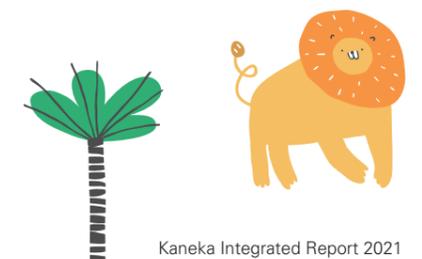
The current situation serves as a test of our managerial savvy.

Social paradigms are shifting at a speed and scale beyond imagination. As such, we need to awaken our positive, other selves, anticipate change, and address such transformation in a timely manner.

In that regard, the power of chemistry abounds with infinite potential to solve a variety of global issues. Given that eras of dramatic transformation invariably give rise to budding opportunities for growth, such times accordingly call for the capacity to identify such opportunities, the power of discovery, creativity, and encouragement to researchers.

This era of constant change has given rise to a business environment that may cause one to feel as if they are driving a car at high speed on a rough road.

So, fasten your seatbelt as you hone your ability to adapt and sharpen your sensibilities.



Research Entails Setting the Stage for Happenstance

Encountering the unexpected is not necessarily a negative. Having wonderful chance encounters, the sensibility not to overlook opportunities for discovery that could potentially emerge due to unanticipated outcomes, and then, the good fortune to identify value from findings that differ from results initially sought. In this respect, serendipity derives from the sensibility to seize on good fortune in the wake of such happenstance.

Value provided by Kaneka stems from it serving as a Trial & Error experiment driven company. This is because serendipity stems from experiment. As such, we realize that research entails setting the stage for happenstance.

Advances achieved in Kaneka's domain of scientific research (chemistry) would not be possible (to give a strange analogy) in the absence of a mindset conducive to setting the stage for happenstance.

This year, we have opted to devote substantial investment to research of KANEKA Biodegradable Polymer Green Planet™, vaccines for COVID-19, and anti-viral drugs. All of the research findings now underpinning Kaneka can be attributed to our bringing the mindset of seeking happenstance into our arena. This is testament to the adaptability of our researchers. I'm proud of that.

Turning Dreams into a Vision and the Vision into Reality!

Kaneka is making progress in its commitment to taking on difficult challenges for the sake of transforming society. To such ends, it is crucial that we spur people into action.

For instance, we are faced with apathy amid a situation where people recognize a need for change but fail to take action. This serves as a major chokepoint that exemplifies a lack of progress in getting people to switch to alternatives such that would involve, for instance, people substituting single-use plastics with biodegradable polymer, or people shifting toward use of solar power and away from use of electricity derived from fossil fuels.

We see it as our mission to help eliminate apathy and prove that it is possible to create a better world by ensuring that alternatives offer performance and affordability that will entice people to switch to better options.

This has certainly been a year to remember, one during which alarm bells warning of planetary crises seem to have resonated with many.

Substantial changes are afoot. It is extraordinary to encounter destruction of the "humanosphere" where seven billion people reside, amid a scenario of torrential rains, massive floods, heavy snowfall and other such natural disasters, along with marine pollution attributable to single-use plastics.

Everyone has come to realize that we have ourselves to blame for the destruction of our natural environment. The situation calls into the question the notion of whether or not the Earth as we know it will make it to the 22nd century.

In 2022, we took a major step forward with respect to KANEKA Biodegradable Polymer Green Planet™ (chemical name: PHBH).

Only a dream some 30 years ago, Green Planet™ has been referred to as a miraculous polymer. We subsequently ventured beyond the dream phase through progress in developing innovative culturing technology, which gave rise to a clear vision for the polymer's commercialization. Further, dramatic advances in compounding and molding technologies turned that vision into a reality in terms of its social implementation.

The Boundless Wonder and Adventure of Chemistry

Our business stands as the culmination of our long-standing efforts to turn our dreams into reality. As such, our corporate narrative is one of engaging in the process of bringing about social implementation of new technologies and business models.

Through the boundless wonder and adventure of chemistry, Kaneka will reduce its environmental impact and prove useful to people's lives, serving as KANEKA The Dreamology Company—Make your dreams come true. This will involve our persistently acting as a Value Creating Company as we repeatedly undergo regeneration underpinned by our behavioral guidelines as a Trial & Error experiment driven company, which we embrace with passion as a solution provider that seeks to resolve social challenges.

We seek birth of a new corporate narrative that shapes technologies and ideas for opening up oppor-

tunities over three decades, five decades and a century going forward.

I will now revisit the notion of adaptability.

Adaptability is a key component of systems exhibiting antifragility rather than resiliency with respect to pandemics, and of management systems that actually become stronger when encountering chaos and crisis.

It is not possible to cross over to the other side of the shore simply by gazing in that direction. Nothing will be accomplished if one holds to their initial concerns regarding the outcome.

The notion of ensuring adaptability is a matter of Kaneka's existence as a going concern. As such, the premise of adaptability derives from our scientific mindset.

The Value of Kaneka's Scientific Mindset

We seek to ensure a healthy existence of our planet (The Earth), its life, residents and communities by developing technologies derived from chemistry's power of transformation and its capacity to produce change. We also seek to support living beings and cultivate in children a vigorous zest for life.

As KANEKA The Dreamology Company—Make your dreams come true, Kaneka delivers solutions to society in a manner that involves bringing together curiosity-driven individuals, honing their skills in chemistry, and driving a vehicle for providing value.

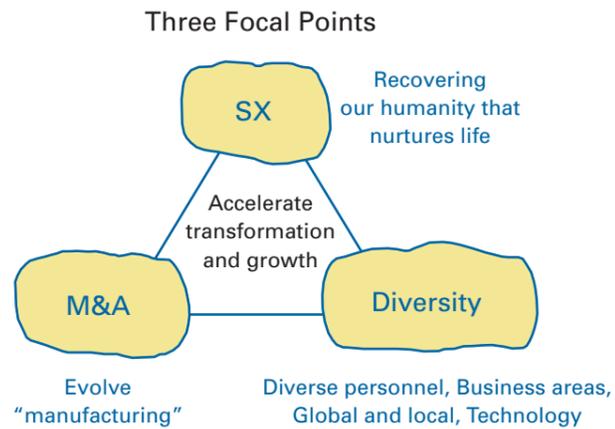
(Kaneka's Scientific Mindset)

- We value the amazing, the mysterious, the baffling; straightforward emotion and a passionate mindset full of curiosity. Let's create works that express ourselves.
- We confront reality and value a mindset free of information bias and preconceived notions.
- In embracing a multifaceted view and seeking understanding of matters in their entirety, we value a zoom-out approach of considering matters from a distance in conjunction with a zoom-in approach of exploring the essence of basic components of the whole picture minutely divided into parts.



Driving Efforts to Promote Our “3 + 5” Strategic Platform

It is not possible to build a pyramid without first laying a foundation. As such, I will now touch on our Three Focal Points and Five Initiatives, which serve as the foundation of our strategy.



Five Initiatives

1. Strengthening Asian Strategy
2. DX Strategic Unit
3. Carbon Neutral Technology Committee
4. Investment Planning Committee
5. Diversity Committee

Measures to Drive Widespread Implementation

1. Environment, Social, and Governance (ESG)

We have recently established a task force to serve as the Engine of Sustainability Management. The task force engages in oversight of relevant organizational units throughout the company. It also serves as a new command center for management of our initiatives involving ESG and the Sustainable Development Goals (SDGs). Through our ESG initiatives, we will implement “Wellness First” health management to support a society that nurtures life, while preserving the global environment and contributing to the recovery of our humanity. We aspire for our ESG initiatives to shine a light in all corners.

2. Diversity

We offer Female Challenge Dialogue workshops as part of our diversity program. Over a period of four months, the workshops gave rise to fresh and passionate dialogue along with an extensive range of positive opportunities for the female participants to play active roles in the company. We have been taking steps to diversify our workforce by calling for recruitment of women to fill career professional and executive positions, backed by our aims of applying a variety of values to our business and giving rise to solutions that are beneficial to society. We seek to empower women by launching teams of specialists and promoting initiatives that emphasize diversity with respect to human resources.

3. Strengthening Asian Strategy

We have completed our initial round of assigning elite professionals in market development to our Kaneka Asia regional headquarters in Shanghai. We are proceeding with plans for further expansion in this regard.

4. Digital Transformation (DX) and Carbon Neutrality

Our core domain with respect to DX and carbon neutrality is that of serving next-generation manufacturers in areas that include applying digital technologies (DX and AI), setting up automated plants, and achieving zero emissions. The DX Strategic Unit and the Carbon Neutral Technology Committee are spearheading efforts that involve promoting technological development projects envisioning the big picture in terms of the strategic outlook for achieving carbon neutrality by 2050. We will forge ahead in setting a scope of specific objectives for making our ideas a reality.

5. Alliances and M&As

We have newly established the Global Open Innovation Planning Department. The department will upgrade our workforce with top-notch professionals across the entire company, and will engage in swift and substantive co-creation in conjunction with intellectual power from outside the company. We will accordingly work in coordination with professionals from outside the company in seeking greater universal value with respect to our technologies and business model.

Reflecting on a Year of Turning Pain into Gain

1. Top Priority on Employee and Family Health

We continue to operate in a manner that places top priority on the health of our 10,000 employees and their family members amid a prevalence of COVID-19 infections.

It has been necessary for us to frequently set up measures in view of circumstances in various countries that are affecting our global operations.

We have been fulfilling our responsibility to supply products globally as an essential business and manufacturer, while seeking to strike a balance between engaging in our business activities and thoroughly implementing infection control measures such as vaccinations administered in the workplace.

I would like to express my gratitude to all of our employees for the sacrifices they have made in making this possible.

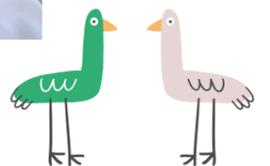
We have embarked on expedited development and sales of products that directly contribute to the fight against the COVID-19 pandemic, including pharmaceuticals, vaccines and PCR test kits.

The company’s capacity to act instantaneously is no trivial matter. It’s truly impressive.

2. Decisions on Substantial Capital Investment for Turning Dreams into Reality

- (1) Kamuy Project: Construction of new medical device plant
- Capital investment: 10 billion yen
 - Start of operations (scheduled): May 2024

- The new plant will serve as a highly productive “smart factory” that fully enlists AI and DX technologies, and will be capable of unmanned field operations.
- The plant will manufacture the medical device Liposorber™, which selectively removes LDL cholesterol from the bloodstream, along with the new product Rheocarna™, which applies that technology and has been attracting attention as a new method for treating severe arteriosclerosis obliterans (ASO). We aim to strengthen the supply chain and dramatically expand this business with the establishment of this plant, against a backdrop where demand is expected to soar in markets with large numbers of latent patients such as the U.S. and China.
- The Tomakomai Tohbu Industrial Area site of the new plant is situated at a key distribution location with convenient access by land, sea, and air.
- On the newly acquired commercial land, we will install Kaneka’s photovoltaics and will actively use the site as a location for operations other than those involving the medical business.



- (2) Moonshot Project: Large-scale capacity expansion of KANEKA Biodegradable Polymer Green Planet™
 - Capital investment: 15 billion yen
 - Production capacity: 15,000 tons/year
 - Start of operations (scheduled): January 2024
 - Location: Kaneka Takasago Manufacturing Site
- Green Planet™ is drawing attention as a miraculous polymer that has resulted in us turning dreams into a vision and the vision into reality.
- Merely a dream of researchers three decades ago, Green Planet™ embodies our corporate narrative of unwaveringly taking on challenges with respect to the Boundless Wonder and Adventure of Chemistry by persisting with research enlisting many colleagues.
- We have made significant progress in achieving social implementation through development of innovative technologies that have made the impossible possible. We have truly witnessed a historic moment where our dreams became reality.

- Green Planet™ (chemical name: PHBH) is a biomass polymer produced by microorganism biosynthesis using plant oils. It is the ultimate single-use plastic alternative material in that it biodegrades into CO₂ and water, so doesn't pollute environment.
- Moreover, there is no other company like Kaneka in the world when it comes to our ability to achieve commercial production of wide-ranging core technologies linking fermentation and cultivation to polymer production.
- We estimate that Green Planet™ could replace roughly 25 million tons of traditional single-use plastic per year, worldwide. Green Planet™ is already being used for applications such as straws, cutlery, coffee capsules, and bags. These applications alone amount to over 5 million tons of single-use plastic per year.
- Perhaps it seems clear why we named this initiative the Moonshot Project.

Kaneka: A Human Driven Company

Our ability to achieve transformation and generate value hinges on ensuring that each and every employee maintains mental and physical health. We now find ourselves at a critical juncture in history. As such, we must break free from habitual patterns of thought to which we have become accustomed and embrace challenges of taking on new endeavors that clear the way to uncharted new frontiers. To such ends, we will engage in organizational management

that generates powerful momentum. This will involve equipping each and every employee of sound mind and body with the Confidence to definitely win, rigorously strengthening winning Game Plans and Physical elements in the form of organizational capabilities, and extending One Team Captaincy linking the whole and the individual. Accordingly, we will boldly implement on-off self-development programs and personnel system reforms.



Considerations in the Mid-Term Management Plan

The insightful sentiment below was voiced by courageous individuals during times of considerable anxiety.

- Picasso
- "I am always doing that which I cannot do, in order that I may learn how to do it."
 - "He can who thinks he can, and he can't who thinks he can't. This is an inexorable, indisputable law."

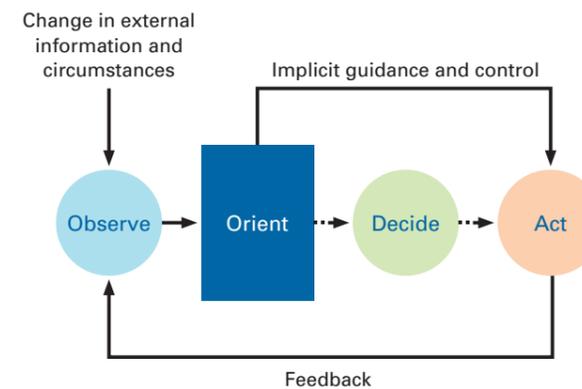
- Yoko Ono
- "A dream you dream alone is only a dream. A dream you dream together is reality."

(1) Let's reset you

In order to have a good life and do good work, you need a good plan. Reset the smiles and dreams, and break the limits. We are living in age of the Great Reset after all.

(2) The story of "OODA" to complete the unfinished 31st Mid-term Plan

For the 32nd Mid-term plan, we need to switch off the habitualized mindset of the PDCA cycle, and turn on the mindset of strategic "OODA" cycle that puts you ahead of the curve. The requirements of the OODA approach is simple. Put it in practice and keep it in practice, and realize you are in "battle mode".



(3) "I" am, and "We" are the Stars!

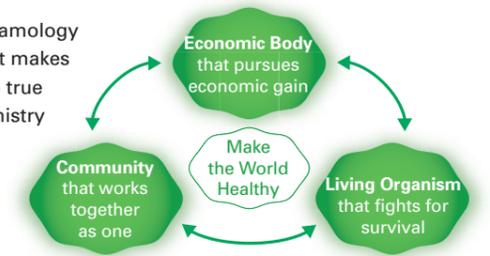
The global pandemic triggered by Covid-19 has changed the way society operates, changing the "norms" possibly forever. We are possibly facing the dawn of a new age that nobody has ever experienced. We are stepping into an untraveled New Frontier. It is time to write the dramatic script for this narrative with "I" and "We" as its stars. Stage this ongoing narrative.

(4) Make the World Healthy

KANEKA The Dreamology Company—Make your dreams come true. It is Kaneka's Purpose to continue to create value as a Dreamology Company.

Purpose

To be the Dreamology Company that makes dreams come true through chemistry

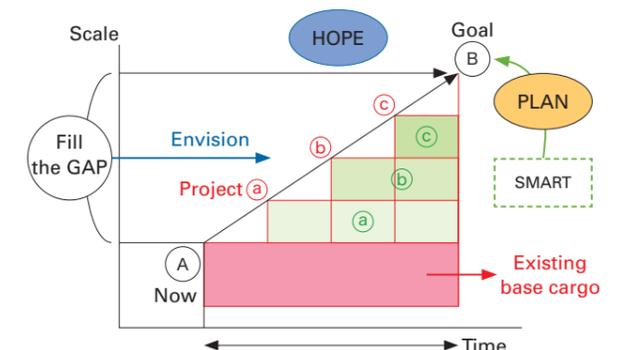


(5) Progress the aspirations

Zoom in and zoom out, and then specify the date and scale to the aspiration. Envision the prospects that enable speed and dynamism.

(6) From HOPE to PLAN

Clarify what we should do through backcasting the long term business goals. Clarify the measures of the projects based on SMART (Specific, Measurable, Actionable, Realistic, Time-based) actions. By this, what was just a "HOPE", becomes a "PLAN".



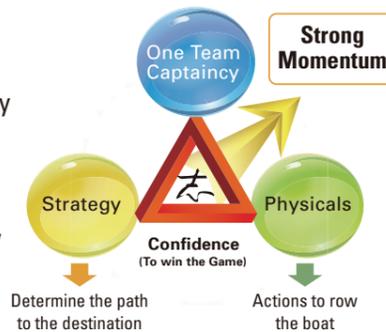
(7) The Mid-term plan is “Vehicle of words”.

It is not as if there is nothing we can do. Turn a vision into words that both you and your peers can comprehend. Words have power. Communicate with your peers and sing with passion.

(8) Find “The one screw”.

The leader who is able to think positive, is a true leader. “One screw” changes everything. Positive thinking knows where that screw is. Find the one screw.

- 1 **Confidence** to definitely win
- 2 **Strategy** to rigorously strengthen winning Game Plans and Physical elements
- 3 **One Team Captaincy** linking the whole and the individual



(9) Jump across rivers

Regeneration is a requirement (dispose, quit, replace). Jump across the river. Just sitting back and watching the flowers on the other side means nothing.

(10) Baby steps changes work.

Focus on delays. The best solution to this problem is to find a "bite-sized", or subdivided method that is easy to handle. Why not repeat small steps instead of blaming yourself? It can be done with very little effort and energy and will become a habit over time.

Sustainable Selection and Concentration

Purpose of Management Policy

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

- 1. **KANEKA The Dreamology Company – Make your dreams come true –**
Through chemistry, Kaneka will be a company that reduces environmental impact and proves useful to people’s lives.
- 2. **Solution provider**
Based on the Triple Package as Management System Transformation, we will follow the path of a solution provider.
- 3. **Trial & Error experiment driven company**
With being a passionate “Trial & Error experiment driven company” that conducts a large number of trials but preserves only good ones as our behavioral guideline, we aim to be a “Value Creating Company” that transforms its businesses into a new portfolio while undergoing repeated regeneration.

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. **Strengthen foundation businesses**

DX and Kaneka 1-on-1

Strengthen 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. Business reforms and digital transformation

We are introducing a new personnel system matched to the times and striving to create a work culture focused on recovering human value in ways not possible with AI (Renaissance – Recovering Our Humanity). Through these efforts, we will create a highly productive organization and employees, where every individual generates value. (We will use digital transformation in work reforms, automated plants, etc.)

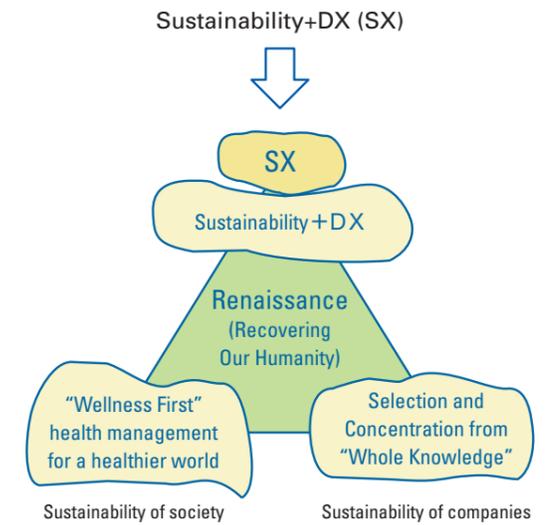
3. Kaneka 1-on-1

We will implement Kaneka 1-on-1 as a program to achieve both the growth of work and people, as targeted.

4. Open innovation

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

Advancing a Renaissance (Recovering Our Humanity)

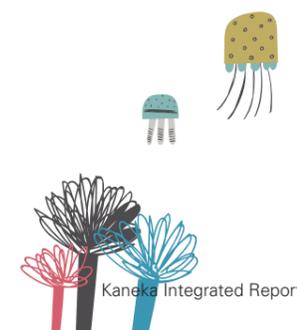


Enhancing ESG Management

Establishment of the Engine of Sustainability Management

- 1. We will reorganize our ESG-related organization, which will involve establishing the Engine of Sustainability Management on April 1, 2022. It will be tasked with overseeing and enhancing ESG management.
- 2. The Engine of Sustainability Management is to consist of the General Affairs (Stakeholders Relations) Department, Investor & Public Relations Department,

ESG Integrated Report Bureau, Compliance Committee, Safety Committee, DX & Carbon Neutral Committee, Work Culture Committee, and Diversity Committee, all serving as implementation organizational entities. The Engine of Sustainability Management is to provide oversight of activities carried out by the implementation organizational entities from a managerial perspective.





Toward Social Implementation of Solutions to “Make it Real”

Kaneka Realizes the World “Wellness” through Valuable Solutions

We see it as our mission to help eliminate apathy and prove that it is possible to create a better world by ensuring that alternatives offer performance and affordability that will entice people to switch to better options. We will actively promote the social implementation of solutions for resolving social issues. In various businesses, we will accelerate social implementation by increasing production capacity, evolving technologies, co-creation for strengthening product capabilities that lead to the adoption of materials, and pursuing sustainability.



Expanding the Active Use of KANEKA Biodegradable Polymer Green Planet™ to Resolve the Global Environmental Pollution Issues

P. 16

Social implementation becomes “Real” through the development of innovative culturing technology and the significant evolution of compounding and molding technology. We have decided to increase the capacity with the large verification plant of Green Planet™.



Hokkaido Initiative: Our New Challenge of Making “Wellness First from Hokkaido”

P. 20

We promote social implementation with new challenges such as demonstration farms of sustainable recycling-oriented organic dairy farming considerate of people, dairy cattle, and the environment, market development of new organic dairy products, and new construction of medical device manufacturing sites.



