

CSR REPORT 2022



TOP MESSAGE



KANAE CO., LTD.
President and Representative Director

Shigenori Hidaka

In 2022, we have seen the continued outbreak of COVID-19, which has had a major impact on people's lives and the global economy. The invasion of Ukraine by Russia has caused a spike in energy and grain prices, as well as significant fluctuation in the financial markets and exchange rates, leading to major unpredictability in regard to the future situation.

Cities around the world have also been frequently hit by large-scale natural disasters thought to be influenced by climate change. We believe that companies are required to be more flexible and responsive to change than ever before, and that corporate social responsibility has become an ever more pressing issue.

There are three main pillars to our business: sale of packaging, materials, contract packaging service, and design/sale of packaging machinery. Until now, our main business goal has been to resolve the issues faced by our customers and society through packaging. In recent years, we have focused on the following three main points in order to deliver "safety/peace of mind" to our customers. With the provision of a stable supply of packaging materials as our number one priority, we have proposed a higher quality and more stable production system for contract packaging service, and pack-

aging machinery that also has significant labor-saving and streamlining benefits. Additionally, we determined our vision for 2030 of "We create a market with a new package and contribute to a sustainable society". For the realization of this vision, which focuses on the "Packaging Technical Development Center" completed in 2019, we are working to develop packaging that can reduce environmental load and solve issues, including through joint development with our customers and business partners.

For 2023, we set our annual business policy as "Developing new ideas by learning from the past".

The reason for this is that by deepening the understanding of our corporate philosophy and having all employees act in accordance with this philosophy, we will be able to become a company that is more useful for and agreeable to our customers. We believe that realizing this will lead to strong corporate growth. We will continue to work diligently to make this vision a reality in 2023, based on these ideas. In addition to expressing our deepest gratitude for our customers, business partners, shareholders, and other stakeholders, we would humbly request your support and guidance as we move forward.

1_ Initiatives for penetration of our philosophy

As the number of uncertainties increase in the world, we feel that it is important to become a group that aims in the right direction in which it should be aiming and produces superior results through all employees aligning their vectors and demonstrating their true abilities. Specifically, this is the circular thinking that “by employees feeling the worth of their workplace and jobs, they will value their customers, and provide good products. By providing good products to the world via their customers, they contribute to society. As society improves, this will bring benefit to our com-

pany and its employees.”

To bring about this circular effect, we needed to revise our company philosophy while retaining our “company creed” that represents our founding spirit. Additionally, with this revision, we revised our “TEISIN” philosophy penetration tool for the first time in a decade. In 2023, we will strive to permeate our philosophy throughout the company and put this philosophy into practice. We will strive to ensure that our stakeholders can also feel the results of our efforts.

2_ Initiatives for Realizing a Sustainable Society

Although the commercial materials (packaging) handled by our company is an essential part of our daily lives, concerns are growing throughout the world in regard to the destination of this packaging as it finishes its role. Put another way, there are calls for manufacturing that considers the product right up to the post-use stage and, in particular, manufacturing that does not place a burden on the global environment.

We have raised the environmental policy of “<A world blessed with an abundance of nature> Maintaining this environment for eternity” and are developing packaging that helps reduce envi-

ronmental impact. Moving forward, we will continue to focus on activities, throughout the supply chain, that contribute to a sustainable society. Specifically, in addition to developing packaging with reduced environmental impact, we are constructing a framework for the material recycling of waste PTP generated in the PTP packaging process at customer manufacturing sites.

As a separate approach, we are collaborating with start-ups to create new businesses that contribute to a sustainable society, utilizing our know-how, management resources, and “packaging” networks.

3_ Launch of the Third CSR Mid-Term Plan

The second CSR mid-term plan was completed in 2022. In the second CSR mid-term plan, there was the inauguration of our “KANARIA” Project to promote diversity, and we launched the company-wide operation of OHSMS (Occupational Health and Safety Management System), and our CSR questionnaire for our business partners. Whereas these initiatives have borne fruit, there were some goals we could not achieve and various challenges have become apparent. In addi-

tion, we feel that our customers expect more of us, including in relation to promoting CSR across the entire supply chain. To tackle these issues and expectations, we established the third CSR mid-term plan from 2023 to 2025.

We shall strive, through our approach to, and achievement of the goals in the third CSR mid-term plan, to make our stakeholders feel more secure when working with us.

CSR Policy

We create safety and reassurance and contribute to a sustainable society with the spirit of “Tsutsumu”. “Tsutsumu” is the word we use in our company to express the true nature of our business. The word also means to “Wrap”, “Hold”, and “Surround” as well as to “Pack”.

CSR Guidelines

Employees and The workplace

Working style and Labor safety and hygiene fields

Employees and the workplace: We foster a corporate culture to encourage employees to “learn” and “challenge” and promote a good work environment that is “safe and reassuring”, and which makes everyone want to commit to working for the company for a long period.

[Relevant SDGs]



Compliance

Compliance and Supply chain management field

We uphold a high level sense of ethics and continue to build a corporation that will constantly be deemed necessary by society as well as our clients.

[Relevant SDGs]



Various certifications, etc.



ISO14001 (Environmental Management System)
All of our offices are certified.



Support company for the disabled
in Osaka Prefecture
Registered as such since 2018.



Eruboshi
Acquired on January 29, 2021.
(Accreditation system for the Promotion of Female Participation and Career Advancement in the Workplace.)



We have been awarded a “Silver” rating in the EcoVadis sustainability survey.
※About the EcoVadis “Silver” rating
The criteria for the rating are reviewed annually, and the ‘Silver’ rating means that the company is in the top 25%, following the highest rating of ‘Platinum’ (top 1%) and the next highest rating of ‘Gold’ (top 5%).

Customers and Consumers

Quality and Business continuation fields

We aim to continuously provide a stable supply of high-quality products, prioritizing the perspective of our consumers.

