

# CSR REPORT 2012

Digest Version



**kaneka**

<http://www.keneka.co.jp/kaneka-e/>

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**kaneka**

Paradigms shift.

This happens because resolving social issues has become impossible under today's norms.

Thus, we can surely hope to change society for the better.

Changing to a sustainable lifestyle where people take better care of themselves, show consideration to others, and share amongst themselves is pivotal to resolving social issues. People who adopt such lifestyles also want companies to practice sustainability.

Kaneka, Our science makes wishes come true.

Kaneka has long utilized science to deliver products and technologies that make life more comfortable, and many of our pioneering efforts have offered new lifestyle choices to society.

Kaneka will continue to contribute to new lifestyles through its products and technologies in its quest to engender hope for humankind—today and for many tomorrows to come.

### Corporate Philosophy

With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values.

We are also committed to challenge the environmental issues of our planet and contribute to upgrading the quality of life.

### Kaneka's Corporate Ideals

Toward an Even More Impressive and Productive Future

Hold in your hands the future you have always dreamed of.

We are a highly perceptive and collaborative value-creating group or, as we like to say, a "Dreamology Company."

**Kaneka,**  
Our science makes  
Wishes come true.



### Editorial Policy

The Kaneka Group issued its Responsible Care Report from 1999, renaming it the CSR Report from the 2010 edition to include more socially responsible content.

We have issued PDF and digest versions since 2011.

The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts.



This edition explains how Kaneka's business activities relate to CSR, and features information of particular interest to stakeholders, most notably the Kaneka Group's relationships with society, the environment, and employees.

The PDF edition discloses all of our CSR information. You can download a copy at the following URL:

<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

In addition, there are sections specifically for stakeholders including the provision of Check & Act columns, an overview of activities for the year under review, and our Plan-Do-Check-Act (PDCA) goals for highlighted issues in the coming term.

### Organizations Covered in This Report

This report covers Kaneka Corporation and its domestic and overseas consolidated subsidiaries. The data on Responsible Care activities encompass the parent and all 38 Group production subsidiaries.

In this report, "the Company" or "Kaneka" refers specifically to Kaneka Corporation. The "Group" or "Kaneka Group" encompasses Kaneka and its consolidated subsidiaries. References to "Group company/companies" do not include Kaneka Corporation.

### Language Versions

This report is available in Japanese and English. Information is also available in both languages.

### Third-Party Verification and Opinions

The Japan Chemical Industry Association verified the environmental data in this report. Professor Toshihiro Kanai, Dean of the Graduate School of Administration of Kobe University, provided a third-party opinion of the overall content.

### Report Period

This issue covers fiscal 2011 (April 1, 2011 to March 31, 2012) with some additional information outside this period.

### Date of Publication

September 2012

### Publication of the Previous Report

September 2011

### Next Report

September 2013

### Reference Guidelines

The Global Reporting Initiative's Sustainability Reporting Guidelines 2006 and The Environmental Reporting Guidelines (2007 version) issued by the Ministry of the Environment of Japan.

### Kaneka Group Products Registered Trademarks

Visit the following website for details of the registered trademarks of products mentioned in this report.

<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

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### About the Front and back Covers

A childlike curiosity is fundamental to realizing Kaneka's long-term vision of building a more impressive and productive future. The three colored balls indicate that we are always there for the young, and graphically complement the special features in this report.

The back cover presents advanced technologies and products that have come from leveraging science at Kaneka. The 2012 report highlights Kaneka Biopolymer AONILEX used in biodegradable agricultural multi-film.



# We will Turn Our Ears towards Our Stakeholders and Promote Productive CSR Activities



## Facing an Increasingly Chaotic Economic Environment

In fiscal 2011, businesses were faced with the tasks of coping with power shortages and reviewing BCPs (business continuity plans) due to the Great East Japan Earthquake and accident at the Fukushima Daiichi Nuclear Power Station. As if to add insult to injury, the yen appreciated sharply, and the cost of raw materials stayed high. Additionally, there were natural disasters in various other countries and regions like the flooding in Thailand, and with the American economy stagnating, the fiscal crisis in Europe was rekindled. It was truly a tumultuous year.

In the midst of these changes in the environment, revenue in the manufacturing business, which had been the engine for economic growth up to this point, has been coming under pressure. Many Japanese businesses have been accelerating their global expansion, and the hollowing out of industry has resulted in a vicious cycle of reduced domestic demand and accelerated deflation. At the same time, technological innovation and the creation of new markets have been occurring at an astonishing pace, bringing about changes in the industrial structure.

Meanwhile, Kaneka formulated the long-term vision; Declaration of Kaneka United for the future, which goes through fiscal 2020, and has been working on ACT2012, the first medium-term plan. However, due to the above-mentioned environmental changes, we have fallen behind on the initial schedule.

## Sticking with Innovation

The Declaration of Kaneka United for the future designates Environment and Energy, Health Care, Information and Communications, and Food Production Support as important strategic domains for priority investment of management resources. In the Environment and Energy domain, there is more demand than ever for photovoltaic modules as renewable sources of energy. The photovoltaic module business will take advantage of our technology for supplying peripheral materials and software, and the expandable plastics and products business can contribute to energy savings by utilizing the light weight and heat insulation features. In this way, the business structure to which we aspire will truly contribute to the needs and development of society, and we will continue to stick with these important strategic domains in the New ACT2014 medium-term plan.

At the same time, new and old industry maps are being switched out on a global scale, and it is no exaggeration to say that industrial reform is underway. We will re-examine the characteristics of the business and engage in various innovations, while being prepared to change the corporate culture. R&D divisions will emphasize speedy results and carry through with focused project themes. On the production side, we will improve the cost competitiveness of our products and raise the cost performance of the entire value chain to achieve greater customer satisfaction. Moreover, we will further strengthen our global expansion efforts under the direction of the regional headquarters established in April this year. We will also nurture our global human resources and promote true globalization in which corporate activities can be community based.

In order to bring about these innovations, each employee must break away from the way things used to be done and thoroughly re-assess their own jobs while promoting more advanced and efficient operations. We will support each employee as they actively take on challenges and create a new corporate culture by changing their mindsets.

## Emphasizing CSR Activities and Stakeholder Feedback

The New ACT2014 medium-term plan states that continued emphasis will be placed on CSR activities as one of the priority management measures. In particular, this entails continued innovation of equipment and changing of mindsets in order to ensure safety, which is the foundation of the Kaneka Group's competitiveness, as well as further improving corporate value through the implementation of environmental management measures. We will continue the CSR field audits of our own manufacturing plants and of those group companies which started last year and meticulously promote checks and action. The safety of our plant operations is paramount for earning the trust of not only our customers but also the members of the surrounding communities. All employees understand this and will step up safety efforts.

CSR Report 2011 was published last year, and we launched efforts to listen to evaluations of and opinions about our CSR activities from our stakeholders based on that report. The first of these efforts was a questionnaire survey conducted by a survey company. There were 462 respondents, and they answered that the most interesting articles in the report were, in descending order, "Measures to Prevent Global Warming and Conserve Energy," "Reducing Waste and Preventing Pollution," "Biodiversity Initiatives," "Cutting Chemical Emissions" and "Safety Initiatives." This was congruent with the priority items of the medium-term plan, namely ensuring of safety and implementation of environmental management measures.

The second of these efforts was the new "Stakeholder Dialogue" held jointly with the local authorities where our plants are located (Takasago City and Settsu City). We received feedback from those in attendance that although there was communication with the company and local authorities, they would like to know what the plants are manufacturing and what kind of cooperation they can expect from the company in the event of an emergency.

The Kaneka Group will put further emphasis on communication with stakeholders and enhance our CSR activities based on the feedback we receive.

Thank you for reading this report, I would be happy to receive any suggestions or comments you may have regarding our initiatives.

Kimikazu Sugawara

President  
Kaneka Corporation

# Leveraging Our Science to Contribute to the World— Creating a Sustainable Future through Our Operations

As a comprehensive chemicals producer, the Kaneka Group manufactures chemicals, functional plastics, expandable plastics and products, food products, medical supplies and devices, electronic materials, photovoltaic modules, and synthetic fibers.

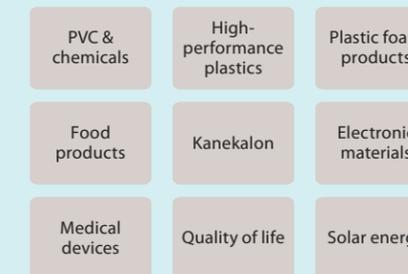
Our technologies and products enrich people's lives the world over, contributing to a sustainable future.

Kaneka will continue leveraging its science to make wishes come true.

## Important Strategic Domains

Humankind faces numerous social problems, the most pressing of which involve the environment, food, and medicine and health. The Kaneka Group will continue to fulfill its responsibilities as a comprehensive chemicals manufacturer with worldwide operations by concentrating its resources on the strategic domains of the Environment and Energy, Information and Communications, Health Care, and Food Production Support.

## Existing Business Units



## Important Strategic Domains



Structural reform - Business creation - M & A

Product/organizational restructuring

## Environment and Energy



### Photovoltaic Modules for Megasolar Power Plants

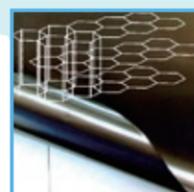
July 2012 saw Japan introduce a system of fixed prices for renewable energy to help drive progress under a megasolar power plant initiative. As operators are setting up many of these plants in coastal areas, Kaneka is developing glass encapsulated modules whose material and structural features make these devices infinitely more resistant to salt damage than conventional counterparts.

## Information and Communications



### ITO-Conductive Film for Touch Panels

Smartphones are a key application for touch panels, and there is growing demand for panel films with invisible electrode patterns and minimal resistance for applications in large displays. Kaneka's indium tin oxide conductive films dramatically enhance electrode pattern views while delivering low resistance and high transparency. Such attributes will contribute greatly to the development of new touch panels.



### Graphite Sheet for Mobile Devices

As mobile devices become more powerful and thinner, it is also becoming increasingly important to more efficiently disperse the resulting heat. Kaneka drew on its polymer design and high-temperature sintering techniques to develop a graphite sheet boasting the world's highest thermal conductivity. The outstanding thinness and processing ease of this material can provide internal support for advanced electronic equipment.

## Food Production Support



### Biopolymers

Our prime biopolymers are completely vegetable derived. We employ proprietary technology incorporating microorganisms to create these plastics, which are drawing much attention for their ability to quickly degrade into carbon dioxide and water regardless of the presence of air, minimizing environmental impact. One application for our biopolymers is agricultural films. The films can be ploughed into the soil after use, saving labor and supporting food production.



### Margarine that Tastes Like Butter

We used proprietary fermentation technology to create a margarine that is very close in taste to butter. Conventional margarines in bread making typically lose the flavor and fragrance of butter after baking. Our offering resolves such issues and has supported Japan's bread and confectionary industry extensively in the face of chronic shortages of butter and soaring raw materials prices since the Great East Japan Earthquake.

## Health Care



### Tissue Regeneration and Cell Therapy

Biomaster, Inc. operates Cellport Clinic Yokohama, which the Japanese government has authorized to provide advanced cosmetic surgery. Biomaster became part of the Kaneka Group in 2011. The clinic uses patients' adipose tissue-derived stem cells in reconstruction after breast cancer surgery and in treating facial dystrophic disease. Kaneka aims to accelerate technological and product development relating to adipose tissue-derived stem cells to ensure even safer and more efficacious tissue regeneration and cell therapy.



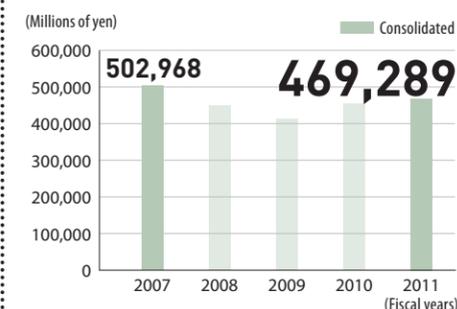
### Ubiquinol (Reduced Form of Coenzyme Q10)

Coenzyme Q10 plays a vital role in giving us energy and can contribute greatly to healthy living. Experts have recently confirmed the benefits of Ubiquinol in type 2 diabetes and in improving oral environment in periodontal disease. Other benefits include suppressing age-associated hearing loss and wrinkle formation by exposure to ultraviolet rays.

