

CSR REPORT 2013

PDF Version



канека

What's CSR?

corporate social responsibility

Four years have passed since the Kaneka Group renamed the Responsible Care Report the CSR Report.

To date, we have provided an overview of the Kaneka Group's CSR activities in order to inform our stakeholders. Although people within the Group are familiar with the term CSR, we need to increase understanding.

For the Kaneka Group to become a truly CSR-driven entity, all employees must ask themselves what they can do for society, and act accordingly based on the knowledge that both the Company and employees are members of society.

So, again we ask, what is CSR?

What do stakeholders expect from the Kaneka Group?

And how do we respond?

The Kaneka Group proposes new value for society through discussions with each Group employee while deepening communication with stakeholders.

CSR means that a company contributes actively to social progress through its business as part of society and allocates management resources toward that goal.



What is CSR?
Doesn't it
contributing to
society?

How should
employees
act?

Isn't CSR
unrelated to
our business?

How does CSR
change a
corporation and
its employees?



CSR essentially
concerns
contributing to
society through
business.

Employees should
know their
stakeholders and
identify issues to
enable them to provide
new value.

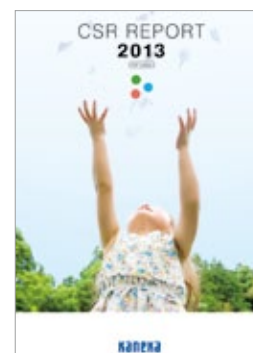
Both companies and employees are
members of society. Accordingly,
they must consider what they need
to do and how to realize their ideas.



From the next page onward, we showcase the Kaneka Group's CSR in the special features and highlights sections, as well as in the message from Kimikazu Sugawara, Kaneka's president, on top management's commitment.

Kaneka Group CSR Report 2013 PDF Version Contents

● Commitment of Top Management	4	● Serving Shareholders and Investors	
Important Strategic Domains and Products	6	Dividend Policy and Disclosure	53
Kaneka Group Profile	8	● Fulfilling Our Social Responsibilities	
Editorial Policy	9	Highlight —Helping to Eradicate Hunger and Food Imbalances as a Partner Company of WFP Corporate Programme in Japan	54
● Special Features		Highlight —Support Initiatives following the Great East Japan Earthquake	55
I Caring for Our Employees		Community Contributions of Domestic and Overseas Group Companies	56
Top Management Collaborates with Production Frontlines to Cultivate CSR Management	10	Third Stakeholder Dialogues	59
II Safeguarding the Environment		● Caring for Our Employees	
Proposing Lifestyles for a New Future of Energy Conservation	14	Cultivating Human Resources and Creating Comfortable Work Environments	62
III Fulfilling Our Social Responsibilities		Occupational Safety and Health and Disaster Prevention	66
Leveraging Locally Driven Globalization to Contribute More Fully to American Society	18	● Kaneka Group	
Initiatives Related to the Great East Japan Earthquake	22	Overseas Group Company Initiatives	69
The Kaneka Group's Approach to CSR	24	Domestic Group Company Initiatives	70
● CSR Promotion		Third-Party Verification	72
Corporate Governance and Compliance	26	Third-Party Opinion	73
CSR Implementation	28	Stakeholder Feedback	74
Producing New CSR Activity Targets	29	Editorial Afterword	
Responsible Care and Management	31	(Response to Third-Party Opinion)	75
Report Coverage	33	Group Product Registered Trademarks	76
Responsible Care Activities	34		
● Safeguarding the Environment			
Highlight — Initiatives in Biodiversity	36		
Materials Balance in Production Activities	37		
Environmental Accounting	38		
Measures to Prevent Global Warming	40		
Environmental Management Systems and Environmental Efficiency Indices	42		
Reducing Waste and Preventing Pollution	44		
Cutting Chemical Emissions	46		
● Benefiting Customers			
Highlight —Promoting Medical Advancements through Initiatives in Tissue Regeneration and Cell Therapy	48		
Quality Management Initiatives (Product Safety and Quality Assurance)	49		
● Working with Business Partners			
Highlight — Improving Customer Satisfaction by Overhauling Logistics	51		
Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities	52		



About the Front 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.

Each employee is a part of the community. We make concerted efforts to improve our corporate value out of a keen awareness of our role as members of society



No Easy Answers in Times of Change

Various factors have combined to make global economic prospects difficult to predict.

Europe remains in the doldrums as a result of risks from its financial crises, and is likely to continue experiencing negative growth. In 2012, China's economic growth rate declined to 8%, casting a shadow over its position as a driving force behind the global economy. At the same time, countries in Southeast Asia are fast becoming regional growth centers, with many companies augmenting their China policies with initiatives in the region.

The United States has begun to show signs of a recovery. People are looking to a shale gas revolution to lead the American economy into a new expansionary phase and deliver anticipated real GDP growth that exceeds expectations.

While it is yet too early to say whether Japan's real economy is improving, some parties believe Japan will strengthen by the end of this year as a result of "Abenomics" initiatives that came into effect at the start of the year.

Even so, the world is increasingly interconnected, and problems occurring in one country or region can easily trigger a global recession. As an executive, I am keenly aware that sudden changes are not necessarily temporary and can be ongoing, which is why we must always have several plans prepared so we can adapt flexibly to new situations.

Change is an Opportunity, Not a Threat

We have globalized our operations even more since issuing the Declaration of Kaneka United. Outside Japan, we have nearly 2,000 employees from numerous

nationalities at 24 subsidiaries in 10 countries. In 2012, we established regional headquarters in Asia and the United States, transferring extensive authority to them from Japan. We must continue striving company-wide to empower overseas operations so we can further globalize our organization.

Kaneka plans to concentrate operational resources in Asia as a growth center of the global economy. We plan to invest around ¥40 billion, or half of all our capital expenditure, in Asia under our current medium-term plan. We will devote considerable resources to upgrading Malaysian operations and complementing key plants in Belgium and Texas, while focusing on strengthening local management.

To this end, reinforcing our global technological capabilities will be essential in fields such as production technology and engineering. We will thus accelerate training and recruitment in diverse fields.

Another consideration is that we are

Each employee is a part of the community.
We make concerted efforts to improve
our corporate value out of a keen awareness
of our role as members of society



seeing a worldwide revolution in the use of materials. For example, it was previously thought that it would take more than a decade for LED lighting to become popular around the globe. However the spread of this technology has greatly accelerated, and LED lighting is now common in housing, automobiles, and industrial products. Carbon fiber has also swiftly gained popularity, transforming the aviation and automotive industries. Such changes offer massive opportunities for Kaneka as a materials supplier.

Research and development will remain the driving force behind our growth, which is why we have maintained R&D spending over the past three years. In the previous fiscal year, we prioritized research speed and focus, restructuring our organization accordingly. This year, we plan to further accelerate development so we can commercialize projects and harvest the fruits of investment.

Safety Is Central to Our Manufacturing Skillset

Major accidents have occurred at chemical companies in the past two years. Kaneka believes that safety is integral to production as an overriding priority and that no manufacturer can be strong without it. Safety is central to workplace practices, and we must maintain our team spirit to doubly and triply ensure safety.

Kaneka emphasizes to employees that they must make safety an overriding priority. That said, we realize that it is part of human nature to take shortcuts and that the safer an operation seems, the greater the risks there are. Unless we act based on this assumption we believe that it will be impossible to create an organizational culture that is accident-free.

Finally, Kaneka will continue to engage with the world so it can earn recognition for its

corporate value in the context of leveraging science to make wishes come true. I believe that this stance is in line with our approach to corporate social responsibility. Thus, I make every effort to encourage employees to fulfill their roles as citizens and provide them with opportunities to reflect on their work and their communities, to ensure that Kaneka employees are highly aware people.

I will continue working with employees to meet the challenges of such changes in keeping with our slogan of *Kaneka, Our Science makes wishes come true.*

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, plastic foam 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.

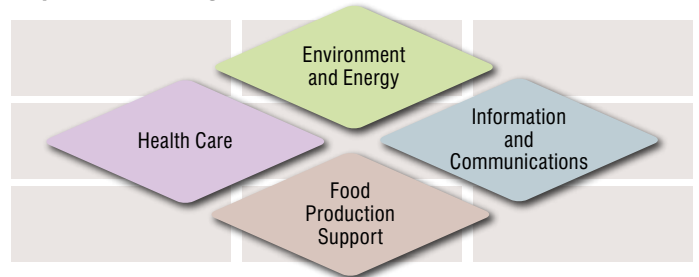
Important Strategic Domains

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

PVC & chemicals	High-performance plastics	Plastic foam products
Food products	Kanekalon	Electronic materials
Medical devices	Quality of life	Solar energy

Important Strategic Domains



Structural reform - Business creation - M & A Product/organizational restructuring

Environment and Energy

We produce innovative materials that reduce environmental impact by mitigating society’s carbon footprint while creating products and markets that can help resolve environmental problems around the world

Solar energy



Form meets function—Roof-Integrated photovoltaic modules

Kaneka has developed advanced thin-film silicon photovoltaic modules, a next generation technology. We have significantly improved solar cell conversion efficiency and lowered production costs. We have strengthened our product lineup with VISOLA, an integrated flat roof tile, and SOLTILEX, an architecturally pleasing solution that is installed on top of slate roof tiles. We listened to the market and launched a new anti-glare product in 2013

High-performance plastics



Master batch with improved epoxy resin toughness

We increased the toughness of epoxy resin for all applications from electronic parts to civil engineering and automotive structure adhesive applications

Plastic foam products



Extruded polystyrene foam boards

Widely used as an insulation material in buildings, factories, homes, and cold storage warehouses

Synthetic fibers (Kanecaron)



Pile

Flame-retardant modacrylic fibers that resemble human and animal hair

High-performance plastics



Weather-resistant methyl methacrylate films

Employed in roofing materials and other applications demanding long-term durability

Wooden house construction techniques



Solar Circuits

A wood construction system that ensures comfortable homes through proprietary energy-conservation technologies that incorporate external insulation and double ventilation

PVC & chemicals



Chemical products

Important basic industrial materials whose numerous applications include building materials and automotive parts



Health Care

We create materials and products that contribute to health, medical treatment, and nursing care

Quality of life



Reduced form coenzyme Q10 (Ubiquinol)

Coenzyme Q10 contributes to healthy living by playing a vital role in giving us energy. In recent years, experts have confirmed the benefits of this coenzyme in treating type 2 diabetes and in alleviating periodontal disease. Other benefits include suppressing wrinkle formation from exposure to ultraviolet rays and age-associated hearing loss

New business development



Hip protectors

These protectors are used as innerwear because they are exceptionally thin and comfortable and greatly reduce impact from falls

Regenerative medicine



Programmable closed circuit cell culture system

Cell seeding, cell image capture and cell harvest are performed as programmed protocol under closed environment (For research use)

Synthetic fibers (Kanekalon)



Materials for hair accessory products

Used in wigs and other applications with a texture that is similar to that of human hair



Information and Communications

We provide high-performance materials that underpin the information society

Electronic materials



Ultra-heat-resistant polyimide film

Substrate materials for flexible printed circuits that contribute to the slimness and compactness of smart phones, tablets, digital cameras, portable music players, and other devices used as heat-resistant insulating materials in aircraft and locomotives

