



(Stock Code: 4118)

To Our Shareholders

**Report for the
97th Business Period**

From April 1, 2020 to March 31, 2021

KANEKA CORPORATION

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 fulfil people’s dreams by offering a wide variety of solutions.

To our valued Shareholders.

Thank you for your continued support and interest in the Kaneka Group. I am pleased to report on the Kaneka Group's business activities for the 97th business period, from April 1, 2020 to March 31, 2021.

Looking at the overall performance for the Group, net sales were ¥577,426 million, down 4.0% year on year, operating income was ¥27,544 million, up 5.9% year on year, and net income attributable to owners of parent was ¥15,831 million, up 13.1% year on year.

The Company has decided to pay an annual dividend of ¥100 per share, taking overall account of its performance trend, dividend payout ratio, and other factors. As we have already paid an interim dividend of ¥50 per share, the year-end dividend will therefore be ¥50 per share.



President

A handwritten signature in black ink, appearing to read 'Minoru Tanaka'. The signature is fluid and cursive, written over a white background.

Minoru Tanaka

Social systems are undergoing a paradigm shift of unimaginable speed and scale. “Chemistry” is the power to transform. Taking the COVID-19 pandemic as an opportunity for a great leap forward, we will strive to realize the limitless potential of transforming pain into gain.

The Kaneka Group will continue to expand the possibilities of chemistry, and seek to fulfill people's dreams by offering a wide variety of solutions. As we continue working to create competitive business structures and a more attractive company, the Kaneka Group will meet the expectations of all stakeholders and transform into a highly acclaimed company.

In closing, I would like to ask for your continued support as we move forward.

June 2021

1. Business Developments and Results

➤ The COVID-19 Pandemic Crisis

There is still no sign of an end to the COVID-19 pandemic.

It is painful and heartbreaking to reflect on the numerous lives that have been lost. (Let us offer a moment of silence.) More than one year has passed since COVID-19 was declared a pandemic. All around the world, people continue to mobilize all of their resources to fight the pandemic.

It is as if the political, economic and social systems built up by humankind have become dysfunctional on a global scale and are having a seizure.

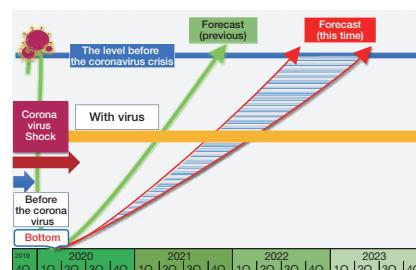
➤ The Status of the Global Economy and Japan

In 2020, the global economy is estimated to have contracted by 3.3 percent. It was heavily impacted by the coronavirus.

In 2021, the U.S. economy is expected to see GDP exceed the level before the COVID-19 crisis. However, many developed countries are not expected to recover to the pre-COVID-19 level until 2022 at the earliest.

Similarly, in emerging markets and developing countries, China's GDP had already returned to the pre-pandemic level in 2020. Meanwhile, many other countries are unlikely to return to the pre-COVID-19 level for some time, even in 2023.

The Japanese economy experienced negative growth of 4.8 percent in 2020. In Japan, business conditions have not recovered to the pre-pandemic level. The negative economic impact of a resurgence of COVID-19 cases has become a cause for concern.



A major cold wave in the U.S. has affected global supply chains. In addition, the overall outlook is expected to remain uncertain and unsteady for some time.

➤ Kaneka Group's Business Performance

Under these conditions, the Kaneka Group's business performance for the fiscal year under review (April 1, 2020 to March 31, 2021) was as follows. Consolidated net sales amounted to ¥577,426 million (down 4.0% year on year) and operating income was ¥27,544 million (up 5.9% year on year). Ordinary income was ¥22,066 million (up 9.4% year on year). Net income attributable to owners of parent was ¥15,831 million (up 13.1% year on year).