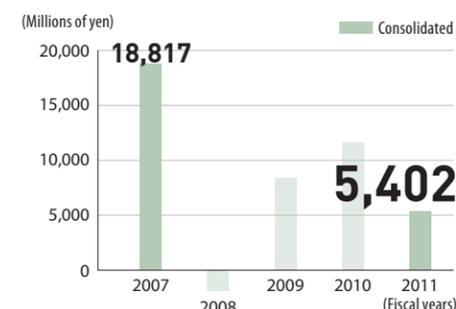
## Kaneka Group Profile

<b>Name</b>	Kaneka Corporation
<b>Head Office</b>	Osaka Head Office 3-2-4, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan
<b>Date of Establishment</b>	September 1, 1949
<b>Paid-in Capital</b>	¥33,046 million yen (as of March 31, 2012)
<b>Number of Employees</b>	Consolidated 8,489, Non-consolidated 3,266
<b>Domestic Facilities</b>	Sales Office Nagoya Plants Takasago (Hyogo Prefecture), Osaka (Osaka Prefecture), Shiga (Shiga Prefecture), Kashima (Ibaraki Prefecture)
<b>Research Institutes</b>	Frontier Materials Development Laboratories, Frontier Biochemical & Medical Research Laboratories, Process Technology Laboratories, Photovoltaic and Thin Film Device Research Laboratories, Molding & Processing Development Center
<b>Overseas Facilities</b>	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, and others.
<b>Kaneka Group</b>	102 subsidiaries (including 40 domestic and 25 overseas consolidated subsidiaries)

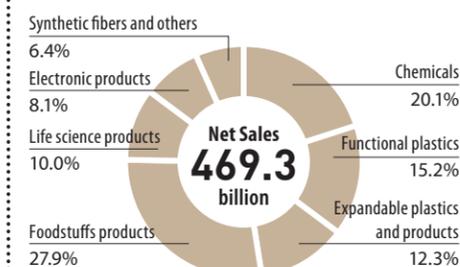
## Net Sales



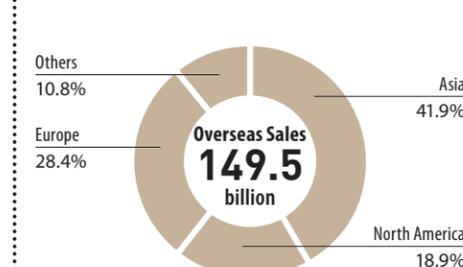
## Net Income



## Consolidated Sales by Business Segment (Fiscal 2011)



## Consolidated Overseas Sales by Area (Fiscal 2011)





# Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare

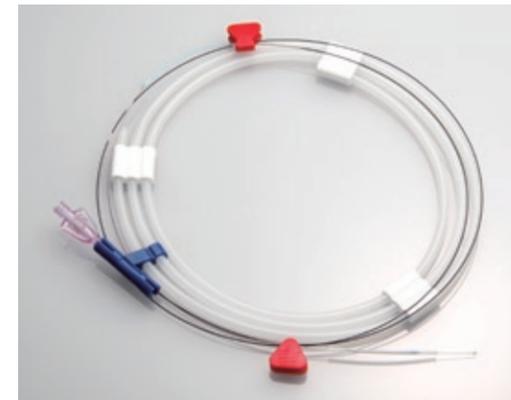
Catheter verification test

In recent years, interventions therapies have attracted attention in patient care as being less stressful than orthodox surgery. Such treatment entails an intravascular insertion of catheters in affected areas such as the heart or brain.

Kaneka provides various products used extensively by medical institutions, including balloon catheters and thrombus-aspiration catheters.

The perfusion balloon catheter is particularly noteworthy.

This report explores the often overlooked social significance of catheters.



## What is a Perfusion Balloon Catheter?

This balloon-tipped catheter is used to treat coronary artery disease. A catheter that maintains blood perfusion during balloon inflation is called a “perfusion balloon catheter,” as regular balloon catheters isolate vascular flow during inflation. Perfusion balloon catheters are emergency tools. Physicians use them if coronary arteries rupture during surgery, removing them once the intravascular environment becomes stable.

### Community Policy and Vision

Chemical approaches are vital to 21<sup>st</sup>-century life sciences. Kaneka contributes to global medical services development in intravascular catheters (see note 1), tissue regeneration and cell therapy, and blood purification. Its efforts draw heavily on polymer and biotechnology resources.

Note 1: Intravascular catheters are fine tubes inserted into blood vessels of the heart, brain, or extremities to help treat disease.

### Usage at clinical sites

#### Coronary artery perforation

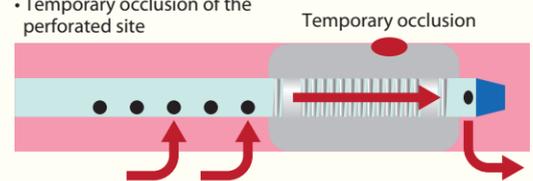


#### Insertion of a perfusion balloon catheter



#### Balloon inflation

- Blood perfusion
- Temporary occlusion of the perforated site



★ A blood flow bypass feature inside the catheter prevents ischemia in peripheral areas even during balloon inflation.

catheter business. However, I concluded that if we did not make these devices we would have no reason to exist as a manufacturer that supports the frontline of medicine.”

Kaneka entered the catheter field in 1993. At the time, Japanese medical institutions generally sourced catheters from Europe or the United States. Kaneka’s offerings eventually won acceptance among many institutions because the Company strove to accommodate clinical frontline needs. Kaneka is proud of its record as a manufacturer that has heeded the opinions of medical professionals to support clinical sites with offerings employing silicon and the other fruits of its polymer processing technology.

Dr. Yoshisato Shibata, director of the Heart Disease Center at the Miyazaki Medical Association Hospital, says that, “When perfusion balloon catheters became difficult to obtain, we faced a clinical crisis. However, Kaneka came to the rescue, clearly without regard to profits in this case, and we were extremely grateful. Of course, we concluded that Kaneka was performing well overall because otherwise it would have shied away from investing in these catheters. Anyway, I was so impressed I visited Kaneka’s manufacturing site in the hope of seeing the Company produce products that were better than those available from overseas. The visit demonstrated to me just how passionate Kaneka’s people are about manufacturing. I was also impressed by how the Company’s sales representatives understood our clinical requirements and conveyed them to the production side.”

## There are Needs at the Clinical Site, so Why Doesn’t Anybody Meet Them?

Akihiko Iguchi, general manager of the Medical Devices Division and a managing executive officer, says that, “Perfusion balloon catheters suddenly withdrew from clinical sites because a new device emerged, prompting the manufacturer to end production. Even though the catheters weren’t used frequently they were still vital in emergencies. This made me wonder why nobody would bother making something when the need exists in clinical settings. At the time, Kaneka did not have a perfusion balloon



**Akihiko Iguchi**  
Managing Executive Officer  
General Manager  
Medical Devices Division



**Yoshisato Shibata, M.D.**  
Director of the Heart Disease Center  
Miyazaki Medical Association  
Hospital

## Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare

Dr. Yoshisato Shibata, seen here performing catheter surgery, backed the product evaluation procedures that Kaneka needed to secure approval



### How Many People Waited? Academic Societies also Supported Approval

Kaneka responded to the needs of medical sites by engaging in research and development. Shogo Miki, director of the Technology Management Department in the Medical Devices Division, says that, “Kaneka already had a track record in balloon catheters. Perfusion balloon catheters are structurally more complex, but we knew we could leverage our technology to develop a more sophisticated device. As an engineer, I naturally wanted to meet such a challenge. Unfortunately, our mission to deliver the catheter as quickly as possible did not permit us to develop a more advanced product, since adding new functions would have meant making medical practitioners and their patients wait even longer because of the extended approval time. Of course, we did add some improvements, like making the catheter finer and easier to use.”



**Shogo Miki**  
Director  
Technology Management  
Department  
Medical Devices Division

Makoto Yagi, general manager of the Sales Department at Kaneka Medix Corporation, says that, “When there were no more perfusion balloon catheters available, the feeling I got from medical sites was that only a Japanese manufacture could replace what had been lost. Since Kaneka’s catheter business itself emerged from a desire to contribute to Japanese medi-

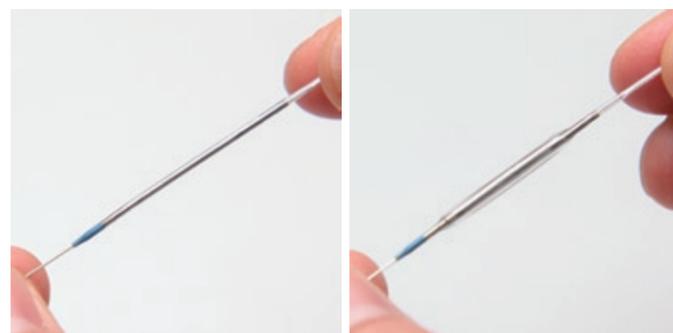


**Makoto Yagi**  
General Manager  
Sales Department  
Kaneka Medix Corporation

cal treatment, the Company acted quickly. We sales representatives often visit hospitals to see patients and families. We keenly sensed the need to deliver the product as soon as possible. Academic societies felt the same way and backed our efforts to gain device approval. It was extraordinary for such societies to push for the approval of a single product of a single company. It eventually took four years from development to win approval for medical institutions to use the device.” So this was how the perfusion balloon catheter returned to the frontline of medicine.

### Keeping Pledges to Doctors

What led Kaneka’s people to relentlessly pursue their project for four years? Mr. Iguchi says that, “Enthusiasm can easily wane, but we had to keep our pledge to doctors. A sense of honor drove us forward. It wasn’t about making money. At the same time, the Company decided to reinvest funds rather than simply saving them. I think this event increased the feeling of anticipation among people that if Kaneka gets involved, things



Perfusion balloon catheter before (left) and after (right) inflation

get done.”

Dr. Shibata says that, “Kaneka gained huge recognition because of its achievements in this case. I would like the Company to maintain a similar stance.”

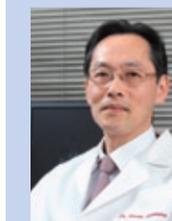
Kaneka is committed to listening to customers, bonding with them through pledges, and meeting the expectations of society. It is against this backdrop that Biomaster Inc. became a Kaneka subsidiary in September 2011, the goal being to accelerate Kaneka’s R&D in regenerative and cell medicines.

“With the addition of Biomaster and Cellport Clinic Yokohama, which Biomaster operates, we believe that we have secured the speed that we need for development in regenerative and cell medicines that rival or exceed global standards,” said Mr. Iguchi. Kaneka’s challenges based on polymer processing and biotechnology have thus expanded.



Dr. Shibata visited a production site underscored by our rigorous quality control management whose products are delivered to medical institutions

### Stakeholder Message



**Masato Nakamura, M.D.**  
Professor of the Division of Cardiovascular Medicine  
Director of the Catheterization Laboratory  
Faculty of Medicine, Toho University

### Kaneka’s Products are Accepted Worldwide. In Our Role as a Japanese Manufacturer, We Must Create World Firsts.

Perfusion balloon catheters are essential for treating medical complications. However only one patient a year needs such a device. To me, this underscores Kaneka’s commitment because such a product clearly makes little business sense. Furthermore, because it produced its device in Japan, Kaneka was able to make the product and usability superior to that of overseas counterparts.

One internationally known Kaneka offering is its line of thrombus aspiration catheters. They are not world firsts, but they have consistently become better than rival offerings because Kaneka listens to medical professionals and pursues ongoing improvements. It is naturally more challenging to create something entirely new, and not everyone can do that. I hope Kaneka, as a Japanese manufacturer, can eschew convention and pioneer a device.

### The Kaneka Group’s Involvement in Medicine Tissue Regeneration and Cell Therapy Businesses



#### We Want the World to Employ Our Breast Reconstruction Expertise

**Shoko Murase, Ph.D.**  
President and Chief Executive Officer  
Biomaster, Inc.



Cell treatment is conducted at a cell processing center in a sterile and clean environment

Biomaster Inc. grew out a venture originating in a university in 2002. The company engaged in R&D for adipose-derived stem cells (see note 1) with the Department of Plastic Surgery of the University of Tokyo School of Medicine. As a result, we developed cell-assisted lipotransfer (CAL). This is a technique for separating adipose-derived stem cells from fat, obtained by liposuction of the stomach or thighs, and injecting the stem cells remixed with fat into the breasts or face. This method uses a patient’s own cells, so it is very safe and suitable for treating various deformities since the soft tissues regenerate. One advantage is that there is almost no scarring because no major incisions are necessary.