New business development



Thermal solution materials

Insulating thermal conductive resins and other thermal solution materials

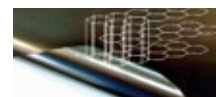
New business development



Heat-resistant, light-resistant transparent resin

Used in LEDs for lighting fixtures, optical parts, and information and communication components

Electronic materials



High-thermal-conductive graphite sheet

Used for thermal dispersion and radiation in various applications including mobile electronic devices



Food Production Support

We aim to resolve food issues by providing materials that support livestock farming and aquaculture

New business development



Biopolymers

The key raw materials in Kaneka's biopolymers are completely plant derived. Our products have attracted great attention for minimizing environmental impact as plastics that can swiftly decompose into carbon dioxide and water through proprietary technology employing microorganisms that function regardless of the presence or absence of air. One such application is agricultural mulch film. After usage, the film can be plowed into the soil for decomposition, thereby reducing labor and supporting food production

Electronic materials



Transparent film for optical use

Used to support films for liquid crystal display substrates and deflection plates

Electronic materials



Bonded magnets

Used in the copy machines or printers as magnet rollers made from polymer composite magnetic materials

Expanded Plastic products



Polypropylene foam made with the bead method

Used in cushioning packaging materials for precision equipment due to their outstanding heat resistance and dimensional accuracy

Food products



Multipurpose yeasts

Compatible with various processes while contributing to high-quality bread production

Food products



Anti-freeze proteins

These proteins suppress the growth of ice crystals in food, making it possible to retain freshness

Food products



Whipped cream for fresh cream blends

Enabling mass production and cold storage of unbaked cakes

Food products



Spices

Spices and seasonings that are essential for prepared foods and deli items

Plastic foam products



Polystyrene foam made with the bead method

Used in groceries and fish packing containers for outstanding insulation and cushioning

PVC & chemicals



Polyvinyl chloride

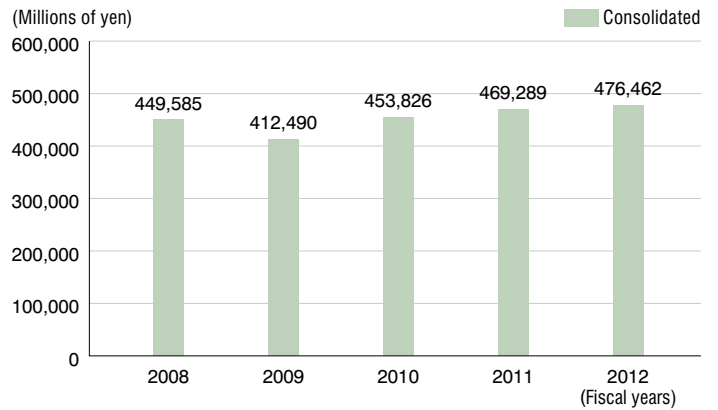
A general-purpose plastic that is widely used in greenhouses and other applications

Kaneka Group Profile

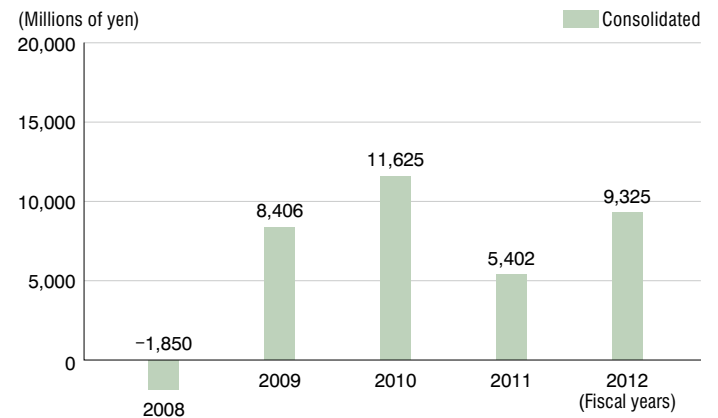
Corporate Profile

Name	Kaneka Corporation	
Head Office	Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037	
Tokyo Head Office	1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	¥33,046 million yen (as of March 31, 2013)	
Domestic Facilities	Sales Office	Nagoya
	Plants	Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Frontier Biochemical & Medical Research Laboratories Process Technology Laboratories Photovoltaic & Thin Film Device Research Laboratories Molding & Processing Development Center	
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, and others.	
Kaneka Group	93 subsidiaries (including 35 domestic and 24 overseas consolidated subsidiaries)	

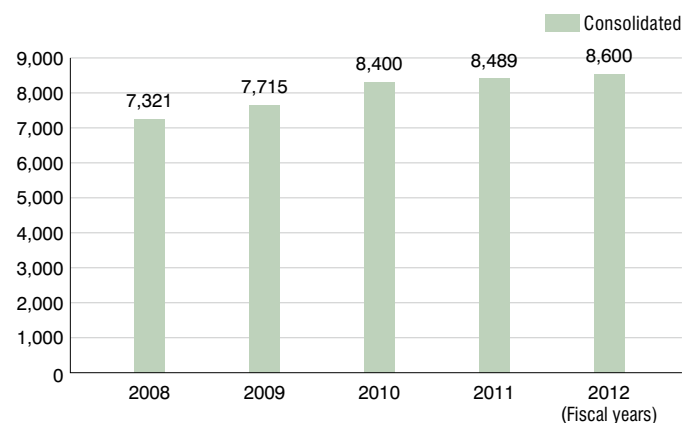
Net Sales



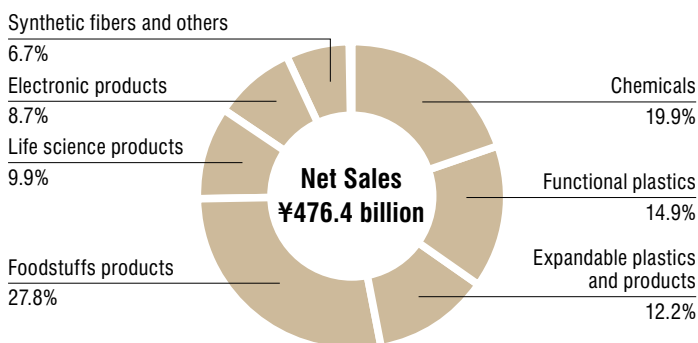
Net Income



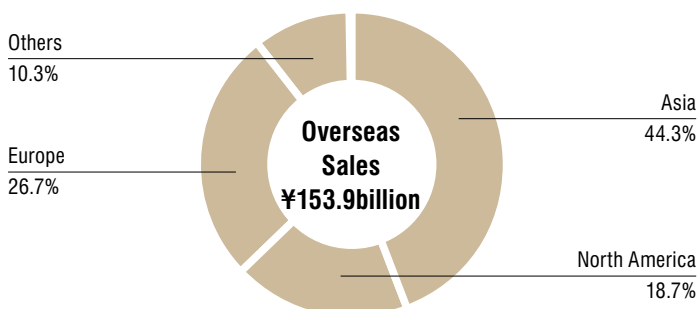
Number of Employees



Consolidated Sales by Business Segment (Fiscal 2012)

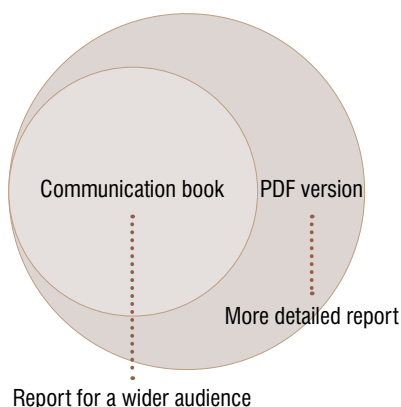


Consolidated Overseas Sales by Area (Fiscal 2012)

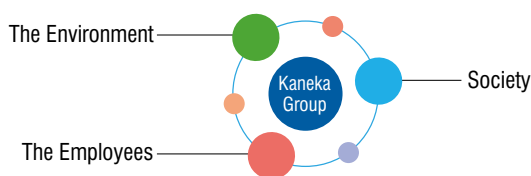


Editorial Policy

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. Beginning with the 2011 edition, we separated the report into digest and PDF versions. From the 2013 edition, we renamed the digest version the Communication Book to position this publication as a key communication tool for all stakeholders. The Communication Book presents simplified content for those learning about Kaneka for the first time or those wishing to gain an overview of our CSR activities.






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 employees, the environment, and society.



The PDF edition discloses all of our CSR information. 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 37 Group production subsidiaries. The following icons indicate the scope of activities. A section displaying all icons indicates that activities encompass the entire Group.

- Kaneka  KANEKA
- Domestic  DOMESTICS
- Overseas  OVERSEAS

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. Communication book is also available in both languages.

Third-Party Verification and Opinions

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

Report Period

This issue covers fiscal 2012 (April 1, 2012 to March 31, 2013) with some additional information outside this period.

Date of Publication

September 2013

Publication of the Previous Report

September 2012

Next Report

September 2014

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.

Inquiries

Kaneka Corporation
 Administration Office CSR Committee
 Nakanoshima Festival Tower 2-3-18, Nakanoshima, Kita-ku, Osaka
 530-8288, Japan
 Tel: +81-6-6226-5091
 Fax: +81-6-6226-5127
<http://www.kaneka.co.jp/kaneka-e/>

Note: We have included a questionnaire form with this report and invite you to record your opinions and impressions to help us improve our initiatives and disclosure in the years ahead.

Special Feature Article I | Caring for Our Employees

Top Management Collaborates with Production Frontlines to Cultivate CSR Management



Employee Relations Policy and Vision

The Kaneka Group positions safety as a top priority of management in its Basic CSR Policy. Based on the notion that safety will only result from joint commitment by management and employees, we endeavor to ensure that all company workplaces around the world are safe.

Following a fatal accident at the Kashima Plant in June 2009, the Kaneka Group made it a top priority to rebuild its safety framework to eliminate the possibility of another serious accident occurring. Kaneka's management and production frontlines have worked collaboratively to further maintain and improve operational safety in light of the recent incidents at the chemical plants of other companies.

Social Needs and Kaneka's Plan

Safe Operations are Fundamental to Production

It is our corporate mission to ensure that production sites are safe for employees and communities. We are keenly aware that there have been many serious

accidents at chemical companies in Japan in recent years. Safety is the foundation of production and is a benchmark for manufacturing acumen. The incidents of others are also of great concern to us, and we have therefore reinforced our framework to improve operations while enlightening employees about safety through management visits and CSR Safety and Quality Inspections.

Special Feature Article 1 Caring for Our Employees

Top Management Collaborates with Production Frontlines to Cultivate CSR Management



The president creates positive tension when visiting plants

Kaneka Group's Approach

Senior Managers Visit Production Sites and Convey Their Thoughts on Safety

Kimikazu Sugawara, Kaneka's president, says that, "I think that management is most effective when performed on site, and it is important for each employee to think and act like the president. It is also vital to cultivate a team spirit that boosts pride while pursuing and creating safe work environments. The management team supports what happens in production locations, which is why we visit them so frequently."

Since fiscal 2009, top management parties have visited production sites around 10 times annually to convey their thoughts to employees on safety and encourage them to improve safety awareness. This approach highlights safety as a top management priority. Senior executives in these visiting teams include the president, vice president, senior managing directors, and managing directors. They inspect sites and conduct question and answer sessions with employees. The visits give each plant an opportunity to meet top executives two or three times each year and hear management's thoughts on safety. Formerly Kaneka would notify facilities of visits well beforehand. Since fiscal 2012, however, management decides on the exact location only on the morning of the visit. This has created positive tension for plants while enabling top management to see facilities operating in their normal

state.