Business performance for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1Q	2Q	3Q	4Q	Total	Full year	3Q · 4Q	
Net sales	126,644	140,069	154,769	155,942	577,426	(24,087) (4.0%)	9,053 3.0%	43,997 16.5%
Operating income	2,029	5,005	10,253	10,256	27,544	1,530 5.9%	7,312 55.4%	13,475 191.6%
Ordinary income	823	3,194	8,614	9,434	22,066	1,900 9.4%	7,558 72.0%	14,031 349.2%
Net income attributable to owners of parent	437	2,039	7,183	6,171	15,831	1,827 13.1%	5,397 67.8%	10,877 439.2%

The Kaneka Group's business results are summarized for each segment and quarter as follows:

Net sales by segment for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1Q	2Q	3Q	4Q	Total	Full year	3Q · 4Q	
Material SU	48,894	55,587	60,240	65,787	230,509	(11,286) (4.7%)	4,646 3.8%	21,545 20.6%
Quality of Life SU	29,738	33,924	39,159	38,153	140,976	(13,860) (9.0%)	1,387 1.8%	13,649 21.4%
Health Care SU	11,698	12,756	14,068	13,899	52,422	6,070 13.1%	3,573 14.6%	3,513 14.4%
Nutrition SU	35,938	37,560	41,062	37,806	152,368	(5,063) (3.2%)	(552) (0.7%)	5,370 7.3%
Others	373	241	238	296	1,149	52 4.8%	(1) (0.2%)	(81) (13.2%)
Total	126,644	140,069	154,769	155,942	577,426	(24,087) (4.0%)	9,053 3.0%	43,997 16.5%

Operating income by segment for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021) (Millions of yen)

	FY2020					Difference (year-on-year)		FY2020 3Q · 4Q VS. 1Q · 2Q
	1Q	2Q	3Q	4Q	Total	Full year	3Q · 4Q	
Material SU	2,855	4,518	6,465	9,433	23,272	2,646 12.8%	5,475 52.5%	8,524 115.6%
Quality of Life SU	1,236	2,692	4,439	2,281	10,650	(3,539) (24.9%)	114 1.7%	2,790 71.0%
Health Care SU	2,298	2,672	3,213	3,252	11,436	2,519 28.2%	1,598 32.8%	1,495 30.1%
Nutrition SU	827	605	1,882	1,564	4,879	(768) (13.6%)	160 4.9%	2,014 140.7%
Others	248	92	98	158	598	50 9.2%	(3) (1.5%)	(84) (24.8%)
Adjustment	(5,436)	(5,576)	(5,844)	(6,433)	(23,291)	620 —	(32) —	(1,265) —
Total	2,029	5,005	10,253	10,256	27,544	1,530 5.9%	7,312 55.4%	13,475 191.6%

➤ Group-wide Business Performance

Overall, the recovery in the Kaneka Group's business results was primarily driven by overseas demand.

In the first quarter (April-June 2020; "1Q") and second quarter (July-September 2020; "2Q"), the Kaneka Group posted large decreases in sales and profits as it was impacted directly by the coronavirus shock. From the third quarter (October-December 2020; "3Q") onward, the Kaneka Group's networked "Global and Local" platform linking "local production for local consumption" around the world was able to fully demonstrate the power of its diversity.

In 3Q and the fourth quarter (January-March 2021; “4Q”), Group-wide business results regained and surpassed the momentum it had before the COVID-19 crisis. In comparison to 1Q and 2Q, sales and profits both increased substantially. Earnings growth was also restored on a full-year basis.

Operating income surpassed the ¥10.0 billion level in both 3Q and 4Q.

The Kaneka Group has made progress on overcoming the COVID-19 crisis and transforming its business portfolio and strengthening its earnings base.

➤ **Operating Performance by Business Segment**

In 3Q and 4Q, all business segments recorded dramatic increases in sales and profits in comparison to 1Q and 2Q. Additionally, profits for each period increased over the corresponding period of the previous year. New market growth has restarted, covering the sharp downturns experienced in 1Q and 2Q.

There has been a strong resurgence in overseas demand in every segment.

The momentum behind growth in the Kaneka Group’s business results has been strengthening further, centered on overseas business, led by Asia and followed by the U.S. and Europe.

➤ **Foundation Businesses and Leading-edge Businesses**

The growth driver of leading-edge businesses is the evolution of innovative breakthrough technology, which brings together the Group’s knowledge and experience (research stock) across the whole Group.

