



(Stock Code: 4118)

To Our Shareholders

**Report for the  
99th Business Period**

From April 1, 2022 to March 31, 2023

**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.

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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 99th business period, from April 1, 2022 to March 31, 2023.

Looking at the overall performance for the Group, net sales were ¥755,821 million, up 9.3% year on year, operating income was ¥35,087 million, down 19.5% year on year, and net income attributable to owners of parent was ¥23,008 million, down 13.1% year on year.

The Company has decided to pay an annual dividend of ¥110 per share, taking overall account of its performance trend, dividend payout ratio, and other factors. As we have already paid an interim dividend of ¥55 per share, the year-end dividend will therefore be ¥55 per share.

We have been dealing with intensifying concerns in the face of global environmental and energy challenges as well as climate change and other such crises. Meanwhile, the capacity to address social challenges in the post-COVID world depends on how science and technology can help us resolve social problems.

The starting point of Kaneka's activities rests with the universal understanding in chemistry that "life is a chemical reaction." We accordingly accelerated transformation and growth by enlisting Kaneka's unique "Hybrid Management" approach, which involves creating new combinations between different things in different business fields, in seeking to serve as a highly acclaimed enterprise that meets the expectations of all stakeholders associated with the Company.

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



President and  
Representative Director

A handwritten signature in black ink, appearing to read 'Minoru Tanaka'.

Minoru Tanaka

June 2023

## 1. Business Developments and Results

### ➤ State of the Global Economy - The whole economy is stagnant, with a growing sense of economic slowdown -

During the current fiscal year (April 1, 2022 to March 31, 2023), while the global economy was recovering from the COVID-19 pandemic, a sense of slowdown became increasingly apparent as situations such as the stalemate in Ukraine, the soaring of energy and resource prices, ongoing inflation, and tightening of monetary policy were intricately intertwined. Under such an increasingly uncertain business environment, we will sharpen our awareness of the times and further enhance our adaptability to confront the post-COVID-19 world.

### ➤ Kaneka Group's Business Performance - Sales increased and profits decreased, but leading-edge businesses grown -

Under these circumstances, Kaneka Group's consolidated business performance for the fiscal year ended March 31, 2023 resulted in increased sales and decreased profits. Net sales amounted to ¥755,821 million (up 9.3% year-on-year) with operating income of ¥35,087 million (down 19.5% year-on-year), ordinary income of ¥32,411 million (down 20.6% year-on-year), and net income attributable to owners of the parent of ¥23,008 million (down 13.1% year-on-year)

Business performance for the fiscal year ended March 31, 2023  
(April 1, 2022 to March 31, 2023) (Millions of yen)

	FY2021	FY2022	Difference (year on year)
Net sales	691,530	<b>755,821</b>	64,291 9.3%
Operating income	43,562	<b>35,087</b>	(8,474) (19.5%)
Ordinary income	40,816	<b>32,411</b>	(8,404) (20.6%)
Net income attributable to owners of parent	26,487	<b>23,008</b>	(3,479) (13.1%)

Net sales and operating income by segment for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) (Millions of yen)

	Net sales										
	FY2021					FY2022					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	69,967	70,922	76,347	82,670	299,908	88,919	83,975	77,812	83,147	333,854	33,945 11.3%
Quality of Life SU	40,856	41,878	43,403	42,928	169,067	45,000	42,194	43,812	41,758	172,766	3,699 2.2%
Health Care SU	13,220	13,397	15,402	16,915	58,936	16,623	17,369	18,658	18,134	70,786	11,849 20.1%
Nutrition SU	39,753	39,725	43,054	40,020	162,554	41,879	44,091	46,018	45,350	177,339	14,784 9.1%
Others	308	236	240	277	1,062	316	231	240	286	1,074	11 1.1%
Total	164,106	166,160	178,449	182,813	691,530	192,739	187,863	186,541	188,678	755,821	64,291 9.3%

	Operating income										
	FY2021					FY2022					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	9,311	8,652	8,303	10,117	36,385	10,756	7,947	3,767	4,978	27,449	(8,935) (24.6%)
Quality of Life SU	4,586	4,737	4,460	3,158	16,942	4,600	4,069	4,386	3,075	16,131	(811) (4.8%)
Health Care SU	2,310	2,941	3,168	4,242	12,662	3,856	3,653	4,471	3,701	15,682	3,019 23.8%
Nutrition SU	1,429	656	1,562	1,435	5,084	806	1,296	2,290	3,192	7,585	2,501 49.2%
Others	177	73	98	151	501	186	95	112	159	554	53 10.6%
Adjustment	(5,967)	(5,894)	(7,291)	(8,861)	(28,014)	(7,994)	(8,460)	(8,221)	(7,640)	(32,316)	(4,302) (-)
Total	11,848	11,167	10,301	10,244	43,562	12,212	8,601	6,808	7,465	35,087	(8,474) (19.5%)