Masanobu Yamada, general manager of the Responsible Care Department, Production Technology, says that, "Having top management see plants and provide advice has definitely boosted employee morale. In fiscal 2012, we gave management talks, usually delivered at the end of each visit, and shared them with all plants. We aim to disseminate understanding of management's commitment to safety to all Group companies in Japan and abroad."

CSR Safety and Quality Inspections at Production Sites Are Conducted from Third-Party Perspectives, Driving Improvement through Plan-Do-Check-Act (PDCA) Cycles

While conveying management's commitment to reforming employee awareness, we use CSR Safety and Quality Inspections to better understand progress in business activities to fulfill our social responsibilities and request improvements as needed. We conduct inspections annually at the four Kaneka plants and biennially for Group companies, including those overseas. Members of the CSR Inspection Committee include managers from plants other than those inspected, as well as a director in charge of security who functions as chairperson of the CSR Inspection Committee. The Committee inspects production sites from a third-party perspective. In fiscal 2012, it inspected 34 plants of 27

Discussion circles with 178 young executives

We Emphasize to Young Leaders that Safety Is a Never-Ending Contest

Kimikazu Sugawara
President



I believe that one of my roles as president is to share my vision with employees. It is also important to create a framework in which everyone explores our vision. Accordingly, I initiated discussion circles in February 2012 to foster frank discussions with young prospective leaders and motivate them. Leaders act and get things done and drive reforms. In my discussion circles with manufacturing and technology leaders, I focus on safety. There is nothing mysterious about safety. I believe that the human mind tends to become careless and choose the easy option, so one has to battle to attain safety. Nothing is safe simply because we deploy a measure. Nor is anything necessarily safe just because we fix a problem in one location. I therefore emphasize to prospective young leaders that it is important to remain ever vigilant and engage in ongoing reforms in a never-ending contest as far as safety is concerned.



Kimikazu Sugawara
President

Masanobu Yamada
General Manager,
Responsible Care
Department,
Production Technology
Division



Special Feature Article 1 Caring for Our Employees

Top Management Collaborates with Production Frontlines to Cultivate CSR Management

Group companies. The Committee concurrently checked sites in terms of the 3S's (Seiri, Seiton, and Seiso) and workplace tidiness and progress under the Practical Program of Revolutions in Factories, a process improvement program to enhance productivity and to stabilize quality. We undertake PDCA improvements by having plants or Group companies at which the inspection team has identified an issue submit improvement plans within three months after the inspection, ensuring follow-up checks on improvements.

Says Mr. Yamada, "The relevant general managers also participate in the inspection of Group companies. Directly obtaining background information on business and safety as top priority concepts generates positive tension at production sites. For the four Kaneka plants, we also inspect the worksites of partner companies. This is because we have to share a common awareness to ensure that safety activities are continually carried out."

Prospects

Accidents Result from Carelessness. Our Corporate Culture Involves the Elimination of Accidents and Disasters

It is important in safety reform initiatives to gradually deploy new measurements to activate production sites and foster ongoing improvements. To this end, in fiscal 2013, we decided to modify CSR safety and quality inspections to emphasize evidence checks, which entail inspecting production sites based on activity implementation records, in order

to identify and address unsafe practices. We added safety & Technology promoting expert, whom we began appointing in 2011, and other engineers to the CSR Inspection teams. This addition enabled upgraded inspection exercises, notably by reinforcing specialized checks and implementing measures to deal with aging equipment. We will encourage the sharing of expertise within the Group, notably by having inspectors share best practices from already inspected plants with their own facilities.

We perform these activities globally. Mr. Yamada says that, "Previously, Japanese nationals inspected overseas Group companies. In fiscal 2013, we began moving toward conducting inspections for the entire Kaneka Group. For upcoming checks, a section head for environmental safety at Kaneka Belgium will be on the inspection team for Kaneka North America. Cross-auditing will enable us to reinforce our commitment to safety. Kaneka conducts special inspections from university professors and other knowledgeable individuals at food, pharmaceuticals, and medical equipment plants. We consider it important to enhance our awareness through such third-party assessments."

Says Mr. Sugawara, "Accidents result from carelessness. I think that the difficulty of maintaining a sense of urgency and becoming used to a situation once it is thought to be safe is a fundamental human flaw. This is why we must make the effort to undertake safety initiatives. Another challenge is that there is no single safety solution. We must consistently address safety issues based on the knowledge that carelessness leads to accidents."



Top management visits to facilities in fiscal 2012

Date	Plant	Executives
May 17	Takasago Plant	Masatoshi Hatori, Executive Vice President
June 6	Osaka Plant	Hirosaku Nagano, Member of the Board Senior Managing Executive Officer
July 3	Kashima Plant	Kimikazu Sugawara, President
August 23	Shiga Plant	Kimikazu Sugawara, President
September 4	Takasago Plant	Kimikazu Sugawara, President
October 19	Osaka Plant	Kimikazu Sugawara, President
November 16	Takasago Plant	Shigeru Kamemoto, Member of the Board Managing Executive Officer
January 30	Shiga Plant	Akira Iwazawa, Member of the Board Managing Executive Officer
February 5	Kashima plant	Tetsuro Hara, Member of the Board Senior Managing Executive Officer
March 14	Osaka Plant	Masatoshi Hatori, Executive Vice President



Fiscal 2012 CSR Safety and Quality Inspections

Kaneka	Four plants
Domestic Group companies	20 companies (23 plants)
Overseas Group companies	Seven companies (seven plants)



Inspection at the Osaka Plant

Special Feature Article | Caring for Our Employees

Top Management Collaborates with Production Frontlines to Cultivate CSR Management

Plant Undergoing CSR Inspection on Safety and Quality

Kaneka Sun Spice Corporation



Masaya Ueda
President and Representative Director,
Kaneka Sun Spice Corporation

Noboru Watanabe
Managing Director, Production General
Manager, and Head of the Ibaraki Plant,
Kaneka Sun Spice Corporation
(Head of Food Department at Takasago
Plant since June)



The company purchased workbenches to replace stepladders



Some racks had no anchor bolts and were prone to tipping over. We checked and up-graded all racks, fixing them with anchor bolts

Kaneka Sun Spice pioneered sterilization technology for natural spices. We were established to manufacture and sell low-fungi natural spices for the processed food sector. Our motto is to deliver safe and secure products as part of the Group's food business. Our quality management system is constantly evolving. We obtained ISO 9001 certification, established a quality management center, and developed technology for analyzing residual pesticides and eliminated mycotoxins through monitoring. We have deployed risk assessments, Hiyari Hatto (identifying, reporting, and eliminating worker dangers), and hands-on learning and other initiatives in our daily operations.

The Kaneka Group's CSR Safety and Quality Inspections confirm safety from perspectives that are different from those for a food business, and are conducted by experts from different areas. Their opinions and advice are useful, as they cover issues of which we are not internally aware. We respond immediately with improvement reports. Inspections have highlighted many equipment issues. As accidents tend to occur while people are on site, we will reinforce our systems so we can visualize work operations.

Previous Initiatives and Plans

Starting Point

Society demands that we, as a Group company, keep factory equipment safe and improve worker skills

Today

We educate employees about safety through top management visits and CSR Safety and Quality Inspections, and reinforce our systems to improve operations

Plans

Enhance safety consciousness through cross-auditing and other initiatives by utilizing inspection results and other know-how throughout the Group

message

Stakeholder Message

The Importance of Improving and Educating People about Safety Technologies to Match Ongoing Evolutions in Facilities and Machinery



Mizuki Yamaguma
Senior Researcher, Electrical
Safety Research Group,
National Institute of Occupational
Safety and Health,
Japan

The National Institute of Occupational Safety and Health, Japan comprehensively studies ways to prevent industrial disasters, maintain and enhance worker health, and combat occupational illness. We have collaborated with Kaneka for many years, with a focus on preventing explosions and fires stemming from static electricity. We advise Kaneka on technological issues, while the company commissions us to engage in research on its behalf. Kaneka has also provided us with sites to engage in our own studies.

Because Kaneka handles a wide range and large volumes of combustible substances in its capacity as a chemicals manufacturer, explosions and fires are a constant threat. It is important to maintain preventive measures based on data to

ensure the safe operation of chemical plants. It is sometimes difficult to confirm whether these measures are effective, as quantitative measurements are impossible to make. Nonetheless, it is vital to deploy basic initiatives.

I have visited Kaneka several times to inquire about safety activity systems, and have exchanged information with people in the environment and safety and manufacturing units. I have noted that top management's strong awareness of and commitment to safety has extended to operational personnel. I have also found that the Responsible Care and technical group understand companywide issues and have smoothly conveyed feedback on safety measures. One concern for manufacturing sites at all companies, not just Kaneka, is that people tend to become careless as they become used to the daily situation. Given that facilities and machinery are constantly evolving it is important to improve safety technologies to match such advances. I also believe it is crucial to gather information and application methods on a daily basis and provide related education.

