

Carbon Neutral (CN) Strategy

Creating Manufacturing Sites That Embody Sustainability to Promote Global Health



Disclosure of Information in Line with TCFD Recommendations

In March 2021, Kaneka announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

The Global CSV (Quality Environment) Center at the Corporate Manufacturing Integrity Center manages the risks and opportunities related to climate change.

We collaborate with business, production, and research divisions to address climate change risks and formulate prevention strategies. Proposals are reviewed by the Engine of Sustainability Management, led by the Executive Vice President from the Global CSV (Quality Environment) Center. We work closely with all departments to implement solutions. In particular, the DX & Carbon Neutral Committee, part of the Engine of Sustainability

Management, leads our manufacturing strategy for carbon neutrality. This committee collaborates with business divisions, staff departments, manufacturing sites, research centers, and group companies. Together, they integrate digital transformation (DX) with carbon neutrality efforts in manufacturing. The activities of the DX & Carbon Neutral Committee are reported to the Engine of Sustainability Management. Future action plans are then reviewed and decided, and these are incorporated into business plans and other strategies. Matters of importance are reported to the Board of Directors.

Strategy

We have summarized the most significant climate change risks and opportunities for the Company in the table on the right.

In FY2023, we analyzed the expansion of solar power, the increased use of biomass plastics, and the rising demand for effective waste utilization as

significant business opportunities. We conducted this analysis under both the 1.5°C and 4°C scenarios and shared the findings with relevant business divisions. We have integrated the main strategies into our business plan, and will continue to advance these efforts.

Risk Management

The Global CSV (Quality Environment) Center leads scenario analysis on climate change risks and opportunities. We share the strategies with business divisions and integrate them into our business

plans. Production-related measures are proposed and reviewed by the DX & Carbon Neutral Committee and the Production DX & Carbon Neutral Project Committee.

Metrics and Targets

Kaneka Group aims to achieve carbon neutrality by 2050. As a milestone, we have set a target to reduce GHG emissions by 30% by 2030, compared to FY2013. In FY2024, Kaneka Group's total Scope 1 and 2 GHG emissions amounted to 1,527 thousand tons-CO₂e, which is 98.8% of the levels recorded in

FY2013. Kaneka's standalone Scope 3 emissions amounted to 3,114 thousand tons-CO₂e. We are gradually expanding the scope of Scope 3 emissions calculations for our group companies. We plan to consider a strategy for reducing Scope 3 emissions in the future.

Major Climate Change Risks and Opportunities: Business Impact and Countermeasures

Type	Changes in society	The impact of climate-related risks and opportunities on the organization's business, strategy, and financial plans (● Risks/● Opportunities)	Countermeasures (◎ indicates priority areas)
Regulatory/ Legal	Strengthening of GHG emissions regulations	● Depreciation and amortization costs arising from GHG emissions reduction	• Introduction of Internal Carbon Pricing (ICP) system
Regulatory/ Legal	Increased operational costs due to introduction of carbon tax (incl. supply chain)	● Increase in operating costs due to the introduction of carbon tax	◎ Early fuel conversion of private power generator facilities • Continuous energy saving in existing manufacturing processes • Process innovation • Use of renewable energy and low CO ₂ emission factor electricity • Introduction of ICP system
Technological	Acceleration of the circular economy	● Increase in procurement costs due to taxes on the production of petrochemical-derived packaging plastics	◎ Mass production of Kaneka biodegradable polymer Green Planet™ ◎ Promoting research and development to produce the Kaneka biodegradable polymer Green Planet™ from carbon dioxide and hydrogen • Expanding the use of recycled materials
Market	Increased demand for biomass-based resins and decreased demand for fossil-based plastics	● Growing demand for products that contribute to the realization of a circular society, such as biodegradable plastics and low-carbon and decarbonization-related products	
Technological	Low-carbon trends affecting raw material and energy sources	● Fluctuations in fuel costs due to price changes in crude oil, etc.	◎ Early fuel conversion of private power generator facilities • Continuous energy saving in existing manufacturing processes • Use of renewable energy and low CO ₂ emission factor electricity
		● Increase in purchase and sales fares due to the introduction of decarbonization technology in transport vehicles and the transfer of credit purchase costs	• Reviewing procurement policies • Strengthening supply chain management initiatives
Market	Increased demand for renewable energy, energy networks, and energy-saving-related products	● Growing demand for materials for ZEB and ZEH	◎ Enhancement and expansion of products related to solar power generation • Expansion of self-delivery and microgrids • Enhancing and expanding insulating material for residential buildings (Kanelite Foam™) • Developing storage batteries
Acute	Impact of extreme weather events on our manufacturing sites and supply chain	● Events caused by flooding due to heavy rainfall or water shortages. Such events could include production stoppages at our factories, supply chain disruptions, etc., leading to lost sales opportunities and increased building damage	• Assessing water risks at Kaneka Group sites • Periodically reviewing BCPs
	Increased demand for building materials in preparation for disasters caused by extreme weather events	● Higher sales of building materials products that curb damage caused by weather disasters	• Development of embankment foam (Kanepearl™, Kanelite Foam™)