➤ **Remarks on the Group wide Business Performance - Demand adjustment affected Material SU, but portfolio transformation progressing steadily**

① Prolonged Demand Adjustment in Material and Electronics Markets

Demand for material-based products continued to decline as the global economic slowdown spread from the second quarter (July 1 to September 30, 2022, “2Q”). In addition, the supply-demand adjustment was prolonged in the supply chain for E & I Technology. This demand adjustment bottomed out in the third quarter (October 1 to December 31, 2022, “3Q”), but the recovery momentum was found to be weaker than expected in the fourth quarter (January 1 to March 31, 2023, “4Q”).

- \* In Material Solution Unit, PVC Asian market conditions stayed sluggish for Vinyls and Chlor-Alkali. Modifiers also did not recover as we had expected in the building materials and construction markets in Europe and the U.S.
- \* For E & I Technology, the performance remained weak due to a prolonged demand adjustment for smartphones and large-screen TVs since 2Q. In addition, for Performance Fibers, demand for hair accessory products remained sluggish against the backdrop of higher inflation in African countries. Both of these markets have been gradually recovering since 4Q, and a full-scale market recovery is expected in the next fiscal year.

### ② Steady Growth in Leading-edge Businesses

Our leading-edge businesses saw a steady growth in Health Care Solutions Unit, Supplemental Nutrition and PV & Energy management by providing solutions to crises on health, global environment, and energy, even in the midst of the global economic turmoil.

- \* For Medical, sales of the blood purification devices and catheters grew in both Japan and overseas. For Pharma, Bio-CDMO and small molecule pharmaceuticals performed well. For Supplemental Nutrition, the probiotics business started contributing to profitability in addition to the active form of coenzyme Q10.
- \* Amid the global energy crisis, our PV products have successfully responded to growing demand for photovoltaic modules for residential use. At the same time, we have made progress in initiatives contributing to CO<sub>2</sub> reduction, such as self-consignment and microgrids. Full-scale delivery of in-vehicle PV has also begun.

### ③ Resource Investments for Future Growths

We have decided on major investments in leading-edge businesses to strengthen our manufacturing capability toward business growths in the next fiscal year and beyond.

- \* For Medical, the expansion of the catheter production facility in Vietnam was completed in August, and the construction of a new facility for blood purification devices in Hokkaido is proceeding well to start operation in 2024. For Pharma, Kaneka Eurogentec S.A. has decided to increase the capacity of manufacturing facilities for mRNA, which is expected to grow speedily for use in vaccines for infectious diseases as well as in therapeutics for genetic diseases and cancer.
- \* In Material Solutions Unit, we have decided to increase the capacity of Modified Silicone polymers in Belgium whose global demand is expected to increase. For PV & Energy management, we have decided to invest in capacity increase of heterojunction PV to meet growing demand for high-efficiency photovoltaic modules for residential use.

Despite the uncertain business environment, growth and earnings are expanding for leading-edge businesses and we are making steady progress in transforming our business portfolio. We are focusing further on strengthening the foundation for growth in leading-edge businesses, such as capacity increases.

The 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 materials

### **This unit was strongly affected by the economic slowdown in Europe, the U.S., and Asia, especially from the latter half of 2Q, resulting in higher sales and lower profits.**

- For Vinyls and Chlor-Alkali, caustic soda sales remained firm, but the Asian markets for PVC was sluggish from 3Q.
- For Modifiers, the performance was weak due to sluggish demand for rigid PVC applications for housing in Europe and the U.S. since 2Q. Nevertheless, we focused on expanding the market for non-PVC applications, and has recovered the business performance from 4Q.
- For Modified Silicone polymers, we have decided to increase its capacity in Belgium for the future growth, as the underlying tone of demand is firm despite a temporary slump in the construction market in Europe and the U.S. Thus, we are making the final review on the next capacity expansion in the U.S.
- For KANEKA Biodegradable Polymer Green Planet™, we have made steady progress in joint development with major brand holders in Japan, the U.S., and Europe, and have seen sales growing along with the expansion of applications. In March, we were selected as a NEDO Green Innovation Fund Project regarding research and development of innovative technology to produce Green Planet™ from CO<sub>2</sub> and hydrogen toward social implementation of “biomanufacturing.”