[Relevant SDGs]



Environment

Environmental management field

We conduct corporate activities that are both people- and environment-friendly.

As a company that provides “Tsutsumu”, we create products and services that can contribute to a sustainable society through collaboration with other companies. We constantly try to improve everyday work and realize improvements in both accuracy and quality.

[Relevant SDGs]



Contents

Top Message	1 - 2
— CSR policy/CSR directive/various authentication, etc./company overview	3 - 4
— [Special feature 1] Review of corporate philosophy and corporate logo renewal	5
— [Special feature 2] Initiatives for realizing a sustainable society	6 - 8
— [Special feature 3] Formulation of the third CSR mid-term plan	9 - 10

Our company's initiative for 2022

— Employees and the workplace	11-12
— Customers and consumers	13-14
— Compliance	15-16
— Environment	17-18

Profile

Name	: KANAE CO., LTD.
Head office location	: 23F Crystal Tower, 1-2-27 Shiromi, Chuo-Ku, Osaka
Established	: March 29, 1956
Capital	: 353,814,600 yen
Representative	: President and Representative Director Shigenori Hidaka
Office & Factory	: Head Office/ Tokyo Office/ Nagoya Office/ Toyama Office/ Seishin Logistics Center/ Tochigi Factory/Kobe Factory/ Ehime Daiichi Factory/ Packaging Technical Development Center
Affiliated Companies	: KANAE TECHNOS CO., LTD./KANAE CS PACK Co., Ltd.

※The merger with KANAE ENGINEERING Co., Ltd, was effective as of January 21, 2023, with our company as the surviving company.

Business area

Distribution sale of packaging materials : Proposing the most suitable packaging materials working with a network of more than 500 packaging material manufactures

Distribution sale of packaging machines : Proposing packaging systems from our consumers' perspectives

Contract packaging : Dealing with a great variety of packaging, from prototypes to contract packaging

Business Category Permission

Marketing of class-2 pharmaceutical products

【 Head Office 】

Selling of controlled medical device

【 Tochigi Factory 】

Manufacturing of pharmaceutical products (general)

Licensed manufacturer of psychotropic pharmaceuticals

Registered proprietor of operator of the facility conducting experiments or research involving psychotropics

Manufacturing of quasi-pharmaceutical products (general)

Manufacturing of cosmetic products (general)

【 Kobe Factory 】

Manufacturing of pharmaceutical products (general)

Licensed manufacturer of psychotropic pharmaceuticals

Registered proprietor of operator of the facility conducting experiments or research involving psychotropics

Manufacturing of quasi-drug products (general)

Manufacturing of cosmetic products (general)

【 Ehime Daiichi Factory 】

Selling of controlled medical device

Manufacturing of pharmaceutical products (general, packaging, display, and storage)

Manufacturing of medical device (registered manufacturing site)

Manufacturing of In-vitro Diagnostics (Registration)

Manufacturing of quasi-drug products (general)

Manufacturing of cosmetic products (general)

What kind of company is KANAE?

Five main areas of activity

Pharmaceuticals

Cosmetics

Food products

Medical products

Personal care

Sales and procurement network

Customers

550 companies or more

Business partners

500 companies or more

Sales mix ※1

Packaging materials/contract packaging/packaging machinery

Packaging machinery

675 million yen

Contract packaging

7,929 billion yen

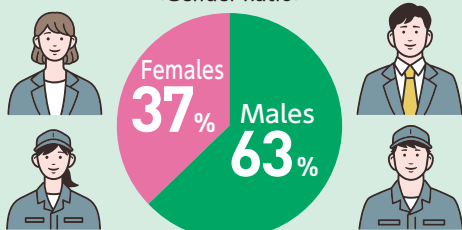
Packaging materials
18,512
billion yen

Total **27,116** billion yen

Number of employees

484 ※2
(Males 306, females 178)

<Gender Ratio>



Average age
41.0 years

Average working years
13 years, 2 months

Average overtime hours ※1

15.1 hours/month

Average number of paid holiday days taken ※3

11.4 days/year

(Average number of paid holiday days taken in all Japanese companies 10.3 days/year ※4)

Return-to-work rate after childcare leave ※1

100%



※1 Information from October 21, 2021 to October 20, 2022

※2 As of October 20, 2022

※3 Information from April 1, 2021 to March 31, 2022

※4 From Ministry of Health, Labor and Welfare "Comprehensive Survey of Labor Conditions"

Special Feature 1

Review of Corporate Philosophy and Corporate logo renewal

Review of Corporate Philosophy

A decade has passed since the start of our previous efforts to instill our philosophy. In response to this, a project team, including management, has reviewed our corporate philosophy, based on the need to reaffirm the importance of permeating this philosophy into our employees and deepen understanding of our founding spirit.

Corporate Philosophy

For people's happiness, we create new value and contribute to their health and enriched life.

- ① Make our company a place where our employees can feel fulfilled in life through their work.
- ② We want to be helpful to companies through business with us and make them feel happy to have done business with KANAE.
- ③ We are committed to the happiness of all people in the world through our packaging business.

Motto of our company

※Our company creed has not changed since before.

- ① Positive ability to take action: We keep challenging new and/or difficult tasks with a positive attitude.
- ② Critical reflection: We carry out self-reflection to make sure our actions are always right and that they are for the best when we take them.
- ③ Humility: We always serve our customers and society with humility.
- ④ Originality: We develop new and competitive products, and create our own markets.

Revision of the "TEISIN" philosophy notebook

Our company has issued our "TEISIN" philosophy notebook to instill and practice our corporate philosophy. This revision has been made due to a review of our corporate philosophy. "TEISIN" clearly shows the direction in which the company is aiming and the actions and thinking required of its employees, and incorporates the experiences accumulated by the company up to this point.