Broadening the Provision of Solutions to Resolve Infection Issues in Various Situations

P. 18

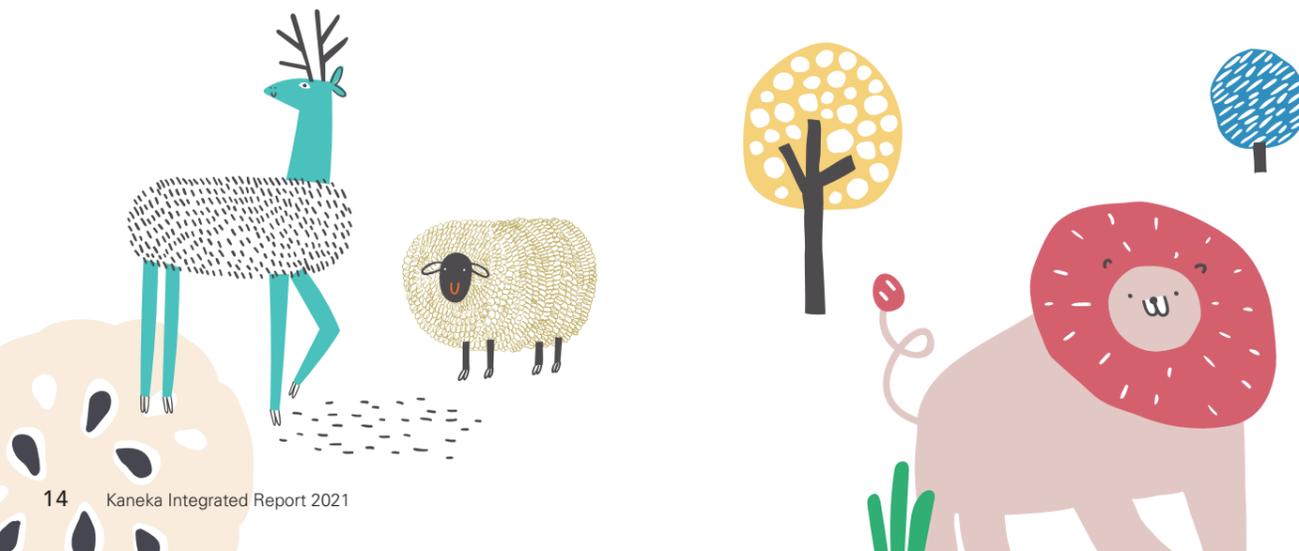
Utilizing the wide range of technologies we possess, we promote unique social implementation in measures against infection from a broad perspective.



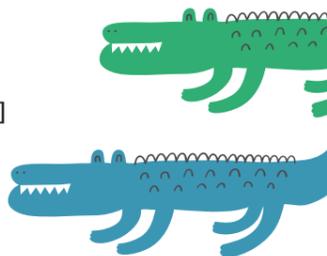
Initiatives for Carbon Neutrality

P. 22

We will realize carbon neutrality by 2050.



[Recent Topics of Remarkable Advancement]



Expanding the active use of KANEKA Biodegradable Polymer Green Planet™ to Resolve the Global Environmental Pollution Issues

When a polymer-producing microorganism was found 30 years ago, it was only a dream to produce it industrially. Innovative culturing technology has been developed through continuous research and development, and compounding and molding technology has also evolved significantly, making the social implementation of Green Planet™ a reality.

With its superior biodegradability under a wide range of environments, our 100% plant-based Green Planet™ has obtained the "OK Biodegradable MARINE" certificate and will contribute to the reduction of marine pollution caused by microplastics.



Expanding Adoption in Japan and Overseas

Environmental pollution caused by plastics has become a major issue. Disposable plastics are being regulated worldwide, and the reduction of disposable plastics is now obligatory in Japan under the Plastic Resource Circulation Act that came into effect in April 2022. In addition to being biodegradable, Green Planet™ has the same functions as general-purpose plastics, so its adoption in Japan and overseas is expanding as a material that can provide an epoch-making solution to environmental damage caused by disposable plastics. At SEVEN-ELEVEN JAPAN CO., LTD. and FamilyMart Co., Ltd., the adoption of straws is expanding nationwide. FamilyMart Co., Ltd. is also adopting cutlery. Stretchable straws have been adopted for the paper-packed beverages "Oi Ocha Green Tea," "Oi Ocha Roasted Green Tea," and "Jujitsu Yasai" with lactic-acid bacilli mixed by ITO EN, LTD. Shopping bags will be introduced at all "BLUE SKY" airport stores operated by JALUX Inc. Inquiries from large hotel chains for amenity applications are also increasing.



Spoon provided by "Famima!!" that uses Green Planet™



"Oi Ocha Green Tea" provided by ITO EN, LTD.

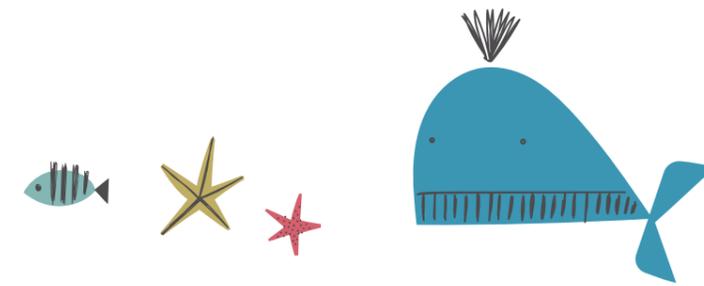


Shopping bags to be introduced at all "BLUE SKY" airport stores

Further Increasing Production Capacity

It is estimated that the amount of disposable general-purpose plastic products that can be replaced by Green Planet™ is approximately 25 million tons/year worldwide. The straws, cutlery, coffee capsules, bags, films, etc. that are already in use alone have a scale of over 5 million tons/year. Following the large-scale

capacity increase (15,000 tons/year) scheduled to start in January 2024, the capacity will be gradually increased in Europe and the United States under the policy of local production for local consumption, and the production capacity will be increased to 100,000 to 200,000 tons/year in Japan and overseas.



Contributing to Recycling-Oriented Society

In Europe and the United States, there is an active movement to change plastics used for food packaging to biodegradable materials so as not to prevent composting of garbage. Demand for coffee capsules made with Green Planet™ is growing rapidly because they can be composted together with garbage after coffee extraction. We have also started joint development with a large confectionery manufacturer to deal with the composting of packaging bags for snack confectionery. Green Planet™ is also attracting attention in the field of agriculture, and its application to mulch

films and nursery pots is also progressing. Its excellent biodegradability eliminates the need for collection after use.

Another major feature of Green Planet™ is that waste cooking oil can be used as a raw material for Green Planet™. In cooperation with local governments, we are also conducting demonstration experiments as a recycling-oriented environmental material such as "waste oil collection → production of Green Planet™ → production of biodegradable plastic garbage bags → composting of garbage."

TOPICS

Kaneka Dreams Together — Growing Chemical Reactions with Society —

Kaneka Signed Official Partnership Agreement with Kashima Antlers — Collaborative Promotion of Initiatives to Realize a Sustainable Society —

In October 2021, we signed official partnership agreement with Kashima Antlers F.C. Co., Ltd. Kaneka and Kashima Antlers have presented a joint vision for the future, "Kaneka and Kashima Antlers, working together to create a sustainable future." Led by this vision, together we will carry out various initiatives from the perspectives of the environment, health, and community symbiosis. In the Kashima Soccer Stadium, Green Planet™ straws and spoons are given out to people buying food or drinks. In the future, we also plan to expand our use of Green Planet™ to the bags used in the stadium's merchandise booths and Antlers Official Shops.



©KASHIMA ANTLERS

Kaneka and Kameoka City in Kyoto Prefecture Entered into the Kameoka Future Creation Environmental Partnership Agreement

Kaneka and Kameoka City in Kyoto Prefecture entered into the Kameoka Future Creation Environmental Partnership Agreement on November 25, 2021.

Based on the vision of promoting unifying initiatives from the three aspects of environment, economy and society for SDGs, Kameoka City is partnering with companies to create sustainable towns through creating new value using local resources.

Kaneka will support Kameoka City's activities, develop agricultural materials using Green Planet™ which is 100% plant-based and has superior biodegradability in a wide range of environments, introduce rubbish bags that are suitable for composting and cooperate with environmental education using Green Planet™.



Broadening the Provision of Solutions to Resolve Infection Issues in Various Situations

Utilizing the wide range of technologies we possess, we promote unique social implementation in measures against infection from a broad perspective.

The power of chemistry abounds with infinite potential. We have noticed that there are many infection viruses in the world due to the COVID-19 pandemic. We contribute to infection countermeasures through production technology that can scale up our small molecule pharmaceuticals, and quality control management and assurance skills as well as our accumulated knowledge of and technologies for the production of biopharmaceuticals from microorganisms, such as proteins and plasmid DNA.



Demonstrating the Function of Infection Initiative Team

We have launched the Infection Initiative Team, which promotes R&D of infection control measures, aiming to resolve the infection issues, including the global COVID-19, and are taking wide range of measures to resolve the global issue of COVID-19 such as manufacturing PCR test kits, PCR test reagents, the manufacturing

of DNA vaccine*1 intermediates, and small molecule pharmaceutical intermediates.

*1 A vaccine whereby introducing into the body plasmid DNA encoded with proteins from a part of the targeted pathogens (without using any dangerous pathogens), the proteins are produced within the body, giving immunity against said pathogens.

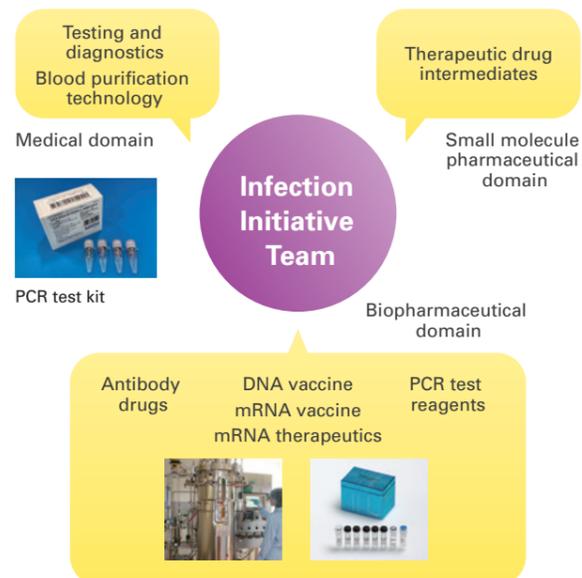
Toward Further Evolution

We have started joint research with the de Duve Institute of the University of Louvain (UCLouvain), Belgium to develop innovative production technologies for vaccines and biopharmaceuticals for viral infections. In addition, we have developed technology to easily test for Mycobacterium abscess complex (MABC)*2, which is a refractory respiratory infection through joint research with the National Institute of Infectious Diseases, and started to commercialize the test kits since June 2021.

We are also actively developing solutions for social issues such as Kaneka Ubiquinol™ and probiotics that activate the immune function of cells, and materials used in hygiene gloves.

In the future, we will prepare for unknown viruses and further evolve our solutions while anticipating the times with the power of "chemistry" cultivated in the countermeasures against COVID-19 infections.

*2 Abscessus pulmonary disease: The disease has increased rapidly in recent years, and has infected several thousand people in Japan. Symptoms are similar to those of tuberculosis and pneumonia, including cough, phlegm, bloody phlegm, night sweats, weight loss, and fatigue.



Prevention of Infections and Hygiene Measures in Supply Chain

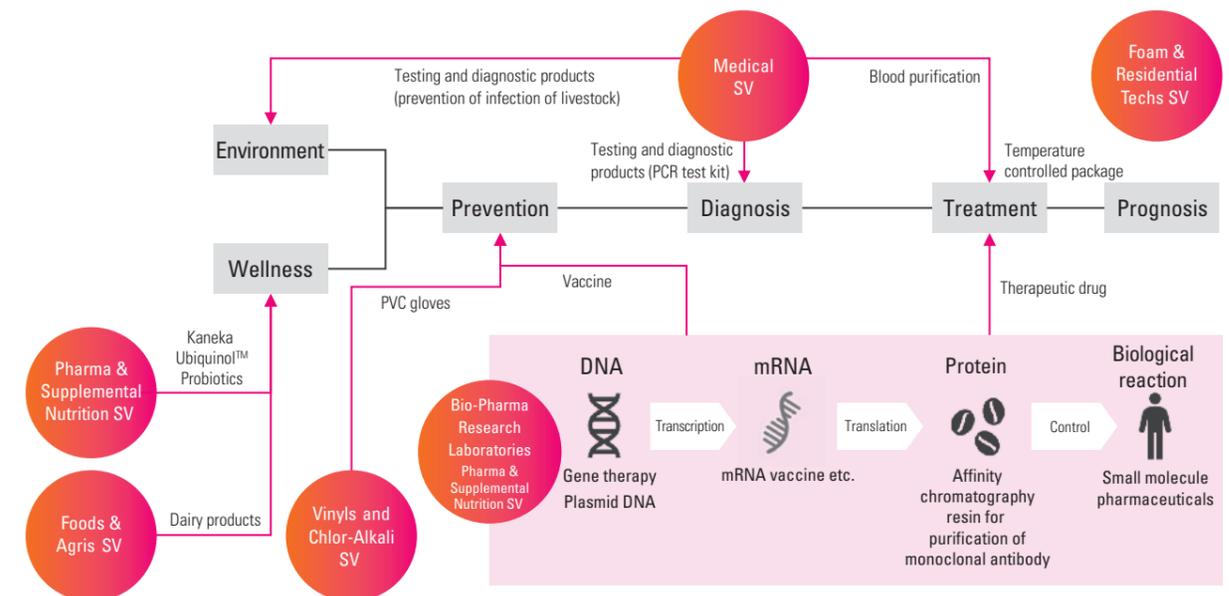
With the spread of COVID-19 infections, the prevention of infections for medical professionals has become a social issue. With the growing demand for ultra-thin gloves around the world, mainly for medical and food products, we continue to provide a stable supply of paste PVC resin as a material for hygiene gloves, contributing to prevention of infections and hygiene measures. With the start of COVID-19 vaccination, TACPack™, a temperature controlled package solution material for safely transporting COVID-19 vaccines, has started to be adopted by national and local governments. TACPack™ is a product that can maintain a temperature controlled object to be transported in a wide temperature range, and contributes not only to the transportation of vaccines but also to the transportation of various products such as medical devices, PCR test kits, chemicals, precision machinery, and cells.



Various Wellness Solutions by ALL KANEKA

The Kaneka Group has solutions in various fields. ALL KANEKA supports your healthy life by embodying technologies and ideas that will open up the future,

not only for measures against infections, but also for maintaining wellness and prognosis.



Hokkaido Initiative: Our New Challenge of Making “Wellness First from Hokkaido”

After establishing Kaneka Hokkaido Co., Ltd. in 2017, which oversees the business of Hokkaido, we have been developing unique businesses that take advantage of regional characteristics, such as developing a recycling-oriented organic dairy business and deciding to establish a new advanced medical base. We will work on the “Hokkaido Initiative”, a new wave in Hokkaido, and the development of a second new frontier. “There are things that we can only accomplish here. From our business site in Hokkaido, we’re going to make the world’s dreams come true. We’re completely confident in our convictions, and we’re about to go into action.”



Initiatives for Creating Attractive Dairy Farming and Dairy Products

Japan’s dairy farming faces a difficult environment due to the lack of successors and labor. Kaneka works together with dairy farmers with the business philosophy of promoting attractive and sustainable dairy farming. We work to raise productivity, improve the workplace environment, and address environmental issues, using our food production support business and production know-how. Betsukai Wellness Farm Co., Ltd., which was established in June 2020, is engaged in grass and high nutritional feed cultivation, and in December 2020,

organic JAS certification*1 for fields (grazing lands, pasture lands, and corn fields) was acquired. A new barn was completed in May 2021, and we are promoting the breeding of cattle. In the future, we aim to acquire organic JAS certification for raw milk in 2022 and launch organic dairy products in 2023.

*1 An organic food inspection certification system prescribed by the Ministry of Agriculture, Forestry and Fisheries. It certifies agricultural and livestock products that are produced without the aid of artificial chemical substances.

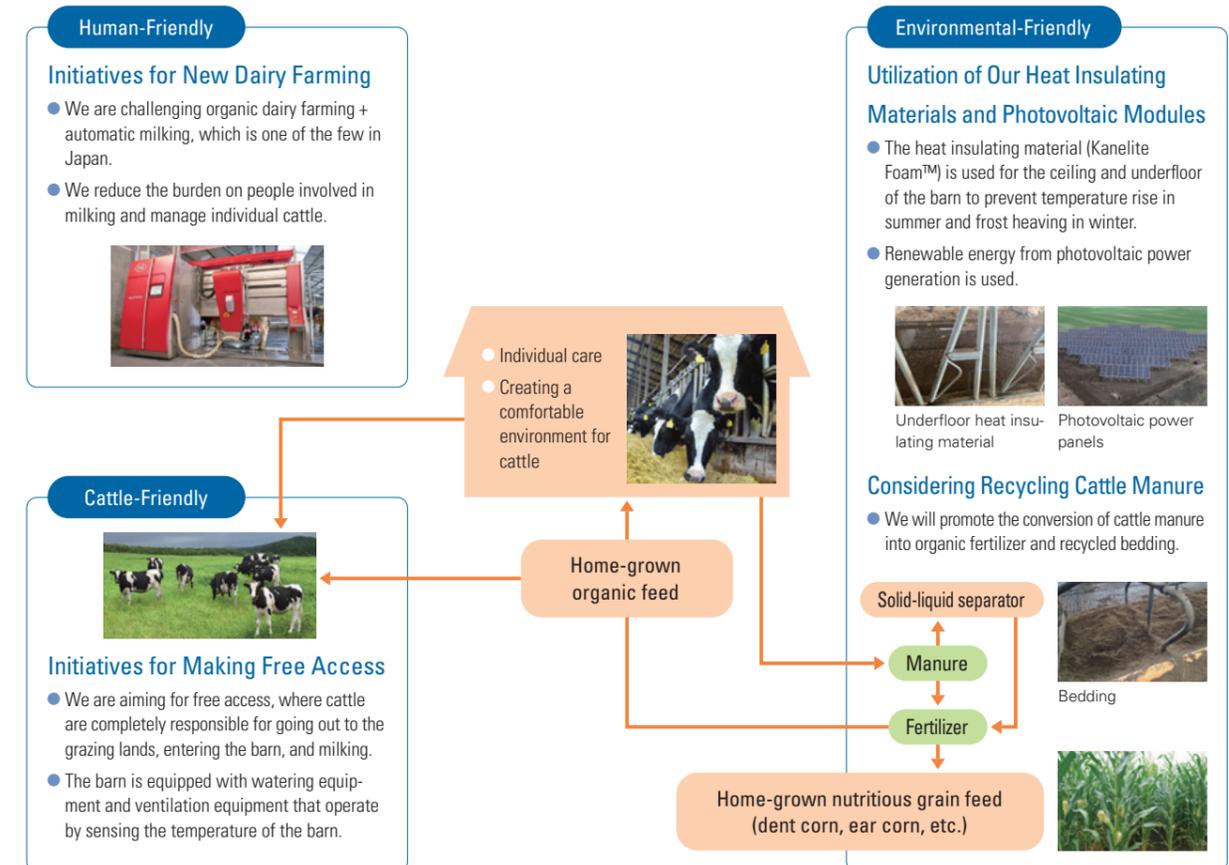
New Cattle Barn in Betsukai Wellness Farm (Betsukai-cho, Notsuke-gun, Hokkaido)



For Sustainable Recycling-Oriented Organic Dairy Farming

We work to produce high-value-added organic raw milk and raise productivity through labor saving and home growing of feed, aiming for sustainable and

recycling-oriented organic dairy farming considerate of people, dairy cattle, and the environment.



Embarking on a New Stage of Medical SV “Kamuy Project”

We have decided to build a new factory of medical device that are being expanded both domestically and internationally in Medical SV, in the eastern Tomakomai industrial area of Hokkaido, which is one of Japan’s leading industrial complexes with various infrastructures and is located at a highly convenient logistics hub by land, sea, and air. We are aiming to make a highly productive smart factory by automating the manufacturing process and “zero energy factory” equipped with photovoltaic modules. The factory will manufacture the medical device Liposorber™, which selectively removes LDL cholesterol from the bloodstream, along with the new product Rheocarna™, which applies that technology and has been attracting attention as a new method for treating

severe arteriosclerosis obliterans (ASO)*2. We will expand the supply base of the medical device business and accelerate global business development to meet the strong demand of the world. With Hokkaido Initiative, this will be start of a new stage of activity.

*2 A disease that causes arteriosclerosis where stenosis and occlusion of lower limbs artery occurred, leading to impaired blood flow (ischemia).



