



Kaneka
The Dreamology Company
—Make your dreams come true—

(Stock Code: 4118)

To Our Shareholders

**Interim Report for
the 98th Business Period**

From April 1 to September 30, 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.

Sustainable Solutions for an Evolving World

Top Message



President



Minoru Tanaka

To our valued shareholders, Thank you for your continued support and interest in the Kaneka Group. Please allow me to give an explanation of the results for the first half of fiscal 2021 and the outlook for the future.

➤ The Status of Global Economy

In the first six months (April 1, 2021 to September 30, 2021, hereinafter referred to as “1H”) of the fiscal year ending March 31, 2022, the global economy followed a recovery track, underpinned by efforts such as various countries’ economic policies and monetary easing, as economic activity steadily gained strength amid continuing uncertainty from the resurgence of COVID-19. However, the business environment has remained uncertain. This uncertainty reflects factors such as delays in the supply of automobiles, housing, and other items due to shortages of semiconductor components and materials, logistics disruptions and surging raw material and energy prices.

➤ Kaneka Group’s Business Performance

In this business environment, the Kaneka Group’s business performance for 1H of the fiscal year ending March 31, 2022 was as follows. Consolidated net sales amounted to ¥330.3 billion (up 23.8% year on year) and operating income was ¥23.0 billion (up 227.2% year on year). Ordinary income was ¥20.9 billion (up 420.0% year on year). Net income attributable to owners of parent was ¥14.8 billion (up 496.2% year on year).

In the second quarter (July 1, 2021 to September 30, 2021), net sales hit a record high and operating income was at a high level above ¥10.0 billion. For 1H, sales and income rose in all business segments compared with the previous fiscal year.

In leading-edge businesses, Health Care Solutions Unit saw steady progress on business results amid a resurgence in COVID-19. The main contributing factors were the start of production new facilities for enhancement of biologics capacity, growth in sales of PCR testing kits and reagents, and the launch of new blood purification system products. In E & I Technology, as remote work was adopted more widely in society, sales grew for polyimide products used in smartphones and PCs and resin for acrylic films used in large-screen TVs. In addition, rapid progress is being made on initiatives to reduce environmental impact to achieve carbon neutrality, which is leading to heightened needs for photovoltaic module products based on Kaneka’s unique technologies. Meanwhile, in foundation businesses, amid surging raw materials prices, we strengthened our earnings base in areas such as Performance Polymers (MOD), Performance Polymers (MS), and Performance Fibers by using our global network to steadily capture overseas demand. The transformation of our business portfolio is progressing.

➤ Consolidated Business Forecasts

The International Monetary Fund (IMF) has downwardly revised its global economic outlook. Economic uncertainty remains in place.

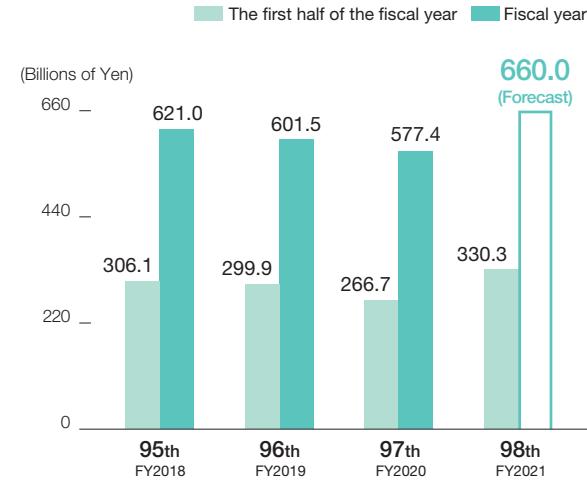
While demand is recovering in developed countries, instability is growing in emerging countries due to factors such as the spread of the Delta variant and global supply chain disruptions. In addition, economic blocking is progressing in materials and energy prices, the problem of electricity restrictions in China, and other issues. Accordingly, it has become increasingly difficult to develop a clear outlook of the future. Despite the opaque business environment, Kaneka believes our strong momentum will continue in the third quarter (October 1, 2021 to December 31, 2021) onward.

We will continue striving for transformation of our business portfolio and strengthen our earnings base.

