

(Stock Code: 4118)

To Our Shareholders

**Report for the
98th Business Period**

From April 1, 2021 to March 31, 2022

KANEKA CORPORATION

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 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 98th business period, from April 1, 2021 to March 31, 2022.

Looking at the overall performance for the Group, net sales were ¥691,530 million, up 19.8% year on year, operating income was ¥43,562 million, up 58.2% year on year, and net income attributable to owners of parent was ¥26,487 million, up 67.3% year on year. The Company has decided to pay an annual dividend of ¥110 per share, and increase of ¥10 year on year, 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 ¥60 per share.



President
(Representative Director)

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

Minoru Tanaka

Amid the COVID-19 pandemic, we have become strongly aware of the presence of the virus in our day-to-day activities. They are also a part of life. At the same time, there has been a strong public interest in the global environmental issue of carbon neutrality, and this has caused the world to recognize that realizing a sustainable society is a common issue. These movements aspire to restore humanity. Kaneka will combine chemistry's "power to transform" with diverse technologies and products to create valuable solutions through "hybrid management," thereby accelerating transformation and growth to meet the expectations of all of its stakeholders. In this way, we seek to be a highly acclaimed company.

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

May 2022

1. Business Developments and Results

➤ The COVID-19 Pandemic and Ukraine Crisis - Honing Our Adaptability -

The Ukraine situation has tumbled deeper into chaos and has become a major disruptive factor in destabilizing the current global situation. The shift in the global balance of power has jeopardized the structure of society through resource/energy/food crises, supply chain disruptions and so on. The end of the COVID-19 pandemic is a long way off, the war in Ukraine was added to the world's concerns. The world has plunged headlong into completely unpredictable times. The management will enhance the sensibility for managing the unexpected under control and hone our strengths in terms of adaptability to be able to respond to changing business environments promptly.

➤ The Status of the Global Economy and Japan - Growing Concerns for Economic Recovery -

In the current fiscal year (April 1, 2021 to March 31, 2022), the global economy followed a recovery track, supported by the acceleration in coronavirus vaccinations, easing of COVID-19 restrictions and fiscal and monetary policies of various countries. However, surging prices for energy, materials, food and other resources triggered by the Ukraine issue are accelerating the progress of inflation. The impact of sanctions against Russia is unclear, and there are concerns that persistently high prices could disturb the recovering economy. The business environment has become even more uncertain. In Japan, the number of COVID-19 cases is yet to show a substantial decrease. The rising prices for energy, food and living supplies as well as the shift to a weaker yen are causing many issues to be concerned that these could derail the economic recovery in Japan.

➤ Kaneka Group's Business Performance - Increases in Sales and Profits, with Net Sales Achieving a Record High for the Full Fiscal Year -

In this business environment, our business performance for the fiscal year ended March 31, 2022 resulted in significant increases in sales and profits and was as follows. Consolidated net sales amounted to ¥691,530 million (up 19.8% year on year), and operating income was ¥43,562 million (up 58.2% year on year). Ordinary income was ¥40,816 million (up 85.0% year on year). Net income attributable to owners of parent was ¥26,487 million (up 67.3% year on year).

Business performance for the fiscal year ended March 31, 2022
(April 1, 2021 to March 31, 2022)

	FY2020	FY2021	Difference (year on year)
Net sales	577,426	691,530	114,103 19.8%
Operating income	27,544	43,562	16,017 58.2%
Ordinary income	22,066	40,816	18,749 85.0%
Net income attributable to owners of parent	15,831	26,487	10,656 67.3%

Net sales and operating income by segment for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) (Millions of yen)

	Net sales										
	FY2020					FY2021					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	48,894	55,587	60,240	65,787	230,509	69,967	70,922	76,347	82,670	299,908	69,399 30.1%
Quality of Life SU	29,738	33,924	39,159	38,153	140,976	40,856	41,878	43,403	42,928	169,067	28,091 19.9%
Health Care SU	11,698	12,756	14,068	13,899	52,422	13,220	13,397	15,402	16,915	58,936	6,513 12.4%
Nutrition SU	35,938	37,560	41,062	37,806	152,368	39,753	39,725	43,054	40,020	162,554	10,186 6.7%
Others	373	241	238	296	1,149	308	236	240	277	1,062	(87) (7.6%)
Total	126,644	140,069	154,769	155,942	577,426	164,106	166,160	178,449	182,813	691,530	114,103 19.8%