We own Cellport Clinic Yokohama, which uses CAL in breast reconstructions after cancer surgery and to treat facial degenerative disorders. The number of breast cancer patients is increasing worldwide. In Japan 50 to 60 thousand people develop breast cancer every year,

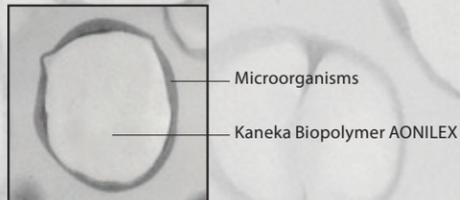
with around 2,500 undergoing post-surgical breast reconstruction. While providing new regenerative treatments using a patient’s own cells, we also recommend breast reconstruction. Through R&D and clinical collaboration, we are endeavoring to improve treatment techniques and deliver optimal medical services.

Since regenerative and cell treatment is a new field, we consider it important to spread the news among medical practitioners and patients as therapy alternatives. We are working to expand awareness of CAL by talking with people at the forefront of medicine and through public relations activities. At the same time, we wish to contribute to medical progress by applying Cellport Clinic Yokohama’s expertise to Kaneka’s regenerative medical research.

Note 1: Adipose derived stem cells can create adipose cells and blood vessels.

# Kaneka's Proposals for Social Sustainability Include the Use of Naturally Derived Plastics that Ultimately Return to Nature

Ecologically friendly plastics from non-fossil sources have attracted considerable attention in recent years. One such product is biomass plastic, whose raw materials include recyclable vegetation, which can help reduce carbon dioxide emissions. Another is biodegradable plastic, which decomposes naturally after use. Kaneka Biopolymer AONILEX is both a biomass and biodegradable plastic. This report explores the huge potential of naturally derived plastics that ultimately return to nature.

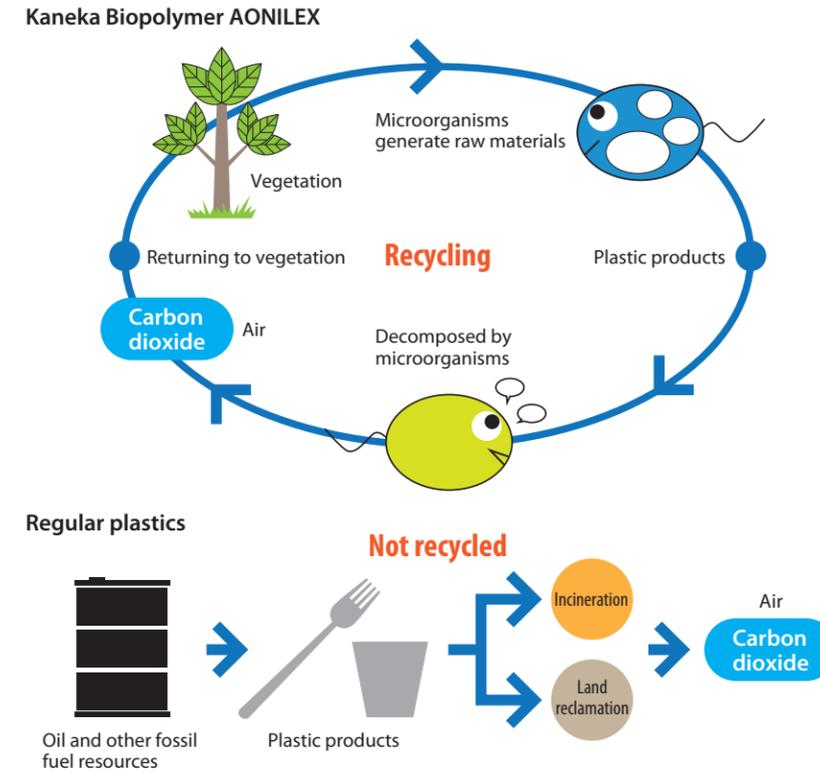


Kaneka Biopolymer AONILEX is produced by microorganisms

**Environmental Policy and Vision**

Biotechnologies and polymer technologies underpin Kaneka's synthetic fibers, polyvinyl chloride, caustic soda, margarine, and coenzyme Q10 offerings. Today these new biodegradable plastics made from vegetable fats and oils are attracting attention in Japan and especially in Europe. We produce 1,000 metric tons annually of these plastics at a pilot facility and intend to boost annual capacity to a commercially viable 10,000 metric tons.

## Lifecycle comparison between Kaneka Biopolymer AONILEX and regular plastic



The right microorganisms were discovered at this pilot facility at the Takasago Plant

## Reducing Greenhouse Gas Emissions and Facilitating Recycling Kaneka Biopolymer AONILEX

More and more countries are adopting new ways to deal with plastics. Belgium has begun to tax supermarket plastic bags derived from fossil fuels while Italy has mandated the use of biodegradable materials in supermarket bags. As social mechanisms change, lifestyles are evolving. Countries in Europe and elsewhere have to reduce carbon dioxide emissions, improve recycling, and cut waste. One solution to this issue is Kaneka Biopolymer AONILEX, which offers both biomass and biodegradable features.

Kazuhiko Yamada, general manager of the Green Productivity (GP) Business Development Division, says that, "Before plastics, all materials were natural, like wood, paper, and leather. Kaneka Biopolymer AONILEX is as recyclable as those traditional materials. The name is derived from "Aoni," for moss green, which is a traditional Japanese color. The name also implies the notions of learning from traditional materials and reflecting on modern civilization."



**Kazuhiko Yamada**  
General Manager  
GP Business Development Division

## Microorganisms Discovered in Soil at Bio Factory

So how did Kaneka Biopolymer AONILEX come about?

Mr. Yamada says that, "To produce plastics from vegetable fats and oils, you need specific microorganisms, which we discovered at the Takasago Plant. I've studied various soils in the bio field, and it was somewhat fateful that the microorganisms we wanted were right there in our facility the entire time."

Even so, it took another 20 years to create a viable plastic.

Keiji Matsumoto, director of the Future Technology Group in the GP Business Development Division, says that, "We needed 20 years to increase the productivity of the microorganisms. The ones we discovered were ideal for creating soft plastics for diverse applications, but we had to enhance production efficiency to drive costs down. It was hard to popularize new materials based solely on environmental advantages. For example, the material had to be available even for plastic parts factories in small towns. If this was not possible, we couldn't meaningfully help lower environmental impact throughout society."



**Keiji Matsumoto**  
Director  
Future Technology Group  
GP Business Development Division

## Kaneka's Proposals for Social Sustainability Include the Use of Naturally Derived Plastics that Ultimately Return to Nature

### Doing More for the Environment by Enhancing Performance and Increasing Usage Locations

Although Kaneka Biopolymer AONILEX has a lot of potential, we still need to address certain issues before we can commercialize it.

Yasuhiro Miki, manager of the Strategic Planning & Administration Group in the GP Business Development Division, says that, "Research into nonfossil-based plastics has only just begun. Currently we use vegetable fats and oils as raw materials, but we need to shift to alternatives that do not affect the food supply chain from the perspective of global sustainability. We also need to improve biodegradability precision. It is true that plastics made from plants are more biodegradable than those made from petrochemicals because of the corrosive action of the microorganisms. However, we need to address specific customer needs, as the decomposition times required for agricultural multi-film and food containers differ."



**Yasuhiro Miki**  
Manager  
Strategic Planning &  
Administration Group  
GP Business Development Division

Kaneka Biopolymer AONILEX is attracting more attention in Europe than in Japan due to greater interest in biodegradable plastics. Noriyuki Suzuki, manager of the Processing Technology Group in the GP Business Development Project, says that, "This product is more supple and softer than other biomass plastics, so the Europeans are recommending its use in supermarket bags. Also, it is common in Europe to make compost by burying raw garbage. The raw waste is placed in biodegradable plastic bags so the bags need to decompose at the same rate as the waste. We can modify blending ratios to adjust the speed of decomposition, which has also contributed to interest in Kaneka Biopolymer AONILEX. In fact, we've had inquiries from totally unexpected markets."



**Noriyuki Suzuki**  
Manager  
Processing Technology Group  
GP Business Development Project

Mr. Yamada says that, "First of all, we will formally launch the product and then pursue performance and usability improvements to ensure more people use it in more places. Kaneka's strength lies in its bio, polymer, and environmental technologies."

New materials not only create new markets, but they can also change society and create better futures.



Testing the usage of agricultural multi-film. After five months on the ground (left), the film has decomposed sufficiently to allow a farmer to plough it into the soil (right)



"Milano Salone" is an international design event held every year in Italy. Noma experience studio, which is active in Italy and Japan, exhibited a bag incorporating Kaneka Biopolymer AONILEX

### Stakeholder Message



**Yoshiharu Doi, Prof. Dr.**  
Director of RIKEN Research Cluster  
for Innovation RIKEN

### Crystallizing Bio and Plastics Technologies to Create New Markets

Plastics were invented only a century ago. Science created plastics in the course of trying to replicate natural materials like paper and silk. Over time, fossil fuels have replaced coal as the prime raw material. In the 21st century, we are endeavoring to make plastics from plants. The future of humankind will depend heavily on our ability to manage limited natural resources. The biodegradability of plastic will thus be essential. I am confident that Kaneka Biopolymer AONILEX will create new markets.

We began joint research with Kaneka in 1990. I am very grateful to the Company for putting up with us for so long. Kaneka already had bio and plastics technologies, the twin foundations for creating something amazing. I therefore expect Kaneka to come up with a product that can compete with conventional plastics in terms of both cost and quality.

# Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



Kaneka Belgium people

We established a Belgian subsidiary in 1970 as our first overseas production site. We set up subsidiaries in the United States in 1982 and in Asia in 1995. Under the Declaration of Kaneka United, which we announced in 2009 as our vision for the future, we aim to lift overseas revenues to 70% of net sales by 2020. We have therefore created several alliances with European companies in recent years while setting up operations in India, Taiwan, Korea, and China. In April 2012, we established subsidiaries in China and the United States to oversee operations in Asia and the Americas, respectively. In this report, we spotlight the activities of Kaneka Belgium and its employees.

### Employee Relations Policy and Vision

Our Basic CSR Policy states that, "We will respect the personalities and individuality of all our employees to support and encourage the development and utilization of their abilities." Our Group companies around the world leverage local talent in contributing to social progress as good corporate citizens.

## Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



**Masaaki Kimura**  
President of Kaneka Belgium



**Stany Van Haver**  
Senior Manager for Production at the High Performance Polymers Division of Kaneka Belgium



**Luc Peeters**  
The R&D Manager for Liquid Polymers in Kaneka Belgium's High Performance Polymers Division



**Pierre Van Ravestyn**  
General Manager of Kaneka Belgium's Eperan Division



**Jules Van der Auwera**  
Senior Manager for Safety, Health, Environment, and Quality at Kaneka Belgium



**Luc Duts**  
Manager for Human Resources at Kaneka Belgium



**Vanessa De Doncker**  
of Human Resources at Kaneka Belgium

### Key to Globalization “Speed” and “Cost”, Where the Employees with Local Perspectives Play an Important Role

In expanding offshore, we not only cultivate new markets but also contribute to regional economic and cultural progress. Kaneka believes that it is essential to truly localize its subsidiaries to solidify its reputation as a global entity.

We were one of the first Japanese chemical companies to set up European operations when we created Kaneka Belgium in 1970. We made what was then such a massive investment comparable to our capitalization to manufacture and supply Kane Ace, our impact modifier for polyvinyl chloride. That was because we expected the continental mineral water bottle market to expand. Demand later dwindled for Kane Ace as bottle makers switched to other container materials, but the trust we built locally with that product and our technologies positioned us to develop construction materials applications for Kane Ace. Kaneka Belgium began manufacturing Eperan polyolefin foam in 1985 and started producing modified silicone polymer in 1997, thereafter increasing capacity.

In 2011, Kaneka and Kaneka Belgium acquired the acrylic modifier and sol businesses of Evonik Röhm GmbH, a leading German chemical manufacturer. This purchase fostered our ongoing development by giving us access to promising technologies and better access to local markets while enabling us to expand operations and strengthen our competitive advantage in Europe. In January 2012, Kaneka Belgium launched a new business development unit to begin full-fledged efforts to cultivate bioplastic and organic light emitting diode lighting materials businesses in Europe.

Masaaki Kimura, president of Kaneka Belgium, said, “Today’s customers are no longer prepared to pay top prices for quality. They want the best products fast and at the lowest possible prices. Our local employees

will therefore play greater roles for us in the years ahead.”

Like most Japanese entities, Kaneka traditionally dispatched people from its home market to spearhead overseas expansions. Globalization has transformed the playing field, however, and it is becoming increasingly important to identify local needs accurately and match them speedily. For example, upgrading the quality of life is a part of Kaneka’s corporate philosophy. Yet, the definition of a good quality of life differs from country to country, and then it is local employees who play an important role for our globalization, with knowledge on their own culture and people.