Administration Director
Yasuhiro Otani

Enthusiasm for spreading The Corporate Philosophy

It is said that the current age is one in which the future is uncertain and difficult to predict, referred to as VUCA*, where changes in society and the environment mean that making business decisions is extremely difficult. At times like these, a company's corporate philosophy becomes its standard. The idea of cyclicity, that is "by employees feeling the worth of their workplace and jobs, they will value their important customers, and provide good products. By providing good products to the world via their

customers, they can contribute to society. A better society provides a virtuous cycle in which employees and their families to live in a better environment" has been incorporated into the revised corporate philosophy on this occasion. Each employee shall work proactively to achieve this circular effect, increasing their own abilities, with the ultimate aim of strengthening the organization, and spreading our corporate philosophy throughout the company.

※VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity.

Corporate logo renewal

With the review of our corporate philosophy and revision to "TEISIN", we have renewed our "corporate logo". The selection of the new "corporate logo" was carried out via an in-house competition based on our company's typical approach of doing in-house whatever can be done in-house.

Ideas incorporated in the logo

The intended meaning of the three ■s in the corporate emblem is that the three forces of people, goods, and money remain in balance and that this balance does not break down as they have developed. These have been newly positioned as referring to all of our employees, stakeholders, and society as a whole. We also designed "a" in the image of "a roll of packaging materials" and the ● in the center as the image of "wrapping".

This expresses the fact that we are a "packaging company", and that by providing the "creation of new value" through packaging, we provide a stable form of "happiness" for all employees, stakeholders, and society.



Special Feature 2

Initiatives for realizing a sustainable society

Vision for 2030

“We create a market with a new package and contribute to a sustainable society”

We would now like to introduce our efforts to realize the 2030 Vision and contribute to the SDGs (Sustainable Development Goals).

① We are promoting initiatives for the circular economy

We are promoting our initiatives for promoting the circular economy in packaging worldwide. Overseas is leading the way in mono-materialization to facilitate the recycling of resources. We are also promoting development of mono-materialization based on global standards.

Developed products

Polyolefin mono-material package “Mono-material PTP”

The developed product was certified to be 98% recyclable by the Institute cyclos-HTP*. This certification is in accordance with the design guidelines for the circular economy, evaluating the recyclability of polyolefin-based flexible packaging in terms of each element of the flexible packaging structure and judging the conformance of the PE and PP mechanical recycling process.

*This is a company that specializes in the classification, evaluation and certification of recycling packaging and commodities, and R&D in the field, and is located in Aachen, Germany.

Special features of “Mono-material PTP”

Rather than using aluminum foil, the lid material for PTP is made out of a specially processed OPP film and a CPP sheet is used as the bottom film.



As polypropylene, it has achieved certification as “98% recycling suitability (superior level of recyclability)”

Waste PTP* recycling initiatives

PTP packaging has excellent portability and storability, and is widely used in pharmaceuticals packaging throughout Japan. As the plastic of the pocket that holds the tablet and the heat seal lacquer layer of aluminum-based lid are firmly heat-pressed together, it has excellent airtightness. However, this means that once they are stuck together, they are difficult to separate. For this reason, in many cases, waste PTP is converted to RPF* for thermal recycling or incinerated

as is. Given this situation, we have launched an initiative to realize waste PTP material recycling* in cooperation with Partner Company, which has implemented equipment capable of separating waste PTP into plastic material and aluminum foil. It is our belief that waste PTP material recycling will help reduce environmental impact and resource recycling by reducing the CO₂ emissions, as it is possible to process PTP without incinerating it.

Waste PTP...During the production process, production loss and die-cut waste may be generated, and waste PTP may be generated during trial run and the like. On this occasion, we are considering waste PTP packaging discharged at customers' factories.

RPF...This is an abbreviation for Refuse derived paper and plastics densified fuel, and describes the solid recovery fuel made mainly from waste paper and plastics, which are difficult to recycle.

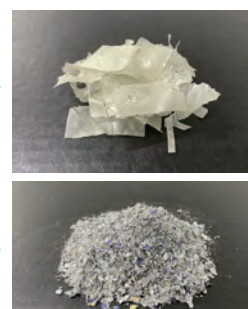
Material recycling...Reusing waste products once again as materials for the same product or a different product. It is necessary to separate waste materials for material recycling.



Waste PTP



PTP peeling device (installed by Partner Company)



Peeled plastic

Peeled aluminum foil

2 Introduction to our sustainably-developed products

The packaging industry, of which we are a part, uses many petroleum-based plastic materials, and this has become an environmental issue that is attracting a lot of attention from society. Given this situation, companies are not only collecting information, but have also started proactively investigating the adoption of sustainable packaging materials. For this reason, demand for sustainable packaging materials is increasing.

We are working with packaging material manufacturers and raw material manufacturers to develop products that allow containers to be reused, which in turn reduces the environmental impact of our products. We shall introduce some examples of sustainable packaging materials for which development is promoted by our company. (This includes materials that are under development.)

Examples of products developed using paper materials

Reducing the use of plastic materials by using paper materials as an alternative



▲ STANDING PAPER POUCH



▲ Paper-based COSMO PACK



▲ PAPER LID PORTION PACK

Adopted products



▲ Glassine paper lid materials

Adopted products



▲ PAPER POUCH



Use of mono-materials

Optimizing recycling using mono-materials



▲ Polyolefin mono-material package

Certified products on previous page



▲ PET-BASED POUCH



▲ PP MONO-MATERIAL POD

3 Collecting and disseminating package-related information domestically and internationally

We are proactively obtaining and disseminating package-related information both domestically and overseas. With the changes brought about by COVID-19 infection countermeasures in 2022, we exhibited at the “2nd ‘Kansai’ Sustainable Materials Exhibition” held in May 2022, to inform as many people as possible about sustainable packaging materials. This generated a lot of interest from visitors, and we were able to receive useful feedback for improvements. We then exhibited the improved sustainable packaging materials at the “2nd ‘Tokyo’ Sustainable Materials Exhibition” held in December 2022.