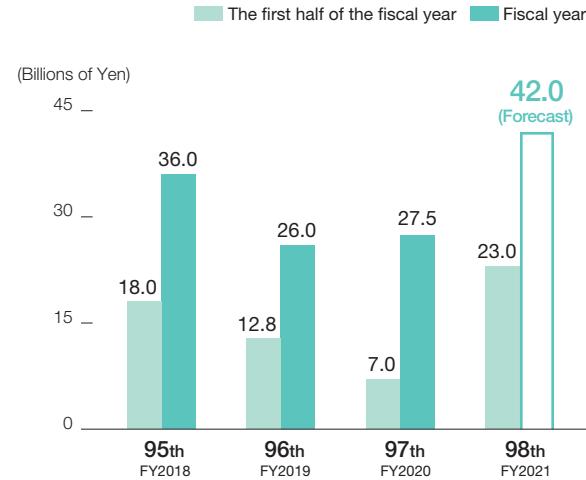
Regarding the interim dividend, we have decided on ¥50 per share. I thank you very much for your continued support.

Highlights of consolidated business performance (Transition / Result of the first half and forecast of the fiscal year 2021)

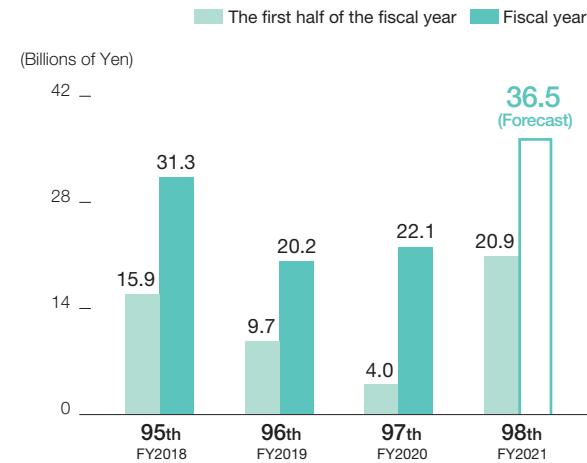
▶ Net sales



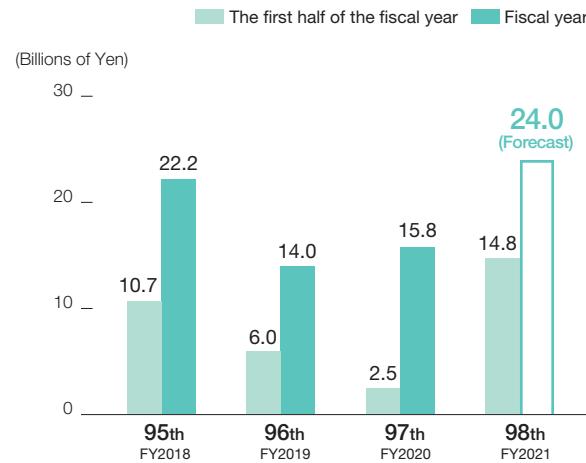
▶ Operating income



▶ Ordinary income



▶ Net income attributable to owners of parent



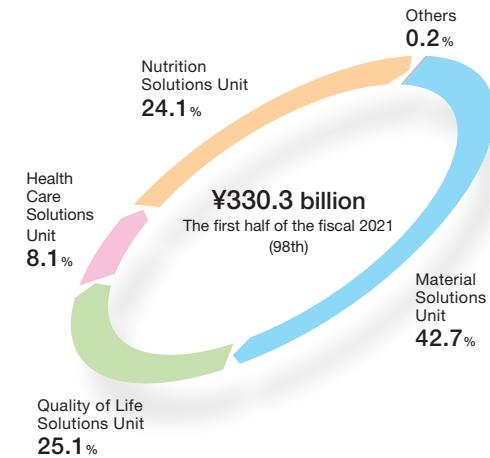
Business Performance by Segment (The first half of the fiscal 2021)