Response to Message

Promoting Safety Initiatives Based on Expert Advice to Eliminate Arrogance

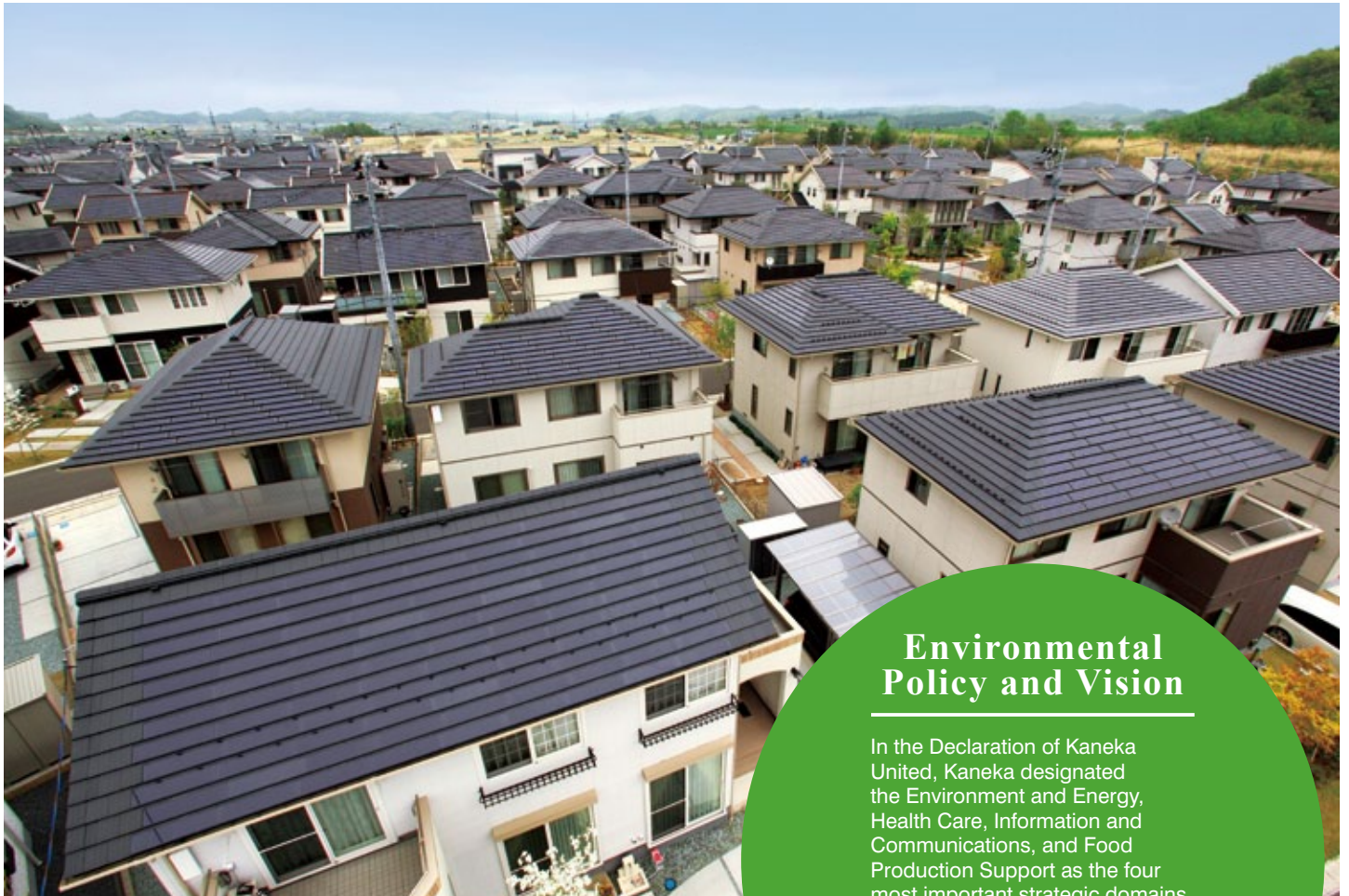
Masanobu Yamada

General Manager,
Responsible Care Department
Production Technology Division

We have received support on various occasions from the National Institute of Occupational Safety and Health, Japan. This assistance has encompassed such considerations as safeguarding against static electricity and powder dust explosions and creating safety techniques by commissioning the Institute to undertake research. Kaneka understands that threats are diverse when acting to reduce risk levels. We base assessments on our knowledge and expertise. I believe we must undertake even more safety assessments, leaving no stone unturned by seeking more opinions and advice from external experts.

Special Feature Article II Safeguarding the Environment

Proposing Lifestyles for a New Future of Energy Conservation



Environmental Policy and Vision

In the Declaration of Kaneka United, Kaneka designated the Environment and Energy, Health Care, Information and Communications, and Food Production Support as the four most important strategic domains. Complementing our solar power and other technologies in the environment and energy field, we contribute to social sustainability by harnessing all of our technologies and knowledge in key important strategic domains.

As the world's population increases and living standards are improved in developing nations, the pursuit of new lifestyles is evolving with the use of renewable energy. Kaneka is participating in a Smart City Conference, fostering collaboration between businesses and Chiba University. It is also undertaking other initiatives to address social changes by exploring the creation, storage, and conservation of energy in all processes from supplying parts through to providing products while looking into the potential of business expansion to deliver solutions.

Social Needs and Kaneka's Plan

"Smart" Concept Expanding from Homes to Cities and Nationwide

In 2011, the global population exceeded seven billion, and is expected to surpass nine billion in 2050. Influxes from rural

areas will cause cities to expand, with energy consumption. Environmentally friendly smart houses and cities are in demand in social sustainability initiatives. More than 1,000 such projects are apparently under way worldwide.

Smart houses and cities use solar and other power sources to generate energy, insulating materials to save

Photo: Sekisui House's Smart Common City Akaishidai
Kaneka's solar power system enhances the streetscape

Special Feature Article II Safeguarding the Environment

Proposing Lifestyles for a New Future of Energy Conservation

energy, and batteries to store energy. Kaneka already offers many products and technologies in these fields. Kaneka recognizes that energy-saving efforts should not be about forcing people to endure a situation, as such initiatives would be short lived. Rather, in order to foster sustainable energy consumption, we need to optimize the balance between saving energy and maintaining comfort by engaging in energy management that draws on information and communication technology.

Takuji Nomura, manager of the Production and Technology Division says that, "The home is the smallest unit in the smart concept. We can save energy more efficiently if we share energy within urban areas while reducing risks."

He adds that, "At Kaneka, we are looking into ways to apply Kaneka's products and technologies in smart houses and in communities through our Smart City Conference participation."

Kaneka Group's Approach

Participating in the Smart City Conference and Providing Solutions that Only a Comprehensive Chemical Company Can Offer

Kaneka has participated in the Smart City Conference since 2012. Businesses from diverse industries are involved in

this initiative, including those from the energy, telecommunication, information technology, construction, housing, retail, and trading house sectors. They collaborate closely by sharing information and exchanging opinions. The conference was launched to research optimal systems and solutions for communities and residents in cities in Japan and abroad. Conference members explore specific new approaches in the four fields of using energy effectively, optimizing urban traffic, applying information and communication technology effectively, and alleviating medical and nursing care concerns. In 2014, key conference member Mitsui Fudosan Co., Ltd. plans to inaugurate Kashiwa-no-ha Smart City in Chiba prefecture as a flagship metropolis.

Kaneka is providing solar power systems to Smart Common City Akaishidai, which Sekusui House, Ltd., will set up in Sendai.

Kaneka integrates its solar batteries with roofing to achieve an aesthetic result that is impossible with independent solar panels. Our offering positions roofing as central to lifestyle changes and urban areas. We will continue to provide solar roofing that matches townscapes.

Toshiharu Fujisato from the Tohoku Bloc of Sales Headquarters at Kaneka Solar Marketing Co., Ltd. says that, "Requirements differ among towns. Around 100 smart houses are under

What is a Smart City?



A vision for Kashiwa-no-ha Smart City in 2030

A smart city features minimal carbon dioxide emissions and recycles energy efficiently to create more comfortable lifestyles. The need for smart cities is increasing around the globe amid environmental issues and fossil fuel depletion.



Takuji Nomura
Manager, Planning Group, Corporate R&D Planning and Administration Division, and Planning Group, Production, and Technology Division

Kaneka Group Energy-Related Products

Energy-Saving Technologies



Organic light-emitting diode lighting (OLED) panels

An OLED panel features a surface illuminant that generates light from electricity through a mechanism that is opposite to that of solar batteries. Kaneka was the first in the world to offer low-profile OLED panels in a range of five colors—white, red, orange, blue, and green. The range enables new lighting effects in a range of spaces.

Energy-Generating Technologies



Solar power system

Over the past 30 years, Kaneka has been involved in photovoltaic thin-film research to promote solar power generation. In 2000, we commercialized a solar generation system incorporated into roof tiles, because we thought that solar panel design should structurally and aesthetically complement the building structure. We also sell transparent and anti-glare solar panels.

Energy-Saving Technologies



Kanelite Foam insulation

This product is the result of proprietary foam formation technology that helps save energy in commercial buildings, housing, refrigerated storage, and other facilities. This offering is also a core material in Kanelite Tatami mats to enhance insulation.

Energy Storage Technologies



Pathermo heat storage material

We cultivated in refrigerant and heat-retention materials for foods and pharmaceutical products to develop new applications, including building materials.

Special Feature Article II Safeguarding the Environment

Proposing Lifestyles for a New Future of Energy Conservation

Solar Decathlon



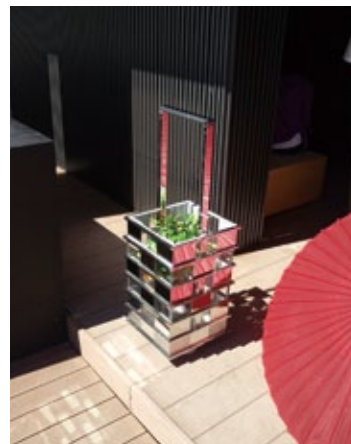
Chiba University's Omotenashi House



The green curtain cools the structure



Walls employ tatami mats



A mini vegetable house shaped like a traditional Japanese lamp and employing OLED lighting showcasing outstanding design



Visitors enjoyed long stays in the house



Participants had to complete construction of the eco-houses by a strict deadline



Opening ceremony at Solar Decathlon Europe 2012

Solar Decathlon is a global eco-house competition. The inaugural event was held in Washington, D.C. in 2002. Participating universities from around the world compete in 10 contests in which they build eco-houses with industry support. The categories include architecture, engineering, comfort zone, and energy balance contests. There were 18 teams at Solar Decathlon Europe 2012, held in Spain in September 2012. The event attracted 220,000 visitors over 16 days. The next competition will be held in China in 2013 and France in 2014.

construction at Smart Common City Akaishidai, and another 700 or so will be built later. The main infrastructural facilities in this town are the solar generating system, storage batteries and plug-in hybrid cars, and energy management systems. Many families buying homes here are young, environmentally conscious couples with the interests of their children at heart. These couples look to secure energy in times of disaster.”

Supporting Chiba University as Japan's Representative in the Solar Decathlon, a Solar House Competition for Universities around the World

The Solar Decathlon Europe 2012 was held in Madrid, Spain, in September 2012, with 18 teams from 15 countries competing in eco-house construction technology, comfort, and innovation. Japan competed for the first time. Kaneka supported Chiba University, whose entry was Omotenashi (see note 1) House.

Kaneka accommodated a request for assistance from the university in several ways. We supplied products such as our aesthetically pleasing solar roof tiles and high-performance insulation materials. We also suggested the use of paper screens with reflective coatings to brighten interiors, tatami straw mats employing heat-storage materials—used after absorbing solar heat outside—and a mini vegetable house with organic light emitting diode lighting fashioned after a traditional Japanese lamp. Says Mr. Fujisato, “We thought the idea was interesting in that it conveyed tradition and the latest Japanese technologies.” Mr. Nomura adds that, “We thought the program was interesting in terms of identifying new lifestyle approaches, as well as worthwhile in that we got to see the students mature very quickly as the program progressed.”

A key priority in Japan today is recovery from the Great East Japan Earthquake and the accompanying nuclear power accident. A Zero Energy



Toshiharu Fujisato
Tohoku Bloc, Sales Headquarters, Kaneka Solar Marketing Co., Ltd.



Yoshifumi Fukui
Manager, Planning Group, Corporate R&D Planning and Administration Division

Special Feature Article II Safeguarding the Environment

Proposing Lifestyles for a New Future of Energy Conservation

House is set for introduction to improve the electricity supply and demand balance by employing energy creation, conservation, and storage technologies. The development of a Zero Energy Office Building is similarly urgent. Yoshifumi Fukui of the Corporate R&D Planning and Administration Division says that, "To accelerate development, it is vital to participate in global activities like the Solar Decathlon. We need to acquire and share learning through such international collaboration."

Prospects

Providing Useful Solutions for Society as a Comprehensive Chemical Company

Kaneka always asks whether a business is useful. The answer was a resounding yes when it came to participation in the Smart City Conference and Solar Decathlon.

Mr. Nomura says that, "For example, mobile feature phones have evolved into compact computers that relate to diverse aspects of people's lifestyles. The emergence of a smart society will

similarly transform lifestyles. That's why I consider it significant for Kaneka as a comprehensive chemical company to participate in the Smart City Conference. We have learned from such involvement that it is not enough just to make products; we must create innovative useful solutions."

Mr. Fujisato says that, "We can see the future by disseminating opinions beyond the confines of industry and academic and industry boundaries."