(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

### **This unit reported higher sales and lower profits due to the significant impact of the prolonged supply-demand adjustment for E & I Technology.**

- For Foam & Residential Techs, the performance improved greatly due to a recovery in domestic sales and the securing of spreads through price revisions. Sales in the overseas automobile sector are also in recovery phase.
- For PV & Energy management, sales of high-efficiency photovoltaic modules for residential use grew. In addition, the Tokyo Metropolitan Government and other municipalities have expanded their mandates to install PV in new houses, and we have been receiving more and more inquiries from various municipalities. In the in-vehicle PV market, our hetero junction back-contact type solar cells were adopted for the roof glass of Toyota Motor Corporation's all-new Prius PHEV, which went on sale in March.
- For E & I Technology, the performance was weak due to continued significant production adjustment of smartphones and LCD panels for large-screen TVs since 2Q. We have focused on our unique lineup of differentiated new products such as for 5G, flexible displays, and image sensor applications.
- For Performance Fibers, we were affected by a declined demand for hair accessory products due to rising inflation in Africa and the U.S., however, the demand has been recovering with the introduction of new high-performance products since 4Q.



(Active Human Life Solution)

## Health Care Solutions Unit

Medical Edge Explorer

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

### **This unit achieved a significant increase in both sales and profits, expanding performance in both Medical and Pharma.**

- For Medical, sales of blood purification devices and catheters expanded steadily in Japan and overseas. We have also been strengthening our sales structure in the U.S., the largest market, and reinforcing manufacturing plants in Hokkaido and Vietnam with the aim of accelerating global expansion of the medical business.
- For Pharma, Kaneka Eurogentec's Bio-CDMO business expanded steadily. High growth is expected for mRNA, for which the decision was made to increase capacity in response to rising number of inquiries from clients who are expecting usage in therapeutics for genetic diseases and cancer. In small molecule pharmaceuticals, sales of intermediates for Xocova<sup>®</sup>\* tablets, a new COVID-19 treatment, contributed to its performance.

\* Xocova<sup>®</sup> is a trademark of Shionogi & Co., Ltd registered in Japan.



(Active Human Life Solution)

## Nutrition Solutions Unit

Nutrition Value Chain Innovator

To re-innovate food and health

### **This unit reported higher sales and profits due to market expansion in Supplemental Nutrition and improved profits in Foods & Agris.**

- Supplemental Nutrition expanded sales of the active form of coenzyme Q10 in the U.S., Japan, Europe, Oceania, and Asia especially in China. We will strengthen sales for the Chinese e-commerce market. The probiotics business has started contributing to profitability, and we will hasten the reinforcement of the global Supplement production sales structure. We will further strengthen our lineup of foods with functional claims.
- Foods & Agris saw a significant improvement in profits as a result of vigorous efforts to expand sales of high value-added products and price revisions; sales of the "Watashi no Chikara (My Energy)<sup>™</sup> - Q10 Yogurt" drink type, launched in August, have been strong, and production capacity has been doubled. Kaneka Shokuhin's new e-commerce site was launched, and the sales structure for BtoC sales of dairy products, bread, chocolate, and other products was strengthened. With the newly established Healthy Foods Strategic Unit as a driver, we will focus on initiatives that provide new value under the theme of good taste and health.



## 2. Issues to be Addressed

### ➤ Kaneka's Purpose Management

Today, the natural environment is being increasingly stressed, and human activities may cause dangerous climate change and mass extinction. To reduce this risk, we must deepen our understanding of nature and deploy the appropriate technologies more rapidly. This perspective is exactly the Purpose Management that Kaneka, “The Dreamology Company – Make your dreams come true –,” aims for. We are refining our technology in three domains: the environmental and energy crisis, the food crisis, and the wellness (better living) crisis with an aspiration to provide optimal solutions through their social implementation.

### ➤ The New Frontier of Biomanufacturing and Chemistry

Life and Earth are one, and chemical reactions are its common substance. Each domain is a new frontier that Kaneka is striving in. KANEKA Biodegradable Polymer Green Planet™, genome editing technologies, biopharmaceuticals, regenerative and cellular medicine, organic dairy businesses, supplements, biomanufacturing including fermentation and culture process technologies, PV technology, E & I, medical devices, etc. are all connected to the big “life,” that is, “life on Earth.” This is the new frontier created by chemistry.