▶ Net sales and Operating income by Segment

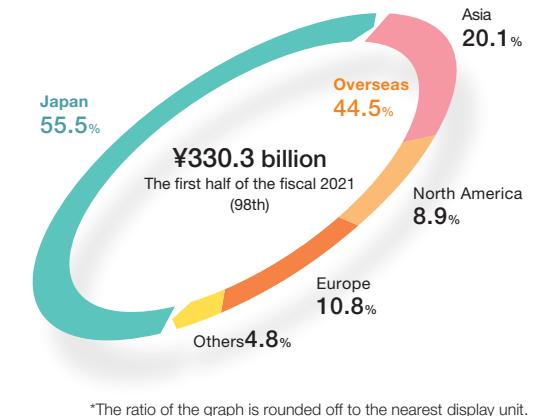
(Billions of Yen)

| | Net sales | | Operating income | |
|---------------------------------------|--|---------------------------|--|---------------------------|
| | The first half of the fiscal 2021 (98th) | Difference (year on year) | The first half of the fiscal 2021 (98th) | Difference (year on year) |
| Material Solutions Unit | 140.9 | 36.4 (34.8%) | 18.0 | 10.6 (143.6%) |
| Quality of Life Solutions Unit | 82.7 | 19.1 (30.0%) | 9.3 | 5.4 (137.3%) |
| Health Care Solutions Unit | 26.6 | 2.2 (8.8%) | 5.3 | 0.3 (5.7%) |
| Nutrition Solutions Unit | 79.5 | 6.0 (8.1%) | 2.1 | 0.7 (45.6%) |
| Others | 0.5 | △0.1 (△11.4%) | 0.3 | △0.1 (△26.4%) |
| Adjustment | — | — | △11.9 | △0.8 (—) |
| Total | 330.3 | 63.6 (23.8%) | 23.0 | 16.0 (227.2%) |

▶ Composition ratio of Net sales by Segment



▶ Composition ratio of Net sales by region



*The ratio of the graph is rounded off to the nearest display unit.

Please see the next page for details of each Solutions Unit. ▶



Feature: KANEKA thinks “Wellness First”. Solutions to Three Crises

The Company implements ESG management and aims for the goal of “Wellness First” to make the world healthy. We have identified three areas in which we can contribute to solutions for global crises as “Environment/Energy,” “Food,” and “Wellness.”



Theme of this Report
Environment

We are accelerating social applications of KANEKA Biodegradable Polymer Green Planet™ and aiming for a sustainable society.

Kaneka has identified three priority fields for global crises. With the environment as a starting point, we selected KANEKA Biodegradable Polymer Green Planet™ (“Green Planet™”), which has been attracting attention from all over the world, as the theme of this feature.

Outstanding Features of Green Planet™

Green Planet™ is an environmentally friendly material unlike any other in the world. It is produced using a plant material (biomass) cultivation method, and is biodegradable as well as ocean-degradable. It is synthesized through the abilities of microbes without reliance on fossil-based raw materials. It can be processed in various products and is biodegradable in soil as well as the ocean after use, so there is no need to worry about environmental pollution.

As these unique characteristics have been recognized, applications in society are moving ahead with active inquiries from the likes of brand holders and local governments with a strong interest in reducing environmental impact. This feature describes some typical examples of these applications.

Progress in Social Application

Firstly, in Japan, major convenience stores and beverage manufacturers are moving ahead on adopting Green Planet™. SEVEN-ELEVEN JAPAN CO., LTD., FamilyMart Co., Ltd. and ITO EN, LTD. are among the companies that have started using Green Planet™ as a raw material for straws and cutlery (spoons and forks).

There are also increasing examples of it being used to replace items that had conventionally been disposable, such as for shopping bags used by JALUX Inc.



ITO EN's beverage packaging and retractable straws made using Green Planet™



A Family Mart spoon made using Green Planet™



A shopping bag made using Green Planet™, which has outstanding functions such as water resistance

In Europe and the U.S., there are active movements to change food packaging materials from plastic to biodegradable materials to avoid interfering with composting (using food waste to make fertilizer). The adoption of coffee capsules made using Green Planet™ is rapidly increasing because the capsules can be put into the compost together with food waste after the coffee has been extracted. We have also started joint development with a confectionary manufacturer so that Green Planet™ can even be used to enable the composting of snack packaging.

Furthermore, Green Planet™ is also attracting attention in the agricultural sector as we move ahead on applications in mulch film and seedling pots. Its outstanding biodegradability means that film and pots don't need to be collected after use, which contributes greatly to improving farm work efficiency.

Sustainability

Green Planet™ can also use waste oil as a raw materials after it has been used in cooking. In cooperation with local governments, we are moving ahead on a trial project for recyclable environmental materials by collecting waste oil, synthesizing them with Green Planet™ and producing food waste garbage bags.