Mr. Kimura says that, “The employees of Kaneka Belgium are diligent and have a strong sense of responsibility. Since the establishment of this subsidiary, the perspectives of these people have been the engines of our corporate progress. My roles are to create a climate that makes it easier for these employees to step up their activity and to help push ahead with localization. I would like to make Kaneka Belgium even more dynamic by tapping the enthusiasm and energy of these people.”

### Leveraging Core Japanese Technologies to Comply with Tough European Environmental Regulations

Europe’s environmental requirements are the toughest in the world. Kaneka Belgium thus accords a lot of attention to complying with ISO 14001, Registration, Evaluation, Authorisation and Restriction of Chemicals, better known as REACH, and other European Union regulations. Kaneka Belgium’s manufacturing units have responded to the carbon dioxide emissions benchmarks of the government of Flanders by improving operating conditions and processes, thereby enhancing energy efficiency by more than 10%.

For example, the High Performance Polymers Division of Kaneka Belgium learned that a new plant in Germany was generating lower amount of production waste, and successfully applied expertise from those processes. Stany Van Haver, senior manager for production at that division, says that, “The new approach has been a win-win-win for us. We’ve slashed waste, made processes easier for operators, and we’ve ultimately boosted production efficiency.”

Kaneka Belgium is making tremendous progress in developing environmentally friendly offerings. One example is its modified silicone polymer, which is used in construction sealants. Unlike the offerings of other companies, finished product based on this polymer does not con-



Kaneka Belgium office



Kaneka Belgium plant buildings

tain solvents, thus is valued for reducing the environmental impact and benefiting worker health, such as avoiding painter’s disease. In Japan, this polymer is mainly used for sealants for buildings. Kaneka’s Japanese researchers worked closely together with counterparts at Kaneka Belgium to position the polymer for adhesive applications, as parquet adhesives, and providing solutions for safe indoor air requirements.

Luc Peeters, the R&D manager for liquid polymers in Kaneka Belgium’s High Performance Polymers Division, notes that, “This approach exemplifies our efforts to draw on core technologies from Japan in developing products that match the needs of the European market.”

Our Eperan polyolefin foam is light and easy to mold. Eperan also offers outstanding impact resistance, so numerous automotive components employ this material to enhance safety and reduce weight, contributing to lower carbon dioxide emissions. Eperan is also recyclable, so manufacturers increasingly use returnable containers made of this material to ship mirrors, electronic components, and other delicate parts. Kaneka Belgium is developing Eperan-based materials to function as insulative construction parts in heating, ventilation, and air conditioning systems designed for low till passive energy housings. Says Pierre Van Ravestyn, general manager of Kaneka Belgium’s Eperan Division, “Eperan is a key offering for Kaneka’s strategically important Environmental and Energy field. As markets grow, we want to improve our ability to serve social needs.”

### Communicating Effectively to Maintain Employee Safety

As of June, 2012, Kaneka Belgium had experienced no occupational accidents leading to lost work times for eight straight years. This record is particularly impressive in Europe’s highly advanced chemicals industry. Such an attainment attests to the Kaneka Group’s dedication to safety initiatives to serve the interests of its employees and the communities in which it operates. Jules Van der Auwera, senior manager for Safety, Health, Environment, and Quality at Kaneka Belgium, says that the company has been able to maintain safety so consistently because it has engaged in a cycle of ensuring good information and communication to which all employees have relentlessly committed themselves.

The Kaneka Group checks occupational accident reports every day so it can quickly confirm whether other locations or practices are similarly hazardous. The Group then shares this information with employees, who exchange their views on it. Such ongoing interactions in many process aspects have ultimately motivated employees and maintained safety. Unfortunately, there were three occupational accidents but not resulting in work time losses at Kaneka Belgium in fiscal 2011, and we have improved processes to prevent recurrences.

## Kaneka Belgium’s Social Contribution Efforts

Kaneka Belgium engages in local events and in charity and student initiatives as part of its social contribution program.

Every year, the company sponsors the Westerlo Folk Festival and a 48-hour festival in Oevel, and also manages a child cancer fund.

In 2004, Kaneka Belgium pledged to donate a photovoltaic power system to Province of Antwerp as part of celebrations of the company’s 30th year of operations. The system was delivered in 2009. The company donated a fountain built in front of Westerlo’s city hall and funded community hall renovations.

The company is supplying Eperan and modified silicone polymer for a project that aims to build eco-friendly race cars. It is also assisting Group T International University College Leuven by providing technical guidance on modified silicone polymer.

Reflecting its very solid ties with Belgium, Kaneka Belgium has been honored to receive the Commandeur de l’Ordre de la Couronne (Order of the Crown) award several times from the King of Belgium. This is the nation’s highest civilian award for distinguished service.



Kaneka Belgium is assisting on a race car project Group T



Kaneka Belgium donated photovoltaic systems to the Province of Antwerp in 2009

### Using Open Door Days to Convey the Importance of Chemicals in Daily Life to the Community

In 2011, Kaneka Belgium held an open door day for its plants as part of a worldwide UNESCO program to commemorate that organization’s International Year of Chemistry, the slogan for which was, “Chemistry: our life, our future.” The plants spotlighted their products and environmental initiatives for more than 500 members of employee families and local residents over two days. Attractions included exhibits of product applications at a glance and small group tours. Luc Duts, manager for Human Resources, says that, “All the participants got an excellent feel of how chemical products are so important in daily life.” Vanessa De Doncker, also of Human Resources, says that, “It was great that everyone learned just how much we factor the environment into everything we do.”



More than 500 local residents and employee family members took part in Kaneka Belgium’s open day

## Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



Kaneka Malaysia



Kaneka Malaysia signed the GEMA crisis management accord with local

Kaneka North America LLC



Opening ceremony in April 2012 to commemorate the merger of Kaneka Texas Corporation and Kaneka Nutrients L.P.

Many participants said that the open days deepened their understanding of Kaneka Belgium and added they would like more such events in the years ahead. Such interest reflected well on the enthusiasm of Kaneka Belgium employees for their work and their commitment to local communities.

### Deepening Ties Beyond National Boundaries

On April 1, 2012, Kaneka Texas Corporation and Kaneka Nutrients L.P. merged to form Kaneka North America LLC. The new entity was the fruit of an initiative that local employees started in November 2009. Called Project Kizuna (English for “ties”), this effort sought to integrate common operations while creating a greater sense of solidarity among employees. On April 20, all Kaneka North America employees accordingly took part in an opening ceremony that Kaneka’s president attended.

Kaneka Innovative Fibers Sdn. Bhd. of Malaysia started operations at its synthetic fiber plant around eight months after that subsidiary’s establishment in 2010. The facility was swift to reach its near-term goals of stabilizing production and securing ISO quality certification. The key drivers for these achievements were the strong relationships between employees, regardless of their nationalities. These people are collaborating intensively on plans to upgrade facilities that employ a new spinning technology that draws on successes to date. The employees of this facility will keep harnessing their solidarity to meet new challenges.

The globalization process that we began in Europe four decades ago has continued to progress. Since 2010, we have allocated more than half of Group investments to overseas initiatives to upgrade plant facilities and form new alliances. While making progress in those regards, Kaneka is also positioning itself to tackle the challenges of doing business regionally. In 2012, the company therefore established Kaneka Asia Co., Ltd., and Kaneka Americas Holding, Inc., as regional hubs to accelerate global business development.

In globalizing its business, Kaneka will accord even more attention in the years ahead to cultivating local leaders and employees who understand top management’s commitment to delivering outstanding products and services while remaining an excellent corporate citizen.

### Stakeholder Message



Filip Verrezen  
Oevel District Representative

Guy Van Hirtum  
Mayor of Westerlo

### Contributing to Local Employment and the Community

Kaneka Belgium has benefited Westerlo tremendously, not least as a major local job creator since its establishment in 1970. The company has sponsored numerous events and engaged in charitable initiatives. One particularly memorable contribution was the incredibly popular Sky Watch attraction that the company sponsored at a 48-hour festival in Oevel in 2011.

We greatly appreciate these and the other ways in which Kaneka Belgium has cared for Westerlo, notably by donating a photovoltaic power system to the Westerlo Safety Center and arranging for past presidents to visit City Hall. We look forward to solidifying our relationship with the company.

Europe is experiencing very tough economic times, but we are confident that it will grow and progress in the years ahead, with Westerlo doing its best to assist that process.

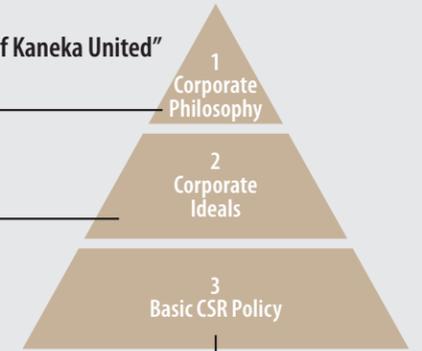
# The Kaneka Group’s Approach to CSR

## Management Philosophy Structure “Declaration of Kaneka United”

**1 Corporate Philosophy**  
With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrading the quality of life.

**2 Corporate Ideals**  
**Toward an Even More Impressive and Productive Future**  
Hold in your hands the future you have always dreamed of. We are a highly perceptive and collaborative value-creating group or, as we like to say, a “**Dreamology Company**.” (See note)”

Note: “Dreamology” is an expression coined from ‘dream’ and ‘ology’ (science). Our “Dreamology Company” is a “highly perceptive and collaborative value-creating group.”



### CSR Positioning

In keeping with “Declaration of Kaneka United”, our Basic CSR Policy forms the foundation of employee action in order to realize our Corporate Philosophy.

### Management Philosophy

1. Expresses our raison d’être and our social mission
2. Describes our key values
3. Provides an action agenda for each employee for materialization of our Corporate Philosophy

### Stakeholders

Our key stakeholders are our employees, society, customers, the environment, shareholders and investors, and vendors.

In order for us to improve our enterprise value, Group CSR efforts aim to increase the satisfaction of our stakeholders through business activities.

### Stakeholders Structure

#### Employees

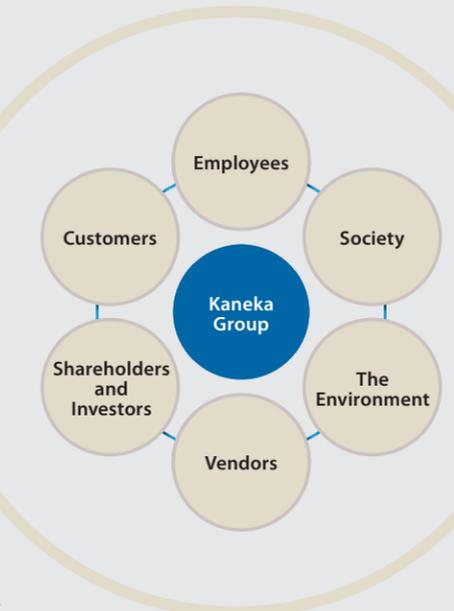
Our employees include the people who work for the Kaneka Group, as well as their families. We offer employees appropriate treatment, remuneration, self-fulfillment, and safe working environments.

#### Customers

Our customers are the people who purchase Kaneka Group products. We provide them with quality products and services, ensure product safety, and disclose information.

#### Shareholders and Investors

They recognize the value of our corporate brand and own our shares. We offer appropriate returns and disclose timely information so we can increase overall trust in the Group.



### Basic CSR Policy

The Kaneka Group will fulfill our corporate social responsibility through the materialization of our corporate philosophy with the earnest and forward-looking efforts of each employee.

1. We will strive to fully understand the cultural backgrounds, manners and customs of the countries and regions where we do business as a means of actively contributing to local societies and communities.
2. We will abide by all relevant laws and regulations and, in undertaking our business activities, conduct ourselves in a fair manner based on free competition.
3. We will place high priority on communicating with all our stockholders and stakeholders, and will disclose all pertinent information.
4. We will respect the personalities and individuality of all our employees to support and encourage the development and utilization of their abilities.
5. We will uphold safety as the top-priority concern of management as we dedicate our best efforts to securing a sound and safe workplace environment, offering safe products, and working to protect the global environment.

### Society

Including citizens and consumers. We can increase enterprise value by fulfilling our social responsibilities. We consider such factors as plant operational safety from the perspectives of social contributions, welfare, and community engagement.

### The Environment

By this we mean the global environment. We fulfill our social responsibilities by considering the environment in our business activities, including raw materials procurement, manufacturing, and transportation.

### Vendors

Raw materials suppliers and contractors. We build mutually beneficial relationships with vendors, ensuring that transactions are fair and that we offer equal opportunities to do business.

# Corporate Governance and Compliance

## Corporate Governance Structure

As shown in the diagram, Kaneka has one outside director and two external corporate auditors to secure management transparency and ensure timely and appropriate oversight. We limit the terms of office of directors to one year to clarify management accountability.