During the COVID-19 crisis, the gathering of information from overseas was mainly done through virtual exhibitions and the Web due to travel restrictions. In 2022, we restarted our overseas tours for information gathering, attendingACHEMA 2022 and PACKEXPO 2022, as well as our EU business partners. We will continue to disseminate the information we have collected and gather new information.



2nd ‘Kansai’ Sustainable Materials Exhibition

Examples of products developed by reducing/compacting of number of used parts

Reducing the amount of plastic materials used through packaging design innovations



▲ JOY CLEAR



▲ Two-drug fill COSMO PACK

Adopted products



▲ Compact SP



▲ CLEAR COSMO PACK

Adopted products

Examples of products developed with refillable packaging

Enabling the reuse of main containers



▲ Refillable COSMO PACK

Adopted products



▲ Small-capacity spout standing pouch

Examples of laminated film sheet products developed using recycled materials

Reducing the amount of petroleum-based plastics used, by using recycled raw materials



▲ Recycled PET pouch/overwrapping

Adopted products



▲ Recycled A-PET syringe tray

Adopted products



▲ Recycled PET stick (laser scoring)

Adopted products

Examples of film sheet products developed using biomass materials

Reducing the amount of petroleum-based plastics used, by using plant-derived raw materials



▲ Biomass materials PTP



▲ Biomass COSMO PACK



▲ Biomass Plastic Outer Pouch

New business structures that can contribute to a sustainable society

From 2022, we launched our business for the “commercialization and sale of powdered products made of underutilized agricultural products, jointly with ASP Co., Ltd. (head office: Suita City, Osaka, CEO: Naoki Hayashi, hereafter “ASP”). ASP designs the most suitable processing method for each agricultural product and converts into powder. This covers not only agricultural products disposed of in the process of distribution and consumption, but also agricultural products disposed of in fields or factories for reasons of specification or appearance, despite being safe to eat, or for price adjustment. The powdered products can be utilized with added value, as they have all the nutritional elements of the agricultural product raw material. As the food product sector is one of our main businesses, we are aligned with the business goals of ASP. We have mainly been utilizing our filling and packaging know-how to work together with ASP, and, moving forward, we aim to contribute to a sustainable society through the development of ASP’s business.



▲ Turning underutilized agricultural products into powder form

Special Feature 3

Formulation of The third CSR mid-term plan

Field name	Relevant SDGs	Important action items
Employees and The workplace Working style and Labor safety and hygiene fields 	    	Promotion of a health management
Customers and Consumers Quality and Business continuation fields 	   	BCP promotion ※For quality, we are operating a separate quality management system
Compliance Compliance and Supply chain management field 	   	Reduction in supply chain-related CSR risks (hotspots)
Environment Environmental management field 	      	Promoting sales on materials with low environmental burden Reduction in greenhouse gas emissions Approach to SBT certification Conversion from thermal recycling to material recycling

Our CSR initiatives have been established in four fields, and we have set our key initiatives for the medium-term three-year period and targets for each fiscal year based on these initiatives. FY2022 was the final year of the second CSR medium-term plan. Based on the results and issues found in the initiatives so far, as well as externally requested items and changes in the internal environment, we have set out our three-year medium-term plan for 2023 to 2025. We will continue our efforts to contribute to a sustainable society through our core business. This includes our contribution to achieving our SDGs.

2025 (70th term) goals

Planned approach for 2023 (68th term)

Acquire certification as a company with superior health management by the end of FY2025 (70th term)

Necessary measures for obtaining certification are 60% complete

In preparation for a hypothetical disaster, ensure that BCP operations are in place.

- ①BCP response flow for trading of packaging materials and external contract packaging has been organized, written procedures and training has been completed
- ②Problems with factory recovery procedures have been resolved

Ascertain CSR risks up to our designated Tier 2*
 ※Tier 2: Secondary suppliers
 Companies that supply materials to business partners from whom we purchase products

- ①CSR risks are defined
- ②Guidance given on schedule for our CSR risk survey in relation to our designated Tier 1*
- ※Tier 1: Primary suppliers
 Business partners from whom we purchase products

Make 20% of new orders be for materials that reduce the burden on the environment

Office △3% on 2022(67th term) (absolute value)
 Factory △7% on 2022(67th term) (base units)

Acquire SBT certification up to 2025 (70th term)

Set the material recycling rate for waste products discharged from the factories to 5%

Make 5% of new orders be for materials that reduce the burden on the environment

Office △1% on 2022(67th term) (absolute value)
 Factory △5% on 2022(67th term) (base units)

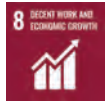
Ascertain Scope 1, 2, and 3 numbers for KANAE Group

Establish a material recycling method

Employees and The workplace

Working style and Labor safety and hygiene fields

Employees and the workplace: We foster a corporate culture to encourage employees to “learn” and “challenge” and promote a good work environment that is “safe and reassuring”, and which makes everyone want to commit to working for the company for a long period.



[Results sheet]