Notably, in the Health Care field, the Group manufactures products that address social issues, and this has served as a driving force behind business performance. Among these products are biotechnology products that will contribute directly to ending the COVID-19 crisis, such as vaccines, therapeutics, and testing kits. Other products include the active form of coenzyme Q10, which activates the immune function of cells, and lactic acid bacteria, along with materials used in hygiene gloves (raw materials for resins).

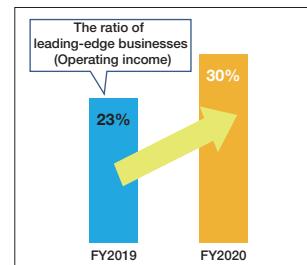
Moreover, E & I Technology and PV & Energy management feature Kaneka’s unique technologies, such as technologies for building 5G into society and realizing carbon neutrality. These technologies are already entering a new phase of growth.

The Kaneka Group is implementing R&D-driven management to provide competitive products and solutions that capture market needs, with a focus on differentiation. R&D-driven management has pushed up sales and spurred growth earnings.

The leading-edge businesses are accounting for a steadily growing share of the total corporate net sales and earnings. This indicates that progress is being made on business portfolio transformation.

In Vinyls and Chlor-Alkali, Performance Polymers (MOD), Performance Polymers (MS) and Performance Fibers in the foundation businesses, the Kaneka Group has posted growing sales of high-value-added products lead by R&D for the overseas markets. Overall, as the market returns back to normal levels, the Group’s businesses with scale, are underpinning the improved earnings capabilities of the entire Group.

Operating performance by business segment was as follows:



(Earthology Chemical Solution)

Material Solutions Unit

Material Value Creator

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

- In Vinyls and Chlor-Alkali, the overall PVC market in Asia is rapidly improving, led by emulsion PVC for disposable hygiene gloves, which is currently in strong demand to address COVID-19. Plants in Japan and overseas continue to operate at full capacity to meet this surging demand.
- In Modifiers, the Group's overall sales significantly surpassed the previous year's level across both PVC and non-PVC applications. The Group captured increased demand for construction material and DIY applications in Europe and the U.S., and for non-PVC applications (automobiles, PCs and home electronics) in Asia.
- In Modified silicone polymers, sales of new products expanded in Europe and the U.S. In parallel, the development of construction applications and industrial applications in China and Asia has come into fruition, pushing up sales to all-time high levels in 3Q and 4Q.
- Inquiries for Kaneka Biodegradable Polymer Green Planet™ have increased rapidly as global trends targeting carbon neutrality have become evident.

The Group is accelerating joint development with major global brand holders, the development of processing technologies needed to address market needs, and further cost reduction measures. The Group is in the final stage of deciding on large scale resin plant.



(Earthology Chemical Solution)

Quality of Life Solutions Unit

Quality of Life Pathfinder

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

- In Foam & Residential Techs, the agriculture and fisheries sectors and housing starts were weak in Japan. In this environment, expandable polystyrene resin and extruded polystyrene foam boards saw growth in their market shares and sales. Sales of polyolefin foam recovered in step with a global rebound in automobile production. Tack Pack, a low-temperature transportation solution material for safely transporting COVID-19 vaccines, has started to be adopted by national and local governments, providing yet another new application.
- In PV & Energy management, sales of high-efficiency photovoltaic module products for homes steadily increased due to factors such as a growing load rate among home builders. The carbon neutrality issue is a perfect opportunity for this business. The Group is working to expand the market for energy conservation solutions, such as electricity generating windows (transparent solar panels) and electricity generating walls (wall-mounted solar panels), which are consonant with efforts to make zero-energy housing (ZEH) and zero-energy building (ZEB) more prevalent in society.
- In E & I Technology, demand increased for tablets and laptop PCs, and smartphones in connection with growth in remote work. Supported by these favorable trends, PIXEO products recorded an all-time high level of shipments. New product development for 5G smartphones also progressed steadily. Sales increased for polyimide varnish, supported by the increasing shift to smartphones with OLED displays.
- In Performance Fibers, hair accessories for the African market began to steadily improve in 3Q. Sales in 4Q surpassed the previous year's level by a large margin.