	Operating income										
	FY2020					FY2021					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	2,855	4,518	6,465	9,433	23,272	9,311	8,652	8,303	10,117	36,385	13,112 56.3%
Quality of Life SU	1,236	2,692	4,439	2,281	10,650	4,586	4,737	4,460	3,158	16,942	6,292 59.1%
Health Care SU	2,298	2,672	3,213	3,252	11,436	2,310	2,941	3,168	4,242	12,662	1,226 10.7%
Nutrition SU	827	605	1,882	1,564	4,879	1,429	656	1,562	1,435	5,084	205 4.2%
Others	248	92	98	158	598	177	73	98	151	501	(96) (16.1%)
Adjustment	(5,436)	(5,576)	(5,844)	(6,433)	(23,291)	(5,967)	(5,894)	(7,291)	(8,861)	(28,014)	(4,723) —
Total	2,029	5,005	10,253	10,256	27,544	11,848	11,167	10,301	10,244	43,562	16,017 58.2%

➤ **Two Remarks on the Group-wide Business Performance**
- Driving Profit Growth through Both Overseas Operations and Portfolio Transformation -

① Successful Overseas Operations

In the current fiscal year ended March 31, 2022, the global economy is recovering well, and the overseas sales ratio recorded an all-time high of 45%. Our operation performance managed from a “Global and Local” perspective emerged successfully, serving as a major driving force behind substantial increases in sales and profits.

- ★ Overseas demands in material businesses, E & I Technology, Performance Fibers, Medical, Pharma, and Supplemental Nutrition built up momentum far surpassing what was seen before the pandemic. The frontline execution capabilities of our global network (Head Quarters in 3 major geographical regions of the world) pushed up global sales significantly.
- ★ We strove to expand spreads adroitly in response to historical surges in raw materials and fuel prices in the third quarter (October-December 2021; “3Q”) and fourth quarter (January-March 2022; “4Q”)

② Progress in the Portfolio Transformation

A positive economic cycle continues to evolve, with foundation businesses generating cash and leading-edge businesses steadily increasing profits.

- ★ Regarding leading-edge businesses, sales grew steadily in the key business domains, which is reflected by solid sales increases in the following areas: new products for blood purification systems and catheters in Medical, small molecule pharmaceuticals and biopharmaceuticals in Pharma, and nutritional supplements for the U.S. market. Sales were also brisk in Performance Polymers (MS) for Europe, the U.S., and Asia. Moreover, as the digital society rapidly evolves, E & I Technology is expanding its sales for polyimide products used in smartphones and PCs as well as resin for acrylic films used in large-screen TVs significantly. Sales increased for original high-efficiency photovoltaic module products contributing to ZEH/ZEB due to the tailwind of growing demand for renewable energy aiming at carbon neutrality. As a result, the profit of these leading-edge businesses grew steadily.
- ★ In foundation businesses, we received orders surpassing our production capacity in areas such as Vinyls and Chlor-Alkali, Performance Polymers (MOD), and Performance Fibers. This shows we are capable of generating cash in these fundamental businesses. Through these efforts, the transformation of our business portfolio is making steady progress.

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, demand continued to expand rapidly in Asian markets. The overseas market prices rose and contributed to profit growth.
- In Modifiers, demand has been strong in Europe, the U.S., and Asia. Sales of non-PVC applications (automobiles, PCs and home electronics) are growing globally. Our global supply chain consisting of 4 locations has displayed its strengths. Amid global supply chain disruptions, we have turned pain into gain.
- In Modified silicone polymers, demand has continued to increase in Europe and the U.S. In addition, the business is expanding into new markets – e.g. construction applications – with in Asia. In anticipation of surging demand going forward, we will rapidly ramp up production capacity at each manufacturing site.
- For KANEKA Biodegradable Polymer Green Planet™, we decided to significantly increase production capacity in February 2022. We will improve productivity and reduce cost by accelerating new product development and introducing innovative technology for unique next-generation production process. We will drive the evolution of our production technology with the aim of additional facility investment in the next phase. In Japan, the Plastic Resource Circulation Act has stimulated major demand. Inquiries for cutlery applications and shopping bag applications from hotels, convenience stores and others have increased rapidly. There are high expectations from national and local governments and other organizations that are seeking to promote composting. Furthermore, there are major joint development projects with international brand holders who have a strong interest in reducing their environmental impact.