Image of new factory

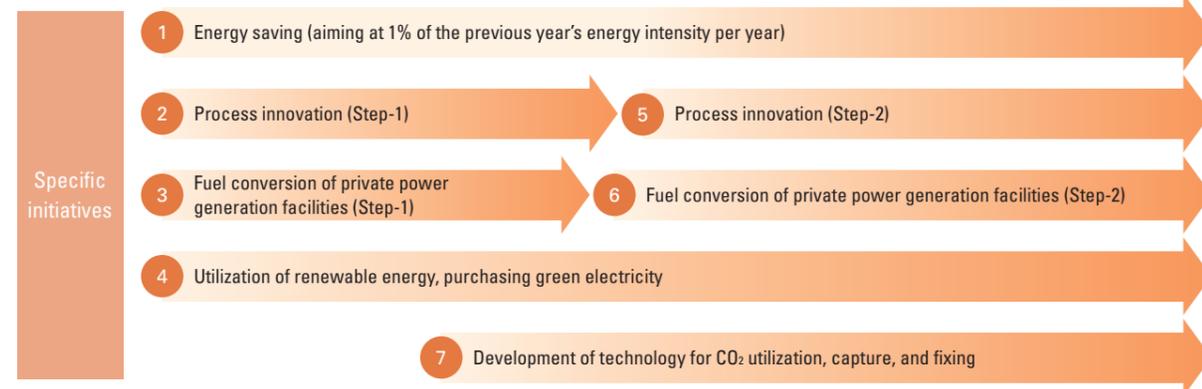
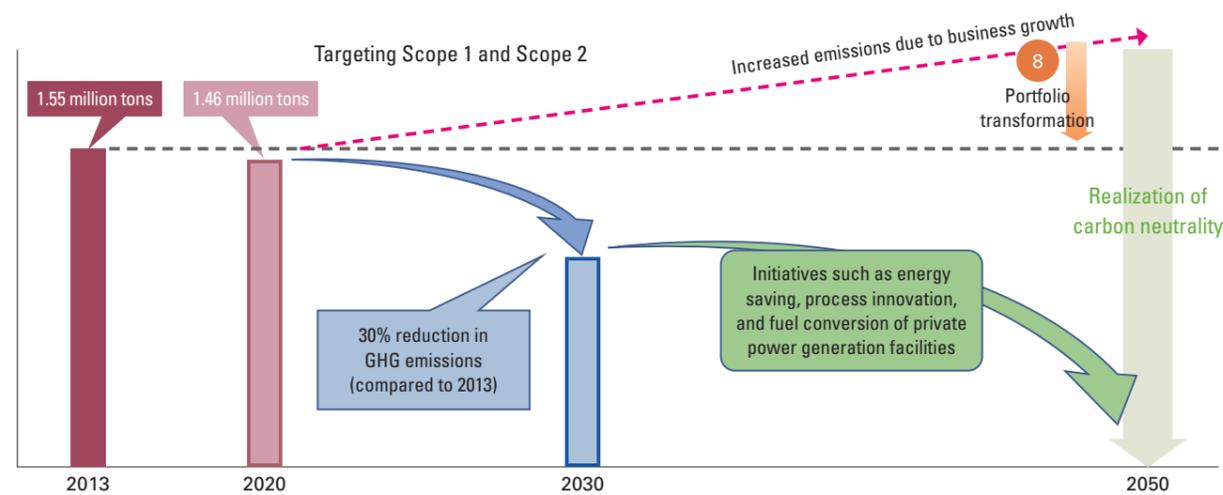
Initiatives for Carbon Neutrality

— We will realize carbon neutrality by 2050 —

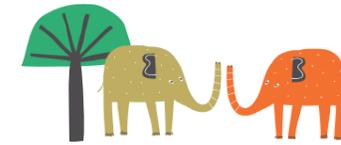
Our Approach for Realization of Carbon Neutrality

- In order to achieve carbon neutrality by 2050, we will first achieve a 30% reduction in GHG emissions (compared to 2013) by 2030.
- We will strengthen our in-house technology development system (establishment of the “DX & Carbon Neutral Committee”), integrate the DX technology and technology development for realizing carbon neutrality, and accelerate our initiatives. We will also actively utilize our own photovoltaic modules to reduce GHG.
- In order to actively promote environmental contribution capital investment including photovoltaic power generation, we will consider the system design of internal carbon pricing (ICP) and put it into practice by the end of fiscal 2022.

Toward Realization of Carbon Neutrality



Note) Scope 1: Direct emissions from our fuel / process, Scope 2: Indirect emissions from energy of other companies



Inauguration of “DX & Carbon Neutral Committee”

The “DX & Carbon Neutral Committee” established in the Engine of Sustainability Management on April 1, 2022 will combine the DX technology and technology

development for realizing carbon neutrality, and will strengthen and accelerate our initiatives for the realization of carbon neutrality by 2050.

Main Technology Development Themes

I. 30% Reduction in GHG emissions (Compared to 2013) by 2030

- Continuous energy saving in the existing manufacturing process**
Continuing 1% reduction compared to previous year
- Process innovation (Step-1)**
Converting existing manufacturing processes to more productive processes
- Fuel conversion of private power generation facilities (Step-1)**
Converting coal to LNG
- Utilization of renewable energy, purchasing green electricity**
First, promoting the installation of photovoltaic modules on-site and the green power conversion of non-production departments, and then expansion to the green power conversion of production departments and the installation of photovoltaic modules outside the company.

II. Realizing Carbon Neutrality by 2050

- Process innovation (Step-2)**
Development of innovative processes that minimize CO₂ emissions
- Fuel conversion of private power generation facilities (Step-2)**
Reduction of CO₂ emissions by utilizing hydrogen and ammonia
- Development of technology for CO₂ utilization, capture, and fixing**
Production of biodegradable polymers made from CO₂ etc.
- Business portfolio transformation**
Mitigating the increase in emissions due to business expansion by reducing the composition ratio of energy-intensive businesses

Familiar CO₂ Reduction Initiatives

- Installation of photovoltaic modules in the factory: 14.3 MW is already in operation.
- Carbon neutralization of warehouse: In addition to installing photovoltaic modules, we are promoting EV forklift trucks.

Development of Eco-Friendly Products

- We will contribute to reducing GHG emissions through the development of high-efficiency heat insulating materials, next-generation photovoltaic power generation systems, storage batteries, etc.

Initiatives for Climate Change

— TCFD Initiatives: Kaneka Announced Support for the TCFD in March 2021 —

In March 2021, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In fiscal 2020, we conducted a structural analysis of the group activities centered on risks and opportunities in line with the recommendations of TCFD, and from the perspective of importance and urgency, we have decided that the following items

should be addressed: ① Reduction of GHG emissions, ② Contributing to a recycling-oriented society, and ③ Increasing production of food resources. Our initiatives in line with the four TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets are as follows.

| Recommended Disclosure | Status of Initiatives |
|------------------------|--|
| 1. Governance | At the “DX & Carbon Neutral Committee” in the Engine of Sustainability Management established on April 1, 2022, we will accelerate technology development toward the realization of carbon neutrality. For long-term themes, we will set up a “Production DX & Carbon Neutral Planning Team” at Engineering Research Laboratories, and for short-term themes, we will set up a “DX & Carbon Neutral Group” at Corporate Manufacturing Integrity Center. Both organizations will work together to study the technology. In addition, we will set up a “Production DX & Carbon Neutral Project Conference” to promote the implementation of carbon-neutral technology in the field. |
| 2. Strategy | In fiscal 2020, we identified our risks and opportunities for climate change. In fiscal 2021, we organized the progress of three issues to be addressed. ① Cutting emissions of GHG <ul style="list-style-type: none"> The DX Strategic Unit and the Carbon Neutral Technology Committee have been studying measures such as process innovation, fuel conversion of private power generator, and the CO₂ utilization, capture, and fixing. In order to actively promote environmental contribution capital investment including photovoltaic power generation, we will consider the system design of internal carbon pricing (ICP) and put it into practice by the end of fiscal 2022. We are progressing the on-site installation and market expansion of high-efficiency photovoltaic modules that contribute to zero energy. ② Contributing to a recycling-oriented society <ul style="list-style-type: none"> In collaboration with a large number of global brand holders, we are expanding the market for KANEKA Biodegradable Polymer Green Planet™. We also decided to increase the production capacity by 15,000 tons/year. |



| Recommended Disclosure | Status of Initiatives |
|------------------------|---|
| 2. Strategy | ③ Increasing production of food resources <ul style="list-style-type: none"> Aiming for sustainable recycling-oriented organic dairy farming considerate of people, dairy cattle, and the environment, Betsukai Wellness Farm Co., Ltd. has been in operation since May 2021 and is working on the production of raw milk and the cultivation of organic feed. Regarding food waste, we are working to reduce the amount of waste by improving the expiration date. |
| 3. Risk Management | We will continue the climate change risk assessment, and for highly important projects, the “DX & Carbon Neutral Committee” will decide the action and policy. |
| 4. Metrics and Targets | Our total GHG emissions for Scope 1 and Scope 2 in fiscal 2020 was 1,461 thousand tons-CO ₂ on a consolidated basis. <ul style="list-style-type: none"> In order to achieve carbon neutrality by 2050, we will implement measures to save energy through process innovation, convert fuel to private power generator, utilize renewable energy, CO₂ utilization, capture, and fixing. By 2030, we will realize a 30% reduction in GHG emissions (compared to 2013). |

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”.

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.



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]

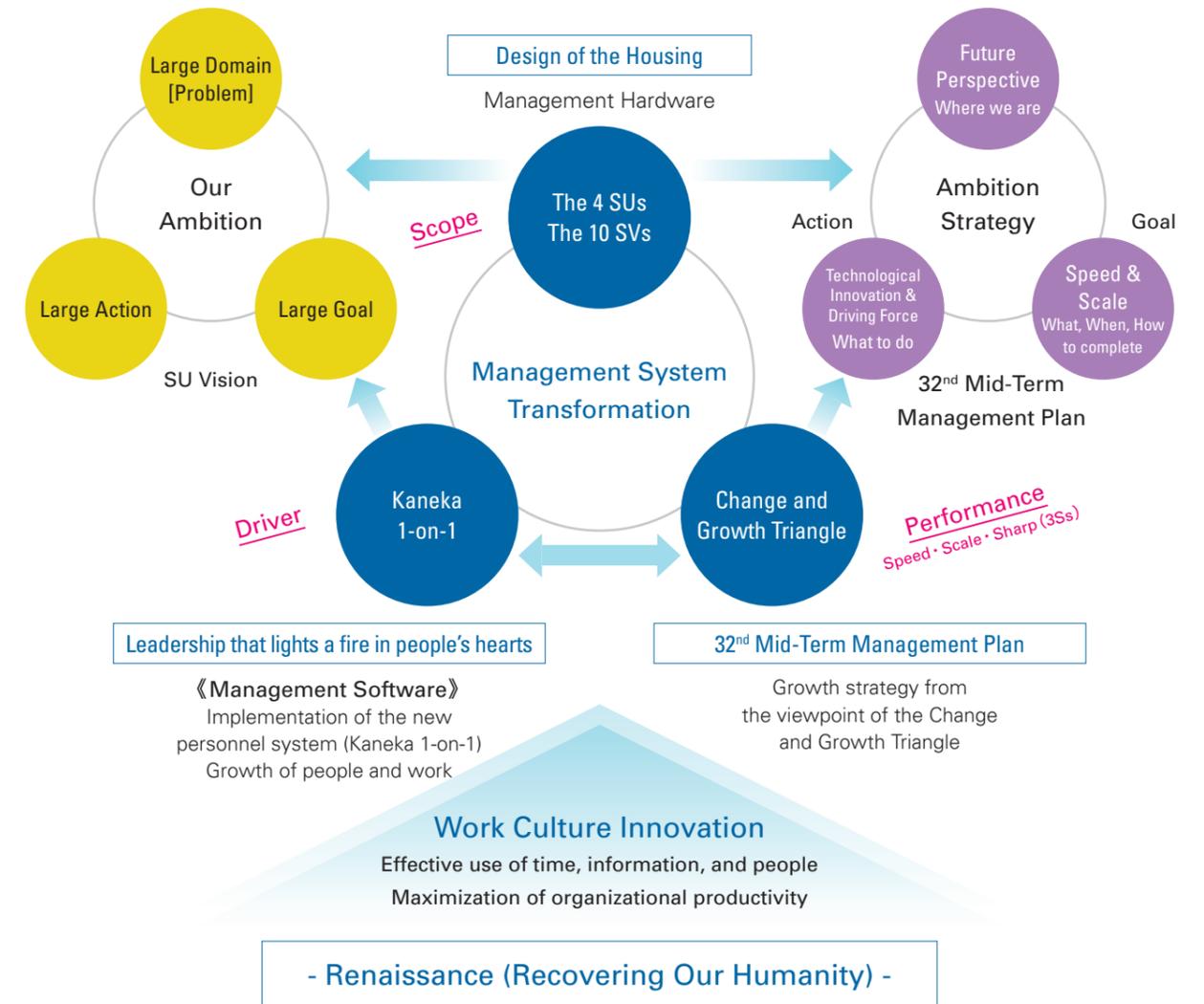
Frontline execution

- 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**



Management System

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



ESG Management

We base all our activities on our platform
-KANEKA thinks “Wellness First”

Earthology Chemical Solution

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

Material SU

Vinyls and Chlor-Alkali SV



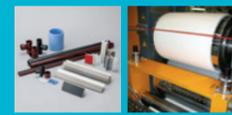
Chemicals
Caustic soda, sodium hypochlorite, hydrochloric acid

Polyvinyl chloride
Kanevinyl™

Cross-linked PVC
Kaneka XEL™, Kanevinyl™

PVC-PVAc polymers
Kanevinyl™

Performance Polymers (MOD) SV



Impact modifiers
Kane Ace™B, Kane Ace™M

Processing aids/Specialty additives
Kane Ace™MPA

Performance Polymers (MS) SV



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

Acrylic silicon polymer
KANEKA GEMLAC™

Solutions Unit vision

Material Value Creator

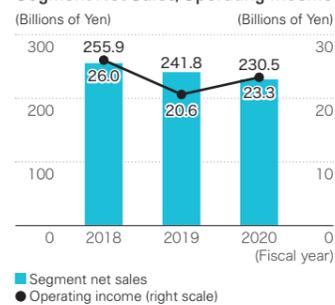
To support the advancement of life and the environment by drawing out the richness of the materials

Measures

Contribute to global environmental conservation and comfortable living

- Provide outstanding materials for evolving social infrastructure, mobility (lighter weight, more fuel efficient vehicles), and more
- Provide solutions where materials like biodegradable polymers are of direct help to ecological society

Segment Net Sales/Operating Income



Quality of Life SU

Foam & Residential Techs SV



Polypropylene foam made with the bead method
Eperan-PP™

Polystyrene foam made with the bead method
Kanepearl™

E & I Technology SV



Super heat-resistant polyimide film
Pixeo™, Apical™

Super-high thermal conductivity graphite sheet
Graphinity™, others

PV & Energy management SV



Roof-integrated photovoltaics
VISOLA™, others

Photovoltaic power generation systems for public and industrial installations
GRANSOLA™

Performance Fibers SV



Materials for hair accessory products
Kanealon™

Performance fibers for fur
Kaneccaron™

Solutions Unit vision

Quality of Life Pathfinder

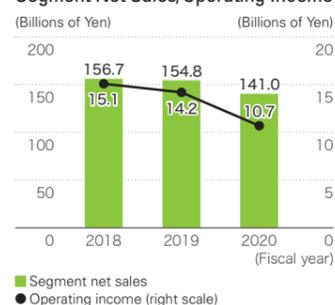
To produce the leading edge of the enhancement of the quality of life through the power of materials

Measures

Contribute to energy saving and a rich life

- Deliver energy-efficient housing solutions→Create a high quality, sustainable housing market
- Provide unique materials and services that excel regarding both energy saving and smart application needs

Segment Net Sales/Operating Income



KANEKA'S ESG

Trial & Error experiment driven company

By providing valuable solutions globally, we will continue growing and building a reputation for contributing to the evolution of people's lives and the environment throughout the world.



Contribute to the advancement of life and the environment of people world wide through chemistry

Active Human Life Solution

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.

Health Care SU

Medical SV



Medical device
Balloon catheter for vessel stenosis dilatation

Absorption 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 Kan-Cap™ series

Products and services for biopharmaceuticals

Transdermal medicine

Solutions Unit vision

Medical Edge Explorer

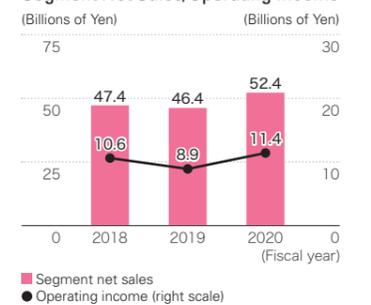
To create a world where advanced medical means are available to as many people as possible

Measures

Contribute to a society advancing in age and medical sophistication

- Strengthen marketing and product development globally in cutting-edge medical fields including biopharmaceuticals, and regenerative medicine and cell therapy
- Proactively utilize open innovation and U.S. R&B bases
- Provide solutions that deliver value by fusing devices and medicine

Segment Net Sales/Operating Income



Nutrition SU

Pharma & Supplemental Nutrition SV (Supplemental Nutrition)



Dietary ingredients
Kaneke Ubiquinol™

Dietary supplements
Watashi no Chikara™ Supplement product series

Plant-derived probiotics
Lactobacillus brevis ssp. Coagulans

Licorice glabra polyphenol
Licorice glabra polyphenol

Foods & Agris SV



Milk/Milk beverages
“Milk for Bread” series

Yogurt
Watashi no Chikara™ Q10 yogurt

Pound black margarine/Sheet margarine
NOVA™/EMPEROR™

Whipping cream/Creams for kneading and other uses
LACHENTE™/FRANJE™

Solutions Unit vision

Nutrition Value Chain Innovator

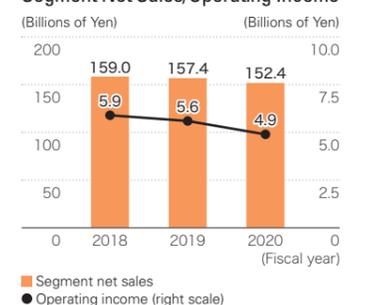
To re-innovate food and health

Measures

Contribute to health and a plentiful, varied diet

- Provide a broad range of solutions that help diversify and enrich people's diets
- Offer solutions that help prevent disease and promote health, and enhance the food materials lineup
- Deliver solutions that assist production in the fields of agriculture, livestock, and fishery

Segment Net Sales/Operating Income



Value Creation Process

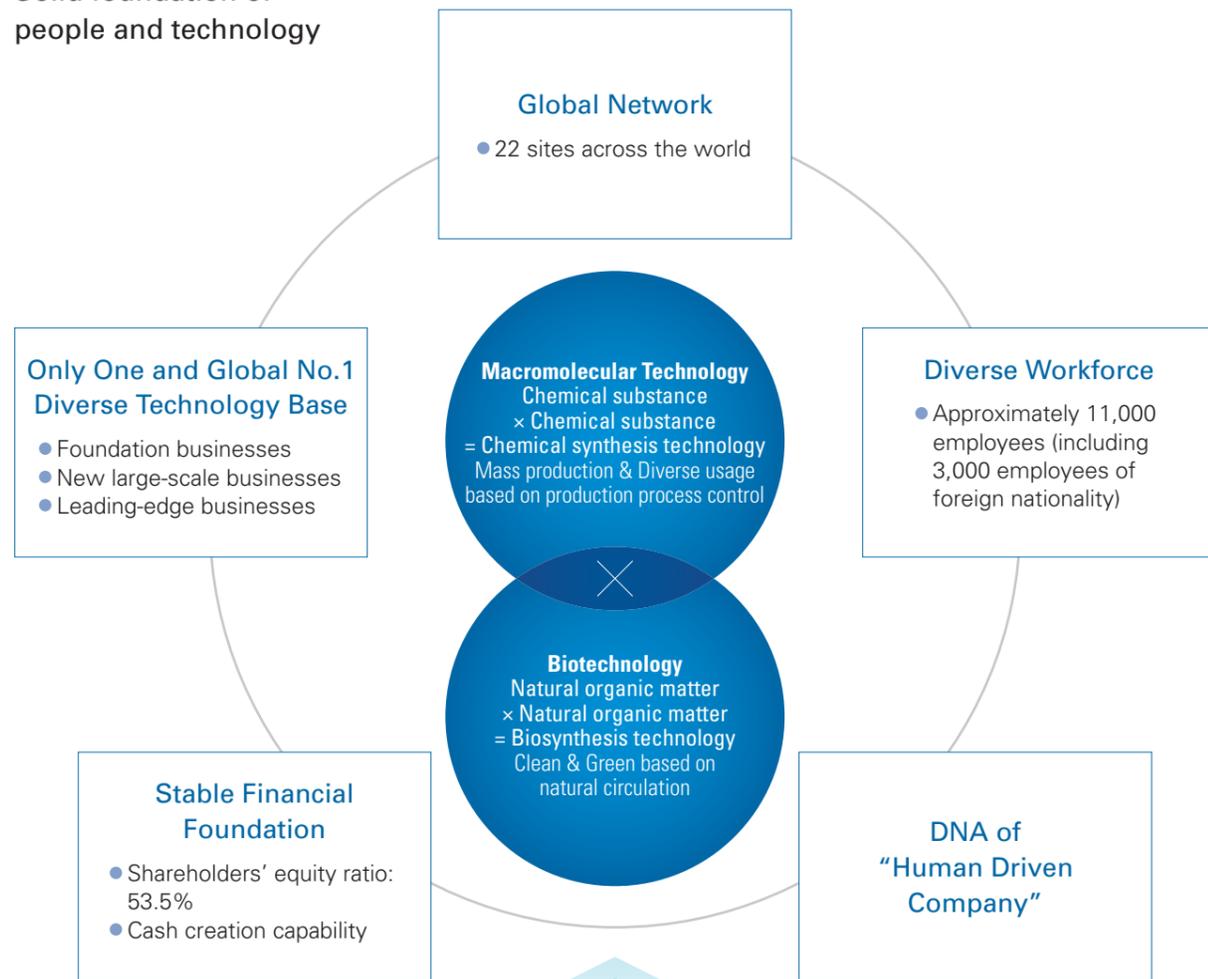
Advancement of Kaneka's Value Creation Process (Based on Creative Fusion of People and Technology)

[Kaneka's Meaning of Existence: Purpose]

To solve social issues and realize a sustainable society by providing innovative materials as solutions through the break-through technology and global network.

Source of Competitiveness (Diversity)

Solid foundation of people and technology



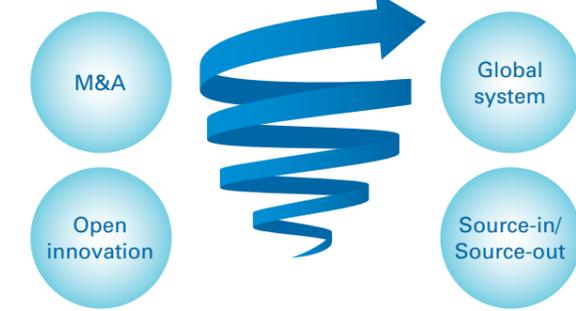
- Social implementation of digital technology has progressed so rapidly, and our society is heading to a new normal that will enable environmentally friendly, healthy and safe living as well as sustainability at an unprecedented speed
- Corporations are required to make contributions towards resolving sustainability issues
- Biotechnology is expected as becoming innovative technology that can highly contribute to resolving sustainability issues, and therefore, bioindustry is anticipated to achieve high growth

Value Driver

Creative fusion of people and technology

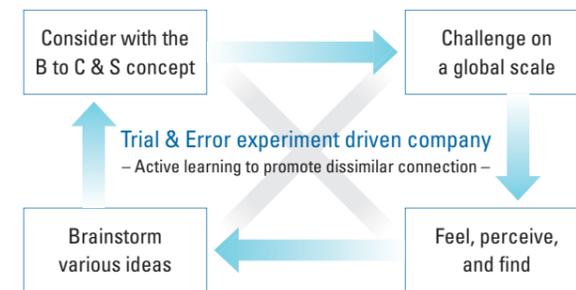
Accelerate unexpected combination of technologies (from different industries)

| | | |
|------------------------|-----------------------------|-----------------------|
| Energy saving | Marine pollution prevention | Social infrastructure |
| Informatization | Food production support | Health promotion |
| Medical sophistication | | |



Combine technologies from different industries

Trial & Error experiment driven company
Try a large number of things and put in place the ones that work



Resolution of Social Issues

KANEKA thinks "Wellness First".