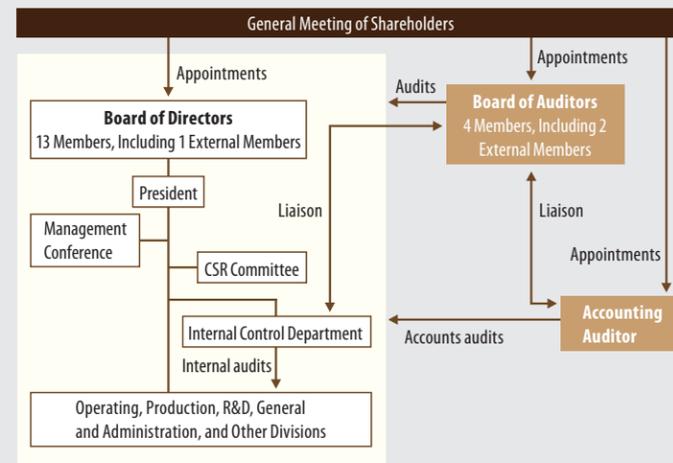
The corporate auditors meet periodically to exchange opinions with representative directors, and attend meetings of the Board of Directors and other bodies to monitor operational implementation.

Kaneka deployed an executive officer system to accelerate operational responsiveness.

Division managers, including executive officers, have extensive authority over daily business implementation, directors oversee multiple divisions to ensure companywide operational consistency. The Internal Control Department independently monitors divisional operations.

This framework segregates business implementation from oversight, and by drawing on external perspectives Kaneka is endeavoring to reinforce governance and management efficiency.

## Corporate Governance Structure



## Compliance

We have made compliance a top management priority for all Group directors and employees, and undertake the following efforts.

One step in that direction was to put a guide book on our intranet that explains our Ethical Code of Conduct, laws and ordinances, and regulations, which all Group executives employees must also adhere to. We additionally ensure understanding of compliance by conducting training and meetings within the Group and through the activities of compliance committees at Group companies.

We regularly train sales, purchasing, and business development managers on the requirements of the Antimonopoly Act, and require each of them to submit a written oath of compliance.

We maintain internal compliance consultation desks and also offer consulting through external law firms to answer questions and to swiftly address and resolve issues. In 2011, we set up compliance consultation desk for Chinese Group company employees.



The Compliance Guidebook that employees can access on our intranet



Compliance training

# Accelerating CSR

## CSR Structure

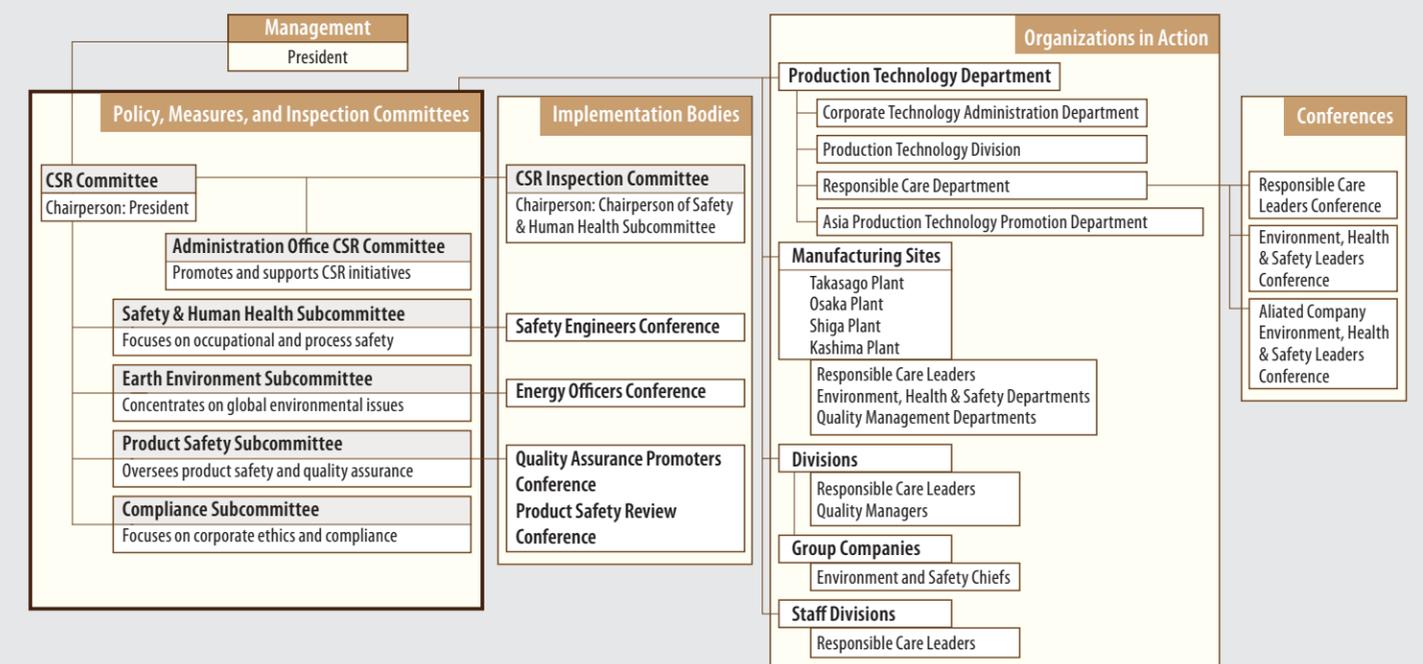
We established the CSR Committee in March 2009 to enable more systematic resolution of CSR issues.

The Committee formulates and updates our Basic CSR Policy to fulfill our social responsibilities while producing comprehensive strategies for our CSR initiatives and assessing the progress of our efforts.

In April 2010, we established the CSR Inspection Committee to assess and improve CSR endeavors.

In March 2011, the Administration Office CSR Committee functioned as our Great East Japan Earthquake Headquarters Secretariat to formulate emergency measures and assist earthquake-affected areas.

## CSR Structure



## CSR Inspections

Members of the CSR Inspection Committee inspect our four parent plants every year and all domestic and overseas Group companies every two years to confirm compliance practices and improve occupational safety and health. Inspections in fiscal 2011 focused on ensuring that top management instructions and information reached intended targets, reinforcing risk assessments and risk management, and checking adherence to the 3S's, and daily compliance management. The inspections covered the four parent plants, 14 sites of 11 domestic Group companies, and three sites of three overseas Group companies. The committee will continue to inspect facilities to help enhance safety and quality standards.

## CSR Education

In fiscal 2010, we continued to train people in different professional areas based on our CSR handbook. In fiscal 2011, we held two courses for new employees and one course each for executives, middle and lower managers, and mid-career recruits.

We explain our CSR activities at gatherings of Kaneka Group company presidents and in training for employees three years after they join. New initiatives have included holding CSR seminars for all employees at the four parent plants since fiscal 2011. By ensuring that each employee remains aware of CSR initiatives in the course of business, we aim to contribute to communities and otherwise fulfill our corporate social responsibilities.

# Responsible Care and Management

## Group Management

Kaneka shares and acts on Responsible Care (see note 1) concepts and strategies with Group companies.

In fiscal 2010, we upgraded safety inspections conducted since fiscal 2005 into what we now term CSR inspections. They encompass environmental protection, occupational safety, product safety aspects of quality assurance, and compliance at all Group companies.

Our Environmental Safety and Health Management Rules, Quality Assurance Rules, and Product Safety Management Rules detail Group company obligations and encourage employee vigilance in these areas. The rules aim to reduce environmental impact and occupational accidents while increasing our responsiveness to natural disasters, product-related accidents, and other crises.

Note 1: Responsible Care is a voluntary chemical industry initiative to improve social confidence by protecting the environment, safety, and health at every stage from development through to production, use, and disposal of chemical substances. Kaneka has acted under this principle as a member of the Japan Responsible Care Council since the body's inception in 1995 (the council was completely integrated within the Japan Chemical Industry Association in 2012).

## Basic Policies for Responsible Care

In keeping with our Corporate Philosophy, we strive to contribute to sustainable development and otherwise benefit society by protecting resources and reducing our environmental impact.

## Responsible Care Organization

We began undertaking Responsible Care initiatives in 1995.

In September 2008, we declared our support for the Responsible Care Global Charter announced that we would undertake Responsible Care initiatives worldwide.

We act in keeping with a basic Responsible Care organization that covers the following six areas: environmental protection, process safety and disaster prevention, occupational safety and health, chemical and product safety, distribution safety, and communication with society.

Kaneka's president chairs the CSR Committee, which directly oversees four subcommittees. These bodies deliberate and determine Group policies and measures, and examine related activities.

The Production Technology Division's Responsible Care Department, the Corporate Technology Administration Department, and the Production Technology Division disseminate activity conference-based policies and measures throughout the Group. The Responsible Care Leaders Conference acts companywide. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference share information and discuss issues.

The Affiliated Company Environment, Health & Safety Leaders Conference shares Group company policies and goals and undertakes groupwide Responsible Care efforts.

## Basic Policies for Responsible Care

- 1 Protect the natural ecosystem and reduce environmental impact
- 2 Offer safe products and information
- 3 Develop products and technologies in consideration of the environment and safety
- 4 Reduce waste and promote the recycling of plastics
- 5 Enhance process safety, disaster-prevention, and occupational safety and health
- 6 Win public confidence

# Responsible Care Activities

Our Responsible Care activity targets and results for fiscal 2011 are as follows.

Significantly outperformed
 Achieved/nearly achieved  
 Underperformed
 Significantly underperformed

## Key Targets, Results, and Evaluations of Our Responsible Care Initiatives

	Item	Fiscal 2011	Fiscal 2011 Results	Evaluations
Environmental Protection	Reduction of Chemical Discharges	Lower the VOC emissions target to 2,000 metric tons (63% less than the fiscal 2000 baseline).	At 2,263 metric tons, we failed to meet our target for the year of 2,000 metric tons.	
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Set zero emissions targets for domestic Group companies (for representing a final landfill disposal rate of below 0.5%).	The final landfill rate for the four parent plants was 0.008%, for the sixth straight year of zero emissions. At 6.3%, the rate for domestic Group companies was not much below the 6.5% of a year earlier, reflecting the impact of the Great East Japan Earthquake.	
		Continue to comply with laws and regulations. Expand the use of electronic manifests. Streamline site inspections of waste disposal companies.	We checked compliance among waste contractors. We increased the usage rate for electronic manifests (to 80% at our Takasago Plant and 95% at our Osaka Plant).	
Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce carbon dioxide emissions intensity for fiscal 2008 through 2011 by 20 from the fiscal 1990 level.	We lowered our energy intensity (see note 1 below) 0.3% from a year earlier, while the five-year average (see note 2 below) rose 0.1%. Both results were less than targeted. We reached our carbon dioxide emissions intensity target for fiscal 2008 through 2011, at 25.8% below the fiscal 1990 level.		
	Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures (see note 1 below).	We cut our energy intensity by 10% from a year earlier, resulting in an average 3.8% annual reduction over six years since fiscal 2006.		
Process Safety and Disaster Prevention		Implement measures to reduce key risks (explosions, fire, and other major disasters) and increase accident responsiveness.	Despite ongoing plant safety initiatives, we failed to reduce the number of incidents. There were nine process accidents resulting in fire or smoke emissions. We need to address and overcome facilities and operating structure factors.	
Occupational Safety and Health	Occupational Safety	Step up support to Group companies and check and follow up on safety levels through CSR inspections.	CSR inspections confirmed that site safety initiatives involving all personnel had taken root and that these efforts had helped reduce the number of accidents.	
	Management Systems	Train internal inspectors to ensure ongoing risk assessment of major hazards and to properly monitor systems.	Through CSR inspections and internal safety audits, we are spiraling up risk assessment reviews and activities. We have cultivated more than 30 officers at our four parent plants to bolster our internal inspection monitoring.	
	Occupational Health	Deploy measures to maintain mental health and combat lifestyle diseases and implement measures to prevent the spread of infectious diseases.	Caring for people with mental health problems: We conducted training 14 times for an aggregate 238 people. Combating lifestyle diseases: We issued specific guidance to 77 people. Measures to prevent the spread of infectious diseases: We notified a health center of one incident of suspected food poisoning that involved three people with symptoms and six without, preventing secondary infections by ordering those with symptoms to take time off work and requesting those without symptoms to do the same.	
Distribution Safety		Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	The Osaka plant revised contact details on Yellow Cards to reflect organizational changes. We coordinated with transportation companies to check the Yellow Cards of drivers. We conducted legal compliance surveys and voluntary inspections for mobile tanks.	
		Continue holding emergency response drills for transportation.	We collaborated with transportation companies in implementing emergency response drills at the Kashima plant and in conducting transportation emergency drills and engaging in KYT (a Japanese acronym for Kiken, or danger, Yochi, or prediction, and Training) initiatives at the Takasago plant.	
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Specify the major quality risks for each business site and create management techniques to reduce these risks to tolerable levels.	We launched a quality risk assessment working group and shared risk management issues and formulated guidelines.	
	Chemical Substance Management	Respond to the second implementation stage of the revised Chemical Substances Control Law. Gather and share information on revised domestic and overseas laws and respond appropriately.	We issued import volume manufacturing notices on time in keeping with the Chemical Substances Control Law. We collected and shared timely information on changes in domestic and overseas laws. We also produced a basic procurement policy.	
	Product Safety	Prepare inspection rules and information-gathering frameworks, choose new advisor candidates, and broaden the scope of inspections while reinforcing product safety inspections.	We revised Product Safety in section standards in line with circumstances and contracted with a new adviser in line with our business expansion in the medical field.	
Communication with Society		Publish a CSR report and post it on our website. Engage in dialogue with stakeholders.	We published a CSR report presenting results based on our basic CSR policy (and posted it on our website). We conducted dialogues with stakeholders.	
		Issue site reports for all Kaneka plants and post them on our website.	We issued site reports for all Kaneka plants and posted them on our website.	
Management Inspections and Audits		Implement management inspections and audits. These activities covered our four parent plants, 14 plants of 11 domestic Group companies, and three plants of three overseas Group companies.	We implemented management inspections and audits. Covered our four parent plants, 14 plants of 11 domestic Group companies, and three plants of three overseas Group companies.	