Toward Resolving Social Issues

Products using plastic materials are convenient and an indispensable part of our lives. On the other hand, there are increasing concerns about the impact of microplastics floating in the ocean on ecosystems and human health due to improper disposal.

Kaneka announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD)* in March 2021 and made contributing to a recycling-oriented society an item that should be addressed. We will accelerate development of uses for Green Planet™ as a material that can help to reduce impact on the environment and to present this as a solution to environmental problems.

* The TCFD was established by the Financial Stability Board by request of the G20.



TOPICS 1 Wellness **New Series of Products Containing the Active Form of Coenzyme Q10 – “Watashi no Chikara™” (Food with Functional Structure Claims) –**

Kaneka can now list additional functional structure claims for the active form of coenzyme Q10, such as “improves the quality of sleep of people experiencing temporary stress,” “helps reduce temporary stress,” and “maintaining the moisture of one’s mouth.” This is in addition to “effective at relieving temporary fatigue,” which Kaneka has so far promoted as a functional structure claim. Kaneka has launched new products featuring such additional functional structure claims under the “Watashi No Chikara™” series.

Our bodies are made up of around 37 trillion cells. And every cell contains organelles called mitochondria, which serve as factories that produce energy. Mitochondria represent around 10% of a person’s body weight and create the energy that keeps us healthy and active every day. The active form of coenzyme Q10 can be found in mitochondria and helps to create the energy we need. In addition, the active form of coenzyme Q10 exerts an antioxidant effect by removing oxidative stress in the cellular energy production process.

Kaneka Your Health Care Co., Ltd. (Headquarters: Minato-ku, Tokyo; President: Shoji Nagae) has updated its product lineup and launched a new brand called “Watashi no Chikara™”. This name embodies Kaneka Your Health Care’s desire to help people lead healthy daily lives by bringing out various forms of energy that people intrinsically have in their bodies.

Kaneka Your Health Care has released two new products. The first product is “Watashi no Chikara™ ENERGY™,” which improves the quality of sleep of people experiencing temporary stress and helps to reduce temporary stress. The second product is “Watashi no Chikara™ MOISTWELL™,” for people

who feel that their mouth has become drier and needs more moisture as they get older. For details, please visit the Kaneka Group’s website. (Kaneka Your Health Care WebShop (<https://www.kaneka-yhc.co.jp>))

Based on its mission “Kaneka thinks Wellness First,” Kaneka will continue to harness the active form of coenzyme Q10 to develop new products featuring a wide range of functions. The product lineup will progressively expand with other ingredients such as probiotics so that customers can choose products according to their needs. In these and other ways, the Kaneka Group will make every effort to support people’s health and the betterment of their daily lives.



Two new products were launched: “Watashi no Chikara™ ENERGY™” and “Watashi no Chikara™ MOISTWELL™”

* Foods with functional structure claims are products that have been granted permission to make claims regarding functionality by the Consumer Affairs Agency. Businesses seeking to receive this permission are responsible for notifying the Commissioner of the Consumer Affairs Agency of all required information, including scientific evidence regarding the safety and functionality of the food, prior to selling the product, in accordance with the rules stipulated by the national government. In this notification, it is possible to provide materials (systematic review) indicating the scientific evidence for a product’s functionality, along with safety information and other matters.

TOPICS 2 Energy **Supporting a Clean Society – Promoting Social Application and R&D of High Efficiency Solar Cells –**

Last year, the Japanese government published its “Green Growth Strategy Through Achieving Carbon Neutrality in 2050.” The Green Growth Strategy sets high goals for 14 priority industrial fields. It clearly identifies current issues and how to tackle them and formulates action plans covering comprehensive policy issues in areas such as regulation reforms, standardization and international collaboration.

Among the Green Growth Strategy’s priority fields are “the offshore wind power, solar power and geothermal industries (next-generation renewable energy),” and “the housing and buildings industry and next-generation electric power management industry.” The Green Growth Strategy plans to promote widespread adoption of net zero energy houses and buildings (ZEH/ZEB), and projects to develop next-generation solar cells that can be installed on walls, windows, and factory rooftops, among other places.

Kaneka is providing unique technologies such as comprehensive solutions centered on roof tile-integrated solar cells for single-family homes and “walls and windows that generate electricity,” which are installed on the sides of buildings. By supplying such technologies, Kaneka is contributing to advances in ZEH/ZEB technology.