R&B Aimed at Creating Big Businesses

Kaneka has developed a conceptual framework of sustainability for three crises, "Environment and Energy", "Food", and "Wellness", and Kaneka has defined them as its business domains. We strongly believe that our R&B can be realized as true research only when R&D (research) extends to social implementation (business). Through the implementation of drastic experiments in three crises domains, we will contribute to enhance sustainability of the society.

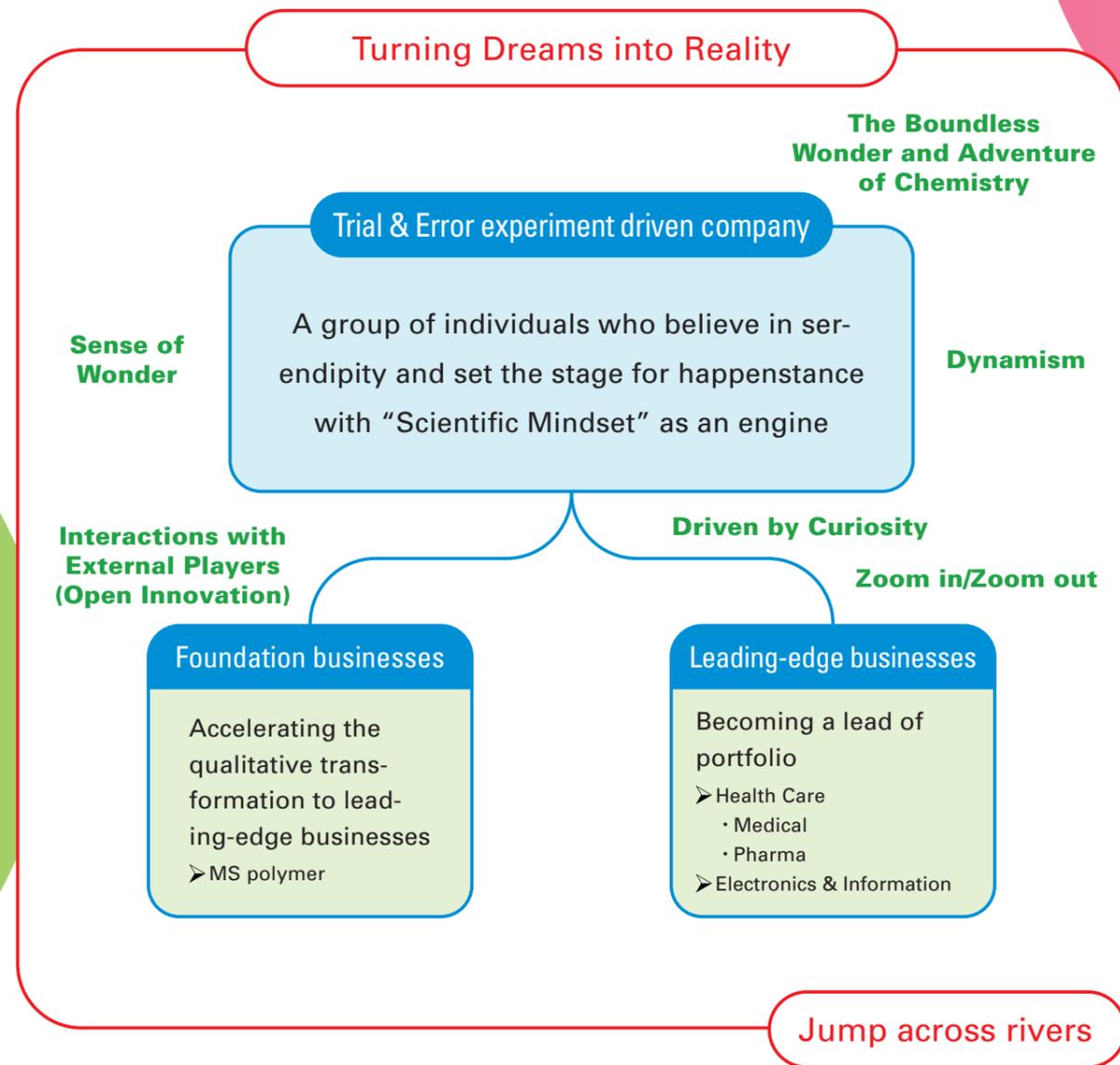
Environment / Energy



Through the development of marine biodegradable polymer and a photovoltaic system installable on building walls, we aim to create a society where everyone can use clean and sustainable resources and energy.



KANEKA Biodegradable Polymer Green Planet™
Building-integrated photovoltaics (BIPV)



Wellness



To maintain and improve physical health, we realize a society where everyone has access to leading-edge medical services and can continue to live a healthy and vibrant life.



Adsorption type blood purification device Rheocarna™
APIs and intermediates for small molecule pharmaceuticals
Kaneka Ubiquinol™

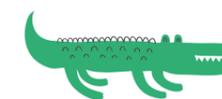
Food



By developing food production support technology and producing high-value-added dairy products through cooperation with dairy farmers, we realize a society where safe, secure and highly nutritious food is available to everyone and where food producers are also satisfied. We believe eating well is essential for a better health.



Milk for Bread™
Café au lait for Bread™
Milk Tea for Bread™
New high-performance fertilizer KANEKA PEPTIDE™



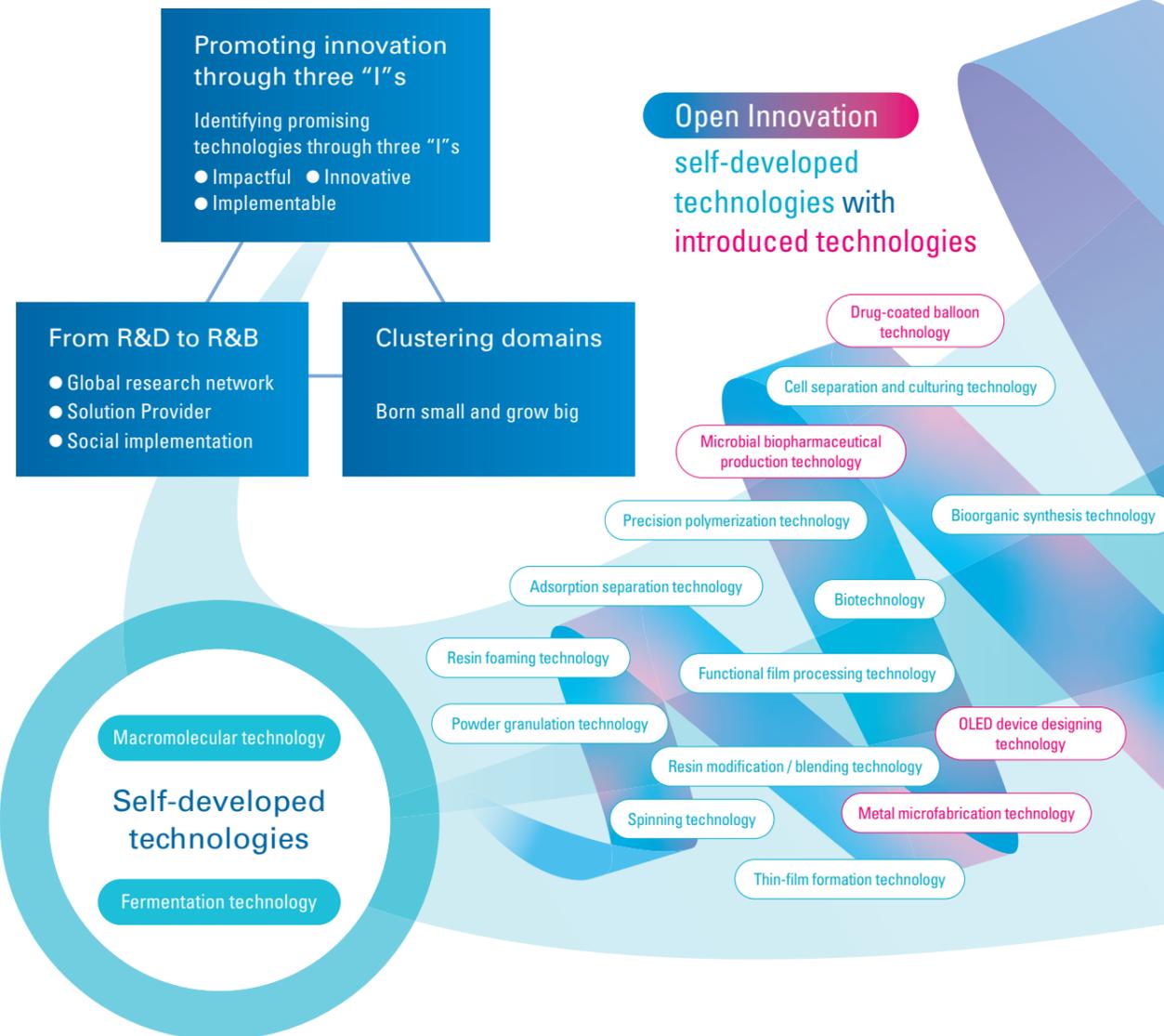
To be a “Trial & Error Experiment Driven Company”

With combination of diverse technologies, we aim at resolving social issues at the earliest opportunity possible

We will continue making contributions to resolving social issues through original products and solutions developed by using diverse businesses and technologies, as well as “Only One” and “Global No.1” technology base.

With being a “Trial & Error experiment driven company” that conducts a large number of trials but preserves only good ones, we aim to be an open innovation company that continues to take on challenges through the invention and discovery of the world’s leading-edge technology.

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



Three Crises
Resolution of social issues
Social implementation of new materials and systems

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

Environment / Energy

Food

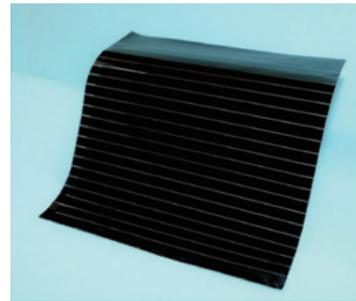
Wellness

Toward a New Challenge, Turning Dreams into Reality

New Transition in Our R&B

Environment / Energy

- Because we have achieved innovations in culturing technology and polymer innovation, as well as production process technology for mass production, we have successfully made mass commercial production of Green Planet™. Such developments of new technologies are the background of our increased capacity we have announced previously.
- The innovative technologies of highly-efficient hetero-junction crystalline Si solar cells are in the background for creation of new photovoltaic power generation system. Recently, social implementation has progressed greatly. For instance, wall-installable photovoltaic system has expanded its market. We will also accelerate R&D of high-performance next-generation photovoltaic modules which is adopted by the Green Innovation Fund Project of Japan. Our development of perovskite solar cell module will be proceeded based on the combination of our long-accumulated solar cell process technologies and material technologies.

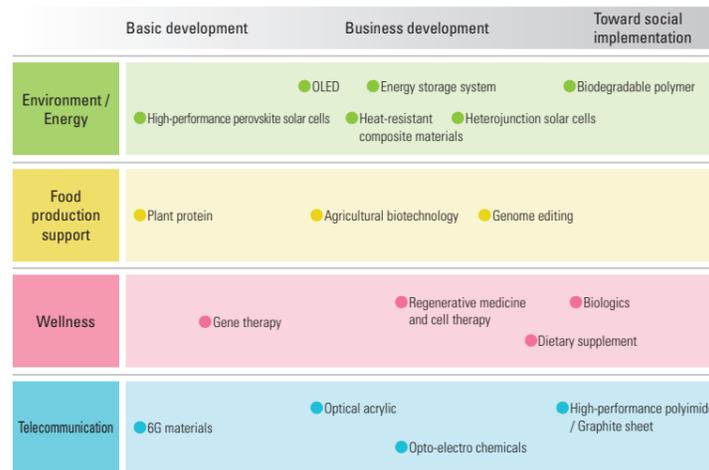
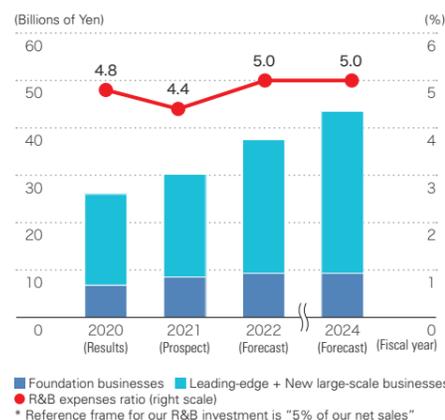


In-development product of 10cm square-sized ultra-thin perovskite solar cells using polyimide as its substrate (Its cell conversion efficiency reaches 19.8%, which is on the world's highest level as a film-type perovskite solar cells)

Food

- In 2020, we acquired assets of Japan Tobacco Inc. By using these assets, we are working on projects for providing solutions for food-related issues. (Interactions with External Players) By expanding our open innovation activities, we have been steadily progressing our search for useful genes that will show synergy effect with our unique breeding technology. Also, we have been working on R&D for achieving low-cost mass production of biostimulant that can endure desertification of the Earth.
- Furthermore, there are initiatives underway to create attractive dairy farming, as well as sustainable recycling-oriented organic dairy farming. (Please refer to "Hokkaido Initiative" on P20 and 21) Our company supplies products for supporting healthier dietary lives, such as "Milk for Bread™", yogurt and probiotics supplement.
- There are concerns that supply of protein containing food may become short in the future. To this end, we have started product development in our business for soybean-based meat substitute.

R&B Strategy (Selection and Concentration for Resource Allocation and Key Themes)



Wellness

- Through the joint research with the de Duve Institute of the University of Louvain (UCLouvain) for biopharmaceuticals production process, it has become possible for us to make innovations concerning low-cost mass production technologies that lead to results such as improving productiveness of plasmid, which is a material for making biopharmaceuticals. Such technologies will be implemented in Kaneka Eurogentec S.A., and we will make further investment for dynamic business expansion.



- The Delivery system of Medical Device for providing treatment to affected area has been drawing attentions, and its market has been expanding. We will make blood purification technologies and innovative technologies concerning catheters into open innovation, and responding to expanding the global market needs. Along with that, we will continuously maintain dynamism of our ever-expanding investments.
- As for Kaneka Ubiquinol™, we have acquired its new functional claim, and started to sell new products, "Watashi no Chikara™" series. Our product line-up in the probiotics business has also been increasing by using the library of AB-Biotics, S.A. Our researches prepare scientific data of our product's functional expressions, which will make it possible to expand our supplement business by reinforcing its branding strategy for making its products known to consumers.

Carbon Neutral

- Development of carbon neutral technologies has been one of the critical global themes in the century, for it will decide the fate of the Earth as well as the mankind (Sustainability). We have put much of our businesses on reducing GHG emissions by changing materials and fuels as well as making innovations on production processes. By applying biotechnologies

we have developed with Green Planet™, we will research and develop CO₂ fixation using hydrogen bacteria (production of PHBH), and conduct other things such as development of Kaneka's photovoltaic power generation system and development of insulation and various recycling technologies, and thus, make contributions to reduction of CO₂ emissions in a society.

Ever Evolving R&B with Open Innovation

- Paradigm shift in our age develops quite rapidly. We utilize our policy of open innovation to constantly absorb new ideas from outside and combine our ingeniousness with our global No. 1 technologies, and thus, creates new innovations. This is why we call ourselves as "Trial & Error experiment driven company".
- Because we have various unique technologies, it has been possible for us to provide numerous solutions for the fight against COVID-19. Such solutions include not only development of vaccines and pharmaceuticals, but also supplying containers for shipping, sanitary materials, as well as products for maintaining daily health such as dietary supplements and foods.

Unchanged Mindset towards Resolving the Social Issues

- We seek for valuables that make people and our society healthy, and challenges its research and development while constantly focusing on the future. Our motto is "Wellness First".
- In this year, our Green Planet™ has taken a huge step. This product has its origin in the exploratory joint research with a university started 30 years ago, which was carried out by a researcher who wanted to resolve environmental burden issues caused by plastic wastes. We continue to hold dreams, especially in the important fields such as environment and energy, food production support, wellness and telecommunication, and with such dreams we develop our technologies.

Toward Dynamism in Manufacturing Management – “R&B + P”

We have defined R&D as R&B (Research & Business), and conducted activities with their goals set as achieving results in which materials we developed contribute to resolving social issues.

A term “R&B+P” stands for “Research & Business + Productions”. This term is created for us to always recognize that while creation of materials is important, technologies for improving and scaling up such materials are also equally important.

As a research and development company, we believe our mission is to resolve social issues to turn unique materials discovered by researches into products and

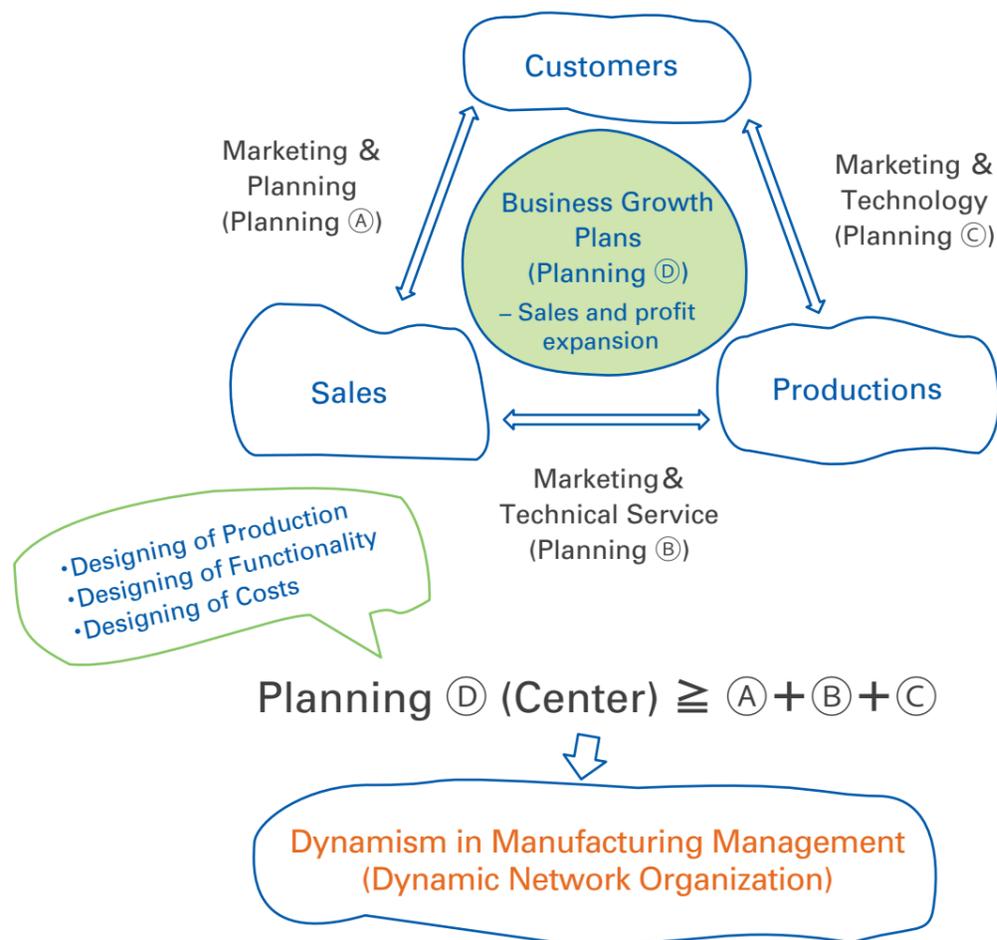
to prepare their mass production system with our production technologies that lead to our competitive advantages, while improving these products and technologies together with our stakeholders, and to consistently work on for their social implementation.

There has been an increasing customer’s need concerning social issues which our products and technologies aim to resolve. Improvement in the level of our mass production technologies achieved by the R&B+P strategy will be a driving force for answering such needs. It is also great chance for us to grow ourselves even further.

“R&B + P*” as Manufacturing

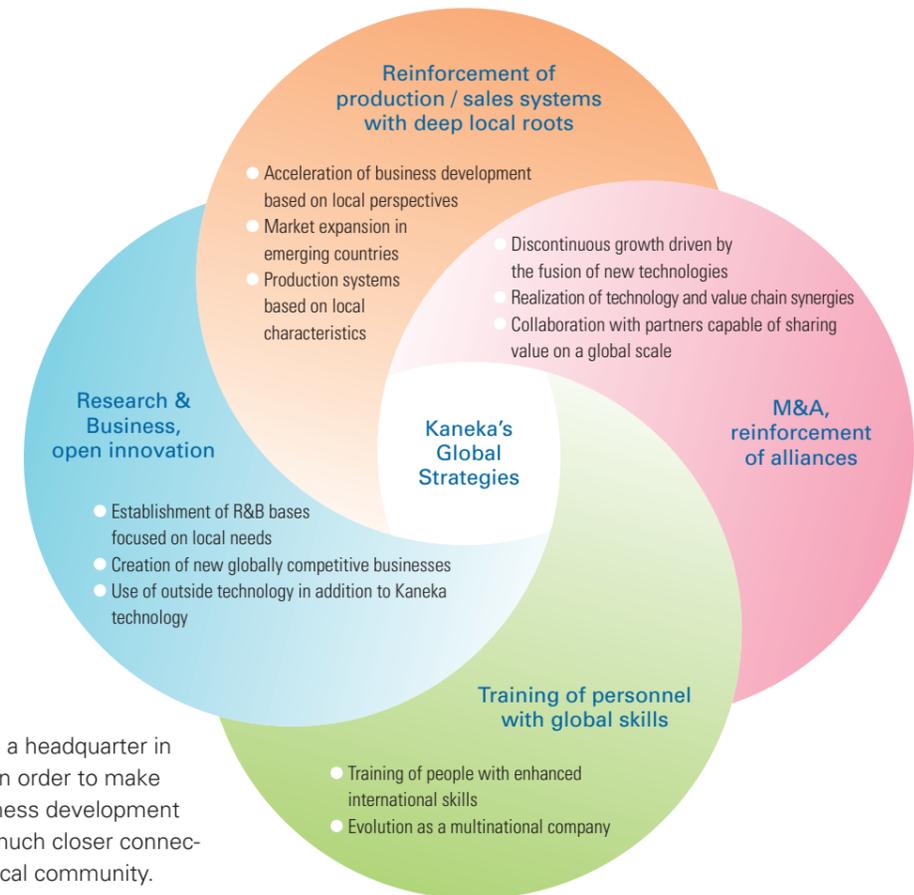
→ Enhancement of four planning functions and capabilities

* P: Production



Global Strategies ~Think Global, Act Local~ Our Global Network Enabling Business Development Deeply Rooted in Local Communities

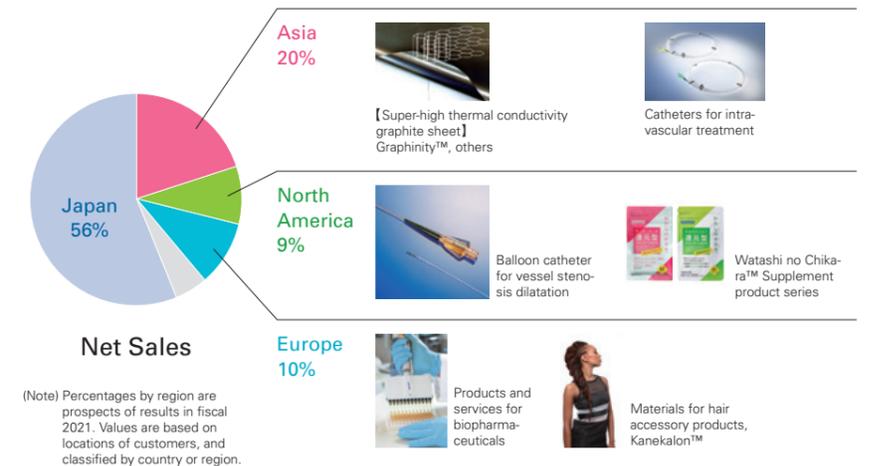
We aim to become a company that delivers unique technologies and products all over the world, in order to save human lives and resolve social issues. To do so, we promote activities deeply rooted in local communities worldwide. We advance transculturation from a global perspective. There is no border in chemistry, and when we do a 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 a local community.