Second CSR medium-term plan

2022

Target	Objectives	Results	Evaluation
We have put into practice a “corporation that fulfills the lives of our employees, gives hope and pride, and is worth working for”	Implement, in turn, policies that can be incorporated in our company	<Improvements to the remote work system> As remote working has continued as a measure against COVID-19 infection, there have not been any improvements to the conventional system nor secondary recruitment	—
	Implement deployed measures after considering improvements	<Utilizing senior employees> This has not yet started	×
	<Improvements to the remote work system> Improve the conventional system, and achieve secondary recruitment for remote work	<Implementation of non-territorial office in the head office> Progressed and achieved as planned	○
	<Utilization of senior employees> Carried out training in relation to utilizing senior employees		
Creating a workplace without accidents	<Implementation of non-territorial office in the head office> The project schedule for realizing non-territorial office is proceeding without delay		
	Measures in the new action plan based on the “Act on the Promotion of Female Participation and Career Advancement in the Workplace”, effective April 1, 2021, are being implemented as planned	<Initiatives for Goal 1> Carried out management candidate training, which was attended by 8 men and 5 women	○
Approach to health management	<Goals up to March, 2024> 1.Increase the ratio of women in management positions by 15% or more within the next 3 years 2.Ensure that the ratio of continuous employment of female workers is at least 70% of the ratio of continuous employment of male workers	<Initiatives for Goal 2> Carry out management training related to child-rearing leave and communication	○
	Risk reduction has been achieved in the areas identified as being dangerous in the risk assessment	Of the 77 risk reduction measures across all offices, 65 of these have been completed Achievement rate at 84% is still incomplete	×
Ensure certainty in the Occupational Health and Safety Management System	Initiative to eliminate all traffic accidents involving company cars and commuting vehicles	Conduct regular education at target business offices	○
	Reduce total overtime by 10% across the whole company, through improved work efficiency	As a result of relaxation in measures such as remote working, which is a measure against COVID-19, and busy factory operations, overtime increased in most departments	×
Improve knowledge of occupational health and safety	People who are subject to medical checkup re-tests are being recommended to take them	Recommendations for those subject to medical checkup re-tests are being made in all sites.	○
Increase in health-mindedness among company as a whole	Operational issues related to the Occupational Health and Safety Management System (OHSMS) have been resolved	Not all issues could were solved.	×
	At least one learning opportunity shall be provided in each site every year	We provided learning opportunities in all sites.	○
	Increased the number of employees participating in health awareness improvement efforts to at least 80% of the workforce	We have not gotten beyond considering initiatives	×

Creating a workplace without accidents (Occupational Health and Safety Management System (OHSMS))

We rolled out our Occupational Health and Safety Management System (OHSMS) company-wide in 2022. Risk assessments were conducted at all sites with the aim of creating an accident-free workplace, and efforts were made to reduce risks in the hazardous areas that were identified. In addition, each workplace provided opportunities to educate employees on how to eliminate traffic accidents during

commuting and when using company cars. These training opportunities were devised at each worksite to enhance the effectiveness of the training. To achieve further results in FY2023, we will continue to create an accident-free, safe, and secure workplace by improving the operation of the OHSMS, spreading the system throughout the company, and improving the accuracy of risk assessments.

Holding Management Training

The revised Child Care and Family Care Leave Act came into effect in FY2022. The purpose of this statutory revision was the aim of “creating an environment where it is easy for both men and women to take childcare/nursing care leave”. Training was held for managers to explain the details of these statutory revisions and reconfirming the basic nature of these various systems, with the aim of achieving the main goal. Further, with the reduction in face-to-face communication during the COVID-19 crisis, there is more diversification in terms of working styles and values. We performed communication training with the goal of fostering a culture in which employees can be given ap-



▲ Management Training: Revised Act on Childcare Leave, Caregiver Leave

propriate guidance when necessary and can express their opinions with others in different situations.

Consideration of non-territorial office in the head office and start of operations

Based on the thinking behind our new work style (Kanae Jobs Style), we have started a project to convert our head office to a non-territorial office system in the year 2021. We started operating this system from January 2023. The concept of the non-territorial office is to create active communication among employees and make effective use of office space. To realize this theme, the project considered various office layouts. To secure the necessary space for the new layout, we carried out the 5S approach, including digitalizing paper documents and reviewing the number of years that we retain documents. The core project members are the young

employees in each department. The project members voiced their opinions freely, and determined rules such as 1) To stimulate communication, employee are asked to sit in different areas than in previous days, 2) How to deliver personal items, 3) Office cleaning, etc. The result is that the volume of stored documents has been reduced by 50%, and the 45 seats (20 before the change) have been secured for use for multiple purposes beyond regular office work. Since starting operation, employees have chosen their own seats, and carried out their operational tasks while communicating with members of different departments.



Office layout diagram after starting free address operation

We also installed four phone booths to allow for the increased opportunities for remote meetings and seminar viewing. The highly soundproofed nature of these booths means that users can concentrate fully on their meetings and other activities. The reduced congestion in the use of meeting rooms has reduced the time required to arrange meetings.

We have established “meeting spaces” with high tables and meeting tables, that can be used for brief meetings and consultations, and this creates an office environment, that enables “brief discussions” to take place.



▲ Meeting space example



▲ Phone booth

Customers and Consumers

Quality and Business continuation fields

We aim to continuously provide a stable supply of high-quality products, prioritizing the perspective of our consumers.



[Results sheet]

Second CSR medium-term plan

2022

Target	Objectives	Results	Evaluation
We have been able to provide high-quality products in a stable way	<p>Approach that aims to eliminate market complaints</p> <p><Commercial relations></p> <p>Achievement of a target of reducing the number of quality anomalies</p> <p><Factory related></p> <p>100% achievement of quality targets</p> <p><Outsourcing></p> <p>Achievement of a target of reducing cases of quality abnormalities</p>	<p>•Our commercial relations- and factory-related goals have not been achieved</p> <p>•The Tochigi, Kobe, and Ehime Daiichi Factories goals have been somewhat achieved</p>	×
Construct a BCP structure that functions in an emergency	100% achievement of BCMS 2022 target	Only part of the goals has been achieved	×

Quality initiatives

As a basic policy, our goal is to guarantee the quality of all packaging materials we sell, the products manufactured at our factories, and products for which manufacturing is entrusted to external manufacturers, thus providing a stable supply of safe products that customers can use with full confidence. Through our activities that adhere to our "Quality Manual", we have created a framework in which quality is improved at all times. Our quality assurance not only covers our factory-produced products. We have constructed a system that ensures this quality for our products outsourced to external contractors and the packaging materials that we sell. In our various factories,

we have established quality control and quality assurance departments, and for externally-outsourced products and packaging materials, the corporate QA works to secure quality. As preventive activities, regular internal audits are conducted in our factories by the corporate QA. We also working to proactively perform audits at our business partners, giving them suggestions for improvement and striving to reduce quality defects. When it is not possible to conduct an on-site audit due to measures introduced to combat the spread of COVID-19, we have worked to ensure quality by conducting off-site audits such as remote meetings or in written form.