Dr. Fukui notes that, "Through participation in the Smart City Conference, we learned that we have the potential to go beyond the environmental and energy sectors in providing solutions by collaborating with information and telecommunications companies, even for health and food production support businesses. Smart cities and houses offer value by decreasing environmental impact as well as by making living environments more attractive. We would like to contribute to that."

Note 1: Omotenashi refers to the art of Japanese hospitality.

Previous Initiatives and Plans

Starting Point

People seeking environmentally conscious smart houses and smart cities for construction of a sustainable society

Today

Exploring collaboration beyond the environmental and energy fields through participation in the Smart City Conference

Assisting Chiba University's Omotenashi House entry in the Solar Decathlon

Plans

Promote initiatives across business boundaries and develop products and solutions for social sustainability

Leverage capabilities as a comprehensive chemical company to contribute to reforms that create a more attractive society

Response to Message



Develop Products and Solutions through Ongoing Support

Yoshifumi Fukui

Manager, Planning Group, Corporate R&D Planning and Administration Division

I was impressed that students from Chiba University, as a comprehensive institution, collaborated beyond faculty boundaries. Students from the arts and sciences worked together. Kaneka had a limited timeframe in which to participate in 2012. For future evidence, I believe that our participation should ultimately drive us to develop new products. To this end we recognize that as a comprehensive chemical company we must also undertake initiatives that extend beyond business boundaries so we can develop solutions.

message

Stakeholder Message

I Became Convinced that Kaneka Does Make Wishes Come True through Science, Just as It Claims.



Hiroki Suzuki

Associate Professor, Graduate School of Engineering, Chiba University

The Solar Decathlon is an international challenge sponsored by the U.S. Department of Energy to popularize solar systems and set global standards for eco-houses. Japan has also decided to contribute to this cause by making proposals, participating in the competition for the first time in 2012. As Chiba University is a comprehensive university and Kaneka is a comprehensive chemical company, we shared a common commitment to viewing all aspects of eco-houses from saving energy to comfort. This commonality made it easier to take part in the project. As well as providing the products we requested, Kaneka recommended various ways in which to employ them.

We became thoroughly convinced that Kaneka is indeed a company whose science makes wishes come true.

Our theme was the Japanese tradition of hospitality. We proposed open eco-housing that allows natural elements such as light and wind to enter the interior. We concluded that we probably did fairly well in that regard, as visitors spent a long time in our structure. Nonetheless, Western-style eco-houses ranked higher. They were more enclosed, featuring self-contained environmental controls as the standard. As a result, we finished 15th out of 18 teams. We hope that Kaneka will continue to help materialize the spirit of hospitality by drawing on its strengths in science, and I hope that together we can convey Japan's advantages to the world.

Special Feature Article III Fulfilling Our Social Responsibilities

Leveraging Locally Driven Globalization to Contribute More Fully to American Society



Community Policy and Vision

The Kaneka Group Basic CSR Policy guides our globalization endeavors through one of its tenets, which is to strive to fully understand the cultural backgrounds, manners, and customs of the countries and regions where we do business so we can contribute to communities.

In 2012, the Kaneka Group established subsidiaries in the United States and China to pursue more locally driven globalization. Kaneka Americas Holding, Inc. oversees operations in North, Central, and South America through manufacturing unit Kaneka North America LLC and health care operation Kaneka Pharma America LLC. Kaneka Americas Holding, Inc. contributes to social progress by cultivating local talent.

Social Needs and Kaneka's Plan

Cultivating global businesses as a more locally focused conglomerate
—Kaneka Americas Holding

It is essential to contribute to social progress as a community member so we can continue operating around the

world.

We have manufactured and sold functional plastics for approximately 30 years, beginning with the establishment of our Texas plant in 1982.

In 2012, we set up Kaneka Americas Holding and consolidated our six U.S. companies into three, in order to provide products and technologies that are more suited to all of the

Special Feature Article III Fulfilling Our Social Responsibilities

Leveraging Locally Driven Globalization to Contribute More Fully to American Society



Kaneka North America has numerous local employees

Americas, including the fast-growing Latin American markets.

As part of this restructuring, we deployed a policy of localizing management. Shinji Mizusawa, president of Kaneka Americas Holding, says that, “We believe that employees fully versed in their nation’s culture and customs are best suited to driving locally oriented globalization. We changed our human resources systems to make them more locally focused, positioning Japanese expatriates to concentrate on technical guidance and other local support roles. We look to local employees to understand Kaneka’s management mindset and spearhead the globalization of our operations.”

Kaneka Americas Holding is becoming more efficient and responsive by rationalizing human resources, accounting, and other back-office areas while establishing legal, intellectual property, and information technology departments.

Kaneka Group’s Approach

Contributing to society by training people and providing products that match customer needs
—Kaneka North America

The manufacturing unit of Kaneka Americas Holding, Kaneka North America was established through the merger between Kaneka Texas Corporation, our first U.S. business, and Kaneka Nutrients L.P., a coenzyme Q10

manufacturing facility set up in 2004.

We began preparing to integrate these two entities by instituting the Kizuna Project, under which representatives from both businesses worked to align their corporate cultures.

Kazuhiko Fujii, president of Kaneka North America, says that, “Kaneka Texas specialized in manufacturing resins while Kaneka Nutrient focused on supplements and other functional foods, so their backgrounds and corporate cultures were completely different. Primarily we emphasized the building of good relations between employees.”

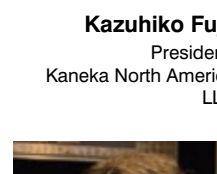
After the merger, a key focus was on employee training, including on-the-job training, one of the strengths of Japanese corporations. Steven Skake, who manages Kaneka North America’s plant, says that, “Improving the skills of each employee will ultimately boost the overall operations of Kaneka North America and help revitalize the community, so we want to put more effort into this area.”

Mr. Fujii says that, “We asked employees to explore our identity following the merger. We began by offering opportunities to learn about Kaneka’s history and Japanese culture. We hope that local employees will drive Kaneka’s globalization as local leaders with Kaneka’s DNA. We also believe that training our people will contribute to American society.”

Local employees underpin product development. These people understand social and customer needs and provide technical support for compounds



Shinji Mizusawa
President,
Kaneka Americas Holding,
Inc.



Kazuhiko Fujii
President,
Kaneka North America
LLC



Steven Skake
Executive Vice President,
Plant Manager,
Kaneka North America
LLC



Top management explaining its mid-term plans to share its vision

Special Feature Article III Fulfilling Our Social Responsibilities

Leveraging Locally Driven Globalization to Contribute More Fully to American Society

to make them easier for customers to apply commercially, thus helping to create products that benefit the end-users.

Another example is chlorinated polyvinyl chloride resin (CPVC), for which demand is particularly strong. High heat and chemical resistivity and flame retardant properties make CPVC well suited for many valued uses including industrial, commercial, residential, and fire sprinkler pipes and fittings. Eddie Smith, Vice President of the CPVC and Specialty PVC Division says that, "Demand has risen strongly in the Americas and in emerging and developing nations and the challenge is to continue to meet the increasing volume needs of our customers."

Kaneka MS Polymer has been used in construction adhesives and sealants for many years and in flooring and roof applications more recently because of the durability. MS Polymers complies with U.S. and Canadian environmental regulations, which are stricter every year, and benefits customers seeking greater workability and safety. Bill Phenicie, Vice President of KNA's MS Division, says that, "So there has become a greater need for more elastic, durable sealants. Sometimes, our team needs to spend a lot of time developing formulations that are acceptable to our customers, but we never give up, until we reach the performance levels



CPVC resin

Eddie Smith
Vice President of the CPVC and Specialty PVC resins Division



Kaneka MS Polymer

Bill Phenicie
Vice President of the MS Division

Employee-Led Social Contribution Efforts



Events where managers washed cars and performed fundraising activities



Members of KARE

Kaneka North America employees run a community contribution group called KARE. Employees in all positions and from different departments plan and execute various initiatives. In 2012, KARE donated approximately \$20,000 to the American Heart Association by participating in a Bay Area walk. KARE also held an event in which managers washed the cars of subordinates, raising \$70,000, including tips from employees, which it donated to United Way, a fundraising organization. Other KARE activities include safeguarding a nature reserve and helping build houses for low-income families.

Other Major Initiatives in Fiscal 2012

Education	Supported local junior high school educational activities. During summer camp, we conducted a program to foster an interest in chemistry among middle school students
	Helped promote education at a community center for boys and girls in La Porte
Community	An employee group called the Kaneka Cookers ran cafés and food booths at community events, donating some of the proceeds to university scholarships
	Volunteers taking part in community science and history fairs
	Sponsoring blood donation drives with the Gulf Coast Regional Blood Center

Main Donations

- United Way
- American Heart Association
- Armand Bayou Nature Center
- La Porte Education Foundation

that they want. That is because our primary strength is providing customer solutions."

Contributing to communities through dialogue with stakeholders: Bay Cap Meeting

One social contribution group that Kaneka North America supports is the Bay Cap Meeting. Every month, around 50 people come together through this organization to deepen understanding between local businesses and residents by asking and answering questions and discussing issues that interest local citizens. The meetings also present the businesses located in the Gulf Coast area. The Bay Cap Meeting invites experts to share their third-party views on corporate activities. For example, an expert from the Houston Medical Center, one of the top medical institutions in the United States, explained how chemical



Venue: Armand Bayou Nature Center



Answering questions from citizens

Special Feature Article III Fulfilling Our Social Responsibilities

Leveraging Locally Driven Globalization to Contribute More Fully to American Society

substances affect the human body. In a recent gathering, a security expert outlined tests for corporate safety measures in case of targeting by terrorists.

Mr. Skake says that, "These activities demonstrated that citizens seek safety more than anything else from chemical businesses. As a plant manager, I feel that my responsibility to ensure safe operation is CSR in itself. And as a local resident, I want to continue contributing to the community as a good citizen."



Bay Cap Meeting: Providing opportunities for dialogue between companies and communities. Discussing corporate activities from the perspectives of citizens to deepen mutual understanding.

Prospects

Cultivating CSR and Business Activities together to Build Social Presence throughout the Americas

Kaneka Americas Holding is looking to open a research institute that contributes to the entire region, which includes Brazil, a country that abounds in natural resources and enjoys a high GDP. Starting with research into advanced industrial materials, we will cultivate new health care and other businesses. We will soon set up an office in Brazil to spearhead our expansion throughout Central and South America.

Mr. Mizusawa says that, "Our role is to inform the entire Group as a Kaneka operation in the Americas to help foster growth and globalization. We will draw on Kaneka's Japanese DNA to push forward simultaneously with business and CSR activities to expand our social presence throughout the Americas."

Previous Initiatives and Plans

Starting Point

In 1982, we established a production base in the United States. Since this time, we have expanded our operating units into each region, and engage in manufacturing and sales

Today

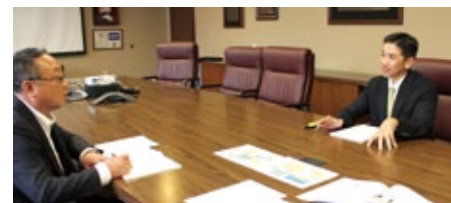
As part of globalization efforts, we set up an American headquarters in 2012. We restructured operations within the United States, consolidating staff division functions and pushing ahead with local employee training and efforts to reinforce management

Plans

We will provide products that accommodate local needs by undertaking research and development targeting the Americas, including Latin America

We will help revitalize communities and contribute to American society by training local employees and cultivating local business leaders who embrace Kaneka's management perspectives and who have strong community ties

Response to Message



We will reinforce our public relations framework to enhance open communication with society

Kazuhiko Fujii

President, Kaneka North America LLC

Volunteering is integral to American society. With Mr. Skake leading the way, Kaneka North America contributes extensively to the community. We put in our best team effort in emergencies, a good example being when many employees took part in restoration efforts after Hurricane Ike wreaked havoc in Texas in 2008. As a part of our crisis management initiatives, we regularly conduct media training to ensure that we can inform communities promptly if an accident or disaster occurs.