(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, expandable polystyrene resin and extruded polystyrene foam boards were heavily impacted by factors such as surging raw material and fuel prices. Recovery in demand is slow for polyolefin foam as automobile production continues to decrease globally. Tack Pack, which is used to transport COVID-19 vaccines safely at a low temperature, was adopted by local governments, contributing to society as a COVID-19 solution.
- In PV & Energy management, Japan's energy security policy identifies the promotion of the widespread use of renewable energy as a key topic. This topic has added impetus to efforts to increase the installation of solar photovoltaic power generation systems. Sales of Kaneka's residential high-efficiency photovoltaic module products increased due to a growing load rate. Demand is also accelerating for "electricity generating windows (see-through photovoltaic modules)" and "electricity generating walls (wall-mounted solar panels)", which are consonant with efforts to make zero-energy building (ZEB) more prevalent in society. Following the Japanese government's decision to grant subsidies for the development of high-performance perovskite solar cells, which are expected to serve as next-generation solar cells, we will accelerate the development towards the practical application.
- In E & I Technology, sales were strong concerning polyimide film and polyimide varnish for smartphones and OLED displays as well as resin for acrylic film for large-screen TVs. Demand will grow further as the wave of digitalization accelerates. It is imperative to develop a supply system to meet this growing demand. We are considering ramping up the production capacity.
- In Performance Fibers, demand for hair accessory products for the African market has remained extremely strong and demand for flame-retardant materials has followed a recovery path. The next phase of capacity upgrading is under consideration in order to respond to further growth in demand.



(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

- In Medical, a new blood purification device for the treatment of arteriosclerosis obliterans (ASO) has shown high therapeutic effectiveness, resulting in a substantial increase in sales of this product. Regarding catheters, sales increased significantly for products such as coils for embolization of brain aneurysms, mainly in overseas markets. In addition, making the most of our rapid development capabilities, we launched PCR testing kits that can detect COVID-19 variants at an early stage, helping to prevent the spread of infection.

In January 2022, we decided to build a new manufacturing site with cutting-edge technology for the production of medical devices in Tomakomai, Hokkaido that realizes zero field operations. Automation and advancement will be designed into the plant through process innovation. With this new plant, we will accelerate the global expansion of the medical equipment business.

- In Pharma, particularly biopharmaceuticals, contract manufacturing of COVID-19 vaccines on expanded production lines at Kaneka Eurogentec S.A. contributed to business results. Research reagents as well as testing and diagnostic services also performed strongly. In small molecule pharmaceuticals, sales related to a large new project for an antiviral drug commenced and contributed to business results.



(Active Human Life Solution)

Nutrition Solutions Unit

Nutrition Value Chain Innovator

To re-innovate food and health

- In Supplemental Nutrition, sales of the active form of coenzyme Q10 were favorable, reflecting a heightened awareness of the importance of increasing immunity. In Japan, the product lineup has been enhanced for the "Watashi no Chikara (My Energy)™" series of products containing the active form of coenzyme Q10. This series comprises foods with new function claims. In the probiotics business, we will strengthen the production system in response to increased market recognition in the U.S. and drive growth in sales.

- In Foods & Agris, there was a strong impact from large increases in prices of raw materials such as oils and fats. "panmusubi," a newly launched mall-type e-commerce site, has proven popular. Together with "Milk for Bread," "Belgian Yogurt" and "Q10 Yogurt," we will strongly promote media strategies covering social media and other media channels. Moreover, as the organic dairy farming and dairy products business currently underway in Betsukai-cho, Hokkaido has also been met with strong popularity, we are currently considering enhancing the production system.



2. Issues to be Addressed

➤ Adaptability is the Keyword for Overcoming the Challenges of Uncertainty

In April 2022, the International Monetary Fund (IMF) lowered its forecast for global GDP growth in 2022 to 3.6%. The IMF now expects global GDP growth to decelerate significantly. The world's two major struggles, specifically the long fight against the COVID-19 pandemic and the war in Ukraine, are reflected in the outlook as having a strong negative impact on overall global economic performance. With soaring food and energy prices, the world is likely to see the global economic recovery trend start to lose steam. The change in economic conditions has been particularly notable since January 2022.

In addition, there is no way in foreseeing the risk of natural disasters caused by global warming. The situation is unpredictable.

On the other hand, the evolution of science and technology and innovation are accelerating. We are fully mobilizing chemistry's power of transformation to ambitiously turn pain caused by the global change into gain. We will preserve the global environment and contribute to the sustainable recovery of our humanity.

The continuous research and development efforts we have made over many years are starting to open the doors of possibility and hope toward solving the world's issues. Adaptability, which enables swift responses to change, is a matter of Kaneka's existence as a going concern.

Please look forward to what lies ahead for Kaneka.

➤ An Excited and Exhilarated Trial & Error Experiment Driven Company

Foundation businesses are working to identify uncharted frontiers in existing business domains and develop new technologies from fresh perspectives.

We are making progress in transforming foundation businesses into leading-edge businesses.