Quality Policy

1. Think from the customer perspective, and amalgamate our technology to deliver the quality that exceeds the expectations of our customers.
2. Guarantee the safety and reliability of the products provided to our customers.
3. Constantly make proposals for improving the value of our products, and create high-quality products with our customers.
4. Move our customers with our rapid action underlined by our quality and technology.
5. Make continuous improvements to maintain the effectiveness of the quality system.

“Naze!? Naze!? Activities”

In our Tochigi and Kobe Factory, we are engaged in the “Naze!? Naze!? Activities (Why!? Why!? Activities)” as part of our improvement activities. As the name suggests, this activity aims at searching root causes, by delving deeply into the “Naze!? Naze!?” (why) of the cause of problems, and by making more effective improvements, contribute to improved product quality and reduced defective products, as well as to the safety and security of our customers, consumers, and users.

We are holding a presentation event once every six months, and teams that get through the qualifying rounds, report the content of their activities and results, competing against each other for the “President’s prize”, “Production Director’s prize”, and “Factory Head prize.”

In recent years, due to participant restrictions arising from the COVID-19 crisis, judges have been participating remotely. In 2022, despite the ongoing restrictions on the number of participants, judges participated at the event site, and we were able to hold our first award ceremony for approximately two years. We share the content of the presentations with other factories to promote cross-sharing of initiatives and stimulate the next round of initiatives.



▲ Image of the “Naze!? Naze!? Activities” (“Naze ” means Why)” presentation ceremony at the Kobe Factory (in the Packaging Technical Development Center Training Room)



▲ Image of the “Naze!? Naze!? Activities” (“Naze ” means Why)” presentation ceremony at the Tochigi Factory (at the Tochigi Factory)



Executive Officer
General Manager of MANUFACTURING DIVISION
Eiji Sasano

Approach of the MANUFACTURING DIVISION

The Manufacturing Division will continue to protect the quality of our customers' products by continuing these activities to achieve steady results, complying with laws and regulations, and engaging in rivalry at each factory. The Production Division also aims for further growth of our customers, suppliers, and our company and aims to become trusted factories by providing safety for end-users (patients) and peace of mind for these customers and increasing productivity to levels not seen in any company.

Building a company resilient against disaster (Disaster prevention, BCP approach)

From 2015, we rolled out BCMS (business continuity management system) companywide, and initiated an approach to achieve the stable production of products even in the event of a disaster. With the belief that the initial response to a disaster is vital, we regularly perform safety check system response drills for our employees, and regularly carry out disaster prevention training in each site. We have also implemented a safety check system for some of our business partners that will allow them to swiftly grasp the extent of damage if an earthquake hits. Although the scale

of an emergency drill has been reduced due to the COVID-19 crisis, in 2022, we were able to conduct the drill in a conventional manner at each factory. At the Kobe Factory, in addition to the regular emergency drill, for the first time, the event included an exhibition of disaster prevention stockpiles, emergency food tasting and first aid training. Moving forward, we will continue with our efforts to build a system that will enable us to rapidly restore our business and strengthen cooperation with our business partners in case of a disaster.

<Image of an emergency drill>

Kobe Factory



▲ Indoor fire hydrant water discharge drills



▲ Lecture on CPR techniques

Tochigi Factory



▲ Indoor fire hydrant water discharge drills



▲ Tent installation management training

Compliance

Compliance and Supply chain management field

We uphold a high level sense of ethics and continue to build a corporation that will constantly be deemed necessary by society as well as our clients.



【 Results sheet 】			
Second CSR medium-term plan		2022	
Target	Objectives	Results	Evaluation
We are continuously providing CSR education to employees	We have held workshops at our head office and Tokyo Branch, Kobe Factory, Tochigi Factory, and Ehime Daiichi Factory, and employees have participated from all sites.	Workshops were held at all targeted sites, and these were attended by all employees	○
	The SDGs declaration campaign has been started as planned	This has unfolded as planned, and the donation recipients have been determined	○
We are enabling procurement activities in line with our basic purchasing policy	Issues resulting from the survey on the Basic Procurement Policy conducted in 2021 have all been addressed	All issues have been addressed	○
We have achieved a company standard for adherence to laws and regulations	Company-wide standardization of legal compliance evaluation methods is in place	Company-wide standardization of legal compliance evaluation methods has not been achieved	×

CSR questionnaire for business partners

In recent years, the whole supply chain, which includes our company, has been given the requirement by society of taking part in CSR activities. In our company, to learn about trends in the CSR activities at our business partners, we have been carrying out a CSR questionnaire survey every other year since 2019.

In 2022, we embarked on resolving the issues extracted from

the results of the questionnaire conducted in 2021. In 2023, we will establish hot spots to enable the Company "reduce CSR risks (hot spots) related to the supply chain" which is a goal from the 3rd CSR Medium-Term Plan. We also adjust the survey content into the form of a CSR questionnaire. Hot spots can then be extracted from this, and we will be able to conduct a survey of targeted business partners.

Basic Procurement Policy

We are rolling out the following procurement activities based on the KANAE CSR Policy and CSR Guidelines.

1. Compliance

(Labor practices) We conduct business activities that give sufficient consideration to human rights and work safety and Hygiene, by complying with the various related laws and statutes and to respond to the demands of society.

(Duty of confidentiality) We shall not leak the information learned through our business activities to a third party without the permission of the provider of the information.