As our business expands, it will become more important for us to communicate properly to society, including through crisis management efforts. We are committed to fulfilling our social responsibilities by reinforcing community ties by disclosing information more actively through more extensive public relations.

message

Stakeholder Message

Looking to Kaneka to Lead as a Responsible Member of the Community



Diane Sheridan
Administrative Office,
Bay Cap Meeting

The Bay Cap Meeting was inaugurated about 15 years ago, with Kaneka first taking part six years ago. As well as attending all monthly meetings, Kaneka discloses timely information that citizens want to know, notably the kinds of chemical

substances it handles and the safety measures used in building new plants. The community thus feels positively toward Kaneka.

People want companies to engage sincerely and openly in the community as good corporate citizens. In another words, we equate being a good company with good citizenship. As a major corporation in the Bay area, Kaneka supports the community through donations to nature parks and non-profit organizations, including educational institutions. We hope that Kaneka will continue to play a community leadership role as a good company and citizen.

Leveraging Kaneka's Strengths in Science to Contribute to Disaster Restoration

Restoration from the Great East Japan Earthquake is a major social challenge that requires ongoing effort. Kaneka developed an eco-friendly detergent that employs proprietary fermentation and purification technologies to remove cesium and other radioactive contaminants. We have begun comprehensively supplying this detergent to decontaminate sites. We also plan to provide Kanepearl Soil Block accelerates the restoration of trunk and other roads and other infrastructure.

Kaneka Biosurfactant Contributing to Radioactive Decontamination

Biodegradable Kaneka Biosurfactant employs fermentation with bacteria related to the bacillus natto. Once you spray water mixed with this detergent on roads and other surfaces, it penetrates small gaps and brings soil particles contaminated with cesium and other substances to the surface, thereby improving the recovery rate. The detergent components can be removed from contaminants with a vacuum and other equipment to reduce environmental impact. Satohiro Yanagisawa, a Planning & Coordination in the New Business Development Division, says that, "Many detergents are synthetic, but Kaneka's product is 100% natural and powerful.

On top of this, you can remove both contaminants and the detergent. No other product enables this. As a raw materials manufacturer, we wanted somehow to be useful to the restoration efforts following the Great East Japan Earthquake, and proposed our detergent to a general contractor. After experimental decontamination, the product was officially deployed." Koji Noda, another Planning & Coordination in the New Business Development Division, says that, "In order to offer our product, we entered the 20-kilometer exclusion zone around the Fukushima Daiichi Nuclear Power Plant. Seeing the contaminated farmland convinced me of the need to do something." Kaneka will continue drawing on its strengths in science to help resolve social issues.



Satohiro Yanagisawa
Assistant Manager,
Planning & Coordination,
New Business
Development Division

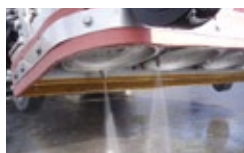


Koji Noda
Manager,
Planning & Coordination,
New Business
Development Division

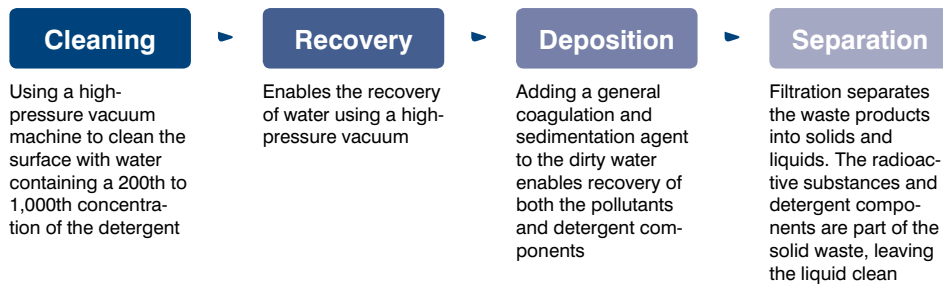
(Became a Manager in the
Responsible Care Depart-
ment of the Production
Technology Division since
April)



Experimentation using a road washer



Application Example: Road Decontamination



Kanepearl Soil Block accelerates the restoration of highways and other roads

Kanepearl Soil Block is a large foam block for civil engineering work. It is ultralight, can support massive weights, and has superior water resistance. The product is ideal for use at sites requiring reduced loads and entailing short construction periods, examples being steep embankments and soft ground. Hideaki Miyawaki, General Manager of the



Hideaki Miyawaki
General Manager of the Technological Development,
Soil Environment Division,
Kaneka Kentech Co., Ltd.

Technological Development in the Soil Environment Division at Kaneka Kentech Co., Ltd., says that, "We will step up efforts to promote Soil Block for urgent and demanding construction needs, particularly for restoration in disaster zones."



Also used to widen roads



A material light enough to be carried by hand

Preparing for a Major Earthquake Covering a Large Area

Business Continuity Drills to Prepare for an Earthquake along the Nankai Trough

The Great East Japan Earthquake prompted the Kaneka Group to produce standards and manuals on initial responses and business continuity for all plants and divisions and manufacturing affiliates. In October 2012, we conducted disaster drills for all operations in western Japan based on the scenario of an earthquake occurring along the Nankai Trough. In fiscal 2013, we will plan disaster drills for all eastern Japan operations. We will maintain robust preparations for disasters through ongoing drills and improvements through manuals and systems.

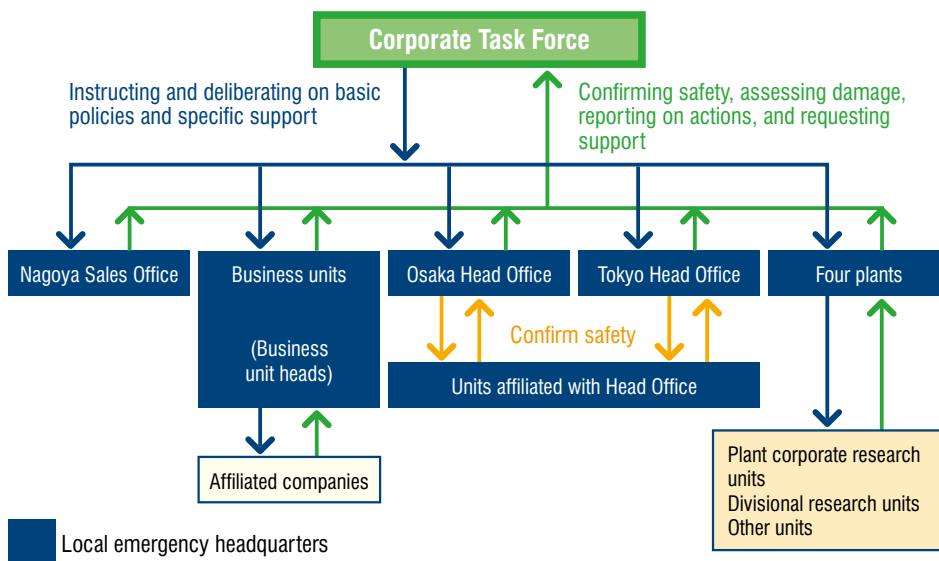
It is Important to Ensure Plans Are Not Formalities

The Kaneka Group established business continuity plans based on data from several consultancies and predicted the likelihood of an earthquake occurring along the Nankai Trough. The plans aim to ensure that all systems function well when a crisis occurs, so it is important to ensure that plans are not mere formalities. In fiscal 2012, we

conducted area-wide drills centered in western Japan for the first time, since most of our plants are located in that region. Our drills assumed that there was an earthquake with an epicenter off the coast of Kochi Prefecture, followed by a tsunami. Kaneka's president headed the Corporate Task Force that performed drills in communications and safety confirmation system operations. The exercises were for all directors and employees at the relevant business units.

We conducted safe shutdown drills at the Takasago, Shiga, and Osaka plants. The drills revealed the need to prepare a manual to confirm employee safety, revise our crisis management manual, and build a framework for disseminating information from the Corporate Task Force. We plan to share the findings with all Group companies and business units and promote ongoing improvements. In fiscal 2013, we plan to conduct drills in eastern Japan.

Flow of information between the Corporate Task Force and regional emergency headquarters



Outline of the assumed scenario for the drill

- 09:45 **The Nankai Trough earthquake occurs**, with its epicenter off the coast of Kochi Prefecture. Activate the companywide safety confirmation system.
- 09:47 Tremors subside. Immediately **confirm employee safety**. **Safely shut down each plant**. Set up **emergency headquarters** at each site.
- 10:00 Corporate Task Force begins operations
- 10:05~ **Initial site reports go to the Task Force**. Thereafter the sites and Task Force exchange information every 20 minutes
- 10:20 The Task Force **informs sites of information** on earthquake-hit areas in western Japan and the estimated tsunami arrival time
- 10:30 **The tsunami arrives** (the drills assumed that the tsunami struck earlier than expected)
- 11:40 Each site confirms safety and informs the Task Force
- 11:53 Safety confirmation communications finish for the drill
- 11:55 **Drills finish**