Each of 4 “Solution 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 22 countries of overseas. Consolidated number of employees is approximately 11,000, and among them, 3,000 are working in overseas sites.



Human Driven Company Promoting “Wellness First” Health Management

Active Participation of Diverse Workforce with Healthy and Vibrant People

Being a “Human Driven Company” is the DNA of Kaneka. Individual employees in good physical and mental health generate the results and value of work and realize innovation.

Also, it is essential to have a diverse workforce to develop diverse businesses. As a “Trial & Error experiment driven company” continuously conducts learning and trials repeatedly, we treasure our forward-looking organizational culture.



There are approximately 11,000 employees (including 3,000 employees of foreign nationality) in the Kaneka Group working globally. Kaneka is a “Trial & Error experiment driven company.” We believe that new ideas and initiatives are born from respecting each other’s different values, and therefore provides opportunity for making challenges to various workforces with high motivation, regardless of age, gender or nationality. We especially put our effort in increasing participation of females to our workforce, and particularly focus on expanding their recruitment and promotion.



Human Driven Company



We believe that promotion of wellness will create a healthy organization, and enable us show high productivity and creativity. To ensure and both mental and physical health of employees, associated organizations connect organically each other to work on health promotion measures.



We develop our human resources through “Kaneka 1-on-1”, in order to achieve human resources development and development of our company at the same time. Also, we have continuously conducted training programs for developing executive candidates and leaders who will become a driving force to lead our businesses and operations.

Work Culture Innovation “Change pain to gain!”

The COVID-19 pandemic has drastically changed the conventional working environment. To respond to such changes, we have so far worked on (1) Improvement of telecommuting system, (2) Changes in meetings

and (3) Revision of the working environment. It has become established as a style to make short online meetings often and then taking actions.

We have also redesigned our business process and review systems to fit them to a new era. Furthermore, we are working on fully utilizing benefits of DX to create

a new business value and improve productivity significantly. We will continue to innovate toward smart work that leads to better working conditions and higher productivity.

Human Resources Management

Kaneka 1-on-1

“Kaneka 1-on-1” lighting a fire in people’s hearts



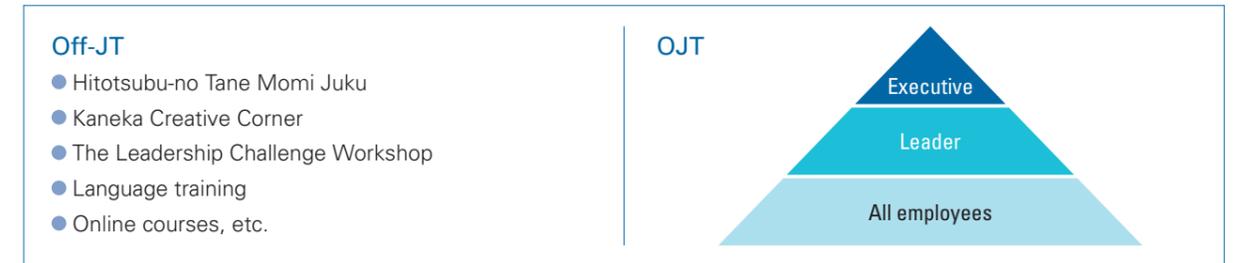
We aim to realize both human resource development and goal achievement at work through “Kaneka 1-on-1”. In addition to “1-on-1 communication with a boss”, we also organize “regular team meetings” in a minimum unit. We call the combination of these two as “Kaneka 1-on-1 involving all employees”, and we use it for developing a corporate culture where members think together about development of member’s ability, cooperation in a team, information sharing and way to resolve issues, and thus achieving good performance. Purpose of this program is to deepen relationship among employees with regular communication, causing them to act autonomously and spontaneously (improving their motivations), and develop human resources and improve organizational power through team meeting (formation of One Team).

When this program started in fiscal 2018, it only subjected executives at first, but since the 3rd year of the program, it has gradually increased its subject to assistant managers and other employees. The program contributes for improving “the power of individual and the power of organization” while flexibly changing measures through communications. Also, in order to improve the coaching ability of bosses, we regularly hold a workshop for improving their communication skills. At the same time, we regularly measure effectiveness of this program by conducting survey and hearing of employees, and provide feedbacks, in order to improve our Value Communication. Since fiscal 2021, to further improve quality of Kaneka 1-on-1 team meeting, we have started a workshop for team building.

Programs for Improving Quality of Communication

| Program Name | Content | ~Fiscal 2019 No. of participants | Fiscal 2020 No. of participants | Total from the start of the program No. of participants |
|------------------------|--|----------------------------------|---------------------------------|---|
| Kaneka 1-on-1 workshop | Lectures and exercises for improving the coaching ability (listening, recognizing and questioning) of bosses conducted by a lecturer specialized in communication for executives | 205 | 155 | 360 |

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



Development of Leaders

We conduct training programs for employees, including those at Group companies in and outside Japan, to develop future executive candidates and leaders who will strongly

lead businesses and operations. Some participants in the programs have been appointed to division chief and executive positions at overseas Group companies.

| Program Name | Content | Fiscal 2018 No. of participants | Fiscal 2019 No. of participants | Fiscal 2020 No. of participants | Total from the start of the program No. of participants |
|-----------------------------------|--|---------------------------------|---------------------------------|---------------------------------|---|
| Hitotsubu-no Tane Momi Juku | Lectures and exercises by the top management and first-class instructing staff targeted at future leaders and management personnel | 12 | 12 | 12 | 73 |
| Kaneka Creative Corner | Lectures and exercises by the top management and first-class instructing staff targeted at future leaders of national staff | 12 | —*1 | —*1 | 34 |
| The Leadership Challenge Workshop | Acquiring and practicing leadership skills and follow-up | (outside) 21 (in Japan) 288 | (outside) 36 (in Japan) 187 | (outside) —*1 (in Japan) 157 | (outside) 464 (in Japan) 1,295 |

*1 Cancelled due to the COVID-19 pandemic, etc.

Welcoming Workplace

To maintain a working environment without sexual or power harassment, we are working on to inform employees by including related information in the “Rules of Employment”, “Compliance Guidebook”, as well as our intranet. Also, for prevention of harassment and early response against the case, we have established consultation services in the Legal Department, the Human Resources Department, the Personnel at each site, the Health Consultation Room and labor union in each facility, and a lawyer office working for our company has established consultation and reporting services for our employees.

We consider “Respect for Human Rights” as a basis of what our company and employees must protect. We state in our ESG Charter and carry out that 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. We also state the same materials in the “Rules of Employment” and “Ethical Code of Conduct”, and try to make this idea known through providing trainings.

| Program Name | Content | Fiscal 2018 No. of participants | Fiscal 2019 No. of participants | Fiscal 2020 No. of participants |
|---|---|---------------------------------|---------------------------------|---------------------------------|
| Introductory training for new employees | Providing explanation about issues such as sexual harassment, power harassment and national origin discrimination | 131 | 121 | 129 |
| Training for newly appointed executives | Human rights education provided by external specialist | 48 | 59 | 59 |

Active Participation of Diverse Workforce

We are trying to resolve various social issues as a Trial & Error experiment driven company. Considering that new ideas are generated from conflicts between and respect for different values, we promote active participation of diverse personnel with high motivation and leadership skills in the workplace, regardless of age, gender, or nationality.

Active Promotion of Female Employees

As a major management policy, we promote diversity and the participation of female employees. We actively hire female employees, and lay out an action plan for preparing systems and workplace environment for promoting female employees to executive position.

• Increasing recruitment of female employees

The percentage of females among new recruits (from universities and technical colleges) has been increasing every year. After fiscal 2017, percentage of females among recruits exceeds 30% every year. In fiscal 2021 the percentage of females who were recruited as sales or administration staffs among college graduates exceeded 50%. We are also promoting mid-career recruitment of females as employees who are ready to go to work immediately.

Percentage of female among new recruits (from universities and technical colleges)



• Facilitating promotion of female employees to executive position

We actively work on promoting female employees to executive position. In fiscal 2020, number of our female executives was 28. We set our goal in increasing that number threefold by the end of fiscal 2025. So far, we have been increasing number of female executives as well as their candidates steadily.

Number of female assistant managers, which is a position just below the executive level, has become close to 100, and overall, number of female employees who pursue career and takes part in core works of an organization has been steadily increasing. We will continue accelerating such trend, and increase the number of female employees involved in business decision making.

Number of female executives and assistant managers



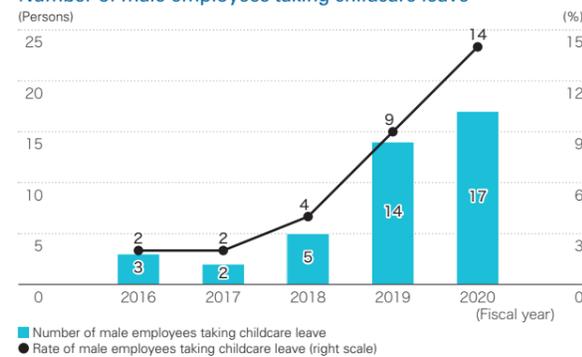
• Organizing workshop

In fiscal 2021, we gathered 10 female executives, and under the facilitation of external lecturers, had run a workshop titled as “Female Challenge Dialogue” for approximately 4 months in which they discussed about what they need to propose for executives in order to make female employees being promoted to even higher position and participating to company’s business even more. Based on opinions gathered in the workshop, we will plan and execute even more measures for increasing female employee’s participation.

• Encouraging male employees to take childcare leave

To establish a workplace environment where female employees can work more easily, one of the goals of our action plan is to encourage male employees to take childcare leave, and we are actively working on achieving it. The number of male employees taking childcare leave has been steadily increasing.

Number of male employees taking childcare leave



Action plans for promotion of active participation of female employees (Plan period: April 1, 2021 to March 31, 2026)

| | |
|----------|--|
| Target 1 | Increase the number of female executive threefold. |
| 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. |

Participation of Senior Employees

In order to let senior employees utilize their rich experiences and high skills, we started to establish a new reemployment system from May, 2021. Under the new system, job of senior employee is decided in accordance with one’s value and needs, by conducting job matching with job offers publicly offered from within our company. The matching is made based on one’s accumulated experience and skills.

All the employees who reached their retirement age in May, 2021 and wished to be reemployed are now actively participating our businesses. Also, we provide employees an opportunity to think about one’s career including their life after reaching the retirement age, and provide support for building their career after retirement as early as their 40s. In fiscal 2020, 115 persons participated to the career design training which targets employees of around 40 years old, and 157 persons participated to the life design training which targets employees who has reached 50 years old.

We will create a system that helps senior employees use their experience and expertise to form a new career and increase their willingness to work.

Implementation of career development and life design support activities

| Program Name | Fiscal 2018 No. of participants | Fiscal 2019 No. of participants | Fiscal 2020 No. of participants |
|------------------------|---------------------------------|---------------------------------|---------------------------------|
| Career-design training | 272 | 139 | 115 |
| Life-design training | 75 | —*1 | 157 |

*1 A life planning booklet was distributed to employees.

Healthy and Vibrant ~“Wellness First” Health Management of Kaneka~

We aim to make each of our employees spending one’s life healthy and vibrant while developing one’s ability and showing one’s full potential at work, by making oneself healthier both mentally and physically. We are in the “age of coexistence with viruses”. With strong ties among our employees, we will unite ourselves even closer and create together a workplace where everyone can work positively and actively.

Process for Maintaining and Promoting Health

We monitor health condition and working environment of people and organizations through our unique system that includes medical checkup and interview (rate of taking them in fiscal 2020: 100%), stress check (rate of taking it in fiscal 2020: 96.8%), as well as self-assess-

Hiring and Support of Employees with Various Nationalities

Of about 11,000 employees in the Kaneka Group, about 3,000 employees of foreign nationality are engaged in operations worldwide. Since fiscal 2019, We recruit school graduates not only in spring but also in fall, in order to hire more persons of foreign nationality. In fiscal 2020, 6 persons of foreign nationality joined our company (including those joined in fall). We want such newly recruited employees of foreign nationality to feel attached to their workplace and make active participation to business activities as early as possible. For this purpose, our Human Resources Department and their workplace cooperate together to support them for taking and reinforcing their OJT. Such support includes regular interviews by the Human Resources Department and providing skill program for one’s needs. Also, for employees in Group companies outside Japan, we work on creating opportunities for them to take training and expand their work experience in other sites in order for them to work together on a global scale.

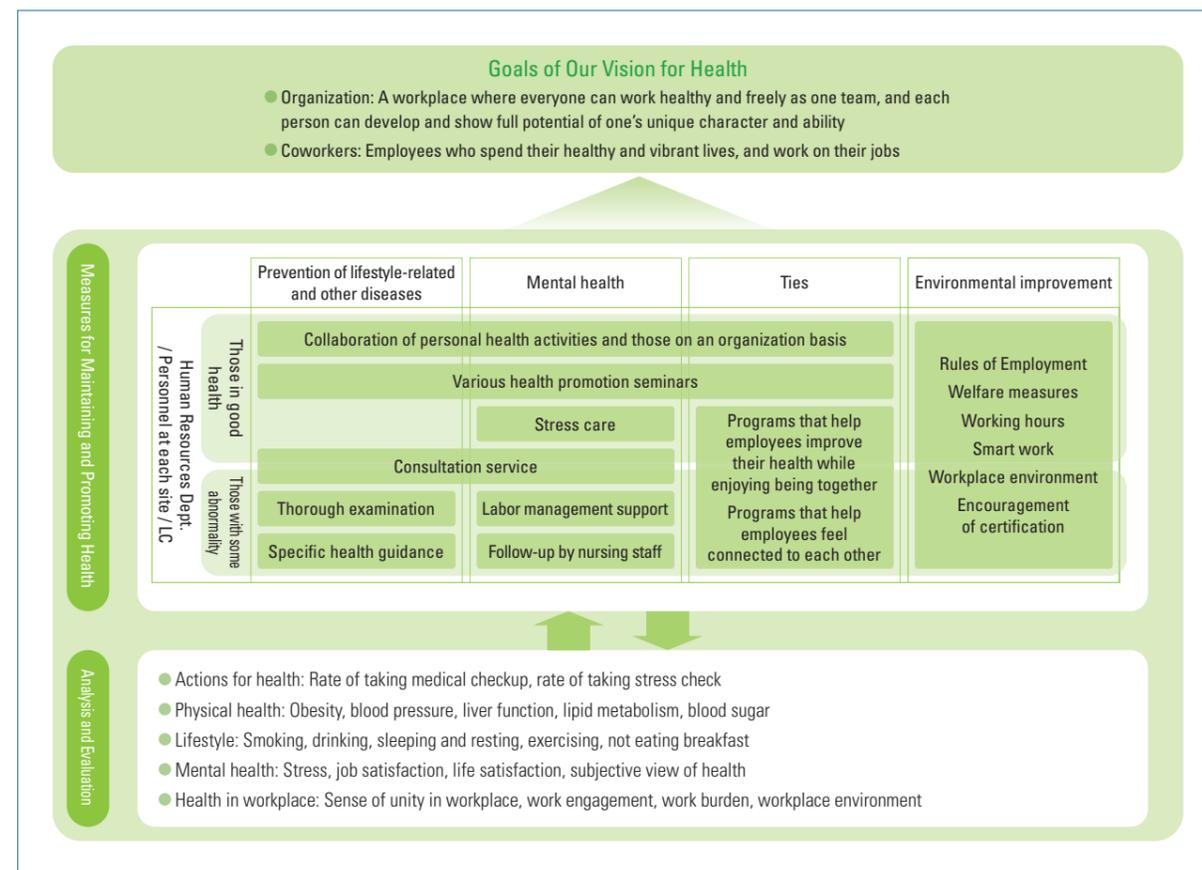
Employment of Persons with Disabilities

The employment rate of persons with disabilities at Kaneka in fiscal 2020 was 2.38%. We will create a welcoming workplace, expand occupational fields, and support employment efforts by Group companies to increase their employment rate throughout the Kaneka Group.

ment and questionnaire for employees. With these measures, we identify health issues of each employee. After that, employees take health guidance or visit medical institution. High stress individuals take counselling with an industrial doctor.

Measures for Maintaining and Promoting Health

Measures for maintaining and enhancing health are planned and implemented from 3 perspectives: (1) “Prevention of illness and lifestyle diseases”, (2) “Mental health”, and (3) “Ties among people”. In order to plan and implement such measures, the management, health insurance association, labor union and the Human Resources Department cooperate together to provide a menu for working on health promotion.



Providing an Opportunity for Improvement of Lifestyle

We provide various opportunities to help individual employees raise their health awareness and change their behavior so that they can improve self-care awareness and establish a healthy lifestyle. Even under

the situation where all of us must coexist with viruses, many employees actively take part in them by using AI tools and other methods.

- In "Ekiaru*1", an event using a health application, 403 teams consist of total 2,007 people from our Group companies participated.

*1 Ekiaru: An event that focuses on "walking". Its participants walk for total 1,163.3km (equal to the distance between Tokyo Station and Sapporo Station) during the 1 month-long event period (5 persons/team)



- Conducting initiatives for improving "health" as per situation of each site, to enhance health awareness, maintain and improve fitness, and increase physical strength.
 - Online marathon training sessions and seminars
 - Constantly delivering programs such as sleep seminar and yoga seminar

- In cafeterias of our sites (Takasago Manufacturing Site, Osaka Manufacturing Site, Shiga Manufacturing Site, Kashima Manufacturing Site), we provide healthy menus for our employees. There are smart meals which are certified for "healthy meals and dietary environment". Every Friday is a "non-fry day" while 8th, 31st (30th) of every month is a "vegetable day".



- Our activities for raising awareness of health include online courses targeting different age groups (25, 35, 45 and 55 years old), promoting self care method, issuing a health-related newsletter, and seminars held by nursing professional for understanding health issues at each life stage.

Mother Center for Wellness "KANEKA Wellness Center" Established in July, 2022 (Takasago Manufacturing Site)

We want to treasure humanity (Nature) through improving health. This is the idea behind of establishing KANEKA Wellness Center (hereinafter referred to as the Center).

To implement the aforementioned idea, the Center will aim at improving awareness for health and changing behaviors of people by attempting various health programs for 6 categories of people including "female", "young persons", "senior persons", "families", "groups" and "regions" to encourage each person starting a new habit for health improvement.

The center will be a place for practicing measures for maintaining and improving health, while feeling comfort

and deep harmony. Its design is supervised by Kengo Kuma*2, with the concept of "'roof of earth' blended in a forest" embodying "coexistence and sense of unity between human and nature".

The center is also equipped with our eco-friendly products such as photovoltaic modules built into a roof tile and solar circuit system, thus becomes a clean site blending into a nature.

The center will become fully operational from July, 2022, and will be a place where people can work on maintaining and improving their health.

*2 An architect and designer active around the world who is associated with designing the New National Stadium, the main stadium for the 2020 Tokyo Olympic and Paralympic Games.



Courtesy of © Kengo Kuma and Associates

Conducting Workplace Vaccination

Under the leadership of our COVID-19 task force (founded on March 4, 2020) led by the management, our Health Consultation Room, the Human Resources Department and affiliated persons of each site worked together to conduct workplace vaccination. We could offer 2 doses for approximately 5,000 people including employees in the Kaneka Group, their families, as well as members of

business partners working in our companies.

In the age of coexistence with viruses becoming normal, under the leadership of the management, we will establish a healthy organizational culture in which our company and individual employees cooperate to maintain everyone's health so we can coexist with the viruses.