Note 1: Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990.  
 Note 2: The five-year average is the average for fiscal 2007 through 2011.

# Preventing Global Warming

## Helping Cut Carbon Dioxide Emissions throughout Product Lifecycles

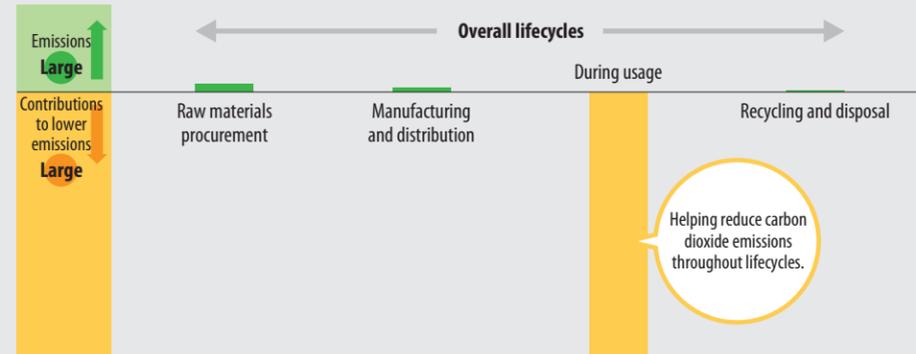
### Assessments Using Carbon Lifecycle Analysis Methodologies

These analyses total carbon dioxide emissions from raw materials procurement through manufacture, distribution, usage, and disposal, and evaluate emission volumes throughout lifecycles. A schematic diagram shows evaluation results for potential emissions reductions from our key construction insulation materials and solar panels (see notes 1 and 2), underscoring their tremendous contributions to lowering global warming. We clearly show the emissions reductions impacts of our products, including those we develop, to further contribute to decreasing global warming.



Using Kanelite Foam as insulation helps cut electricity consumption from air conditioning.

### Schematic Diagram of Evaluation Results of Construction Insulation Materials and Solar Panels (see note 3)



Note 3: Kaneka data

### Other Content

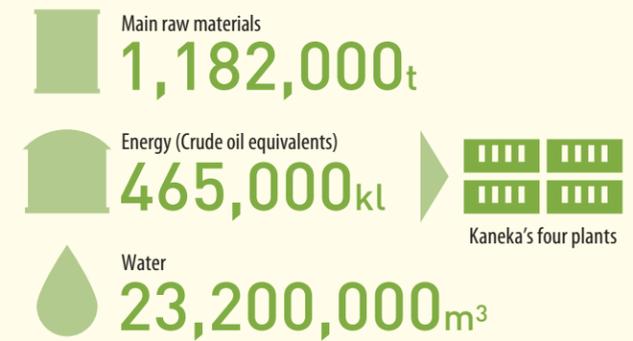
Results of Environmental Accounting for Fiscal 2011, Environmental Investments, Energy Conservation Efforts, Initiatives to Cut Carbon Dioxide Emissions, Investments in Energy-Conserving Facilities, Enhancing Energy Intensities by Increasing Domestic Transportation by Ship, Environmental Management Systems, Environmental Compliance, Environmental Efficiency, Cutting Industrial Waste and Landfill, Properly Disposing of Industrial Waste, Recycling Waste, Preventing Air and Water Pollution, Voluntarily Reducing Volatile Organic Compound Discharges, Harmful Atmospheric Pollutants, Substances Subject to the Pollutant Release and Transfer Register Law

See the PDF version of this report for more details.  
<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

# Reducing Environmental Impact

## Environmental Data

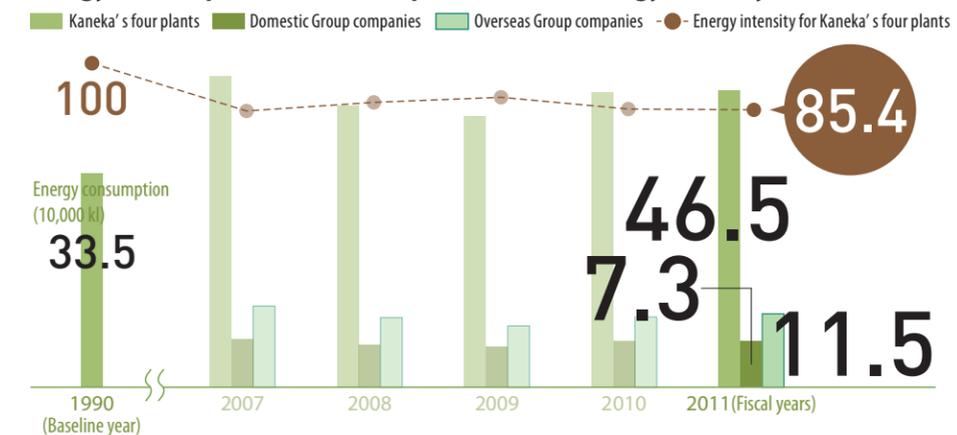
### INPUT



### MAIN OUTPUTS



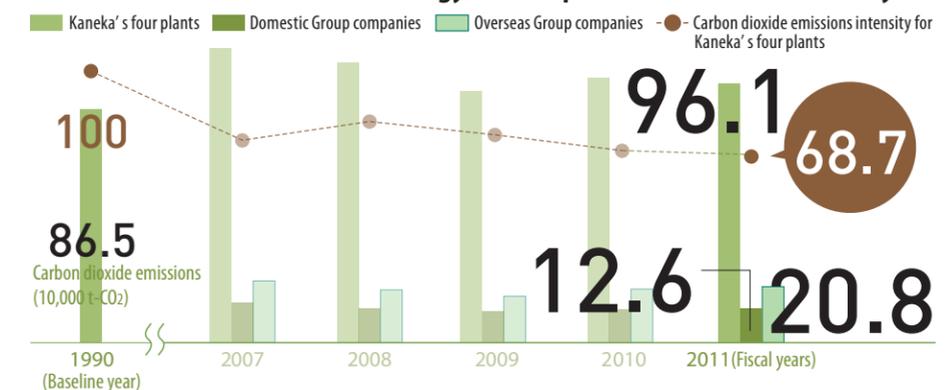
### Energy Consumption (Crude Oil Equivalents) and Energy Intensity



Kaneka strives to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). The energy of our four parent plants in fiscal 2011 was less than planned, at 85.4, down 0.3% from a year earlier. The five-year average was up 0.1%, which was also less than targeted. Energy consumption rose 0.6%, to 465,000 kiloliters.

Note 1: Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990.

### Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity



In fiscal 2011, our carbon dioxide emissions intensity from the energy consumed during production decreased 3.0%, to 68.7. We emitted 961,000 metric tons of carbon dioxide from these activities, down 2.2% from a year earlier. Although activity volume (see note 2) was up 0.8%, we suppressed increases in carbon dioxide emissions by cutting our carbon dioxide emissions intensity.

Note 2: Activity volume is a benchmark for production volume.

### Employee Feedback



Toshihiro Shirokawa  
 Form Plastics Section  
 Osaka Plant

### Contributing to CFC-Free Insulation to Benefit Society and the Planet

Kanelite Foam insulation is an expandable polystyrene material that enhances the thermal efficiency of resources and contributes to comfortable living. This product does not use any chlorofluorocarbons or substances subject to the Pollutant Release and Transfer Register Law. Form Plastics Section, which makes Kanelite Foam, caters for diverse customer needs by manufacturing an extensive range of product grades while engaging in initiatives to lower losses and conserve energy, in order to help reduce daily carbon dioxide emissions from manufacturing processes.



Form Plastics Section is making concerted efforts to serve a diverse range of customer needs by producing Kanelite Foam and other offerings.

Note 1: Results of evaluating construction insulation materials: These materials make it possible to lower electricity consumption from air conditioners and other appliances.

Note 2: Results of evaluating solar panels: Using these panels can lower electricity purchases from power companies.

# Cultivating 37,000 Green Consumers

## Winning Green Purchasing Award

### Kaneka Group Customer-Oriented Initiatives of Taiyo Yushi Corporation

Taiyo Yushi Corporation has manufactured soap since its establishment in 1947. This subsidiary leverages proprietary environmental design processes to develop and supply products that do not contain synthesized surfactants or additives. Since 2000, the company has conducted 100 classes annually for a total of 37,000 attendees as part of its ongoing efforts to cultivate green consumers (see note 1). In recognition of these efforts, in 2011 Taiyo Yushi received a prize in the small and medium-sized enterprise category of the 13th annual Green Purchasing Award (see note 2). These prizes are awarded to a single organization in each category for outstanding contributions to green purchasing.

With such encouragement, the company will continue exploring ways to serve society through its soap business.

Note 1: Green consumers: Those who choose eco-friendly products whenever possible.

Note 2: Green Purchasing Award: The Green Purchasing Network began offering prizes under this award in 1998 to encourage broad recognition of advances in green purchasing and encourage the spread of such practices.



Prize ceremony at the National Green Purchasing Forum 2011 held on October 28, 2011

See the PDF version of this report for more details.  
<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

### Other Content

Product Safety Activities, Product Safety Review Conference, Chemical Substance Management, Quality Assurance and Risk Management, Audits and Inspections (ISO 9001 Certification of Kaneka and Group Companies, ISO 13485 Certification of Kaneka and Group Companies, ISO 22000 Certification of Kaneka)

## Maintaining Partnerships for More than 30 Years with Local Partner Companies

### Africa's Market for Hair Extension Products

#### Following Up with Business Partners through a Market-Oriented Structure

Kanekalon synthetic fiber resembles the texture of human hair. Demand for this product in hair extension applications is growing, particularly for wigs like that. Kaneka has collaborated with local partner companies for more than 30 years to manufacture hair extension products in Africa, offering a diverse lineup and maintaining a follow-up structure that tracks development through final products in consumption areas. We currently do business with 30 companies in 15 countries. Since 2010, we have sponsored an annual event in Nigeria for local consumers and media personnel to improve brand recognition. We will continue working with partners to serve market needs.



The Kaneka-sponsored Nights of 1000 Braids event in Nigeria. We aim to help business partners cultivate their operations.



Proposing various hairstyles in African markets. (models at a Kaneka-sponsored show)

### Serving Shareholders and Investors

## Shareholder Composition and Dividend Policy

At March 31, 2012, Kaneka had 350 million shares issued and outstanding and 21,383 shareholders. Domestic financial institutions accounted for 52.8% of the total, with foreign companies owning 19.9%, individuals representing 18.3%, and other companies and financial instruments firms constituting the balance. One of our top management priorities is to return profits to shareholders and boost earnings while strengthening our corporate foundations. Our basic policy on profit sharing is to consistently target a 30% consolidated payout ratio that comprehensively factors in annual operating results, medium- and long-term trends in earnings, investment plans, and our financial position. We are also committed to stock repurchases. The payout ratio for the year ended March 31, 2012 was 100.3%.