### ➤ Kaneka's “Hybrid Management”

Innovation is a new combination that moves things differently. To create new combinations between different things in different business fields. That is what Kaneka calls “Hybrid Management.” Numerous new combinations have been created and are growing steadily, such as “Biodegradable Polymer Green Planet™,” which combines biotechnology and macromolecular chemistry, and “Watashi no Chikara (My Energy)™ - Q10 Yogurt,” which was developed from Supplement and Foods, combining products with other products. In the future, more products, technologies, and businesses that will drive our hybrid management will appear one after another in the future.

➤ **Restoring Bonds -Trust & Respect -**

We all had to manage with online meetings and text messages during the COVID-19 pandemic. We might, however, have suffered a lack of communication without even noticing it.

The end of the pandemic suggests the beginning of “new Trust & Respect.” Customers and colleagues are restoring a true One Team by bringing back “Trust and Respect.”

We will continue to promote “Human Driven Management” focusing on ESG and “Wellness First” health management activities led by the Engine of Sustainability (SX) Management this year as well.

➤ **Acceleration of “3+5” Strategic Platform**

The three Focal Points are ①Restoring life-nurturing humanity under the theme of “SX (Sustainability + DX),” ②Promoting structural reform through M&A, and ③Promoting diversity through diverse people, business areas, regions, and technologies. By prioritizing these three points, we will accelerate transformation and growth through ①Strengthening the Asia strategy, ②Advancing digital transformation (DX), ③Advancing carbon neutrality, ④Alliances and M&A, and ⑤Diversity Committee.

## Taking on Challenges of Creating Biodegradable Biopolymer from Carbon Dioxide

### — Selected as a NEDO Green Innovation Fund Project —

Kaneka became the first company in the world to successfully commercialize KANEKA Biodegradable Polymer Green Planet™ (“Green Planet”), which is produced from microorganisms derived from vegetable oil and other raw materials. Brought to fruition through the fusion of microbial breeding and culture technology developed over many years with polymer materials process development technology, Green Planet™ is progressively being applied in various social settings worldwide.

#### Applications of Green Planet™



Handle of toothbrush used at Tokyu Hotels



Shopping bag for JAL in-flight sales



Cutlery sold at FamilyMart



Packaging materials for Bourbon confectionery products



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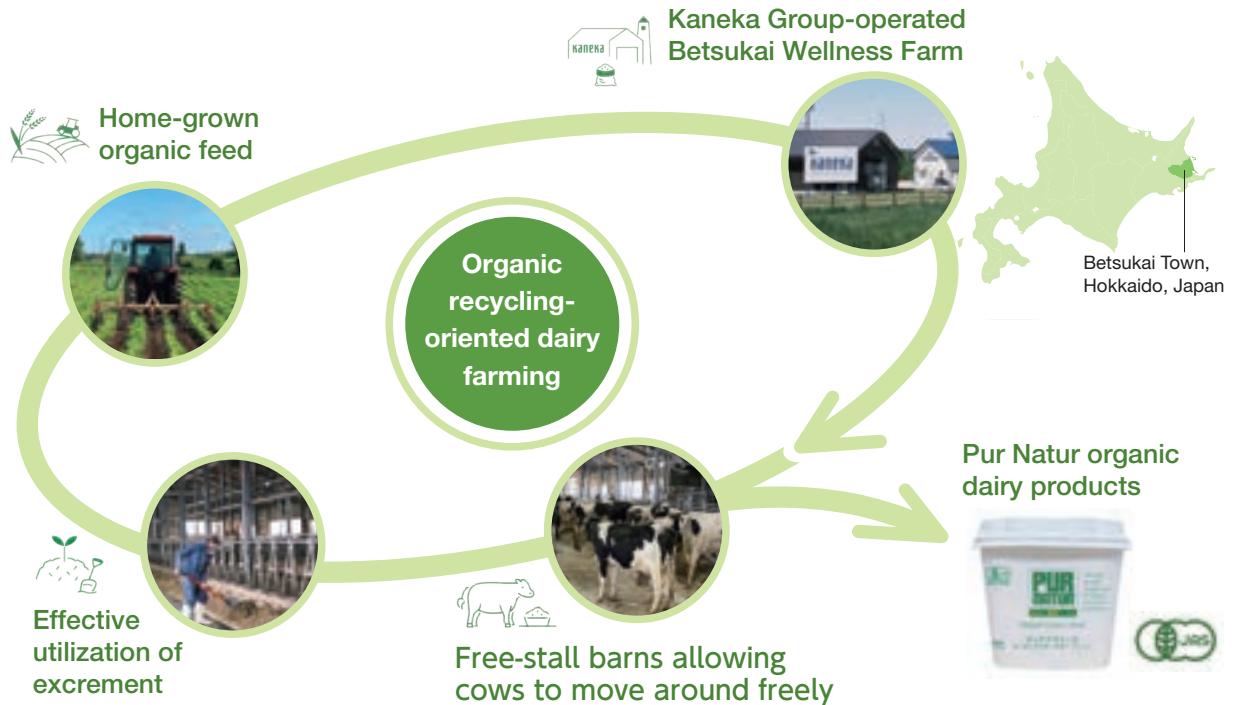
Cutlery provided by concession stands outside the Kobelco Kobe Steelers rugby team stadium