List of Directors (as of April 1, 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

Takao Kusakari
Independent Member of
the Board

Jun Yokota
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/>

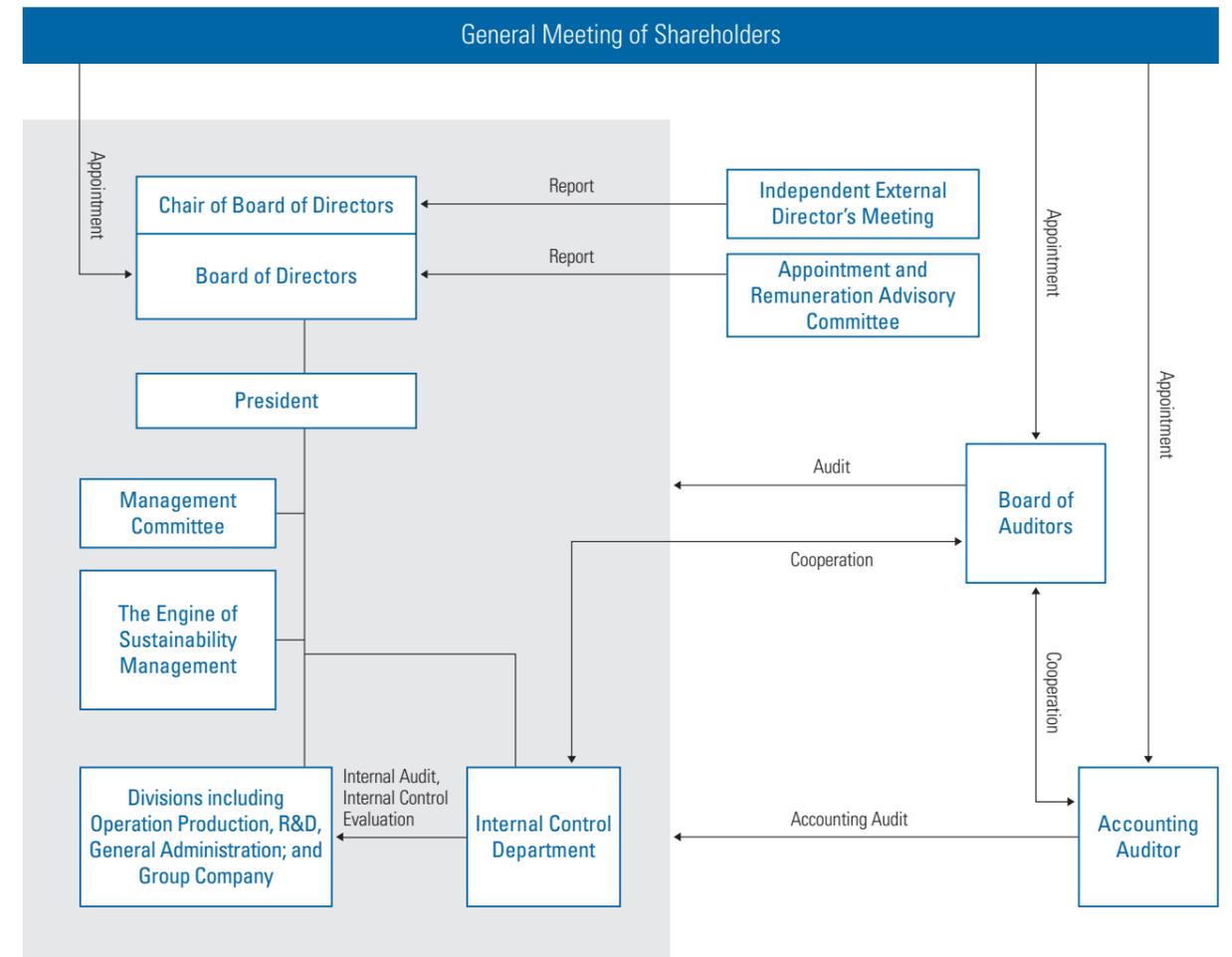
Basic Policy

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

(As of April 1, 2022)



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 Director's Meeting

We have established the Appointment and Remuneration Advisory Committee and Independent External Director's Meeting. The Appointment and Remuneration Advisory Committee has discussed "Policy on Decisions on Individual Remuneration of Directors, etc." having the revision of the Companies Act reflected, remuneration of Directors, and candidates for Directors and Audit & Supervisory Board Members, and has reported them to the Board of Directors. The Independent External Director's 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 is 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 without limitations on gender, age, nationality and other attributes, after deliberation by the Appointment and Remuneration Advisory Committee, which is comprised of directors and independent external directors.

We are expanding diverse businesses globally, and 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.

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 Director's 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 2020, the Independent External Director's 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 | <ul style="list-style-type: none"> ▶ Introduced the executive officer system ▶ Changed the number of directors from 21 to 13 ▶ Formulated the Basic Policy on Internal Control System |
| 2011 | <ul style="list-style-type: none"> ▶ Appointed an external director |
| 2013 | <ul style="list-style-type: none"> ▶ Formulated the Criteria for Independence of External Directors |
| 2015 | <ul style="list-style-type: none"> ▶ 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 Director's Meeting |
| 2016 | <ul style="list-style-type: none"> ▶ Commenced the effectiveness evaluation on the Board of Directors |
| 2019 | <ul style="list-style-type: none"> ▶ Revised part of the Basic Policy on Corporate Governance |
| 2020 | <ul style="list-style-type: none"> ▶ Increased the number of external directors from 2 to 4 ▶ Revised part of the Basic Policy on Corporate Governance |
| 2021 | <ul style="list-style-type: none"> ▶ Revised part of the Basic Policy on Corporate Governance (Majority of the Appointment and Remuneration Advisory Committee is the Independent External Directors, etc.) |

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.

ESG Promotion System

In fiscal 2020, the ESG Committee met twice, and the four subcommittees met individually (Compliance: twice, Safety & Human Health: once, Earth Environment: twice, Product Safety: twice), and efforts were made to resolve environment, social, and governance issues.

We will reorganize our ESG-related organization, which will involve establishing the Engine of Sustainability Management on April 1, 2022. It will be tasked with overseeing and enhancing ESG management.

The Engine of Sustainability Management is to consist of the General Affairs (Stakeholders Relations) Department, Investor & Public Relations Department, ESG Integrated Report Bureau, Compliance Committee, Safety Committee, DX & Carbon Neutral Committee, Work Culture Committee, and Diversity Committee, all serving as implementation organizational entities.

The Engine of Sustainability Management is to provide oversight of activities carried out by the implementation organizational entities from a managerial perspective.

We will establish the Science Communications Bureau within the Investor & Public Relations Department to strengthen scientific information dispatch. The General Affairs (Stakeholders Relations) Department and the Investor & Public Relations Department will work together to strengthen IR / SR activities.

The Compliance Committee disseminates corporate ethics and compliance to ensure understanding and

observance throughout the Kaneka Group.

- The Safety Committee, with the director in charge of process safety as the chair sets policies and goals related to occupational safety, process safety, and disaster prevention and checks the progress of goals.
- The Work Culture Committee will promote work style reforms in response to the new era.
- The Diversity Committee will promote company-wide measures such as recruitment, training, rotation, and promotion regarding the promotion of diversity, especially the promotion of women's advancement.

Diagram of ESG Promotion System



ESG Inspections

To inspect the legal and regulatory compliance status of the Kaneka Group and to improve its occupational safety and health performance, ESG inspections are carried out, comprising ESG safety and quality inspections and ESG evaluation audits, targeting all Group companies within and outside Japan.

In fiscal 2020, we conducted ESG safety and quality inspections at all parent manufacturing sites, three sites of three Group companies in Japan, focusing on

serious risk management, compliance, implementation of basic safety actions (greetings, 3Ss, and handrail holding) and especially the 3Ss, and internal audits. We also conducted ESG evaluation audits relating to competition laws, including the Antimonopoly Act, for 15 divisions out of all business operations divisions of Kaneka, 28 Group companies in Japan, and 20 outside Japan.

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 in the Engine of Sustainability Management 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. Please note that the matters described are only those that we considered risks as of March 31, 2021 and that this is not an exhaustive list of risks borne by the Group.

- Risks related to the novel coronavirus (COVID-19) pandemic
- Risks related to the Group's ability to maintain operational advantages and trends in the Japanese and overseas economic environments

- Risks associated with the globalization of our business
 - Risks of price fluctuations of raw materials and fuels
 - Risks associated with product liability, industrial accidents and large scale disasters
 - Risks associated with the protection of intellectual property rights
 - Impact of environment related regulations
 - Risks associated with legal action
 - Other risks
- See the Financial Section for more details.

Enhancing Crisis Management Systems

Based on our basic risk management policy, we have set basic matters concerning emergency response (basic system, roles, emergency examples and ranks, etc.) in the Crisis Management Regulations. 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, which contains intelligible graphs of emergency initial response rules. This handbook explains emergency procedures: proper incident notification, instructions, consultation, and response, as well as the smooth flow of information.

Strengthening of Information Security

We appropriately manage information based on our Basic Information Management Policy 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, including cyberattacks, we strive to enhance security levels by using the knowledge of external experts. We also take measures to reduce risks associated with rapid change in the information security environment, including

reviewing existing facilities and enhancing various security systems and tools. Given that more employees engage in telecommuting due to the COVID-19 pandemic, we also seek to appropriately manage information on employees. In addition to disseminating our Basic Information Management Policy to employees, we hold training programs, audits, drills, and online courses, using the Information Security Guidebook.

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 all directors and employees comply with all applicable laws and regulations. The Compliance Committee in the Engine of

Sustainability Management is responsible for ensuring corporate ethics and compliance throughout the Kaneka Group while promoting and overseeing activities such as checking employees' understanding and observance and providing consultation hotlines.

Compliance Awareness Raising

The "Ethical Code of Conduct" and "Compliance Guidebook" that all of our directors and employees should follow are posted on the company's intranet. In the Compliance Guidebook, laws and regulations such as the following are explained in an easy-to-understand manner: society (environmental safety / protection, prohibition of insider transactions, proper accounting), customers / business partners / competitors

(compliance with Antimonopoly Act / Subcontracting Act), employees (respect for human rights / prohibition of discrimination, sexual / power harassment), company / company property (protection of confidential information, intellectual property), etc. Additionally, a variety of training sessions and meetings, and activities of the Compliance Committee ensure that we strictly adhere to our compliance policies.

Self-Check in Training Session

The compliance online course for all employees, launched in fiscal 2014, was expanded to include Group companies in Japan in fiscal 2016 to encourage employees to participate. Training sessions on the Antimonopoly Act are

conducted regularly with all of managerial officers from the Kaneka and Group companies in Japan who are involved in sales, purchasing, and business development, all of whom are required to submit a pledge.

Internal Audits and Establishment of Consultation Hotlines

We at the Kaneka Group conduct ESG evaluation audits related to the Antimonopoly Act. In fiscal 2020, audits were conducted for 15 divisions out of all business operations divisions of Kaneka 28 Group companies in Japan, and 20 overseas Group companies in US / Europe

/ China / Malaysia. We have also set up compliance consultation hotlines both internally and with outside law firms in order to answer inquiries from those within the Group. We strive to respond quickly to provide a rapid resolution to any concerns that may arise.

Intellectual Property

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

Basic Policy

Continuous creation of innovation is indispensable to achieving sustainable development of our society. We believe that intellectual property supports innovation. All our researchers and engineers recognize intellectual property as one of the outputs of R&B+P activities and actively seek to acquire intellectual property rights for their achievements including know-hows. For the acquired intellectual property rights, we regularly review our portfolio and manage our intellectual property expenditures so that we can efficiently invest resources to our core strategic sectors. Moreover, the Intellectual Property Department promotes intellectual property activities in cooperation with the business and the R&D divisions, utilizing intellectual property landscape (IPL) that combines

intellectual property and non-intellectual property information to exploit potential areas in which our strength can be utilized toward the resolution of social issues. Meanwhile, we respect the intellectual property rights of other companies and promote routine surveys and preventive measures to avoid disputes. In addition, we actively conduct educational activities to widely disseminate the importance of intellectual property throughout the company, including our Group companies. The Intellectual Property Department supports development of valuable solutions for realizing "Kaneka thinks 'Wellness First'".

Strategic Intellectual Property Portfolio Construction

In fiscal 2020, we acquired and applied for patents mainly in the technological fields, which contribute to our wellness-first management. In these technological fields, in Japan, patents were registered for textiles and compositions made of marine biodegradable KANEKA Biodegradable Polymer Green Planet™, temperature controlled storage compositions which can replace dry ice and could be useful for the transportation of pharmaceuticals and specimens, culturing methods for multipotent stem cells, and blood purification devices. Outside Japan, we acquired patent rights for devices for detecting amplified nucleic acids for PCR tests

and endoscopic clips for the gastrointestinal business, mainly in the U.S. For the temperature controlled storage compositions which can replace dry ice, we acquired the patent rights in Japan as well as in the U.S., Europe and China. We also signed an agreement with Japan Tobacco Inc. to acquire its assets related to plant biotechnology. The acquired assets included patents, which reinforced our intellectual property portfolio. We will merge them with our existing technologies to achieve synergistic effects also from the perspective of intellectual property.

Efforts for Environmental Measures in Intellectual Property

SDGs-Related Patents

We utilize "PatentSight SDGs" in PatentSight®, provided by LexisNexis, to map and analyze our patents and technologies in relation to the 17 Sustainable Development Goals (SDGs). As a result, technologies related to biodegradable biopolymers, photovoltaic power generation systems, foams, and nucleic acid detection were listed as technologies potentially contributing to the target of Sustainable Development Goals.

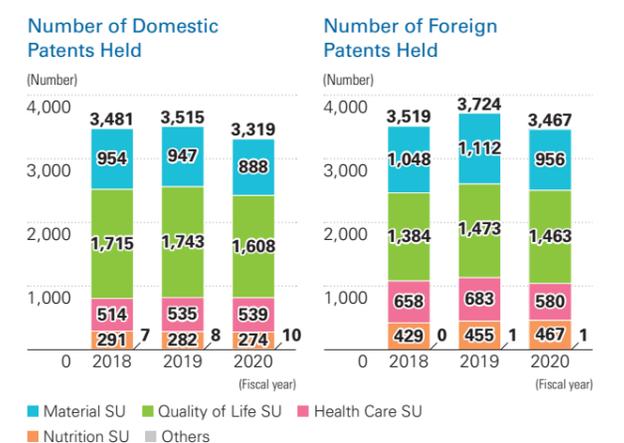
(Note) PatentSight® is a registered trademark of PatentSight GmbH.

Activities Related to WIPO GREEN

With the aims of contributing to the environment through intellectual property and facilitating licensing to other companies, we registered 23 technologies patents related to photovoltaic power generation systems to "WIPO GREEN" operation by the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations. WIPO GREEN is a platform for promoting utilization of environment-related technologies, which was launched for supporting the development and diffusion of environment-related technologies. We will continue to promote our intellectual property activities towards the establishment of a sustainable society.

Number of Patents Held

We are actively filing domestic and foreign patent applications to secure intellectual property rights toward transforming our business portfolio. In fiscal 2020, 278 domestic patents and 318 foreign patents were newly registered. The number of registered patents increased from last fiscal year. Meanwhile, we are promoting efficient management of our intellectual property expenditures. As a result of active abandonment of unutilized patents, the number of patents held as of the end of fiscal 2020 was streamlined from the previous year, being 3,319 domestic and 3,467 foreign patents. We will continue our efforts in promoting efficient management of intellectual property expenditures and, through cooperation with the Corporate Research & Business Division, reinforce our intellectual property portfolio.



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. Regarding the important matters pertaining to the

protection of the global environment, issues are shared at the Global CSV (Quality Environment) Center and Plant Management Committee. The DX & Carbon Neutral Committee in the Engine of Sustainability Management determines the policies and measures.

Material Balance in Production Activities

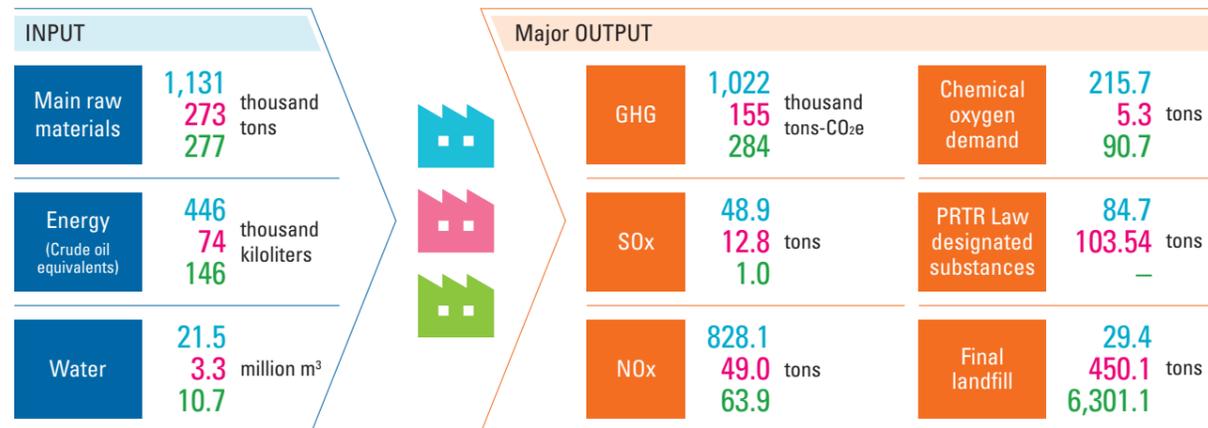
Kaneka Group is working to reduce environmental impacts by aggregating the status of energy and resource inputs and material outputs through emissions and products to grasp production activity volume, targeting Kaneka and Group companies within and outside Japan.

In fiscal 2020, the main raw material, energy consumption and water inputs decreased by 52 thousand tons (3.0%), 12 thousand kiloliters (1.7%) and 1.5 million m³ (4.0%), respectively from the previous

year. The GHG, SO_x, COD and SS outputs decreased by 21.9 thousand tons-CO₂e (1.5%), 24.9 tons (28.4%), 81.6 tons (20.7%) and 37.3 tons (15.0%), respectively. Meanwhile, the product increased by 2.6 thousand tons (3.3%), the amount of externally recycled waste increased by 9,034 tons (17.3%) due to the increase in the amount of waste generated by Kaneka, and the final landfill waste output increased by 725.4 tons (12.0%) due to the differences in the product mix for some Group companies outside Japan.

Material Balance in Production Activities (Fiscal 2020)

Kaneka Group companies in Japan 46 Group companies outside Japan 15



Note: We corrected retrospectively to prior period due to the changes and refinement in calculation method.

Biodiversity

Considering the impacts of our businesses on ecosystems, we at Kaneka strive to develop technologies, materials and products that have less environmental impacts, as well as to mitigate environmental impacts of our production. However, in fiscal 2020, major activities were not conducted to prevent COVID-19 infections. Related activities conducted in previous years were as follows. Since 2012, employees at the Takasago Manufacturing

Site have been involved in the Kaneka Forestry for the Future project aimed at conserving a private forest of about 15 hectares in Taka Town, Hyogo Prefecture. Training of newly hired employees has been used as a part of the project. Assisting each other on the forest terrain in cutting and transporting timber, the participants build solidarity and teamwork. Since 2012, we have operated the Settsu-no-mori Kaneka Biotope on the premises of the Osaka Manufacturing Site in collaboration with the Settsu

Firefly Society, to create a firefly habitat in Settsu City. Along with the appearance of fireflies (May/June), we held a firefly viewing gathering, inviting local residents. Employees at the Shiga Manufacturing Site have joined the Walnut School's efforts to conserve the Konooka Biotope, a precious natural environment of Lake Biwa, as a steering committee member. We participated in

its summer and autumn nature observation gatherings and regular activities, such as grass mowing, sidewalk maintenance, the updating of tree signs and so on. We learn the importance of natural environment, interacting with seasonal creatures and nature together with local residents.



Kaneka Forestry for the Future (Takasago Manufacturing Site)



Settsu-no-mori Kaneka Biotope (Osaka Manufacturing Site)



Walnut School (Shiga Manufacturing Site)

*The photo shows the activity in fiscal 2019.

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: Kanepear™
 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 (Packaging materials, garbage bags, foams)
 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, Cleaning agents
 Reason for environmental contribution: A naturally derived and biodegradable material friendly to the environment

Efforts to Address Climate Change

To address prevention global warming, we at the Kaneka Group are working to promote energy conservation and reduce CO₂ emission intensity through various measures, for example by utilizing our own environmental capital investment program. We also calculated CO₂ emission reduction benefits by quantitatively assessing CO₂ emissions throughout the product lifecycle, making comparison with similar products. We will expand the target of Life Cycle Analysis (LCA) evaluation to other products to promote environmental impact evaluation. We also calculate indirect greenhouse gas (GHG) emissions (Scope 3) associated with our business activities through supply chains.

Initiatives to Reduce GHG Emissions and CO₂ Emission Intensity

At Kaneka, we are working to reduce CO₂ emission intensity, using a CO₂ emission intensity index as an indicator for management, based on CO₂ emissions from energy consumption associated with production activities.

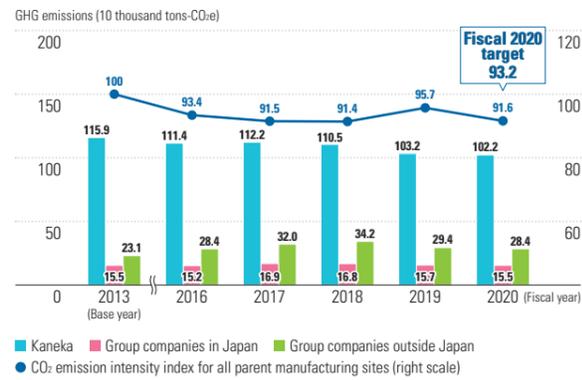
CO₂ emission intensity index is a numerical value calculated by indexing energy origin CO₂ emission intensity using fiscal 2013 as the base year of 100. The energy origin CO₂ emission intensity is calculated by dividing CO₂ emissions from energy consumption by the volume of activity.

In fiscal 2020, the index for all parent manufacturing sites was 91.6, achieved our fiscal 2020 target of 93.2. GHG emissions are the total amount of energy origin CO₂ emissions, non-energy origin CO₂ emissions and the CO₂ equivalent of methane and N₂O emissions, calculated in accordance with the GHG protocol.

Despite an increase in production volume, Kaneka's GHG emissions decreased by 0.9% from the previous year to 1,022 thousand tons-CO₂e, due to a reduction in the CO₂ emission factor for electricity.

We will implement the policies for realizing carbon neutrality and promote further reduction of GHG emissions.

GHG Emissions and Energy Origin CO₂ Emission Intensity Index



Scopes 1 and 2 Emissions (Kaneka)

| Category | | Fiscal 2020 results (Thousand tons-CO ₂ e) |
|-----------------------------------|--|--|
| Scope 1 | Direct emissions*1 | 759.9 |
| Scope 2 | Indirect emissions from energy consumption*2 | 262.5 |
| Total of Scopes 1 and 2 emissions | | 1,022.4 |

Scope 3 Emissions (Kaneka)

| Category | | Fiscal 2020 results (Thousand tons-CO ₂ e) |
|----------|--|--|
| Scope 3 | Other indirect emissions (upstream/downstream)*1 | 2,905.0 |

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

*2 As emission factors for electricity, the adjusted emission factor for each power company was used for calculation. GHG emissions calculated using the location-based method were 352.0 (+9.4%).

Preventing Pollution and Managing Chemical Substances

Toward the prevention of air and water pollution, the appropriate management of toxic chemical substances, and the reduction of their emissions, we are engaged in production activities in compliance 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.

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.