Scenes of different drills



We set up the Corporate Task Force Office at Osaka Head Office



Drill at the Takasago Plant

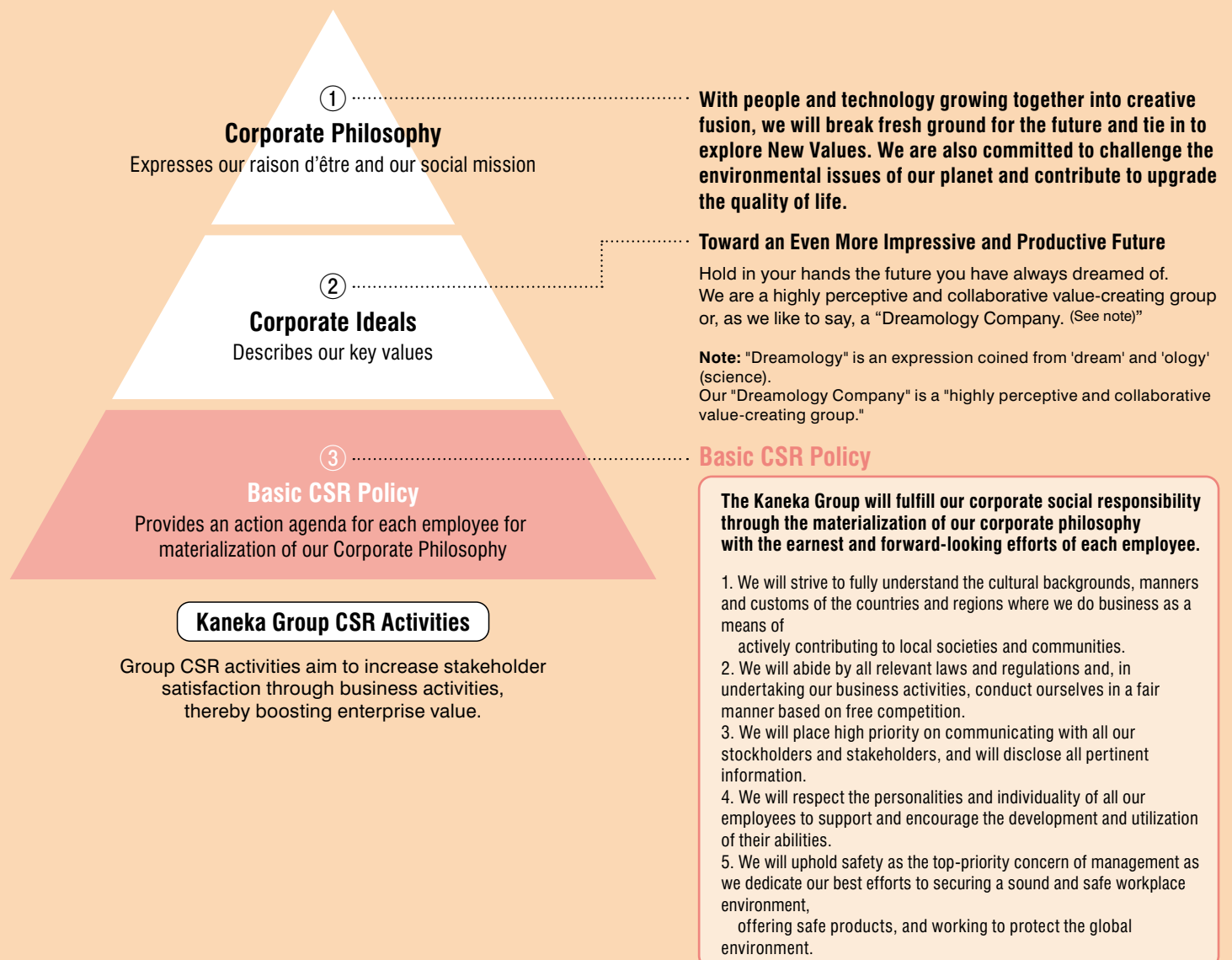


Local emergency headquarters at the Osaka Head Office

The Kaneka Group's Corporate Philosophy and CSR Positioning

In keeping with the Declaration of Kaneka United, the Kaneka Group's Basic CSR Policy forms the foundation of employee action to realize our Corporate Philosophy. Based on this policy, the key stakeholders in the Group's CSR activities are employees, society, customers, the environment, shareholders, and vendors. We endeavor to improve enterprise value to enhance stakeholder satisfaction through business activities.

Management Philosophy Structure "Declaration of Kaneka United"



The Kaneka Group's Corporate Philosophy and CSR Positioning

Kaneka Group's Stakeholders

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.

Society

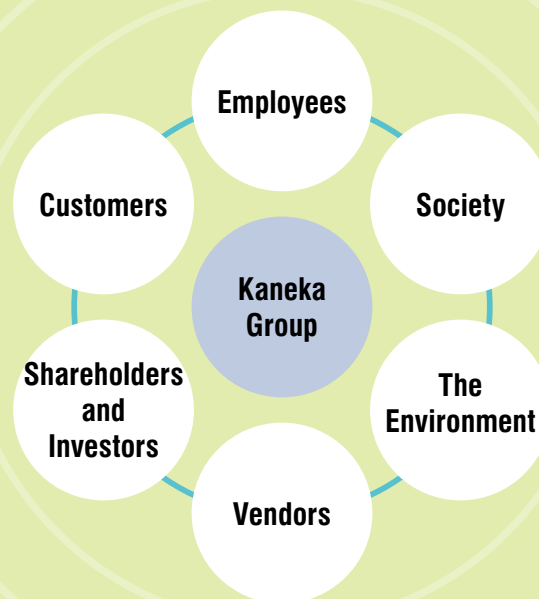
Including citizens and consumers. We can increase enterprise value by fulfilling our social responsibilities. We consider such factors as plant operational safety from the perspectives of social contributions, welfare, and community engagement.

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



Our corporate governance stance aims to boost enterprise value based on a corporate philosophy that draws on people and technology growing together into creative fusion so we can 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 upgrade the quality of life.

Corporate Governance Structure



We maintain a Board of Directors and a Board of Auditors. Following deliberations on important operational matters for the Group via the Management Conference, of which the president is a member, the Board of Directors makes resolutions on implementation.

Led by the chairman, the Board of Directors meets at least once a month to discuss and determine implementation for important matters relating to compliance with laws, regulations, and corporate statutes. Also at these gatherings, directors report on their progress in fulfilling their duties, the goal being to ensure that their actions are legal and appropriate. We have limited the number of directors to 13, of whom one is external to strengthen board oversight. Directors serve for a period of one year to ensure clarification of their

management responsibilities.

The Board of Auditors comprises four members, two of whom are external. It coordinates with the Accounts Auditor and the Internal Control Department. Auditors regularly exchange opinions with directors and attend meetings of the Board of Directors, the Management Conference, which decides on implementation regarding important matters, and divisional managers, to ensure that implementation is progressing properly.

We segregate the implementation and overseeing of operations to strengthen these roles and ensure that we can respond swiftly and flexibly to changes in the business climate.

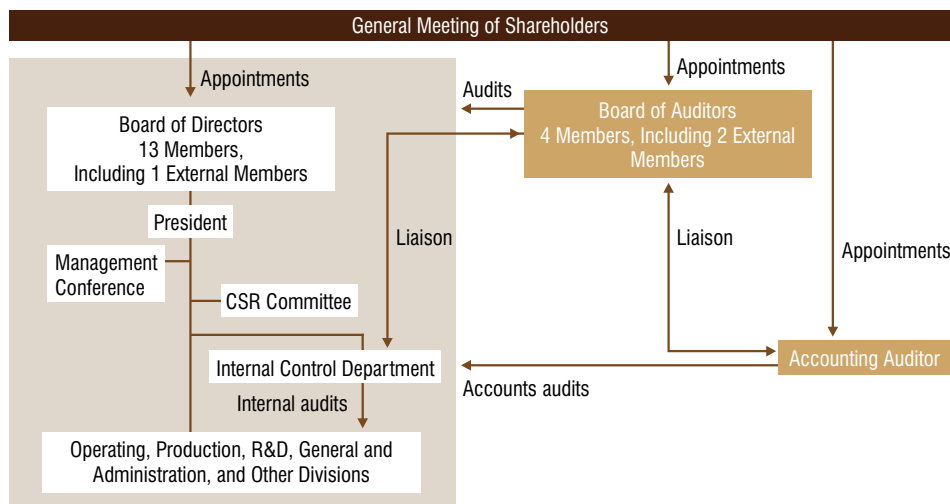
Executive officers appointed by the Board of Directors and division managers have extensive authority over daily operations. Directors are responsible for multiple divisions to ensure overall coordination. Divisional managers

meet monthly and each one reports directly on their progress to the Board of Directors and the Board of Auditors. The Internal Control Department, which the president directly oversees, independently monitors the operations of each division.

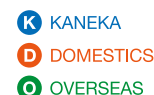
We established the CSR Committee, which the president chairs, to ensure that we adhere to laws and ordinances, fulfill our explanatory obligations to stakeholders, and engage in activities that contribute to sustainable social progress.

We also segregate the implementation and overseeing of operations to ensure business mobility and flexibility. We adopted the structure shown below to ensure transparent and rational decision making that employs external perspectives while improving the objectivity and neutrality of management oversight.

Corporate Governance Structure



Corporate Governance and Compliance



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.

For example, 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. In 2012, we instituted CSR suitability audits for Group companies.

We maintain internal compliance consultation desks and also offer consulting through external law firms to answer questions and to swiftly address and resolve issues.



Compliance training

Structure for Ensuring that Directors and Employees Comply with Laws, Regulations, and Corporate Statutes when Conducting Business

- (1) We established the CSR Committee, which the president chairs, to reinforce corporate social responsibility initiatives. The committee will reorganize our Responsible Care activities structure and coordinate our compliance and other CSR endeavors.
- (2) The corporate ethics and legal compliance responsibilities of the Compliance Subcommittee, which falls under the CSR Committee, include overseeing and tracking companywide plans, verifying compliance, and setting up and running consulting and reporting contact desks.
- (3) Administrative departments (see note 1 below) prepare compliance-based rules, develop and implement training programs, plan and promote selfassessments and other activities, and audit compliance.
- (4) Several other organizations formulate plans to address company-wide challenges. They are the Plant Management Committee and the CSR Committee's Earth Environment Subcommittee, the Central Subcommittee on Environment, Safety & Human Health, and the Product Safety Subcommittee.
- (5) We never associate with criminals. We resolutely reject any illegal or improper demands, with internal sections coordinating our actions. We accordingly reinforce in-house systems, regularly gather and manage information, and coordinate with the police and other relevant external agencies and organizations.
- (6) We ensure the reliability of our financial reports by maintaining and enhancing internal controls, and by having the Internal Control Department monitor the relevant processes.

Note 1: Administrative departments supervise specific parent and Group business functions, and include the Human Resource, General Affairs, Accounting Departments, Corporate Technology Administration Department, and Responsible Care Department.



CSR Implementation

We established the CSR Committee, which the president chairs. This body liaises with the Safety & Human Health Subcommittee, the Earth Environment Subcommittee, Product Safety Subcommittee, and Compliance Subcommittee.

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 fiscal 2012, the CSR Committee convened twice. The four subcommittees also met (once each for the Safety and Human Health, Earth Environment, and Product Safety subcommittees, and twice for the Compliance Subcommittee).

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. In fiscal 2012, CSR inspections prioritized confirming top management's stance on issues and how its stance related to various activities. With this in mind, we inspected our four parent plants, 23 sites at 20 domestic Group companies, and seven sites at seven overseas Group companies.

In fiscal 2012, we renamed the CSR inspections, which encompass safety, environment, quality, and other areas, as CSR Safety and Quality Inspections. We launched CSR suitability audits relating to labor laws and regulations, the Anti-Monopoly Act and other competition laws, and other legislation. We will continue to conduct audits to enhance corporate social responsibility.