See the PDF version of this report for more details.  
<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

### Other Content

Formulating Our Basic Procurement Policy in Keeping with Our Basic CSR Policy, Shareholder Reporting, Disclosure and Investor Relations

### Employee Feedback



Hideaki Nakamura  
 Kanekalon Division

#### Responding to Local Needs

Women in Nigeria and other areas of sub-Saharan Africa usually decorate their heads with colorful fabrics or hair extensions. We believe that demand will diversify and there will be a need to constantly develop new fibers and recommend hairstyles that suit the new fibers. We will continue to inform consumers in various ways, including through hairstyle shows, and collaborate with business partners to provide products that satisfy customers.

### Employee Feedback



Osamu Hasegawa  
 Director in Charge of Consumer Classes  
 Taiyo Yushi Corporation

#### Enhancing the Environmental Awareness of Customers

We have conducted classes for people, schools, and cooperatives on how natural soap does not harm the environment. We get participants to take part in simple experiments in soap making to cultivate understanding and create enjoyment for a broad range of people. We show that the soap is edible, engendering understanding of its role in preventing pollution, and people have rated the classes very highly. We will continue to foster more green consumers.

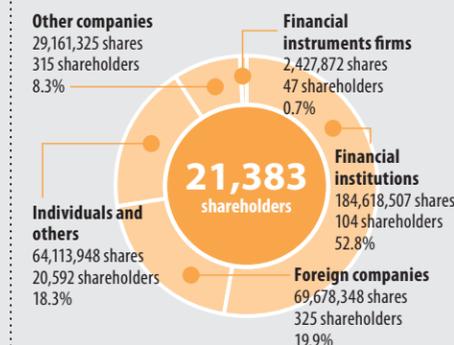


Pax Naturon shampoo. More than 60 facilities in the famed Shirakawa-Go (one of world heritages) tourist area and hot spring operators provide this brand of shampoo to safeguard nature.



Classes to encourage more consumers to use natural soap.

### Shareholder Composition



# The Kaneka Group Conducts Stakeholder Dialogues to Seek a Broad Range of Opinions on Its CSR Activities.

## Business Sites Engaging with Municipal Governments

In November 2011, we conducted our first and second dialogues with external stakeholders to learn more about their evaluation and opinions, and to seek direct feedback about our CSR activities and confirm the direction of our efforts.

Stakeholder dialogues are about sharing differing opinions on common issues, deepening mutual understanding in the process.

For the two dialogues in 2011, people from our business sites spoke with representatives from local municipalities from various perspectives about our CSR Report 2011, published in July 2011.

### Topics, Opinions and Kaneka's Responses

#### First topic

The Kaneka Group's corporate stance in television commercials to boost awareness and in CSR activities in the course of business

Opinions of Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> <li>Kaneka's employees are making a concerted effort to undertake CSR activities based on the Company's corporate philosophy. Kaneka further demonstrates its commitment to social responsibility by disclosing negative information.</li> </ul>	<ul style="list-style-type: none"> <li>This is effectively the second year of our CSR activities. We aim to fulfill our corporate social responsibilities by enhancing the contents of our CSR reports and increasing the satisfaction of stakeholders.</li> </ul>

#### Second topic

Kaneka's disclosure and environmental initiatives to enhance social trust

Opinions of Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> <li>It's wonderful that Kaneka holds a summer festival here every August. The 2011 event featured a Tohoku region support booth selling goods at very affordable prices. The booth enabled locals to assist disaster-affected areas indirectly through a corporate-citizenry initiative. Perhaps Kaneka should publicize its effort more among locals.</li> </ul>	<ul style="list-style-type: none"> <li>Numerous local residents and other members of the public take part in our festival, which attracts around 5,000 visitors a year. We hope to keep holding this event, and will look into conducting various other local public relations initiatives.</li> </ul>

### Our Response to Stakeholder Opinions and Requests

From our first stakeholder dialogues we learned that we still have much to improve upon in terms of whether our existing CSR initiatives as a Group sufficiently reflect the perspectives of our stakeholders.

We believe that undertaking proactive CSR initiatives in the course of business and enhancing stakeholder satisfaction will enable us to boost corporate value and fulfill our social responsibilities as a business. We will use the valuable feedback received today as the basis of discussions with the relevant business units and endeavor to enhance our ongoing CSR efforts.



First stakeholder dialogue  
November 11, 2011 at Takasago City Hall in Hyogo Prefecture



Second stakeholder dialogue  
November 29, 2011 at Settsu City Hall, Osaka

# We Aim to Build Relationships with Communities as a Good Corporate Citizen.

## Community Contributions of Domestic and Overseas Group Companies

### Awards



Kaneka (May 2011)

Receiving the Technology Award for 2010 from the Society of Polymer Science, Japan at their 60th annual meeting.

The 60th annual gathering of the Society of Polymer Science, Japan



Takasago Plant (May 2011)

The Kaneka Ideshio-kan received the Takasago Sightseeing Association's Scenery Award.

An illuminated Kaneka Ideshio-kan



Kaneka (October 2011)

Masaaki Kobana of the Environmental Group at the Takasago Plant received the Minister of Economy, Trade and Industry Award for high-pressure gas security.

Awarded to an excellent manufacturing security manager

### Fostering Youth



Internships  
(at Nagashima Shokuhin Co., Ltd., in May and June 2011)



Plant visit by year three elementary school students  
(at Kyushu Kanelite Co., Ltd., in June 2011)

**Including all Kaneka plants, Kaneka Foods Corporation, Gene Frontier Corporation, Kyushu Kanelite Co., Ltd., Shiga Electronic Corporation, Shinka Shokuhin Co., Ltd., Hanepack Co., Ltd., Tokyo Kaneka Foods Corporation, and Kochi Styrol Co., Ltd.**

Implemented factory visits and on-site learning for neighbors and local resident associations, local elementary, junior high, and high school students, special need school students, local residents, local chambers of commerce, and women's societies.

### Regional Contributions



Kaneka Belgium N.V. (February 2011)

Cosponsored events in Oevel, including a festival at the Castle of Westerlo. Launched an employee football team, holding friendly matches with other local teams.

Employee football team from Kaneka Belgium N.V.



OLED Aomori Co., Ltd. (August 2011)

Produced a compact Nebuta float using organic light emitting diode lighting panels for the Aomori Nebuta Festival and participated in the festival.

Participated in the Aomori Nebuta Festival

### Environmental Initiatives



Kanto Styrene Co., Ltd. (from March 2011)

Implemented energy-saving measures, such as setting up curtains of vegetation, providing insulation by pasting bubble sheets on windows, and more selectively using fluorescent lights.

Conserving energy with vegetation curtains



**Including all Kaneka plants, Monbetsu Kasei Co., Ltd., Hokkaido Kaneka Co., Ltd., and Kaneka Solartech Co., Ltd.**

Cleaning up areas around plants and participating in all clean-ups of surrounding roads, parks, and other areas.

Helping to clean up the surrounding roads  
(Kaneka Solartech Co., Ltd., in October 2011)

### International Contributions



Taiyo Yushi Corporation (December 2011)

Collaborated in natural soap development, improvement, and import business projects in Bangladesh and Nepal. Invited local production groups to enhance their understanding of soap production techniques and manufacturing processes.

Nepali soap producers at a workshop

# Eliminating Accidents by Enhancing Worksite Safety

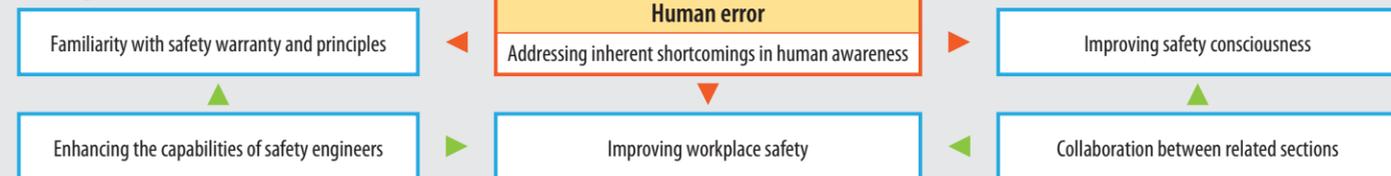
## Appointing Safety Engineers Training Safety Professionals

In response to an explosion and fire at the Kashima Plant in 2009, Kaneka launched companywide initiatives based on a strong commitment to earning community trust and protecting employees. Concern mounted among employees, who realized that it would be impossible to maintain safety without making changes to safety blackboxing and what seemed to be an eroding adherence to safety principles. These concerns led us to set up the safety engineer system, which we fully deployed in April 2011. These professionals scientifically assess worksite incidents from a broad range of perspectives and project risks. Their tasks include providing simple explanations of risks and training younger workers. They endeavor to create safety frameworks that encompass both employees and external people, notably construction and repair contractors.



Educating new employees in construction site-specific dangers that differ from usual environments

### Concept under the 26th Medium-Term Management Plan



### Other Content

Basic Concepts for People and the Organization, Maintaining Systems to Support Personal Growth, Cultivating Internationally Minded People, Career and Life Development and Self-Advancement Support Programs, Hiring Foreign Nationals, Senior Reemployment, Employing People with Disabilities, Childcare and Family Care Leave Programs to Help Employees Balance Their Professional and Private Lives, Providing Opportunities for Women, Flexible Working Systems, Labor and Management Relationships, Human Rights Education, Protecting Personal Information, Preventing Sexual and Power Harassment, Occupational Safety and Health Efforts, Enhancing Our Occupational Safety and Health Management System, CSR Inspections, Hands-On Learning to Improve Sensitivity to Danger, Mental Health Care, Targeting Zero Process Accidents, Disaster Prevention Drills, Plant Safety Initiatives, Initiatives to Prevent Transportation Disasters, Personnel and Occupational Safety Data

See the PDF version of this report for more details.  
<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

# Responding to the Great East Japan Earthquake

## Placing Top Priority on Maintaining Close Communications between Task Forces and Sites

We responded swiftly to the Great East Japan Earthquake by setting up three special units overseen by the vice president—the Kaneka Task Force, Kashima Plant Task Force, and Expandable Plastics and Products Task Force. Each of these units prioritized the optimization of communication to ensure action based on trust with people at various sites. The Kashima Plant Task Force, located in the disaster zone, quickly confirmed the whereabouts and safety of employees and their families and safely shut down chemical production facilities. The Expandable Plastics and Products Division was our hardest hit business, and its task force set about assessing damage at Group companies in the Tohoku region and confirming employee safety. The division also liaised with the Kaneka Task Force in securing and shipping the necessary supplies to sites. We will continue to strengthen coordination with sites to enhance our emergency responsiveness.

## Relocating Production and Swiftly Restoring Operations to Maintain Business Continuity

Before sustaining damage from the quake, the Kashima Plant manufactured materials for blood bags. Demand was high for such supplies following the disaster, making it an urgent priority to restore operations to assist with the recovery. The plant addressed this situation by first confirming the extent of facilities damage and formulating the best and quickest repair methods. At the same time, it solicited facilities engineers from Kaneka's operations in western Japan to assist with a swift restoration. The plant temporarily shifted as much production as possible to counterpart operations in western Japan to ensure unbroken supplies to customers. Such companywide collaboration enabled the Kashima Plant to partially restore operations around three weeks after the disaster, with everything back on line within 45 days. Even if Japan requests a 15% cut in electricity consumption during the peak summer season, we now have a framework for the plant to enable it to reach its objectives that involves relocating production to other plants, shifting working hours, or using on-site generators.

## Rebuilding Companywide Systems as Contingencies for Regional Disasters

We are rebuilding groupwide Business Continuity Plans and conducting companywide drills as contingencies for disasters in the Tokai, Tonankai, and Nankai regions. We produced a manual for all Group companies based on the perspectives of crisis management for plants and business continuity for divisions. By conducting site-level drills and with strong top management encouragement, we began conducting companywide drills to identify issues to improve systems companywide from fiscal 2012.

To ensure that we consistently fulfill our social responsibilities when risks emerge, we have ranked priority products as a disaster contingency and have worked to resolve supply chain issues, including by ensuring that we can secure products from overseas plants. We will prepare to resolve such issues in fiscal 2012.

See the PDF version of this report for more details.  
<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

### Employee Feedback



**Masakazu Ito**  
 Safety engineer at the Kashima Plant (and Section Chief at Kanelite Foam Kashima from May 2012)

### Worksite Insights of Safety Engineers

The biggest risk at a chemical plant is static ignition of chemical substances. Even though apparatuses were in place at each risk location to prevent static, the issue was whether this was really sufficient. To ensure more complete safety, we checked the frequency of static electricity hits over the period of a month to narrow down the issues with the existing setup and identify the most effective approach. At the same time, we focused on training employees on the importance of inspections and other matters. We help to improve the tangible and intangible aspects of safety.