Leveraging its unique technologies, Kaneka is engaged in collaboration and joint development with various organizations and firms. Through these efforts, Kaneka is focused on achieving

the social application of value-added and differentiable technologies.

T-Green® Multi Solar (see-through type)*1 was jointly developed with Taisei Corporation. As a type of architectural glass, this product can be installed as high-rise building exteriors. Plans are in place to install this product as the outer panels of high-rise buildings overseas. Installation of this product on building sides facing all directions of the compass will help to reduce electricity consumed by the buildings and their CO₂ emissions.

Kaneka aims to achieve the social application of heterojunction back-contact crystalline silicon solar cells*2, which offer the world’s highest efficiency for silicon solar cells. To this end, Kaneka has started developing mass production technology for curved-shape photovoltaic modules for automobiles. In addition, Kaneka is developing lightweight and flexible perovskite solar cells*3, which are expected to serve as next-generation solar cells. Looking ahead, Kaneka will apply its thin-film photovoltaic module mass production technology across product categories, in order to accelerate the development of commercially viable cell and module technologies.

Kaneka is committed to eco-friendly, safe and healthy living, as part of its efforts to help realize its “Recovering Our Humanity” theme. To make this happen, Kaneka will remain actively engaged in businesses that address global environmental and energy challenges.



Illustration of a high-rise building scheduled for construction in Thailand. (Installation of T-Green® Multi Solar is planned for the exterior panels of the building.)



Illustration of curved-shape photovoltaic modules for automotive roofs

*1 T-Green® is a trademark of Taisei Corporation registered in Japan.

*2 Crystalline silicon photovoltaic modules that combine both heterojunction and back-contact technologies. Heterojunction technology is a technology which binds semiconductor materials with different physical properties. It can improve conversion efficiency through defect reduction by bringing together crystalline silicon and amorphous silicon, and through a combination of materials that can convert light with different wavelengths into electricity. Back-contact technology has the electrodes for electricity extraction only on the back side of a solar cell, and by keeping the electrodes on the back side the light-receiving area can be increased, which improves the conversion efficiency and also the flexibility of designs.

*3 A new solar cell that employs materials with a crystalline structure called a perovskite structure in the power generation layer. It can be formed using a coating method, and a conversion efficiency comparable to crystalline silicon solar cells can be obtained even with a small area.

Aiming to Realize a Sustainable Society Through Collaborative Creation Between Kaneka and Kashima Antlers

GO with Antlers! – Sharing a Common Dream–

Kaneka and Kashima Antlers F.C. Co., Ltd. have signed an official partnership agreement.

Kashima Antlers is a distinguished professional soccer club that has won 20 titles, more than any other J.League team. It is based in Kashima, Ibaraki Prefecture and five nearby cities, including Kamisu, where Kaneka's Kashima Manufacturing Site is located. Kaneka's ESG management and vision statement is "KANEKA thinks 'Wellness First'." Guided by this statement, Kaneka is implementing sustainable, human driven management that harnesses the boundless potential of chemistry. Sports is a human driven language. Kashima Antlers' team identity is embodied by the theme "Football Dream" (embrace, inspire, and realize dreams through soccer). A common thread runs through this theme and the principles of "human driven management" and "Dreamology Company" that Kaneka strives to realize.

Kaneka aims to contribute to the resolution of three crises facing the Earth, specifically "Environment / Energy," "Food," and "Wellness." Kaneka would like to share a common dream with Kashima Antlers to make this world a healthier place and to brighten the future. For this, Kaneka and Kashima Antlers will firmly join hands and work in partnership to realize their common principles.

Kashima Antlers empathizes with and supports Kaneka's solutions to social issues, including the use of KANEKA Biodegradable Polymer Green Planet™ ("Green Planet™"), which is a 100% plant-derived material that contributes to environmental conservation. Kashima Antlers and Kaneka will work together to promote Kaneka's technologies and products around the world.

First, as part of efforts to create a clean and sustainable society, the two partners began giving out Green Planet™ straws and spoons to people buying food and drinks in Kashima Soccer Stadium. In the future, plans call for expanding the use of Green Planet™ to the bags used in the stadium's merchandise booths and Antlers Official Shops.

Moreover, Kaneka will use its supplements, such as the active form of coenzyme Q10, and its milk products, which are produced using recycling-oriented organic dairy farming, to contribute to the health of athletes, supporters and all other consumers.



