

August 26, 2019

KANEKA CORPORATION

Kaneka issues the first green bond by a chemical company in Japan

As their 7th unsecured straight bond, Kaneka Corporation (Headquarters: Tokyo, President: Mamoru Kadokura) will issue a green bond (environmental bond) with the purpose of procuring funds for the manufacture, research and development of Kaneka Biodegradable Polymer PHBH (referred to below as PHBH). 5 billion yen has been raised and the issuance is scheduled to occur on September 2019 with a term of five years. A green bond is an ESG bond and fund usage is limited to projects that contribute to solving environmental problems. It is the first such industrial bond issued by a Japanese chemical company.

PHBH is a polymer developed by Kaneka that is 100% plant-based and has superior biodegradability within a wide range of environments. In particular, its biodegradability within seawater makes it unique. In recent years, marine pollution from microplastics has become a global problem due to its effects on ecosystems, however PHBH has earned the “OK Biodegradable MARINE*1” certification for biodegradability within seawater and is therefore expected to contribute considerably to the reduction of marine pollution.

In Europe, various regulations aimed at cutting back on disposable plastic items have been reinforced and sales of PHBH have been increasing through its growing adoption in fruit and vegetable packaging and in compost*2 bags. Also, in Japan, major clients such as convenience stores and cosmetics manufacturers have been increasingly adopting PHBH in a wide array of use cases, including for straws, shopping bags, and packaging material. In sight of further demand in the future, it has been decided to strengthen the current annual production capacity of PHBH (at Takasago Manufacturing Site) from 1,000t to 5,000t, with this increase scheduled to go into operation from December 2019.

Kaneka’s corporate philosophy is to “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 challenging the environmental issues of our planet and contribute to upgrading the quality of life”. Through helping to solve social issues and growing as a company, Kaneka aims to create new value and contribute to the advancement of society. In 2018 they established the ESG Charter in order to work on evolving into an ESG business, and since then have worked on protecting the environment in each stage of the product lifecycle and have been aiming for the sustained development of society and the realization of a more qualitative society through preserving resources and lessening the burden on the environment. Also, as a solutions provider for the three crisis areas of “energy and environment”, “nutrition”, and “health”, Kaneka continues to provide value around the globe based on their mission “Kaneka

thinks Wellness First”.





Outline of the green bond

- Name: Unsecured Straight Bond No. 7 of Kaneka Corporation
- Issuer: Kaneka Corporation
- Issue amount: 5 billion yen (scheduled)
- Issuance term: 5 years (scheduled)
- Issue date: September 2019 (scheduled)
- Lead managers: Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- Green bond structuring agent: Nomura Securities Co., Ltd.
- Usage of funds: Construction and research and development costs for the manufacturing of Kaneka Biodegradable Polymer PHBH
- Eligibility as a green bond:

For the issuance of the green bond, Kaneka has established the Green Bond Framework that conforms to the “Green Bond Principles 2018” of the International Capital Market Association (ICMA) and the “Green Bond Guidelines 2017 Edition” of Japan’s Ministry of the Environment. In order to obtain the eligibility and transparency of this green bond and raise its appeal for investors, as a third party evaluation Kaneka have obtained a second opinion from Rating and Investment Information, Inc. (referred to below as R&I) of how this framework conforms to the Green Bond Principles 2018 and the Green Bond Guidelines 2017 Edition. They also obtained the top level evaluation in the green bond assessment by R&I, the GA1 preliminary evaluation.

Link: https://www.r-i.co.jp/en/rating/products/green_bond/assessment.html

Furthermore, the relevant business segments of the green bond principles and the relevant development objectives of the SDGs are shown in the below table.

Green bond principles Green project categories	SDGs Development objectives
<ul style="list-style-type: none"> • Pollution Prevention and Control • Eco-Efficient and/or Circular Economy Adopted Products, Production Technologies and Processes 	   

- *1. The “OK Biodegradable MARINE” certificate was issued in September 2017 by Vincotte, an international certifying body headquartered in Belgium. TÜV AUSTRIA Belgium NV took over the certification work from Vincotte in December 2017.
- *2. A processing method to decompose organic matter like garbage by the work of microorganisms into compost, or compost thereof.