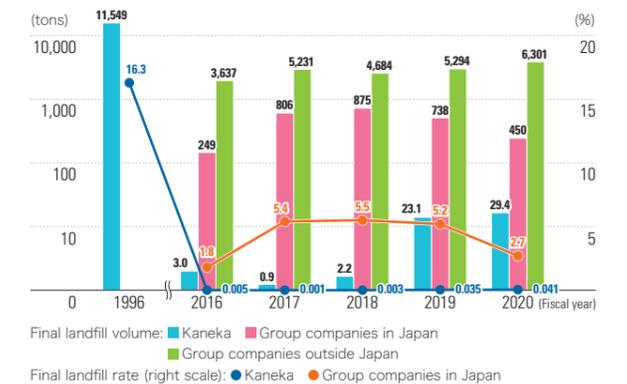
Reducing Waste and Recycling Resources

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. In fiscal 2020, we effectively achieved zero emissions*3 for 15 consecutive years, with a final landfill volume for all parent manufacturing sites of 29.4 tons, equivalent to a final landfill rate of 0.041%.

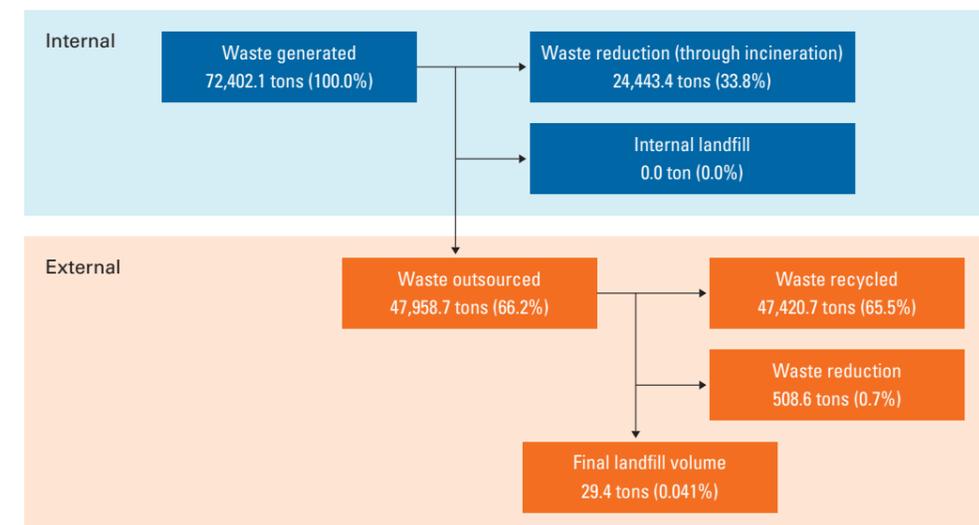
We will continue promoting the 3Rs as well as the improvement activities through process analysis using Material Flow Cost Accounting (MFCA).

*3 Zero emissions defined by Kaneka: The final landfill waste must be less than 0.5% of the generated waste.

Volume and Rate of Waste Sent to Final Landfill



Waste Flow: From Generation to Landfill (Fiscal 2020 results at Kaneka)



Safety / Quality

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

The Safety Committee, with the director in charge of process safety as the chair, which was established in the Engine of Sustainability Management, sets policies and goals related to occupational safety, process safety, and disaster prevention and checks the progress of goals. To share the importance of safety first between management and on-site staff, members of top management inspect plants to check the on-site situation and create an opportunity to talk with employees.

All Group companies in and outside Japan are subject to ESG safety and quality inspections to check the progress of activities from the standpoints of safety/hygiene, environmental conservation and quality assurance of product/commodity/work in process.

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.

Efforts to Ensure Zero Accidents

We share the importance of safety first and work toward zero occupational/process accidents. In fiscal 2020, we continued to work on the key challenges from the perspectives of ensuring the intrinsic safety of equipment and fostering a safe culture.

Ensuring the Intrinsic Safety of Equipment

We are promoting equipment measures from the perspective of multiple protection based on risk assessment (safety assessment). We are also working to solve issues for establishing a smart plant by actively adopting DX.

Fostering a Safe Culture

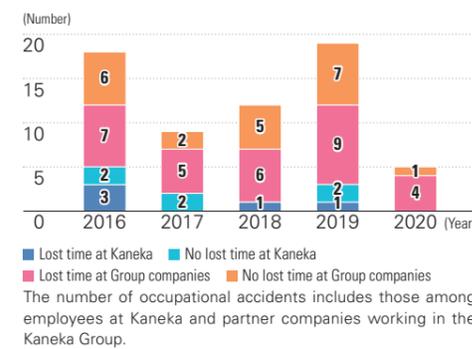
We have established the Zero Accident Principles to ensure that all employees, including members of top management, follow the rules and take actions toward fostering a safe culture.

In fiscal 2020, based on the belief that observance of rules is the basis of safety, particularly to have all employees recognize the importance of observance of rules, we checked the performance status of "greeting, 3Ss, handrail holding". We also conducted questionnaires on safety awareness/control targeting all parent manufacturing sites to raise their awareness. Based on the questionnaire results, we promote discussion at the workplace to share the issues and seek solutions, which leads to increased safety awareness of all employees and fostering of safe culture in the organization. To ensure safe and secure operations, it is also important to create a workplace environment where employees can work in good physical and mental health. Therefore, we are working on improvement of workplace environment, including measures against heat.

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%]

Accidents Resulting/Not Resulting in Lost Time



Accident Frequency Rate and Accident Severity Rate

| Year | All Kaneka Group | | Kaneka | | Group companies in Japan and Overseas | |
|-------------------------|------------------|------|--------|------|---------------------------------------|------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Accident Frequency Rate | 0.52 | 0.18 | 0.00 | 0.00 | 0.78 | 0.26 |
| Accident Severity Rate | 0.01 | 0.00 | 0.00 | 0.00 | 0.02 | 0.00 |

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.

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.

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

In 2020, the number of accidents resulting/not resulting in lost time, the accident frequency rate and the accident severity rate have all improved compared to the previous year.

We will continue our daily safety activities and accumulate steady efforts to ensure safety.

Implementation of Disaster Drills

We annually conduct comprehensive disaster drills, based on a scenario of a large-scale earthquake and a fire caused by hazardous material leakage, at all parent manufacturing sites jointly with local governments and an industrial complex so that we can promptly and effectively respond to emergency situations. We advance countermeasures against natural disasters in order of priority, including promoting the earthquake-proofing of equipment in preparation for large-scale earthquakes, and implementing risk assessment for typhoons, heavy rains and floods, which have

frequently occurred in recent years, based on hazard maps for all parent manufacturing sites and Group companies in Japan. We also learn how to initially respond to a fire and how to use a hydrant to prevent the spread of a fire through daily training to ensure that we can immediately perform self-defense fire-fighting operations. To constantly improve our disaster coping skills and strengthen anti-disaster activities, we join a hydrant operation competition held locally, ranking higher every year.

Comprehensive Disaster Drills

| Manufacturing Site | Date | Participants | Details |
|-----------------------------|-------------------|--------------|--|
| Takasago Manufacturing Site | December 17, 2020 | 2,075 | An earthquake resulting in a hazardous material leakage |
| Osaka Manufacturing Site | November 11, 2020 | 1,140 | An earthquake resulting in a fire caused by hazardous material leakage |
| Shiga Manufacturing Site | November 11, 2020 | 395 | An earthquake resulting in a fire |
| Kashima Manufacturing Site | March 18, 2021 | 70 | A hazardous material leakage |



Prevention of Machine Accidents and Hands-on Safety Experience Programs

To prevent machine accidents, such as being caught in machinery, we foster experts in comprehensive machine safety. We also utilize hands-on safety experience equipment installed at each business site to have employees experience the fear of occupational accidents and learn the mechanisms of accidents and functions of equipment. For Group companies in Japan, we provide employees with the opportunity to gain simulated experience, using in-vehicle hands-on safety experience equipment, to raise their safety awareness. We also promote the introduction of a system that enables virtual reality that strongly evokes a sense of danger.



Product Responsibility

Basic Policy

Aiming to benefit society and satisfy customers through a stable supply of safe and reliable products, Kaneka Group has set Quality Management Regulations to ensure product safety at all stages, from product design and development to delivery to customers. The Global CSV (Quality Environment) Center sets

policies and goals related to product safety and quality assurance and checks the progress of the goals. Established as its implementation bodies, the Product Safety Review Conference and Quality Management Conference oversee the quality assurance structure throughout the Kaneka Group.

Quality Management

Kaneka Group undertakes quality management activities to ensure product safety at all stages of product design and development, raw material procurement, manufacturing, and sales. In fiscal 2020, related activities included the followings:

- ▶ Self check was conducted in each division to check the operation status of quality management system in the supply chain and recognize new challenges to seek further improvement.
- ▶ We provided education for the R&B-related divisions on operation standards of product safety review and utilized checklists to raise their product safety awareness.

- ▶ We checked product inspection implementation at the plants of Group companies and found no serious compliance violations.
- ▶ We held four Quality Management conferences, inviting persons in charge of quality management in each business division, to instill the policy and instructions of the ESG Committee and the Product Safety Subcommittee, exchange views, and share information on product quality.
- ▶ We undertook a range of activities to improve the capacity of our employees, including through outside seminars and in-house lectures by external experts.

Product Safety Review Conference

Due to expanded business operations and diversified activities of the Group, we need to conduct an increasing number of reviews of our new services and products targeted at general customers. To respond in a timely and speedy manner to the supply of active pharmaceutical ingredients for Avigan® Tablet

and sales of PCR test kits for COVID-19, in fiscal 2020, the administration office of the Product Safety Review Conference and its administrative office carried out related pre-consultations (hearings) to ensure safety.

(Note) Avigan® Tablet is a registered trademark of FUJIFILM Toyama Chemical Co., Ltd.

Chemical Substance Management

We appropriately manage chemical substances at all stages of product development, manufacturing, transportation, sales, and disposal, following Japanese and international laws and regulations. For raw material procurement, we have established the Green Procurement Standards to prevent mixing of chemicals prohibited under the Chemical Substances Control Act^{*1}. When supplying our products, we actively offer information for the proper handling of our products by displaying the Globally Harmonized System of Classification and Labelling of Chemicals (GHS)^{*2} labels and providing a safety data sheet for products.

In response to partial revisions of laws and regulations such as the Food Sanitation Act and introduction of a positive list system allowing only substances for which safety has been evaluated to be used in food utensils, containers and packaging, we joined the Food Contact Materials Safety Center, which was newly established in June, 2020 in the Japan Chemical Innovation and Inspection Institute, to collect accurate information.

*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.

Audits and Inspections

We regularly undergo reviews and audits by external organizations based on established standards and criteria, such as the ISO 9001 standards. In addition, we are working to improve our product quality by checking the performance of quality-related activities through ESG safety and quality inspections and internal auditing. In fiscal 2020, related activities included the followings:

- ▶ For food-related Group companies, we started inspections by external experts to check the operation of the quality management system including the supply chain and the status of hygiene control to promote further improvement of quality management.
- ▶ For deficiencies found in audits and inspections at Group companies, we checked their improvement status through evidence to ensure improvement of the quality management system.
- ▶ We continued to clarify the strengths and weaknesses of our product quality through quantitative evaluation

and conducted an audit at all Group companies in Japan, including the production, sales, and administration divisions, through self-check using an audit checklist.

- ▶ We held a Quality Internal Audit Secretariat Division Meeting and set the completion of complaint handling as a common confirmation item and checked the status for each division.

We expanded the scope of inspection and check from manufacturing to the entire supply chain as well as from business division to the R&D division to ensure Group-wide commitment to product safety. We also continued to enhance our ability to inspect and improve product manufacturing as well as services for customers. We will optimize the quality management system with the Global CSV (Quality Environment) Center serving as a center and through the improvement of frontline execution.

Local Communities and Social Contributions

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

Basic Policy

As a good corporate citizen, Kaneka Group engages in various activities to deepen stakeholder understanding, such as disaster reconstruction support, youth development, international contributions, and environmental conservation. Thereby, we work to build

strong ties with communities and society as a highly open and transparent company. In fiscal 2020, activities were held on a small scale or cancelled, due to the COVID-19 pandemic.

Supporting Disaster Reconstruction

Establishment of the KANEKA UNITED Kizuna Foundation

In fiscal 2018, Kaneka decided to move toward ESG Management. Kaneka thinks "Wellness First." Under this management philosophy, we established the KANEKA UNITED Kizuna Foundation in September 2019 to help areas severely affected by natural disasters, such as a typhoon and an earthquake, return to normal and healthy condition as soon as possible. The Foundation is financed by the company and regular voluntary contributions from our directors and employees who agree with the purpose of the Foundation. We regularly recruit new supporters and post an annual report each year, and the provision of donations is reported on our Intranet.



Fostering Youth Development

Kaneka Manufacturing Class

We provide support to Core-Net, a certified non-profit organization that aims to foster youth development, using know-how from industry and the experience and knowledge of retired executives of companies. Core-Net is mainly involved in education support (manufacturing and science experiment classes for kindergarten, elementary, and junior high school students) and corporate support (entrepreneurship and vocational courses for senior high school and university students). Continuing from 2014, we worked together with Core-Net to annually offer Kaneka Manufacturing Classes, in which sixth graders assembled Scrollers II (a small self-powered rolling robot) kits, aiming to increase children's interest and improve understanding of manufacturing.

Every year, retired employees and newly hired employees of our company joined the class as lecturers at elementary schools near Takasago Manufacturing Site, Osaka Manufacturing Site and Shiga

Manufacturing Site. In fiscal 2020, to prevent COVID-19 infections, we did not give face-to-face instructions. Instead, we prepared supplementary instruction materials to help students at Takasago Elementary School near Takasago Manufacturing Site experience the enjoyment and the sense of achievement that can come from creating something. We will continue to offer these classes.



With Local Communities

As a globally operating company, Kaneka Group actively strives to understand of the cultures and customs of the countries and regions, and promotes social contribution and community engagement rooted in local communities. We participate in seasonal festivals, sports events, beautification/clean-up activities and environmental conservation activities around our manufacturing sites and business sites, to donate to community organizations and schools.



Sponsorship and Support for the Japan Century Symphony Orchestra

Since September 2016, we have sponsored the Japan Century Symphony Orchestra as a corporate supporter. In addition to regular concerts, the orchestra focuses on community-based activities, such as educational programs to encourage children to become more familiar with music, and outreach concerts at hospitals and special needs schools.



International Contributions

Support for United Nations WFP Activities

As a corporate partner, Kaneka has supported the school meal program of the United Nations World Food Programme (WFP) since 2013. In Africa, the largest market for our synthetic performance fibers, Kanekalon, we made donations to support the WFP's activities. They include the provision of school meals, aimed at increasing the attendance to schools and academic success, and the distribution of take-home meals in areas where the attendance rate of girls is low. In fiscal 2020, we sponsored the WFP Charity Essay Contest 2020, an event hosted by the United Nations. WFP Walk the World in Osaka 2020, which Kaneka and Kaneka Sun Spice Corporation has sponsored every year, was canceled due to the COVID-19 pandemic.



©WFP/Evelyn Fey

School Meal Donation through TFT Menu

Kaneka Takasago Manufacturing Site, Osaka Manufacturing Site, Shiga Manufacturing Site and our Group company Tochigi Kaneka Corporation, participate in the social contribution activities of TFT (TABLE FOR TWO) by donating 20 yen for every TFT lunch bought at company cafeterias to school meals for children in developing countries. In fiscal 2020, made a donated of 188,220 yen equivalent 9,411 school meals.



TFT Menu (Shiga Manufacturing Site)

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2021 and 2020

| Assets | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|------------------------------|
| | 2021 | 2020 | 2021 |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 46,360 | ¥ 37,606 | \$ 418,756 |
| Notes and accounts receivable—trade | 135,618 | 134,110 | 1,224,991 |
| Inventories | 109,685 | 117,259 | 990,749 |
| Short-term loans receivable from unconsolidated subsidiaries and affiliates | 1,667 | 1,819 | 15,062 |
| Other current assets | 17,114 | 17,366 | 154,591 |
| Allowance for doubtful accounts | (1,423) | (1,303) | (12,858) |
| Total current assets | 309,024 | 306,858 | 2,791,292 |
| Property, plant and equipment: | | | |
| Land | 31,744 | 31,304 | 286,739 |
| Buildings and structures | 219,730 | 207,065 | 1,984,742 |
| Machinery, equipment and vehicles | 614,774 | 593,774 | 5,553,019 |
| Construction in progress | 21,808 | 27,038 | 196,988 |
| Other | 6,186 | 4,750 | 55,877 |
| | 894,245 | 863,933 | 8,077,368 |
| Less accumulated depreciation | (625,081) | (600,876) | (5,646,113) |
| Property, plant and equipment, net | 269,164 | 263,056 | 2,431,254 |
| Intangible assets: | 13,829 | 13,180 | 124,918 |
| Investments and other assets: | | | |
| Investment securities: | | | |
| Unconsolidated subsidiaries and affiliates | 3,523 | 3,422 | 31,830 |
| Other | 54,526 | 45,258 | 492,516 |
| Long-term loans receivable | 761 | 1,005 | 6,876 |
| Deferred tax assets | 6,206 | 10,035 | 56,057 |
| Other | 10,623 | 10,684 | 95,954 |
| Allowance for doubtful accounts | (229) | (241) | (2,074) |
| Total investments and other assets | 75,411 | 70,166 | 681,160 |
| | ¥ 667,429 | ¥ 653,262 | \$ 6,028,626 |

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, 2021, which was ¥110.71 to U.S. \$1.00.

| Liabilities and net assets | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|------------------------------|
| | 2021 | 2020 | 2021 |
| Current liabilities: | | | |
| Short-term loans payable | ¥ 74,832 | ¥ 76,760 | \$ 675,928 |
| Current portion of long-term loans payable | 9,349 | 12,074 | 84,449 |
| Notes and accounts payable: | | | |
| Trade | 75,757 | 73,509 | 684,291 |
| Construction | 8,706 | 12,222 | 78,645 |
| Other | 18,801 | 16,824 | 169,823 |
| Income taxes payable | 4,376 | 2,408 | 39,534 |
| Accrued expenses | 14,410 | 13,489 | 130,166 |
| Other current liabilities | 6,068 | 4,310 | 54,811 |
| Total current liabilities | 212,303 | 211,599 | 1,917,651 |
| Noncurrent liabilities: | | | |
| Bonds payable | 10,000 | 10,000 | 90,326 |
| Long-term loans payable | 25,161 | 33,293 | 227,273 |
| Net defined benefit liability | 32,073 | 38,308 | 289,705 |
| Provision for directors' retirement benefits | 314 | 317 | 2,842 |
| Deferred tax liabilities | 1,647 | 1,576 | 14,877 |
| Other non-current liabilities | 4,889 | 4,071 | 44,163 |
| Total non-current liabilities | 74,085 | 87,568 | 669,188 |
| Contingent liabilities | | | |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Capital stock | | | |
| Authorized — 150,000,000 shares | | | |
| Issued — 68,000,000 shares | 33,046 | 33,046 | 298,498 |
| Capital surplus | 31,103 | 30,962 | 280,944 |
| Retained earnings | 289,544 | 280,265 | 2,615,338 |
| Less treasury stock, at cost—2,762,766 shares in 2021 | | | |
| 2,774,049 shares in 2020 | (11,535) | (11,583) | (104,191) |
| Total shareholders' equity | 342,159 | 332,691 | 3,090,590 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | 20,863 | 14,246 | 188,448 |
| Deferred gains or losses on hedges | (9) | (103) | (88) |
| Foreign currency translation adjustments | (3,753) | (7,395) | (33,907) |
| Remeasurements of defined benefit plans | (2,160) | (7,956) | (19,511) |
| Total accumulated other comprehensive income | 14,939 | (1,208) | 134,942 |
| Subscription rights to shares | 516 | 482 | 4,667 |
| Non-controlling interests | 23,424 | 22,128 | 211,587 |
| Total net assets | 381,040 | 354,094 | 3,441,787 |
| | ¥ 667,429 | ¥ 653,262 | \$ 6,028,626 |

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, 2021, which was ¥110.71 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-----------|-----------|------------------------------|
| | 2021 | 2020 | 2019 | 2021 |
| Net sales | ¥ 577,426 | ¥ 601,514 | ¥ 621,043 | \$ 5,215,669 |
| Cost of sales | 410,486 | 432,374 | 446,254 | 3,707,760 |
| Gross profit | 166,940 | 169,139 | 174,789 | 1,507,909 |
| Selling, general and administrative expenses | 139,395 | 143,124 | 138,747 | 1,259,107 |
| Operating income | 27,544 | 26,014 | 36,041 | 248,802 |
| Other income (expenses): | | | | |
| Interest and dividend income | 1,445 | 1,684 | 1,920 | 13,054 |
| Interest expenses | (1,259) | (1,714) | (2,014) | (11,374) |
| Gain on sales of investment securities | 796 | 627 | 1,515 | 7,194 |
| Gain on sales of property, plant and equipment | — | 315 | 427 | — |
| Income from compensation for damage | 1,624 | — | — | 14,672 |
| Loss on disposal of property, plant and equipment | (2,402) | (1,916) | (2,521) | (21,697) |
| Foreign exchange gains (losses), net | 250 | (968) | (333) | 2,258 |
| Equity in earnings of affiliates, net | 109 | 150 | 29 | 992 |
| Litigation expenses | (289) | (996) | (1,683) | (2,616) |
| Restructuring charges | — | — | (1,851) | — |
| Impairment losses | (897) | — | — | (8,106) |
| Loss on disaster | (1,099) | — | — | (9,927) |
| Gain on step acquisitions | — | — | 443 | — |
| Settlement received | — | — | 1,051 | — |
| Gain on contribution of securities to retirement benefit trust | — | 378 | 1,608 | — |
| Other, net | (3,621) | (3,777) | (2,725) | (32,713) |
| Income before income taxes and non-controlling interests | 22,201 | 19,797 | 31,909 | 200,538 |
| Income taxes | | | | |
| Current | 6,372 | 4,809 | 7,893 | 57,556 |
| Deferred | (1,354) | (490) | 40 | (12,237) |
| Net income | 17,184 | 15,479 | 23,975 | 155,219 |
| Net income attributable to non-controlling interests | 1,353 | 1,475 | 1,736 | 12,224 |
| Net income attributable to owners of parent | ¥ 15,831 | ¥ 14,003 | ¥ 22,238 | \$ 142,995 |