From left to right: Kashima Antlers forward Ayase Ueda, Kaneka Chairman Kimikazu Sugawara, Kashima Antlers F.C. President Fumiaki Koizumi, and Kashima Antlers defender Koki Machida ©KASHIMA ANTLERS

Consolidated Financial Statements

▶ Quarterly Consolidated Balance Sheets (Summary) (Billions of Yen)

| Accounts title | 98th | 97th |
|----------------------------------|--------------------------|----------------------|
| | As of September 30, 2021 | As of March 31, 2021 |
| Assets | | |
| Current assets | 328.7 | 309.0 |
| Noncurrent assets | 357.9 | 358.4 |
| Total assets | 686.5 | 667.4 |
| Liabilities | | |
| Current liabilities | 211.2 | 212.3 |
| Noncurrent liabilities | 78.6 | 74.1 |
| Total Liabilities | 289.8 | 286.4 |
| Net assets | | |
| Shareholders' equity | 354.1 | 342.2 |
| Others | 42.6 | 38.9 |
| Total net assets | 396.7 | 381.0 |
| Total liabilities and net assets | 686.5 | 667.4 |

Point

- **Total assets** were ¥686.5 billion as of September 30, 2021, up ¥19.1 billion compared with the amount as of March 31, 2021, mainly due to an increase in inventory assets.
- **Liabilities** totaled ¥289.8 billion, up ¥3.4 billion, primarily reflecting an increase in notes and accounts payable-trade.
- **Net assets** were ¥396.7 billion, up ¥15.7 billion, owing chiefly to an increase in retained earnings.

▶ Quarterly Consolidated Statement of Income (Summary) (Billions of Yen)

| Accounts title | 98th | 97th |
|---|--|--|
| | From April 1, 2021 to September 30, 2021 | From April 1, 2020 to September 30, 2020 |
| Net sales | 330.3 | 266.7 |
| Operating income | 23.0 | 7.0 |
| Ordinary income | 20.9 | 4.0 |
| Income before income taxes | 20.9 | 3.9 |
| Net income attributable to owners of parent | 14.8 | 2.5 |

Point

- **Net sales** increased by ¥63.6 billion, or 23.8%, year on year.
- **Operating income** increased by ¥16.0 billion, or 227.2%, year on year.
- **Ordinary income** increased by ¥16.9 billion, or 420.0%, year on year.
- **Net income attributable to owners of parent** increased by ¥12.3 billion, or 496.2%, year on year.

▶ Quarterly Consolidated Statement of Cash Flows (Summary) (Billions of Yen)

| Accounts title | 98th | 97th |
|---|--|--|
| | From April 1, 2021 to September 30, 2021 | From April 1, 2020 to September 30, 2020 |
| Net cash provided by (used in) operating activities | 20.1 | 28.2 |
| Net cash provided by (used in) investing activities | △ 16.9 | △ 22.8 |
| Net cash provided by (used in) financing activities | △ 3.6 | △ 3.0 |
| Cash and cash equivalents at end of period | 46.4 | 39.9 |

Point

- Net cash provided by **operating activities** was ¥20.1 billion, mainly due to income before income taxes and depreciation and amortization.
- Net cash used in **investing activities** amounted to ¥16.9 billion, mainly due to the purchase of property, plant and equipment.
- Net cash used in **financing activities** was ¥3.6 billion, mainly owing to cash dividends paid.
- As a result, **cash and cash equivalents as of September 30, 2020** totaled ¥46.4 billion.

*If you would like to find out more, please visit Kaneka's website.

Corporate Data

(As of September 30, 2021)