Unknown worlds lie not only far beyond what we know, but they can also be found right at our feet.

The new domains that leading-edge businesses are trying to grow do not involve looking beyond the horizon and seeing what is unknown. Our researchers do not stay in safe places they already know, but they make a habit of taking bold steps beyond the horizon every day.

The boundless wonder and adventure of chemistry.

Both foundation businesses and leading-edge businesses are excited and exhilarated about the unknown and we are enjoying the process of conducting experiments that expose them to the unknown. While remaining aware of the need to shift domains and move into new frontiers in these ways, Kaneka has continued to transform itself through unique technologies. We will continue to attach great importance to Kaneka's scientific mindset.

In the current fiscal year, the Performance Polymers (MS) Solutions Vehicle was included in leading-edge businesses.

➤ We Continued to Pursue Human Driven Management This Year. We Will Strengthen This Approach.

Recently, one of the major changes in our hearts and minds has been that we have become strongly aware of the existence of the COVID-19 virus on a daily basis. We believe that viruses are also living creatures.

Additionally, carbon neutrality and global environmental issues have been simultaneously brought into focus, providing the opportunity for the world to recognize that the realization of a sustainable society is a shared theme. These trends are initiatives to recover our humanity.

We have established a task force to serve as the Engine of Sustainability Management. This new task force was created to ensure that ESG management and "Wellness First" health management are upgraded and implemented throughout the Kaneka Group. The Engine of Sustainability Management will oversee and coordinate 8 real organizations, leading the formulation of action plans and visualization for each organization. As part of efforts to realize human driven management, it will strengthen and accelerate ESG management.

Diagram of ESG Promotion System

Task Force



TOPICS 1

Expanding Social Implementation of “A Miraculous Polymer”

KANEKA Biodegradable Polymer Green Planet™

Environmental pollution caused by plastic has become a major issue worldwide. As regulations are tightened in Europe and the United States, the Plastic Resource Circulation Act has been enforced in Japan since April 2022, and use of biopolymers as a substitute material is being promoted to reduce single-use plastics. Green Planet™ is a polymer produced by microorganisms from plant oil, and it breaks down in soil or sea water. It has the same functions as general-purpose plastics, so its implementation for applications such as straws, cutlery, and food packaging in Japan and overseas is being promoted as a material that can resolve environmental destruction due to single-use plastics. Moreover, we are also developing it for applications such as agricultural material, textiles, and non-woven fabrics.

In Japan, Green Planet™ is being adopted as straws and cutlery by SEVEN-ELEVEN JAPAN CO., LTD., FamilyMart Co., Ltd. and ITO EN, LTD.



Examples of Green Planet™ products, which are seeing increasing adoption for various applications

Further examples of increasing social implementation include using in shopping bags at BLUE SKY, operated by JALUX Inc., and at Asics Japan Corporation, as well as in toothbrushes provided at Tokyu Hotels Co., Ltd. There is also an expanding market in Europe and the U.S., where compostable plastics are required.



Toothbrush with handle made using Green Planet™

The amount of single-use plastic products in which Green Plant™ could be used as a substitute is estimated to be around 25 million tons per year globally. We have had a surge in interest from brand holders with high environmental awareness, and have decided to construct a large verification plant with a capacity to produce 15,000 tons per year. We will continue to move ahead on reinforcing supply capabilities to respond to global demand.

As we pursue our mission, “KANEKA thinks ‘Wellness First’,” we will continue working to build a sustainable, recycling society and solve the pollution problems posed by plastic by aggressively promoting Green Planet™.

TOPICS 2

Expanding our Provision of a Wide Range of Solutions to COVID-19

Advancing New Solutions for the Era Using the Power of Chemistry

The havoc caused by COVID-19 has highlighted the large number of infectious viruses in the world. 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 pharmaceuticals intermediates.

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. Furthermore, in January 2022, Kaneka launched a real-time PCR test kit that can simultaneously identify the Omicron and Delta variants of COVID-19.

This test kit uses a reagent developed using Kaneka's molecular testing-related technologies. It is capable of highly accurate detection and can simultaneously identify the Omicron and Delta variants by detecting two mutations of spike protein*³ characteristic of the Omicron variant and a mutation characteristic of the Delta variant. The kit will help to mitigate the testing burden of COVID-19, which continues to spread. These Kaneka products are being used at major sporting events and for pre-travel PCR testing, as well as in medical facilities and testing centers. These products make it possible to quickly test large numbers of samples.

The whole Kaneka Group is committed to supporting healthy lives for everyone by realizing groundbreaking technologies and ideas, not only in the area of infection countermeasures, but also over a wide range of areas from health maintenance to recuperation.