We are currently carrying out proof-of-concept testing of production using waste cooking oil and other such raw materials based on our bio-polymer technologies developed so far. Meanwhile, with our sights set further toward the future, we have embarked on a project that has been selected as part of the NEDO\* Green Innovation Fund Project that involves production using carbon dioxide as a raw material.

\* New Energy and Industrial Technology Development Organization (NEDO), a national research and development agency

Selected primarily by Japan's Ministry of Economy, Trade and Industry, this project facilitates implementation of Japan's “Carbon Neutrality in 2050” objectives. Kaneka has been assuming leadership in pursuing the aim of achieving recycling-oriented biomanufacturing technologies that are not dependent on fossil resources, working in conjunction with Bacchus Bio innovation Co., Ltd., JGC Holdings Corporation, and Shimadzu Corporation.

## Organic Dairy Business Contributing to People's Health and Abundant Dietary Lifestyles — Launch of organic yogurt —



In seeking to achieve sustainable recycling-oriented dairy farming that is friendly to people, cows, and the environment, Kaneka continues to engage in various initiatives at its Betsukai Wellness Farm, which serves as a dedicated organic farm in Hokkaido. Initiatives of the farm include achieving labor savings in dairy operations through the adoption of automatic milking machines, and practicing open-range animal husbandry, in addition to operating free-stall barns that allow cows to move around freely, and using renewable solar energy.

In December 2022, the farm obtained Organic JAS Certification, which certifies that our production does

not rely on chemical fertilizers or other such substances, as stipulated by the Ministry of Agriculture, Forestry and Fisheries of Japan, and in March it launched sales of Pur Natur Organic Yogurt Plain. In addition to its rich flavor of organic fresh milk from healthy cows, this organic yogurt features a unique smooth texture based on the traditional production methods employed by Pur Natur of Belgium.

Going forward, we will extend our lineup of products made using our distinctive and original probiotics, while also actively shifting to organic practices with respect to our entire range of dairy items.

## Contributing to Carbon Neutrality Worldwide through Use of Natural Energy and Solar Cell Technology Underpinning Local Production for Local Consumption

It has been more than four decades since the Company first embarked on development of solar cells in 1980. Currently, we engage in efforts that involve various forms of energy use, above and beyond technological development. We have been expanding our reach in terms of our capacity to make a difference, extending beyond the confines of the Kaneka Group to our local communities, and from our local communities to the world.

### Within the Kaneka Group



#### Transmission of generated electric power to Kaneka Group facilities in remote locations

Power self-supply options have been attracting attention since they serve as a means of facilitating decarbonization. Under such schemes, a corporate entity consumes surplus electricity which is generated by private power facilities and transmitted through an electric utility's power distribution network. Since February 2023, the Company has been engaging in self-supply efforts for transmitting electricity generated by its solar power facility in Takasago, Hyogo Prefecture to a Kaneka Group company in Kobe, Hyogo Prefecture, thereby reducing CO<sub>2</sub> consumption within the Group.



Kaneka Takasago Distribution Center, equipped with solar power generation equipment



### Local communities

#### Commencement of comprehensive electric power services business in Toyooka



Solar power generation equipment installed on roofs

In Toyooka, Hyogo Prefecture, we have launched a comprehensive electric power services business encompassing microgrid operations for meeting local energy needs with small-scale power generation facilities, combined with power storage station operations and other such undertakings. Whereas the microgrid functions as an independent power supply network in the event of a disaster, during normal times, it will also help bring about more widespread adoption of renewable energy through sales of surplus electricity on a local basis, while also giving rise to local production for local consumption. Through the initiative's newly established special purpose company, we will engage in efforts that involve developing technology in coordination with participating companies, seeking more extensive partnerships with local governments and other such entities that are working toward decarbonization, and contributing to local communities.