Safety engineer providing training to enhance plantwide safety awareness

### Reducing Power Consumption Voluntarily

Since the Great East Japan Earthquake, the Kaneka Group has deployed a voluntary program to balance its power availability and consumption. Initiatives include shutting off lights, maintaining appropriate air conditioning settings, installing green curtains of bitter gourds and other vegetation on building walls, and displaying posters to encourage our employees to conserve energy.



Green curtain of bitter gourds



Lights out

### Helping Business Partners Assisting with Restoration Efforts

It would have been impossible to ship assistance supplies to Kaneka Group sites in disaster-affected areas without the support of vendors. Immediately after the earthquake, drivers from Gotsu Co., Ltd., Takasago Tsuun Co., Ltd. and Fukuoka Unyu Co., Ltd. braved frequently shattered road and information networks to deliver food and water to Miyagi Jushi Co., Ltd. and the Kashima Plant, contributing significantly to the restoration of operations. These companies received formal letters of appreciation for their outstanding professionalism from Masatoshi Hatori, Kaneka's executive vice president.



Masahiro Hotta, president of Takasago Tsuun Co., Ltd. receiving a letter of appreciation from Kaneka

# Group Company Initiatives

Group companies practice CSR in Japan and abroad. While initiatives have a local focus, they all share the same objective of contributing to society through chemistry.

## Earning High Regard for Environmental Contributions to Vietnamese Society

Kaneka Pharma Vietnam Co., Ltd.



Kaneka Pharma Vietnam, which was established in 2006 in Binh Duong on the outskirts of Ho Chi Minh City, makes intravascular catheters.

## Aiming to Enhance Living Standards in an India Offering High Growth Potential

Kaneka India Pvt. Ltd.



Exhibition

Kaneka India was established in New Delhi in April 2010 as Kaneka's first marketing unit in India. This subsidiary's diverse roles include providing promotional support for sales of existing products.

## Basing Manufacturing in the United States and Contributing to Community Activities

Kaneka North America LLC



Kaneka North America LLC is located in the Bayport Industrial District of Texas. Since it started manufacturing with Kane Ace, it has steadily broadened production to encompass such new brands as Apical, Kaneka CPVC, and Kaneka MS Polymer.

Please note that neighboring subsidiaries Kaneka Texas Corporation and Kaneka Nutrients merged as of April 1, 2012, to form Kaneka North America LLC.

## Popularizing Solar Batteries to Generate Clean Energy and Protect the Environment

Kaneka Solar Marketing Co., Ltd.



Exhibition

Kaneka Solar Marketing Co., Ltd. was established to promote residential solar batteries in Japan. It focuses on popularizing these power sources, and is expanding the scope of its activities to encompass both new and existing dwellings.

## Contributing to the Market with Relentless R&D and Advanced Technology as a Manufacturer of Organic Synthetic Chemical Pharmaceuticals

Osaka Synthetic Chemical Laboratories, Inc.



Osaka Synthetic Chemical Laboratories, Inc. was established in 1961 to manufacture organic synthetic chemical pharmaceuticals. It joined the Kaneka Group in 2002. In recent years, it has started developing crude materials for the generic drugs it has commercialized.

## Marketing Ecological, Environmental, and Energy-Saving Products

Kaneka Foam Plastics Co., Ltd.



Expanded polystyrene thermal insulation construction material

The products of Kaneka Foam Plastics Co., Ltd. are made from air-based materials. The chief component is air which represents 98% of the solid content in styrene foam products (from air expanding the material 50-fold), which means that this foam saves considerable resources.

## Conserving Energy and Enhancing Lifestyles with Organic Light Emitting Diode Lighting

OLED Aomori Co., Ltd.



OLED Aomori Co., Ltd. was established in Rokkasho-mura, Aomori in 2010, and newly joined the Kaneka Group. It develops and manufactures organic electroluminescent panels that allow replacement of incandescent lights.

## Contributing through Technological Collaboration

Shinka Shokuhin Co., Ltd.



Also used as an apple pie filling



Since its establishment as an exclusive manufacturer of bread improvers, Shinka Shokuhin Co., Ltd. has developed, manufactured and sold ingredients for bread such as improvers, processed fruits, and fats and oils. The company became part of the Kaneka Group in June 2010.

## Protecting the Environment and Engaging with the Community

Kyushu Kanelite Co., Ltd.



Kyushu Kanelite Co., Ltd. began operations in 1997 to produce Kanelite Foam, a thermal insulation material created with pioneering non-chlorofluorocarbon technology, for buildings in Kyushu, Okinawa and Shikoku.

# Third-Party Opinion

## My Impressions from Reading CSR Report 2012

### Professor Toshihiro Kanai

Dean of the Graduate School of Administration at Kobe University

Professor Kanai graduated from Kyoto University with a BA. He completed his Ph.D. both at MIT (Massachusetts Institute of Technology) and Kobe University. Professor Kanai's research focuses on organizational behavior with an emphasis on leadership, motivation, and career dynamics. He explores management that simultaneously enhances both creativity and solidarity and researches networking among entrepreneurs and other inspired individuals.



### Anticipating More Engagement with Stakeholders

This third issue of the CSR Report had a new approach, presenting feedback from stakeholders based on a questionnaire and other dialogue. I laud Kaneka's attitude to proactive stakeholder communication.

As I mentioned in the 2011 report, influential economist Albert Otto Hirschman listed three types of human organizational response: "Exit," "Voice," and "Loyalty." Of the three, "Voice" is the key to organizational advancement. Even if the feedback is harsh, it can be useful as long as it makes sense. I encourage efforts to collect feedback in a CSR report, which should function as a direct contact point between society and the company. One idea, for example, is to expand the stakeholder scope. Instead of just passing questionnaires around among employees, it might be worthwhile to distribute them to employees' families as well. It might also be worth considering certain demographic targets for the CSR report.

### Highlighting CSR as the Bedrock of Management Strategy

As with many companies, there is very little mention of business in the CSR report, especially about profits and business strategy. I often find companies link their corporate visions or environmental efforts to CSR, however few discuss CSR as part of their management strategy. This could be because management is trying to be overly considerate to readers.

This report, for example, presented a special catheter in the feature story, titled Our Mission in Health Care. Not once were profits mentioned. Yet, the life sciences business as a whole is generating earnings for Kaneka. Advances in medicine through

catheter development can benefit everyone. The main purpose of CSR is to explore how a company helps resolve social issues in the course of doing business. Profit is proof of social virtue. I thought it would have been better for the Company to describe in business strategy terms how Kaneka's doctors and patients value its catheter and how this translates into additional market share.

I would like Kaneka to push forward with CSR as the bedrock of management. In doing so, I believe it would enable more feedback from stakeholders.

### Engaging More Widely with Society and Embedding CSR Internally

Responsible Care activities occupy quite a few pages in the report in the form of environmental and safety initiatives. The term "responsible" is highly significant.

The point should be about who exactly is responsible. The report presents activities as the Company's, but individuals actually drive initiatives. I would like to see Kaneka cultivate a greater awareness internally of the fact that individuals play key roles in driving Kaneka's Responsible Care.

I believe that the Company's CSR activities will flourish even more if all employees act responsibly toward the environment and extend action to their families, especially their children, which should create a ripple effect across the wider community. In this regard, I recommend adding another two or three pages of content suitable for elementary school students to read.

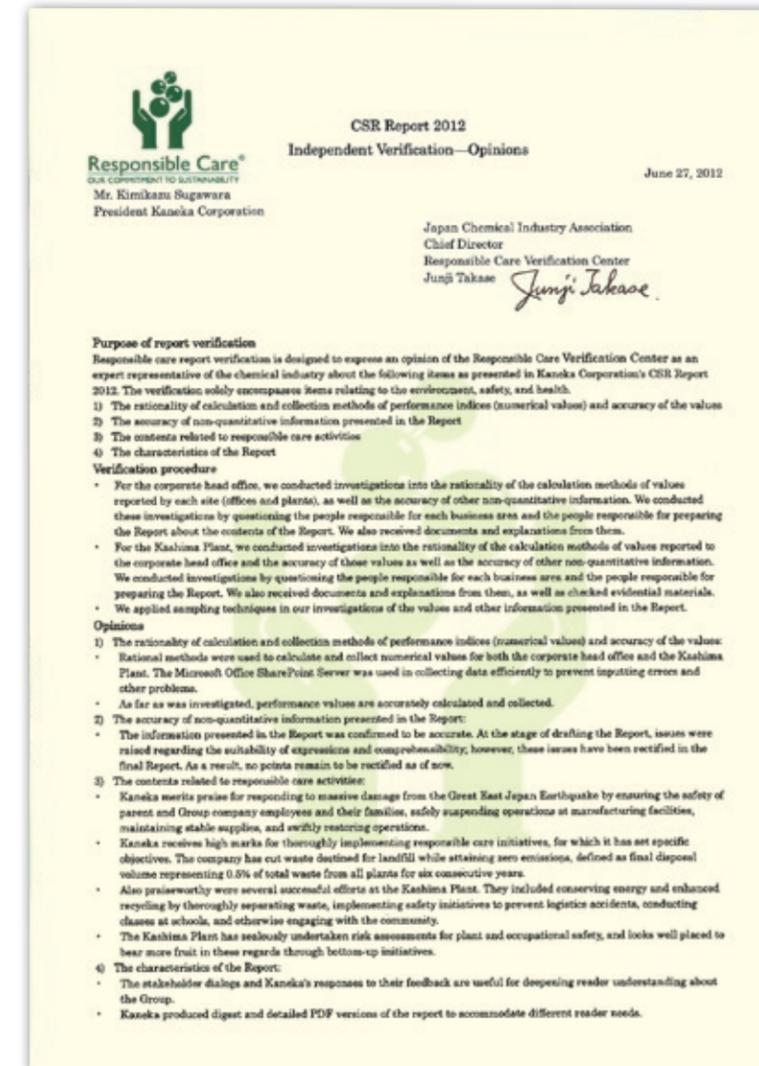
I very much look forward to Kaneka's future endeavors as it continues engaging more widely with society and embedding CSR internally.

### Suggestions and Improvements from the 2011 Report

Kaneka made the following improvements in response to Professor Kanai's suggestions regarding the 2011 version.

1. Explore what to retain in the CSR report	We increased feedback from employees and stakeholders, especially in the special features while introducing contributions to society through our principal occupation.
2. It would be better to ensure that readers can understand what Kaneka has left unchanged in the report as described in 1.	We made the report easier for readers to understand by providing more illustrations and data.
3. Anticipate a report that offers stakeholder feedback.	We produced a questionnaire and conducted stakeholder dialogues, and presented opinions in the report.

## Third-Party Verification



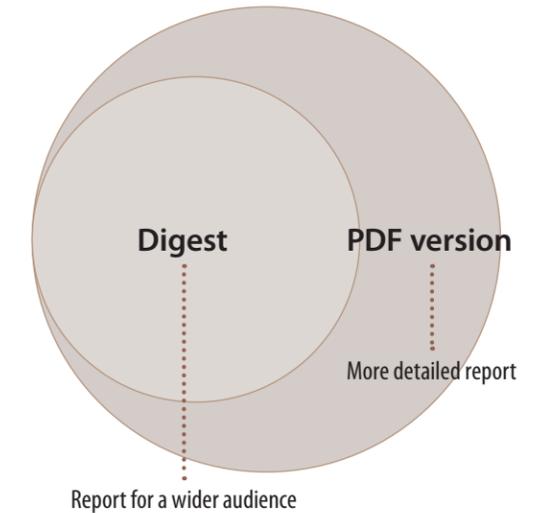
## See the PDF Version for Details

From the 2011 edition, Kaneka is publishing its CSR Report in PDF and digest versions.

The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts. The PDF edition discloses all of our CSR information.

You can download a copy at the following URL:

<http://www.kaneka.co.jp/kaneka-e/csr/index.html>



### Editorial Afterword (Response to Third-Party Opinion)

In the 2012 report, we presented new initiatives with stakeholder opinions in mind, such as evaluations and opinions on Kaneka's CSR activities from a survey and dialogues with people from the communities in which we operate.

We will draw on positive assessments of our initiatives while continuing to enhance stakeholder satisfaction.

We accept Professor Kanai's point of view that CSR is the bedrock of management strategy. All of us in the Kaneka Group should take note of this by contributing to society in the course of business, which is our *raison d'être* as an enterprise.

We will all continue to undertake various activities in society and embedding CSR internally, in order to help generate sustainability for Kaneka and society through CSR initiatives for which each employee is responsible.

Finally, we would like to express our appreciation to you for taking the time to read this report.



Meeting between Administration Office CSR Committee members and Professor Kanai

Administration Office  
CSR Committee  
Kaneka Corporation