(Active Human Life Solution)

Health Care Solutions Unit

Medical Edge Explorer

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

➤ Medical, along with Pharma, is a core domain where business will be expanded into the future. In the fiscal year ended March 31, 2021, the treatment frequency of patients decreased due to the COVID-19 crisis, but it held steady overall. The Group concentrated on adopting new approaches to sales promotion activities, such as Web planning. Sales of catheters increased both in Japan and overseas. Blood purification systems saw increased overseas sales. Favorable sales of coils for embolization of brain aneurysms (a new product) pushed up earnings. In addition, a new blood purification system for treatment of arteriosclerosis obliterans (ASO) commenced sales in March. This system has been well received by the market and is expected to serve as a strategic product for capturing a high-valued-added niche field.

➤ Pharma, along with Medical, is a core domain where business will be expanded. In the fiscal year ended March 31, 2021, the COVID-19 crisis became increasingly serious. In this environment, order intake rapidly increased for active pharmaceutical ingredients for Avigan® Tablet, Kaneka Eurogentec S.A.'s reagents for PCR tests, and contracted production of vaccine intermediates. Earnings rose sharply year on year. The Kaneka Group's investment in the additional biopharmaceutical production lines of Kaneka Eurogentec S.A., which were completed in fall 2020, was decided at the best possible timing. These additional production lines are expected to be brought into full operation and to successfully contribute to earnings growth.



(Active Human Life Solution)

Nutrition Solutions Unit

Nutrition Value Chain Innovator

To re-innovate food and health

➤ In Supplemental Nutrition, there has been a heightened awareness of the importance of increasing immunity among European and U.S. consumers. Against this backdrop, sales of the active form of coenzyme Q10 increased significantly. The lactic acid bacteria products of AB-Biotics posted solid sales in Europe. The next step will be to develop and strengthen the production and sales framework for these products in the U.S. With this step, the Group will shift its ability to drive sales growth into a higher gear.

➤ In Foods & Agris, inbound tourism demand continued to decrease and sales to the food service sector remained weak in connection with the COVID-19 crisis. Working together with the Supplemental Nutrition team, the Group launched "Watashi No Chikara (My Energy)™ - Q10 Yogurt," which contains the active form of Coenzyme Q10 (Ubiquinol). The Kaneka Group's lineup of authentic dairy products, such as "Milk Tea for Bread lovers" has proven popular among consumers.

The Group will give top priority to undertaking a fundamental reorganization of its supply chain, including order receipt and placement for products and production and sales management through digital transformation (DX), and to improving productivity. The Group will establish business infrastructure that greatly improves profitability by fully harnessing DX technologies.



2. Issues to be Addressed

➤ **Continuing Uncertainty**

The International Monetary Fund (IMF) announced its forecasts in April. It now predicts global economic growth of 6.0 percent in 2021, marking a rapid recovery. This growth outlook reflects the economic benefits delivered by major economic policy support and growing vaccine coverage in developed countries. However, the outlook is undeniably uncertain when considering the following factors, among others: (1) How and when the COVID-19 pandemic will end; (2) Natural disasters caused by global warming may be unpredictable; and (3) Geopolitical risk could be elevated, as seen in events such as the rekindling of tensions between the U.S. and China. Conditions continue to warrant careful vigilance.

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

Technological innovation and digital transformation (DX) are accelerating a paradigm shift in society. Global initiatives to create a decarbonized society that aims for carbon neutrality have been gathering momentum.

Kaneka has developed a conceptual framework to better understand these social trends. It has identified the “Global Environment and Energy Crisis,” “Food Crisis,” and “Health (Wholesome Living) Crisis,” as three sustainability crises and is engaging each crisis as a business domain. Chemistry, as its name implies, is all about the process of transformation.

Kaneka will rise to the opportunity of transforming the pain inflicted by changes in the world into a gain. It will contribute to the preservation of the global environment and the sustainable recovery of our humanity. Kaneka will implement “Wellness First” health management that supports a society that nurtures life.

In March 2021, Kaneka announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, Kaneka will redouble its efforts to realize carbon neutrality.

➤ **We Are Implementing Sustainable, Human Driven Management**

Amid the COVID-19 crisis, the Kaneka Group has given top priority to protecting the health and safety of employees all over the world and their family members. In the process, the Group has striven to maintain production in many businesses considered to be essential businesses in countries and regions worldwide, thereby fulfilling its duty to provide a stable supply of products.