2. Fair trading

(Impartiality/fairness) For all business partners newly requesting to engage in transactions, we shall perform a comprehensive and fair evaluation of their approach to quality, delivery deadlines, price, technology, business stability, and corporate social responsibility (CSR), and support them with a sincere attitude, regardless of nationality, region, and corporate scale, etc. For all business customers newly requesting to engage in transactions, we shall perform a comprehensive and fair evaluation of their approach to quality, delivery deadlines, price, technology, business stability,

and corporate social responsibility (CSR), and support them with a sincere attitude, regardless of nationality, region, and corporate scale, etc. We shall also do the same for existing business partners.

(Purchasing ethics) We do not have any personal interests with business partners. We also never use our position as an ordering party to exert inappropriate pressure on the other party.

3. Coexistence and co-prosperity with business partners

We aim for WIN/WIN relationships by positioning business partners as our partners, securing a suitable quality, deadlines, and price, and achieving stable trade.

4. Environment

We carry out purchasing activities that take the environment into consideration.

5. Supply chain management

We educate our initiatives based on this policy to all our suppliers.

SDGs Inner Branding

At our company, we are engaged in the process of inner branding for all of our employees in relation to CSR and SDGs.

Workshop utilizing the “2030 SDGs” card game

The workshops involved the participants looking at SDGs at an experiential level through the use of a card game, from which it was learned that the supply chain must function as a whole to resolve social issues. We also introduced our “what we can do at KANAE” SDGs

declaration campaign and encouraged our employees to take part in the campaign. This workshop also became an opportunity to reinforce communication between sites, which has been lacking since the COVID-19 crisis began.



▲ Image of the Tokyo Branch



▲ Image of the Kobe Factory



▲ Image of the Tochigi Factory



▲ Image of head office
(training for new graduates)

SDSGs declaration campaign

The SDGs declaration campaign started from the idea of everyone contributing to SDGs through familiar activities and this acting as an opportunity for us to work toward our common goal of “Solving social issues through our core business”. In 2021, we hit on an approach of “converting the donation actions undertaken by the company and employees in relation to various SDGs into points, and for the company to donate to environmental organizations based on these earned points”. In 2022, we looked at the decisions we had made in 2021 and devised specific initiatives based on this and rolled these out company-wide. These include the “Environmental label initiative” and “Revitalization of existing approaches that contribute to SDGs”. With the “Environmental label awareness campaign”, we actively try to purchase products that have environmental labels on them in our daily lives. We then attach these labels to a designated paperboard (50 labels/paperboard) and submit them to the company. There were approximately 1760 paperboards submitted during the period. Some of the families of participating employees got involved and it generated a surprising level of interest. An upper limit of points accumulated during the period of 100,000 points was achieved. Points were donated to the Nature Conservation Society of Japan (NACS-J). This institution is responsible for training “nature guides who work to protect local nature, protecting endangered species, forests, satoyama (border zone between mountains and arable land), and sandy beaches. Since our business is related to ocean plastics problem, the donation will be used for the 2023 activities of the “SANDY BEACH MOVEMENT,” which is organized by the same organization to protect and clean beaches.



▲ Click here for the
“SANDY BEACH MOVE-
MENT” website



▲ We received a letter of thanks



▲ Submitted paperboards containing
environmental labels



▲ Many paperboards were submitted

Environment

Environmental management field

We conduct corporate activities that are both people- and environment-friendly. As a company that provides "Tsutsumu", we create products and services that can contribute to a sustainable society through collaboration with other companies. We constantly try to improve everyday work and realize improvements in both accuracy and quality.



[Results sheet]

Second CSR medium-term plan

2022

Target	Objectives	Results	Evaluation
We are promoting an approach to reducing the environmental burden of the supply chain as a whole	Started activities toward reducing environmental load in the supply chain as a whole	We set two objectives but neither were achieved	×
Development of commodities with low impact on the environment	Cases of materials for reducing the environmental impact that have been newly adopted: 14 cases	Newly-adopted cases: 21 cases	○
Proposal for obtaining information on materials with low environmental burden	The number of the information on commercial products reducing the environmental impact which Purchase Dept. obtained and shared with Sales Dept.: 103 cases (10% increase compared to 2021)	Number of proposals obtained: 106 cases	○
Promoting sales on materials with low environmental burden	100 cases or more of new orders have been received as a sales of environmentally friendly products	Cases of new orders: 227 cases	○
Reduction in greenhouse gas emissions	Office division: 3% reduction compared to 2019 (absolute value)	50% increase compared to 2019 ※Included impact of newly opening the Packaging Technical Development Center/ Seishin Logistics Center ※Existing facility record: Increase of 12% compared to 2019	×
	All factories: 6% decrease compared to 2016 (cost units)	6% decrease compared to 2016(cost units)	×
Improvements in production line occupancy rate	Improvements in the operating rates of production line, decrease in failure rate	Set a target of 17 cases. Achieved 11 cases	×
Approach to positive changes, such as increased operational efficiency	<ul style="list-style-type: none"> Reduction in greenhouse gases, resources, waste materials and costs through business efficiencies 5S activities being carried out by each department 	Set a target of 37 cases. Achieved 36 cases	×
Promotion of activities that take biodiversity into consideration	<ul style="list-style-type: none"> Biodiversity activities being continuously performed in business offices of 30 people or more In business offices of less than 30 people, we are promoting the acquisition of volunteer leave (environmental activities, disaster recovery, etc.) 	These activities have been suspended due to the COVID-19 crisis	—
Promoting the circular economy	Concrete approaches are being taken for the circular economy	This has been examined by the Sustainability Division in collaboration with business partners, but no specific action has been taken yet	×
Adherence to laws and regulations and other requirement items agreed with our company	The company is compliant with environmental laws and regulations	Compliance assessments are performed on a regular basis, to confirm that the company business complies appropriately with the environmental laws and regulations	○
Improving environmental awareness of all employees	Carrying out CSR-related education	SDGs card game workshop has been presented to all employees	○
	Publishing of articles related to environmental issues in the in-house newsletter	These were published in the in-house newsletters (a total of 6 times) published during 2021	○
Reinforcing external communication	CSR reports have been issued and explained to the stakeholders	We aimed to explain this to 238 companies, and have done so in regard to 235 companies	×
Strengthening the certainty of the management system	Regular training for group leaders have been carried out for understanding of environmental manuals	Regular education is not taking place	×