### Worldwide

#### Kaneka's solar modules to be used in roof glass of the new Prius PHEV



Kaneka solar module equipped in Prius PHEV

Toyota Motor Corporation (Headquarters: Toyota, Aichi Prefecture; President: Koji Sato) has incorporated the Kaneka's solar modules into the all-new Prius PHEV model, which went on sale in March. The use of these in-vehicle PVs enhances the vehicle's design aesthetics and conversion efficiency, given features such as the modules' back-contact configuration with no wiring on the surface and curved design. Going forward, we will continue to promote more widespread adoption of solar cells across an extensive range of applications.

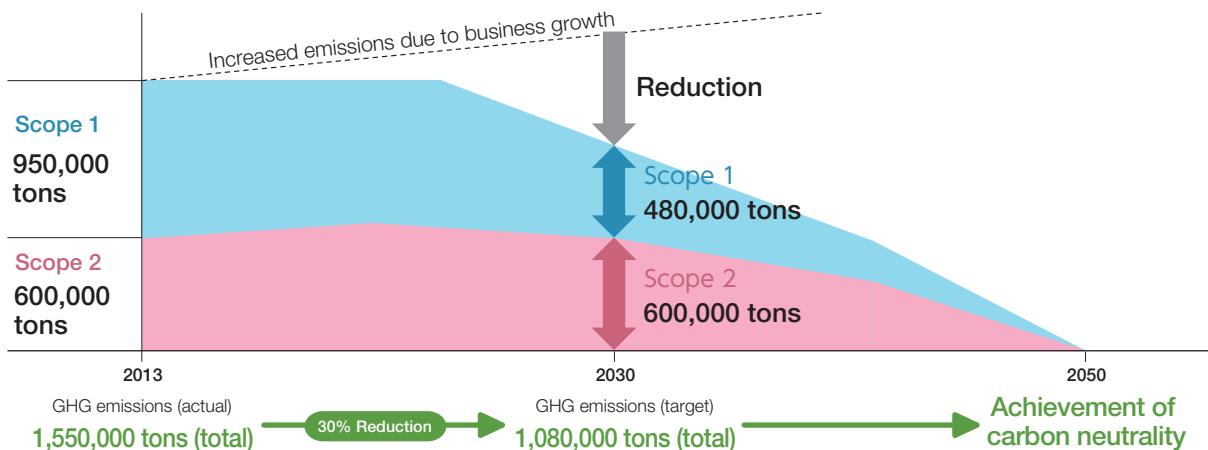


## Kaneka's Aspiration for a Carbon-neutral World

The Company has set the target of achieving a 30% reduction (approx. 470,000 tons) in greenhouse gas (GHG) emissions compared to levels in fiscal 2013, with respect to Scope\* 1 and Scope 2 emissions including those of Kaneka Group companies in Japan and abroad. We are currently making progress in carrying out technical assessment for each of the emissions reduction categories we have thus far identified, amounting to approximately 540,000 tons of GHG emissions. We have been taking aggressive action with respect to focusing on these emission-reduction categories in areas that include switching from coal to natural gas in terms of fuel used to operate our private power generation facilities, reforming processes at manufacturing plants, further developing energy-saving technologies, and turning to renewable energy and electricity subject to low CO<sub>2</sub> emissions factors.



\* There are three Scope categories for classifying GHG emissions, determined on the basis of emission characteristics and sources. Scope 1 GHG emissions are direct emissions associated with fuel combustion, industrial processes and other such sources. Scope 2 GHG emissions are indirect emissions associated with use of energy supplied by other companies, such as emissions involving power purchased from electric utilities. Scope 3 GHG emissions encompass emissions not categorized as Scope 1 or Scope 2, and include emissions attributable to transport of raw materials as well as usage and waste associated with products sold.



Our Company's solar modules have been certified under the "Future Tokyo" strategy, and have been selected for inclusion in Photovoltaic Power Generation System with Superior Functionality in terms of helping to address various urban-specific challenges. They have been deemed environmentally-friendly products that qualify for additional subsidies when residences and other such structures are to be built in the Tokyo metropolitan area. These modules will help give rise to a carbon-neutral society by enabling the adoption of ZEH (Net Zero Energy House) standards among small dwellings, particularly those located in urban areas where it is generally difficult to install solar modules due to limited roof surface area and other such constraints.

Note: Please refer to the Tokyo Metropolitan Government website for further details.



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**The Dreamology Company**  
— Make your dreams come true —