Concurrently, the Group has expanded the supply of COVID-19 therapeutics, vaccine-related products, supplements for better health, and materials for hygiene products. It is steadily transforming its business portfolio. Every member of the Group must take the initiative to anticipate change as a paradigm changer and respond in a timely manner. The Group sees change as an opportunity for Kaneka to take a huge leap forward.

Moreover, the Group sees the world’s initiatives to realize a sustainable society as fundamentally driven by the desire to achieve a recovery in our humanity.

TOPICS 1

Kaneka will bring innovation to lifestyles and the environment to help communities to achieve sustainability. Kaneka Biodegradable Polymer Green Planet™

With its superior biodegradability under a wide range of environments, our 100% plant-based Green Planet has attained the “OK Biodegradable MARINE” certificate for some grades. Contributing to reducing marine pollution caused by microplastics, it is expected to be a solution for global plastic pollution and environmental issues.

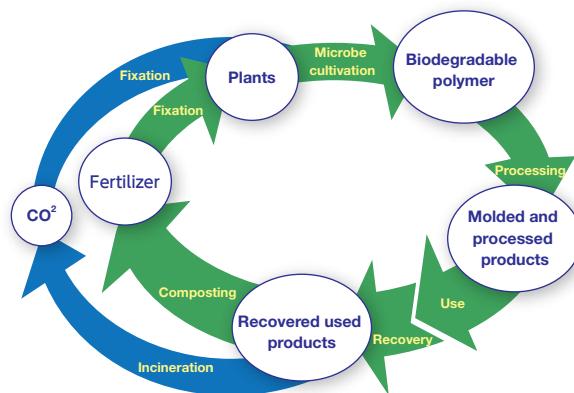
Under partnership with Shiseido Company, Limited, Kaneka developed cosmetic containers made from Green Planet for the first time in the world. Green Planet has also been adopted in straws for Seven Cafés at about 10,000 stores in Japan of SEVEN-ELEVEN JAPAN Co., Ltd. Green Planet is being adopted in a wide range of applications.

Since plant oils are used as ingredients for Green Planet, Kaneka has considered how to use waste cooking oil. Since 2019, Kaneka has jointly implemented the Life Cycle Demonstration Project for PHA-polymers, adopted by the Ministry of the Environment, with the Advanced Science, Technology & Management Research Institute of KYOTO, the applicant of the project. The project consists of three parts:

- (1) Producing Green Planet from waste cooking oil and renewable resources
- (2) Using Green Planet to produce garbage bags and plastic alternative products and using them for biogasification
- (3) Demonstrating the effects of environmental impact reduction in the life cycle of PHA-polymers and assessing costs.

Kaneka aims to establish a new recycling-oriented waste treatment system to realize a decarbonized and recycling-oriented society and address marine plastic pollution.

Kaneka is mainly involved in (1) producing Green Planet using waste cooking oil from businesses and households, which is used as biomass feedstock, and (2) producing garbage bags using Green Planet made from waste cooking oil toward their use at biogas plants. Kaneka has mostly established technology that uses waste cooking oil from businesses as biomass feedstock and has confirmed that Green Planet is biodegradable in the biogasification process. Kaneka will work to expand technology that uses waste cooking oil from various sources and to mass-produce garbage bags, thereby contributing to the realization of a decarbonized and recycling-oriented society.



Kaneka's Concept of a Carbon Recirculation Cycle Using Biodegradable Polymer

TOPICS 2

Globally Pressing Need for Infection Control Measures

Kaneka has launched the Infection Research Initiative Team, which promotes R&D of infection control measures, aiming to promote unique social implementation of solutions from a wide range of perspectives by making maximum use of our various technologies. Kaneka is taking a wide range of measures to resolve the global COVID-19 issue, including the supplying of PCR test kits and PCR reagents, the manufacturing of DNA vaccine*1 intermediates, and the supplying of APIs for Avigan® Tablet. Kaneka signed a research collaboration agreement with University of Louvain, Belgium regarding development of innovative production technologies for biomedicines and vaccines against viral infectious diseases. Through joint research with the National Institute of Infectious Diseases, Kaneka has developed technology to easily test for Mycobacterium abscess complex, a bacterium that causes M. abscess pulmonary disease*2. Kaneka is tackling to develop a testing kit that uses this technology. Kaneka is actively developing solutions for social issues with regard to the materials used in Kaneka Ubiquinol, which activates the immune function of cells, as well as lactic acid bacteria,



Start of joint research into COVID-19 vaccine and biomedicine in Belgium

and hygienic gloves.