(The goals and objectives described above are based on the 6th Environmental Medium-Term Plan)

Promotion of Environmental Management System

Approaches to Decreasing the Emissions of Greenhouse Gases

The problem of reducing greenhouse gas emissions is a common issue faced globally. We are also pursuing initiatives through our sites. In fiscal 2022, our Tochigi Factory switched part of its electricity to green power in July. The Ehime Daiichi Factory has already deployed power based on a zero CO₂ emission plan since 2021. This is the first time that green power has been introduced to our factory. On the other hand, while we have continued with the extended business operating hours implemented as a result of the staggered working hour system implemented in response to the COVID-19 crisis, the operation of the Tochigi Factory building and company-wide busyness also contributed to a significant increase in greenhouse gas emissions in FY2022. Moving forward, we shall continue with our efforts to reduce greenhouse gas emissions, as well as our activities towards gaining SBT accreditation.

CO₂ emissions for all business offices (Scope1, Scope2)

	2020	2021	2022
*1)Scope1	769 t	803 t	1,087 t
*2)Scope2	2,975 t	3,060 t	4,236 t
Total	3,744 t	3,863 t	5,323 t

*1)Scope1...Direct emissions from business activities

*2)Scope2...Indirect emissions from business activities

SBT is an abbreviation of "Science-based targets" and is a global initiative to meet the greenhouse gas emission reduction targets set by individual companies, to limit the global warming since the Industrial Revolution to well below 2°C, and pursue efforts to limit warming to 1.5°C, to be compliant with the aims of the Paris Agreement.

Approach to Reducing Waste

Our recycling rate in 2022 was 98.1%. However, as our main method of recycling currently is thermal recycling in which the heat from incineration is reused, and the process of con-

version to material recycling has become a major issue. Moving forward, we shall continue to promote efforts to achieve a material recycling rate of 5% by 2025.

Emissions of industrial waste in 2022

	Kobe Factory	Tochigi Factory	Ehime Daiichi Factory	Seishin Logistics Center	Partner Companies	T o t a l
Total emissions	119.0 t	104.4 t	11.2 t	11.1 t	2.5 t	248.2 t
Non-harmful emissions	118.0 t	104.4 t	10 t	11.1 t	2.5 t	246 t
Harmful emissions	1.0 t	0 t	1.2 t	—	0 t	2.2 t
Recycled amount	117.4 t	101.5 t	11.1 t	11.1 t	2.5 t	243.6 t
Recycling rate	98.7%	97.2%	99.1%	100.0%	100.0%	98.1%

Approach to Biodiversity

Our company has continued its approach to biodiversity since 2014. Although activities originally only took place in our head office, Kobe Factory, Packaging Technology Development Center, and Seishin Logistics Center, in 2018, this was expanded to our Tokyo Branch and Tochi-

gi Factory. In 2020, it was decided that activities would be further expanded to the Ehime Daiichi Factory, and Nagoya and Toyama Sales Offices. Activities are currently on hold due to the COVID-19 crisis, but we restart in 2023, while taking account of the infection rate.

Business office name	Sponsor/partner	Content of activity
Head Office/Kobe Factory /Packaging Technical Development Center/ Seishin Logistics Center	Osaka, Kishiwada City, NPO Konoyama Conservation Club	Cutting down bamboo forest and clearing away the undergrowth with the aim of creating good mountain village and neighboring agricultural areas
Tokyo Branch	Yatsuhigata Natural Observation Center	Cleaning activities for Yatsuhigata conservation, mudflat-related environmental education courses, etc.
Tochigi Factory	Moka environmental partnership meeting, Moka City Hall	Fallen leaf collection and thinning trees with the aim of revitalizing the natural environment, such as areas where fire fly live
Nagoya Office	Nagoya City Kita-Ku Social Welfare Council, Roman Kurokawa-no-Kai	Cleaning activities on Kurokawa river, near the sales office
Toyama Office	Toyama Kenmin Fukushi Park	Cleaning and changing flowers etc. at Gofuku Park, etc
Ehime Daiichi Factory	Shikoku Chuo Volunteer Citizen Activity Center	Cleaning and maintenance of pilgrimage roads with aim of revitalizing mountains where animals live

Contribution to Regional Society

Support for orphans from the Great East-Japan earthquake

The "Michinoku-Mirai Fund" is a fund for the support of children who lost their parents in the Great East Japan Earthquake and focuses on helping them "go on to college and vocational education," for which there is a lack of support. We have participated since the inception of the fund, and it is now in its

12th year. As of April 2022, a total of 1,045 students had managed to move on to higher education through this fund. Moving forward, we will continue to support the "desire to learn" of children orphaned by the earthquake, through the "Michinoku-Mirai Fund".

Editorial policy

"CSR REPORT 2022" was issued by our company to summarize the main CSR activities for the fiscal year of 2022.

Information such as our corporate philosophy and the motto of our company, our approach, and concrete measures for CSR have been included in the report. Additionally, at the end of the report, a questionnaire has been included. Please let us know your thoughts so that we can use the response to the questionnaire to improve our CSR activities and CSR reports in future. Thank you in advance for your cooperation.

Subject of the report

KANAE Co., Ltd.

Reporting period

Period covered by the report Fiscal year 2022 (67th period)

From October 21st, 2021 to October 20th, 2022

※Content of the fiscal year 2023 has also been partially included

Issued

February 2023



Inquiries

KANAE CO., LTD. Corporate Planning Dept.

23F Crystal Tower, 1-2-27 Shiromi, Chuo-Ku, Osaka 540-6023

TEL +81-6-6945-1223 FAX +81-6-6945-1614

<https://www.kk-kanae.jp/en>