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, 2021, which was ¥110.71 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|----------|----------|------------------------------|
| | 2021 | 2020 | 2019 | 2021 |
| Net income | ¥ 17,184 | ¥ 15,479 | ¥ 23,975 | \$ 155,219 |
| Other comprehensive income: | | | | |
| Valuation difference on available-for-sale securities | 6,746 | (5,437) | (5,164) | 60,936 |
| Deferred gains or losses on hedges | 93 | 7 | (1) | 843 |
| Foreign currency translation adjustments | 3,924 | (3,668) | (1,178) | 35,444 |
| Remeasurements of defined benefit plans | 5,825 | (2,280) | 1,800 | 52,621 |
| Share of other comprehensive income of associates accounted for using equity method | 10 | (0) | (5) | 98 |
| Total other comprehensive income | 16,600 | (11,379) | (4,549) | 149,944 |
| Comprehensive income | ¥ 33,784 | ¥ 4,099 | ¥ 19,425 | \$ 305,163 |
| Comprehensive income attributable to: | | | | |
| Comprehensive income attributable to owners of parent | ¥ 31,978 | ¥ 2,976 | ¥ 17,996 | \$ 288,850 |
| Comprehensive income attributable to non-controlling interests | 1,806 | 1,123 | 1,429 | 16,313 |

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, 2021, which was ¥110.71 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|------------------------------|
| | 2021 | 2020 | 2019 | 2021 |
| Shareholders' equity | | | | |
| Capital stock | | | | |
| Balance at beginning of year | ¥ 33,046 | ¥ 33,046 | ¥ 33,046 | \$ 298,498 |
| 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 | 298,498 |
| Capital surplus | | | | |
| Balance at beginning of year | 30,962 | 32,784 | 32,799 | 279,669 |
| Changes of items during the period | | | | |
| Change in treasury shares of parent arising from transactions with non-controlling interests | 141 | (1,821) | (14) | 1,275 |
| Total changes of items during the period | 141 | (1,821) | (14) | 1,275 |
| Balance at the end of current period | 31,103 | 30,962 | 32,784 | 280,944 |
| Retained earnings | | | | |
| Balance at beginning of year | 280,265 | 272,944 | 264,963 | 2,531,529 |
| Changes of items during the period | | | | |
| Dividends from surplus—¥100.00 per share | (6,523) | (6,848) | (5,906) | (58,921) |
| Change of scope of consolidation | (21) | 167 | — | (195) |
| Net income attributable to owners of parent | 15,831 | 14,003 | 22,238 | 142,995 |
| Disposal of treasury stock | (7) | (1) | (0) | (69) |
| Cancellation of treasury stock | — | — | (8,351) | — |
| Total changes of items during the period | 9,278 | 7,321 | 7,980 | 83,808 |
| Balance at the end of current period | 289,544 | 280,265 | 272,944 | 2,615,338 |
| Treasury stock | | | | |
| Balance at beginning of year | (11,583) | (11,601) | (18,683) | (104,627) |
| Changes of items during the period | | | | |
| Purchase of treasury stock | (3) | (4) | (1,767) | (35) |
| Disposal of treasury stock | 52 | 23 | 498 | 470 |
| Cancellation of treasury stock | — | — | 8,351 | — |
| Total changes of items during the period | 48 | 18 | 7,081 | 435 |
| Balance at the end of current period | (11,535) | (11,583) | (11,601) | (104,191) |
| Accumulated other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | | | | |
| Balance at beginning of year | 14,246 | 19,642 | 24,730 | 128,686 |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 6,616 | (5,395) | (5,087) | 59,762 |
| Total changes of items during the period | 6,616 | (5,395) | (5,087) | 59,762 |
| Balance at the end of current period | 20,863 | 14,246 | 19,642 | 188,448 |
| Deferred gains or losses on hedges | | | | |
| Balance at beginning of year | (103) | (110) | (108) | (931) |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 93 | 7 | (1) | 843 |
| Total changes of items during the period | 93 | 7 | (1) | 843 |
| Balance at the end of current period | (9) | (103) | (110) | (88) |

Continued on the following page.

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|-----------|-----------|---------------------------|
| | 2021 | 2020 | 2019 | 2021 |
| Foreign currency translation adjustments | | | | |
| Balance at beginning of year | ¥ (7,395) | ¥ (4,008) | ¥ (3,035) | \$ (66,799) |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 3,641 | (3,387) | (972) | 32,892 |
| Total changes of items during the period | 3,641 | (3,387) | (972) | 32,892 |
| Balance at the end of current period | (3,753) | (7,395) | (4,008) | (33,907) |
| Remeasurements of defined benefit plans | | | | |
| Balance at beginning of year | (7,956) | (5,705) | (7,526) | (71,867) |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 5,796 | (2,250) | 1,820 | 52,356 |
| Total changes of items during the period | 5,796 | (2,250) | 1,820 | 52,356 |
| Balance at the end of current period | (2,160) | (7,956) | (5,705) | (19,511) |
| Subscription rights to shares | | | | |
| Balance at beginning of year | 482 | 431 | 300 | 4,359 |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 34 | 50 | 131 | 307 |
| Total changes of items during the period | 34 | 50 | 131 | 307 |
| Balance at the end of current period | 516 | 482 | 431 | 4,667 |
| Non-controlling interests | | | | |
| Balance at beginning of year | 22,128 | 23,302 | 20,112 | 199,881 |
| Changes of items during the period | | | | |
| Net changes of items other than shareholders' equity | 1,295 | (1,173) | 3,190 | 11,705 |
| Total changes of items during the period | 1,295 | (1,173) | 3,190 | 11,705 |
| Balance at the end of current period | 23,424 | 22,128 | 23,302 | 211,587 |
| Total net assets | | | | |
| Balance at beginning of year | 354,094 | 360,726 | 346,599 | 3,198,399 |
| Changes of items during the period | | | | |
| Dividends from surplus—¥100.00 per share | (6,523) | (6,848) | (5,906) | (58,921) |
| Change of scope of consolidation | (21) | 167 | — | (195) |
| Net income attributable to owners of parent | 15,831 | 14,003 | 22,238 | 142,995 |
| Purchase of treasury stock | (3) | (4) | (1,767) | (35) |
| Disposal of treasury stock | 44 | 21 | 498 | 400 |
| Cancellation of treasury stock | — | — | — | — |
| Change in treasury shares of parent arising from transactions with non-controlling interests | 141 | (1,821) | (14) | 1,275 |
| Net changes of items other than shareholders' equity | 17,477 | (12,149) | (920) | 157,868 |
| Total changes of items during the period | 26,945 | (6,631) | 14,127 | 243,388 |
| Balance at the end of current period | ¥ 381,040 | ¥ 354,094 | ¥ 360,726 | \$ 3,441,787 |

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, 2021, which was ¥110.71 to U.S. \$1.00.

CONSOLIDATED STATEMENTS OF CASH FLOWS

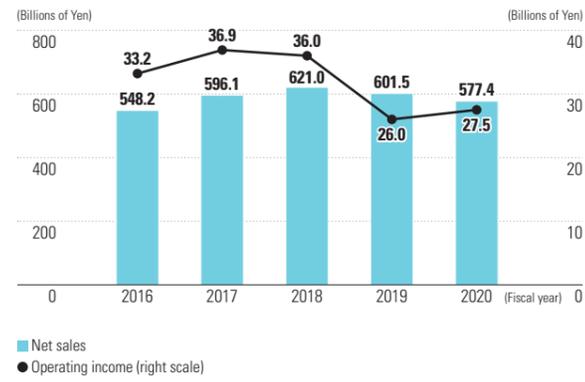
KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2021, 2020 and 2019

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-----------------|-----------------|---------------------------|
| | 2021 | 2020 | 2019 | 2021 |
| Cash flows from operating activities | | | | |
| Income before income taxes and non-controlling interests | ¥ 22,201 | ¥ 19,797 | ¥ 31,909 | \$ 200,538 |
| Depreciation and amortization | 36,262 | 34,340 | 32,150 | 327,544 |
| Impairment losses | 897 | — | — | 8,106 |
| Gain on step acquisitions | — | — | (443) | — |
| Restructuring charges | — | — | 1,851 | — |
| Settlement received | — | — | (1,051) | — |
| Gain on contribution of securities to retirement benefit trust | — | (378) | (1,608) | — |
| Income from compensation for damage | (1,624) | — | — | (14,672) |
| Increase (decrease) in net defined benefit liability | 2,034 | 896 | 2,244 | 18,375 |
| Increase (decrease) in allowance for doubtful accounts | 59 | 67 | (11) | 534 |
| Interest and dividend income | (1,445) | (1,684) | (1,920) | (13,054) |
| Interest expenses | 1,259 | 1,714 | 2,014 | 11,374 |
| Loss (gain) on disposal of property, plant and equipment | 765 | 53 | 445 | 6,916 |
| Gain on sales of investment securities | (796) | (627) | (1,515) | (7,194) |
| Equity in earnings of affiliates, net | (109) | (150) | (29) | (992) |
| Decrease (increase) in notes and accounts receivable-trade | (246) | 13,197 | (5,329) | (2,227) |
| Decrease (increase) in inventories | 8,838 | (5,572) | (9,868) | 79,837 |
| Increase (decrease) in notes and accounts payable-trade | 1,392 | (11,120) | (141) | 12,582 |
| Others | 6,221 | (4,083) | 139 | 56,193 |
| Subtotal | 75,710 | 46,450 | 48,833 | 683,861 |
| Interest and dividend income received | 1,533 | 1,787 | 1,997 | 13,847 |
| Interest expenses paid | (1,325) | (1,721) | (2,009) | (11,972) |
| Proceeds from compensation for damage | 1,624 | — | — | 14,672 |
| Settlement package received | — | — | 1,051 | — |
| Income taxes paid | (3,502) | (6,531) | (8,760) | (31,634) |
| Net cash provided by operating activities | 74,040 | 39,983 | 41,113 | 668,774 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (39,431) | (42,977) | (43,987) | (356,170) |
| Proceeds from sales of property, plant and equipment | — | 725 | 1,705 | — |
| Purchase of intangible assets | (2,965) | (3,297) | (1,809) | (26,783) |
| Purchase of investment securities | (74) | (175) | (1,607) | (670) |
| Proceeds from sales and distributions of investment securities | 57 | 867 | 1,635 | 518 |
| Proceeds from redemption of investment securities | 104 | 4,000 | — | 947 |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | — | 37 | 227 | — |
| Purchase of stocks of subsidiaries and affiliates | — | — | (1,878) | — |
| Payments of loans receivable | (874) | (1,238) | (1,220) | (7,894) |
| Collection of loans receivable | 1,145 | 872 | 1,162 | 10,345 |
| Others | (1,191) | (620) | (1,454) | (10,762) |
| Net cash used in investing activities | (43,229) | (41,807) | (47,229) | (390,471) |
| Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term loans payable | (3,515) | 14,121 | 13,648 | (31,756) |
| Proceeds from long-term loans payable | 776 | 1,362 | 3,810 | 7,009 |
| Repayment of long-term loans payable | (11,712) | (4,366) | (10,880) | (105,796) |
| Proceeds from issuance of bonds | — | 10,000 | — | — |
| Redemption of bonds | — | (10,000) | — | — |
| Repayments of lease obligations | (501) | (244) | (127) | (4,532) |
| Proceeds from share issuance to non-controlling shareholders | — | 390 | 245 | — |
| Cash dividends paid | (6,523) | (6,848) | (5,906) | (58,921) |
| Cash dividends paid to non-controlling interests | (260) | (314) | (351) | (2,350) |
| Purchase of treasury stock | (3) | (4) | (1,767) | (35) |
| Proceeds from sales of treasury stock | 0 | 0 | 395 | 2 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (162) | (4,574) | (21) | (1,467) |
| Net cash used in financing activities | (21,903) | (479) | (954) | (197,848) |
| Effect of exchange rate change on cash and cash equivalents | (198) | (201) | (373) | (1,789) |
| Net increase (decrease) in cash and cash equivalents | 8,708 | (2,505) | (7,443) | 78,664 |
| Cash and cash equivalents at beginning of period | 37,606 | 39,970 | 47,413 | 339,682 |
| Increase in cash and cash equivalents resulting from change of scope of consolidation | 45 | 141 | — | 408 |
| Cash and cash equivalents at end of period | ¥ 46,360 | ¥ 37,606 | ¥ 39,970 | \$ 418,756 |

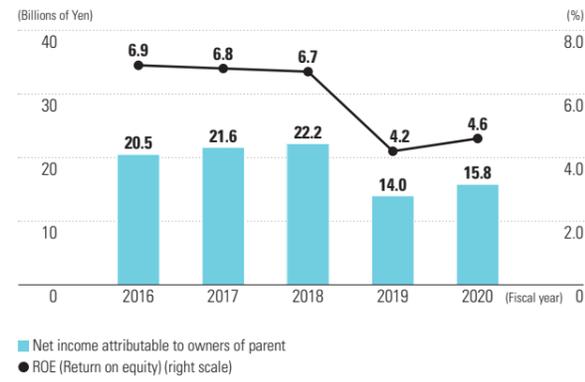
The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2021, which was ¥110.71 to U.S. \$1.00.

Financial Highlights

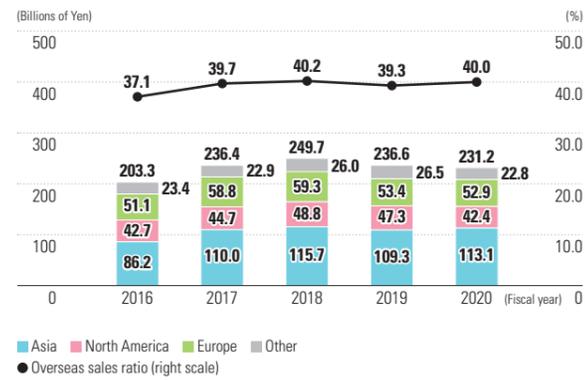
Net Sales / Operating Income



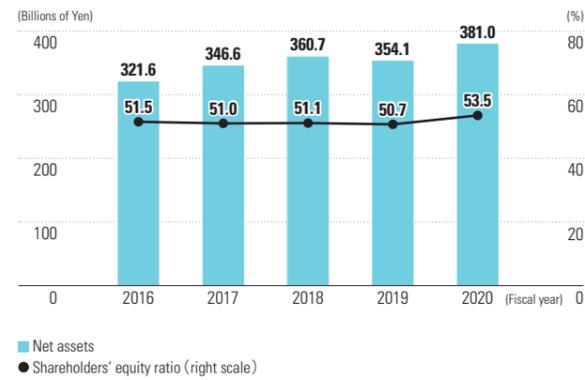
Net Income Attributable to Owners of Parent / ROE



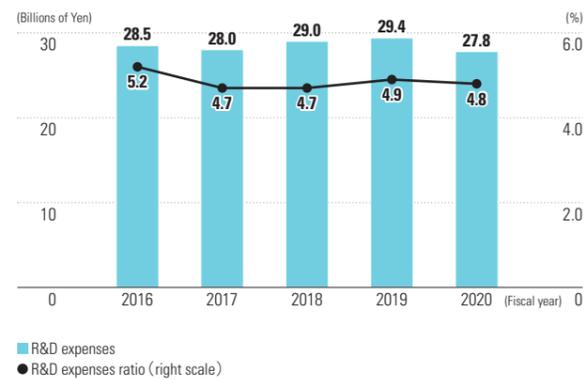
Overseas Sales / Overseas Sales Ratio



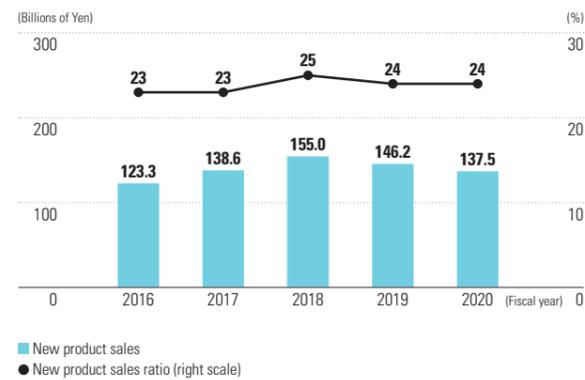
Net Assets / Shareholders' Equity Ratio



R&D Expenses / R&D Expenses Ratio

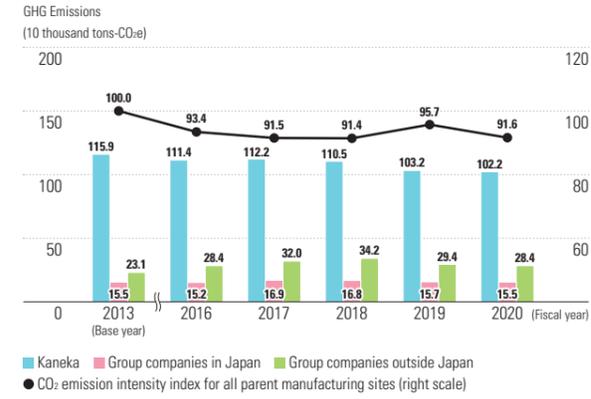


New Product Sales / New Product Sales Ratio

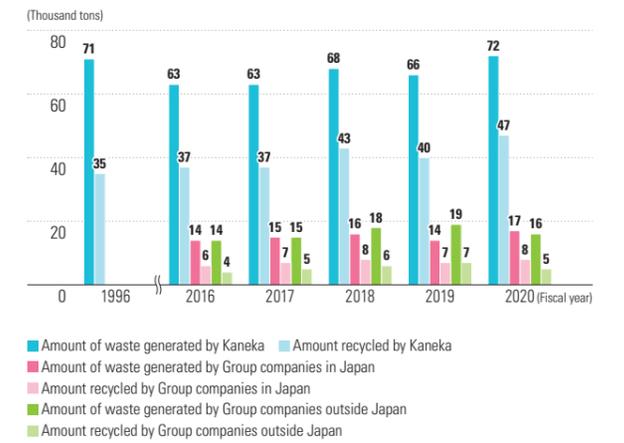


Nonfinancial Highlights

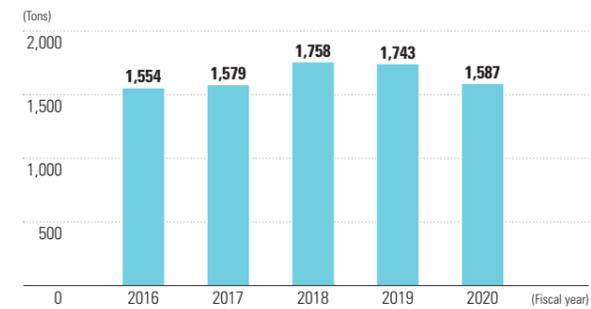
GHG Emissions and Energy Origin CO₂ Emission Intensity Index



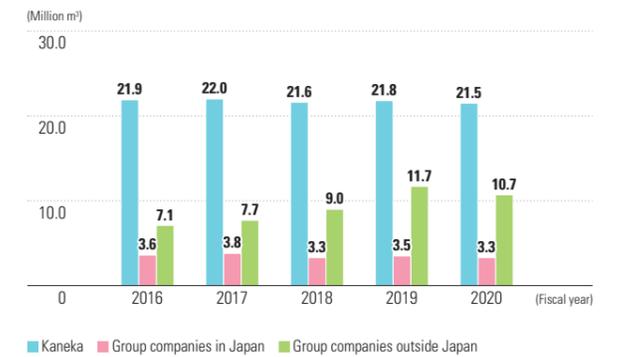
Waste Generated and Recycled



Volatile Organic Compounds Emissions



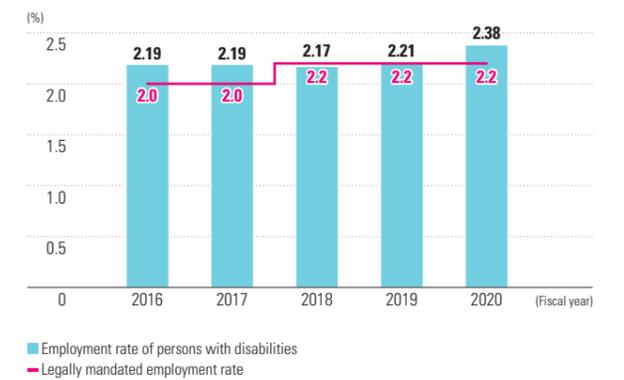
Water Consumption



Number of Female Executives and Assistant Managers



Employment Rate of Persons with Disabilities



Corporate Profile

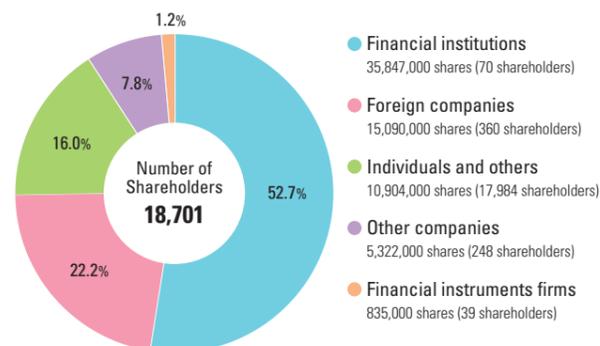
Corporate Profile (As of March 31, 2021)

| | | | |
|------------------------------|--|-----------------------------|---|
| 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 | <p>Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121</p> <p>Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037</p> | Research Institutes | <p>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 BDP Technology Laboratories</p> <p>* BDP Technology Laboratories was renamed as Green Planet Technology Laboratories as of April 1, 2021.</p> |
| Date of Establishment | September 1, 1949 | Affiliated Companies | 111 Subsidiaries (Including 43 (in Japan) and 46 (outside Japan) consolidated subsidiaries) |
| Paid-in Capital | 33,046 million yen | | |
| Net Sales | 577.426 billion yen (Including consolidated subsidiaries) | | |
| Number of Employees | 11,272 (Including consolidated subsidiaries) 3,551 (Non-consolidated) | | |

Investor Information (As of March 31, 2021)

| | |
|-------------------------------|---|
| Common Stock Traded | Tokyo, Nagoya |
| Transfer Agent | Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch 3-6-3, Fushimimachi, Chuo-ku, Osaka 541-8502, Japan |
| Accounting Auditor | KPMG AZSA LLC Ginsen Bingomachi Bldg., 3-6-5, Kawaramachi, Chuo-ku, Osaka 541-0048, Japan |
| Authorized Capital | 150,000,000 shares |
| Issued Shares | 68,000,000 shares |
| Number of Shareholders | 18,701 |

Shareholder Composition



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

Common Stock Price Range (Tokyo Stock Exchange; Yen)

| Years ended March 31 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------|-------|-------|-------|-------|-------|
| High | 1,061 | 1,114 | 5,620 | 4,535 | 5,000 |
| Low | 643 | 815 | 3,640 | 2,112 | 2,406 |

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

Global Network

EUROPE / AFRICA

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



Kaneka Europe Holding N.V.
Kaneka Belgium N.V.
Kaneka Medical Europe N.V.

- Overseas subsidiaries and offices
- Overseas R&D facilities



ASIA / OCEANIA

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



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

THE AMERICAS

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



Kaneka Americas Holding, Inc.
Kaneka North America LLC