▶ Corporate Profile

Name KANEKA CORPORATION

Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan
TEL: +81-3-5574-8000

Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan
TEL: +81-6-6226-5050

Date of Establishment September 1, 1949

Paid-in Capital 33,046 million yen

Website <https://www.kaneka.co.jp/en>

▶ Members of the Board and Audit & Supervisory Board members

Chairman of the Board Kimikazu Sugawara

President Minoru Tanaka

Executive Vice President Kazuhiko Fujii

Member of the Board, Senior Managing Executive Officer Shinichiro Kametaka

Member of the Board, Senior Managing Executive Officer Shinobu Ishihara

Member of the Board, Managing Executive Officer Katsunobu Doro

Member of the Board, Managing Executive Officer Jun Enoki

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

Independent Member of the Board Takeo Inokuchi

Independent Member of the Board Mamoru Mohri

Independent Member of the Board Takao Kusakari

Independent Member of the Board Jun Yokota

Audit & Supervisory Board member (standing) Hideyuki Matsui

Audit & Supervisory Board member (standing) Masami Kishine

Audit & Supervisory Board member (outside) Hiroshi Fujiwara

Audit & Supervisory Board member (outside) Yasuhiro Uozumi

▶ Stock Information

Total number of authorized shares150,000,000 shares

Number of Shares Issued and Outstanding68,000,000 shares

Number of shareholders18,339 shareholders

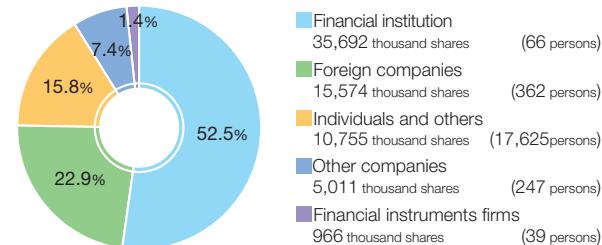
Average number of shares per shareholder3,708 shares

▶ Major Shareholders

| Name of Shareholders | Share Units Owned (thousand shares) | Percentage of Total Shares Issued (%) |
|---|-------------------------------------|---------------------------------------|
| The Master Trust Bank of Japan, Ltd.(Trust Account) | 7,116 | 10.91 |
| Custody Bank of Japan, Ltd. (Trust Account) | 3,554 | 5.45 |
| Nippon Life Insurance Company | 3,114 | 4.77 |
| Sumitomo Mitsui Banking Corporation | 3,091 | 4.74 |
| Meiji Yasuda Life Insurance Company | 2,825 | 4.33 |
| Custody Bank of Japan, Ltd. (Trust Account No.4) | 2,684 | 4.12 |
| MUFG Bank, Ltd. | 2,308 | 3.54 |
| Mitsui Sumitomo Insurance Company, Limited | 2,104 | 3.23 |
| BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 | 1,241 | 1.90 |
| Kaneka Business Partner Shareholding Association | 1,196 | 1.83 |

Notes : 1. The numbers of Share Units Owned are rounded down to thousands of shares.
2. The Percentage of Total Shares Issued is calculated by using deducting number of treasury shares from Number of Shares Issued and Outstanding and rounded to two decimal places.
3. In addition to the above list, the Company maintains 2,760 thousand shares of treasury stock.

▶ Shareholder Composition



Notes : 1. The numbers of Share Units Owned are rounded down to thousand of shares.
2. The numbers of Percentage are rounded to one decimal places.

Information for Shareholders

▶ Kaneka's Website

Kaneka's website provides clear, easy to use information to stakeholders such as shareholders and investors. We will continue to enhance the content of the website and to provide timely, appropriate disclosure.



<https://www.kaneka.co.jp/en/>

▼ Top Page



◀ About Kaneka

Kaneka has updated its Corporate Brochure.

In this brochure, Kaneka presents its measures to realize Wellness First for a healthier world, in keeping with its slogan, "The Dreamology Company – Make your dreams come true –".



▶ Memo for shareholders

| | |
|---|---|
| Fiscal Year | April 1 to March 31 |
| Ordinary Shareholders Meeting | Held in June |
| Record Dates | Ordinary Shareholders Meeting : March 31 Year-end dividend : March 31 Interim dividend : September 30 |
| Transfer agent and share registrar and account management institution for special accounts | Mitsubishi UFJ Trust and Banking Corporation |

Notes: 1. Procedures such as changes of shareholder's address, requests to acquire shares, and so forth, are to be handled in principle by the account managing institution (securities company, etc.) where the shareholder has an account. Please refer such requests to the securities company, etc., where you have opened an account.

2. For related to shares registered in special accounts, please inquire to the special account managing institution on the left, Mitsubishi UFJ Trust and Banking Corporation. Such enquiries can be received at Mitsubishi Trust and Banking Corporation Head Office and branches.

3. Unclaimed dividends will be paid at the Mitsubishi UFJ Trust and Banking Head Office and branches.

Cover art illustration: Asae Soya
• Title: Washbowl
• Creation date: 2021