TACPack™, a low-temperature transportation solution material for safely transporting COVID-19 vaccines, has been adopted by national and local governments with the start of the COVID-19 vaccination program. Since TACPack™ products can maintain the temperature of transported items within a wide range of temperatures, they have contributed to the transportation of various products beyond vaccines, such as medical equipment, reagents, chemicals, precision equipment, and cells.

- *1 DNA vaccine: 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.
 *2 Pulmonary abscess disease. The diseases 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.



TACPack™ can maintain the temperature of items at a wide range of temperatures.

TOPICS 3

Deploying New Organic Dairy Products through Development Focused on High Quality and Delicious Flavor Based on Organic Dairy Farming

Since 2018, Kaneka has been engaged in the dairy products business, aiming to contribute to a rich and healthy dietary lives through our integrated operations, from dairy farming to the production and sales of dairy products. Since establishing a technical tie-up with Pur Natur Invest BVBA in Belgium in January 2018 to develop high-quality and delicious dairy products, Kaneka has provided various dairy products, such as milk, café au lait, fermented butter, and yogurt, by combining its technology and quality milk from Hokkaido. Having launched “Watashi no Chikara (My Energy)TM Q10 Yogurt,” which contains Kaneka Ubiquinol, in January 2021 and “Belgian Yogurt Pur NaturTM Apricot” which contains four kinds of lactic acid bacteria with traditional manufacturing method of Belgian in March 2021, Kaneka has further expanded our lineup of high-value-added dairy products focused on delicious flavor and health.



Watashi no Chikara (My Energy)TM - Q10 Yogurt

Furthermore, in June 2020, Kaneka and Betsukai Milk World Co., Ltd., which shares our passion for organic dairy farming, jointly established Betsukai Wellness Farm Co., Ltd. as a manufacturing and sales company for organic raw milk*1. In April 2021, the farm went into operation as an exclusive organic dairy farm as planned—a steady first step towards realizing

Kaneka’s aspiration of “sustainable and recycling-oriented dairy farming that takes into consideration people, cows and the environment.”

To attract more fans, Kaneka has not only traditional advertising but have also opened an official account on SNS, aiming to enhance customer-participation-type product development and expand customer contacts. Posting information on recommended products, proposals for dietary scenes, dairy farms, and bakery events and campaigns, Kaneka uses this official account as a “coordinator” for the “For Bread” series to communicate with consumers toward new product development.

*1 Raw milk taken from cows that have been raised in an environment that conforms to the standards of the organic JAS certification, which involves using organic feed among other practices. Raw milk taken as is from cows and not subjected to processing is a raw material for milk and dairy products.



Betsukai Wellness Farm aims to realize sustainable, recycling-oriented dairy farming



Official account of “Milk for Bread®”

TOPICS 4

ESG Management Initiatives to Respond to Climate change

Kaneka is strengthening its initiatives for Environmental, Social, and Governance (ESG) management with the goal of contributing to the building of a sustainable society focused on the wellbeing of the Earth. Kaneka defines its purpose (meaning of existence) as “to solve social issues and realize a sustainable society by providing innovative materials as solutions through the break-through technology and global network” and further defines the three crises of “Global Environment / Energy”, “Food” and “Wellness (living an enriched life)” as domains. Kaneka will put into practice ESG management.

Kaneka has announced that it supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a task force created by the Financial Stability Board at the request of the G20.

As recommended by the TCFD, Kaneka conducted a structural analysis of the activities of the Kaneka Group based on risk and opportunity and selected areas of importance and urgency that need to be addressed. Specifically, Kaneka selected three areas they will address from here on: (1) cutting emissions of greenhouse gases (GHG), (2) contributing to a recycling-oriented society, and (3) increasing production of food resources.

Through solving problems related to climate change, Kaneka will help realize a more sustainable society and aim for “Wellness First” to make the world

healthy and simultaneously endeavor to realize carbon neutrality by 2050.





kaneka

The Dreamology Company
— Make your dreams come true —