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

*2 This disease has increased rapidly in recent years, infecting several thousands of people in Japan. Symptoms are similar to those of tuberculosis and pneumonia, including cough, phlegm, bloody phlegm, night sweats, weight loss, and fatigue.

*3 These refer to mutations of the amino acids in viral spike proteins. The names are based on the mutation.



PCR test kit that can identify Omicron and Delta variants



Biopharmaceutical manufacturing facility

TOPICS 3

Hokkaido Initiative (Wellness First from Hokkaido)

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

“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.”

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. (Scheduled to be operational from April 2024)

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)*. We will expand the supply base of the medical device business and accelerate global business development to meet the strong demand of the world.

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.

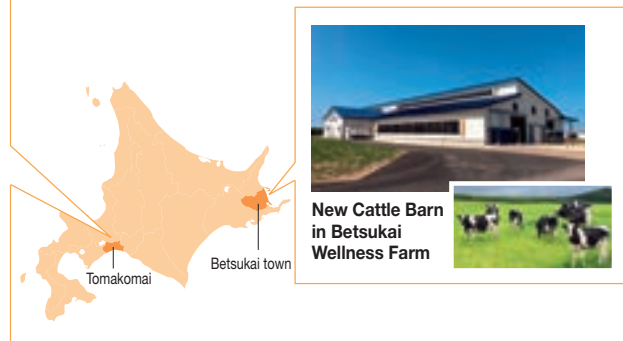
We will work on the “Hokkaido Initiative”, a new wave in Hokkaido, and the development of a second new frontier.

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



Image of new factory

New product Rheocarna™



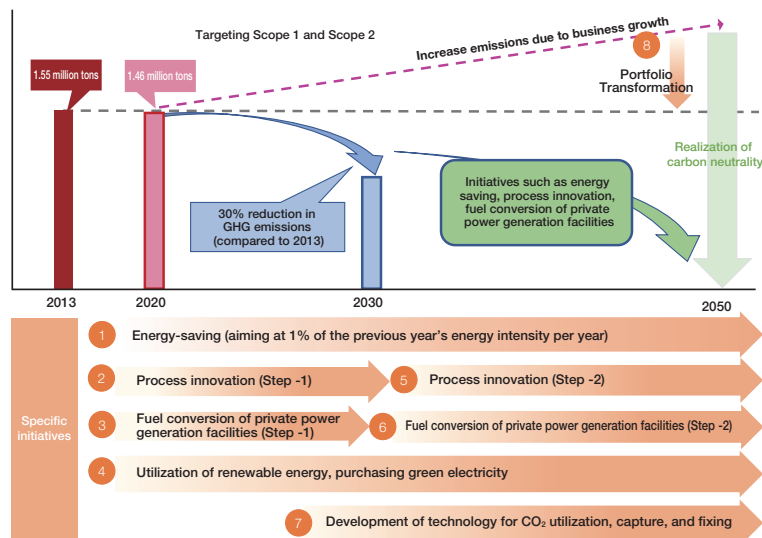
New Cattle Barn in Betsukai Wellness Farm

TOPICS 4

Accelerating Initiatives for Carbon Neutrality

Realizing Carbon Neutrality by 2050

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.

First, as specific initiatives for 30% reduction in GHG emissions by 2030, we will promote 1) continuous energy saving in the existing manufacturing process, 2) process innovation (converting manufacturing processes to more productive processes (Step-1)), 3) fuel conversion of private power generation facilities (converting coal to LNG (Step-1)), 4) utilization of renewable energy, purchasing green electricity.

Then, continuing with our specific initiatives for realizing carbon neutrality in 2050, we will accelerate our pursuit of 5) process innovation (development of

innovative processes that minimize CO₂ emissions (Step-2)), 6) fuel conversion of private power generation facilities (use of hydrogen and ammonia (Step-2)), 7) development of technology for CO₂ utilization, capture, and fixing technologies (production of biodegradable polymers made from CO₂ etc.) 8) business portfolio transformation.

In other initiatives, we will work to reduce CO₂ in our immediate environment, such as installing photovoltaic modules on the Company's factories and warehouses and switching to EV forklifts, etc., while aggressively working to reduce greenhouse gas emissions by promoting development of Eco-friendly, such as high efficiency heat insulating materials, next-generation photovoltaic power generation systems, and storage batteries.

The background is a vibrant watercolor wash in shades of blue, teal, and green. A large white circle is positioned on the left side, containing the company's logo and tagline.

kaneka

The Dreamology Company

— Make your dreams come true —