CSR Education

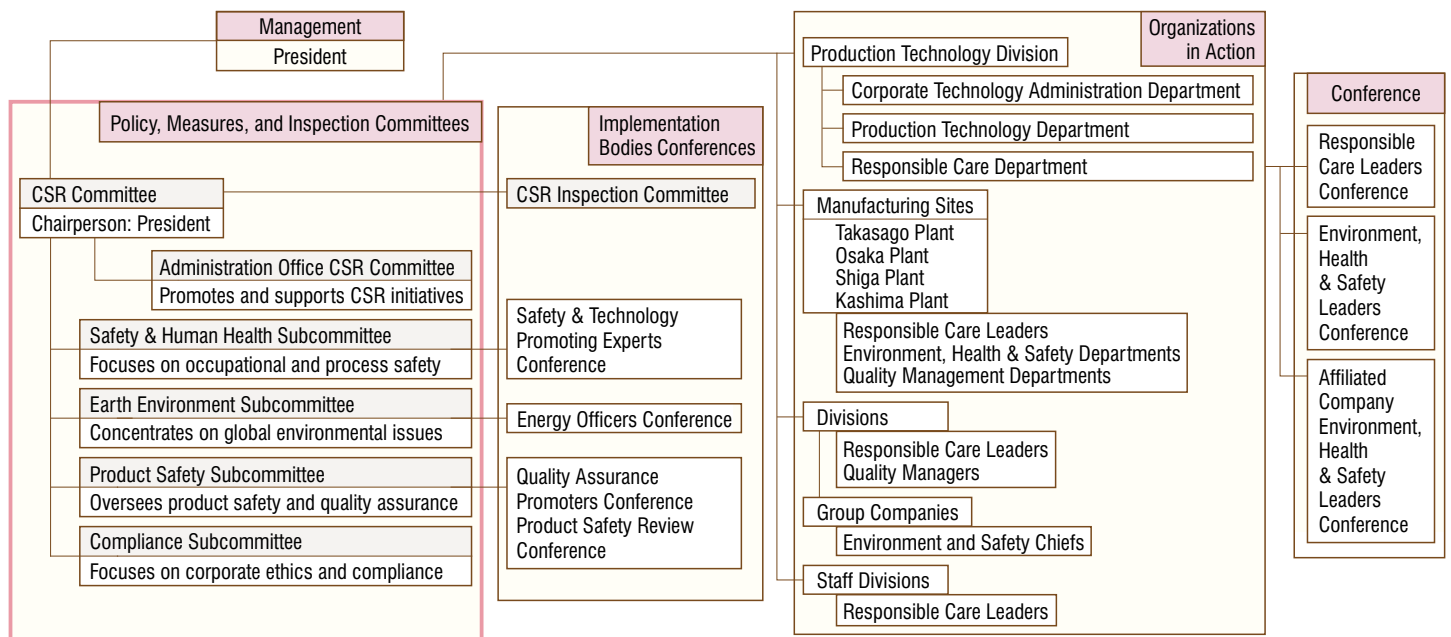


We continued to train people in different professional areas based on our CSR handbook. In fiscal 2012, we held two courses for new employees and one course each for executives, middle and lower managers, and mid-career recruits.

We explain our CSR activities at gatherings of Kaneka Group company presidents and in training for employees three years after they join.

One new initiative was to produce a simple explanatory brochure on our CSR activities. We will use this resource in training courses beginning in the next fiscal year. 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.

CSR Structure



Producing New CSR Activity Targets

Kaneka produced CSR activity targets that will shape efforts to deepen relationships with key stakeholders and efforts to undertake CSR initiatives.

Background to New CSR Activity Targets

Kaneka focuses on stakeholder dialogue in pursuing CSR. We have undertaken many stakeholder-oriented initiatives. We formulated CSR activity targets in fiscal 2012 to enhance understanding of our efforts.

We formulated medium- to long-term targets based on the objectives and results of Responsible Care initiatives that we disclosed in previous CSR reports. As part of this process, we considered ways to target key stakeholders and determined priorities. We also formulated targets for the following fiscal year to help us reach our medium- to long-term objectives. We will present the results in future CSR reports.

We will continue engaging in CSR initiatives based on our CSR activity targets so we can improve enterprise value and enhance stakeholder satisfaction through our business activities.

New CSR Activity Items

All stakeholders	CSR management	Employees	Reinforcing occupational safety and health
Shareholders and Investors	Timely and appropriate disclosure		Emphasis on diversity
The Environment	Improving environmental protection (reducing environmental impact)	Society	Reinforcing process safety and disaster prevention
Customers	Customer satisfaction (ensuring quality and product safety)		Improving communication with society
Vendors	Bolstering distribution safety		
	Proper procurement		

New CSR Activity Fiscal 2013 Targets and Medium- to Long-Term Targets

Key stakeholders	Item		Fiscal 2013 Targets	Medium- to Long-Term Targets
All stakeholders	CSR management	Management CSR Safety and Quality Inspection	Management will continue making CSR Safety and Quality Inspections (of four parent plants, 23 plants of 20 domestic Group companies, and five overseas Group companies).	Continue to implement management inspections and audits.
		CSR Implementation	Hold meetings of the CSR Committee and four subcommittees as scheduled. Foster employee understanding of CSR by communicating regularly via the intranet. Conduct job-specific and other training. Distribute explanatory materials (in English) to the entire Kaneka Group.	In line with the Declaration of Kaneka United, share basic CSR policies for the Group to implement all corporate activities.
		Bolster governance and compliance	Ensure compliance awareness. Conduct companywide CSR suitability audits from this fiscal year. Maintain the internal reporting system. Improve internal control levels for financial reporting.	Step up corporate governance and compliance to improve enterprise value for the entire organization.
		Reinforce risk management	Conduct drills based on the Crisis Management Manual section relating to business continuity plans.	Ensure the use of business continuity plans and pursue ongoing improvements to enhance risk management.

Producing New CSR Activity Targets

New CSR Activity Fiscal 2013 Targets and Medium- to Long-Term Targets (continued)

Key stakeholders	Item		Fiscal 2013 Targets	Medium- to Long-Term Targets
Shareholders and Investors	Timely and appropriate disclosure		Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.	Make disclosure speedy, timely, and appropriate to foster understanding of the Kaneka Group and build trust and meet the expectations of investors.
The Environment	Environmental protection improvement (reducing environmental impact)	Reduction of volatile organic compound (VOC) emissions	Lower the VOC emissions target to 1,850 metric tons (66% less than the fiscal 2000 baseline).	Continue to cut VOC emissions in line with domestic trends.
		Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions among domestic Kaneka Group companies on a consolidated basis.	Keep the final landfill rate to below 0.2% for all parent plants. Continue to maintain zero emissions at domestic Kaneka Group companies.
			We will continue to confirm compliance among waste disposal companies.	We will confirm compliance among waste disposal companies.
		Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Continue to promote energy consumption reduction initiatives to attain a carbon dioxide emissions intensity target for fiscal 2020 that is 26% below the fiscal 1990 level.	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce the carbon dioxide emissions intensity target for fiscal 2020 to 26% below the fiscal 1990 level.
Preservation of biodiversity	In line with our biodiversity activity policy, we will continue to focus on this area. We will consider establishing specific goals and activity plans.	In line with our biodiversity activity policy, we will continue to focus on this area.		
Customers	Customer satisfaction (ensuring quality and product safety)	Quality management	Formulate guidelines and standards on points needing special attention (including design reviews and change management) in regard to quality risk management to ensure effective groupwide usage.	Practice quality management that accommodates an expanding business scope.
		Chemical Substance Management	Continue to monitor trends in chemical substance management-related laws and regulations in Japan and overseas, and ensure strict compliance.	Identify trends in regulatory revisions in Japan and abroad to improve chemical substance management.
Vendors	Bolstering 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.	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, thereby enhancing safety.
			Continue holding emergency response drills for transportation.	Continue holding emergency response drills for transportation.
	Proper procurement	Green procurement	Launch initiatives based on green procurement guidelines.	Based on the Basic Procurement Policy, the Group will bolster green purchasing.
Employees	Reinforcing occupational safety and health	Occupational Safety	Make steady improvements based on Hi-yari Hatto and hazard predictions and cultivate a corporate culture in which anybody in a team can discuss safety at any time to improve plant safety.	Continue to reinforce the safety activities of Group companies.
		Management Systems	Ensure more efficient Plan-Do-Check-Act (PDCA) of the occupational safety and health management system (OSHMS) and encourage a positive spiral, reinforce operations, and improve occupational safety and health initiatives.	Continue to improve occupational health and safety based on occupational safety and health management systems.
		Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	Continuously improve the mental health of employees and the workplace environment.
	Emphasis on diversity	Respect for human rights	Continue to educate new employees and executives about human rights and conduct inter-cultural communication and other training through the KG System (see note 2 below).	We will position human rights as a fundamental commitment that the Kaneka Group and employees must respect. We will educate employees through training and other tools to accept diverse values, respect personalities and individuality, and reject discrimination.
		Employing, training, and recruiting diverse people	Revise the personnel system for research positions and attract and retain foreign employees.	Based on the Kaneka Spirit of fostering personnel reforms and growth, we will overhaul mechanisms for employment, education, and rotation.
		Work-life balance	Explore details of the work-at-home system. Inform people about the existent system and promote its use.	Consider introducing and running systems that enhance the work environment and enable people to fulfill their professional and personal commitments.
		Labor and management relationships	Augment such labor and management meetings as central labor and management conferences, conferences of representatives, and workplace labor and management gatherings, and boost communication by setting up a workplace labor and management council.	Based on joint labor and management targets, both parties will work together to ensure employee growth and enhance lifestyles.
Society	Reinforcing process safety and disaster prevention		Comprehensively review abnormal reaction controls and maintain the safety of hazardous substance storage by incorporating external expertise through third-party evaluations, thereby minimizing process risks by improving safety levels.	Reduce risks, primarily through risk assessments, undertaking ongoing efforts to minimize risks.
	Improving communication with society		Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.
			Issue site reports for all Kaneka plants and post them on our website.	Continue to issue site reports for all Kaneka plants.

Note 1: Energy intensity is a numeral 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: Kaneka Global Employee Registration System.

Responsible Care and Management



We created basic policies for Responsible Care and safety.

We use a Plan-Do-Check-Act (PDCA) cycle in our Responsible Care efforts.

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 CSR inspections, naming them CSR Safety and Quality Inspections. They encompass environmental protection, occupational safety, product safety aspects of quality assurance, and compliance, and confirm progress in the above activities at all Group companies in Japan and overseas.

Our Environmental Safety and Health Management Rules, Quality Assurance Rules, and Product Safety Management Rules (see note 2) 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).

Note 2: In May 2013, we consolidated the Quality Assurance Rules and Product Safety Management Rules into the Quality Management Rules.

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.

Basic Policies for Responsible Care

1 Protect the natural ecosystem and reduce environmental impact

Focusing on the impact of corporate activities on the global environment and the ecosystem, we endeavor to reduce environmental impact and promote resource conservation and energy saving throughout the lifecycle of products.

2 Offer safe products and information

We endeavor to offer products that are safe to distribute and use, and to provide adequate information on the products such as instructions on how to use and handle products correctly.

3 Develop products and technologies in consideration of the environment and safety

Upon the development of new products, we give consideration to the environment and safety throughout the lifecycle of the products to the greatest extent possible, and endeavor to develop products and technologies with low environmental impact.

4 Reduce waste and promote the recycling of plastics

We reduce waste associated with manufacturing and its processes. We actively develop technologies for the adequate disposal or recycling of plastic waste concerning our products in cooperation with relevant industries, and endeavor to dispose of and recycle waste in a proper manner.

5 Enhance process safety, disaster-prevention, and occupational safety and health

Safety and disaster prevention constitute the foundations of the local community's trust, and occupational health and safety are issues that need to be fulfilled by chemical companies. We persistently strive to make improvements in these areas.

6 Win public confidence

From the management to every employee, all our members shall act in compliance with laws, regulations, standards, etc. relating to environment and safety both at home and abroad. Our approach to Responsible Care as such shall be publicized accurately to the public, in hope of rightfully gaining public recognition and confidence.

Responsible Care and Management



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 Department disseminate activity conference-based policies and measures throughout the Group. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference share information and discuss issues.

The Group Plant Top Management Conference shares Group company policies and goals and undertakes groupwide Responsible Care efforts.

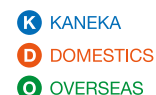
Responsible Care Education



Kaneka regularly educates all employees about Responsible Care by holding courses that are specific to each employee's workplace, rank, and position. A good example is our environmental management training programs for employees in their third year of work or for new executives. Participants draw on educational materials in relation to our initiatives in areas such as environmental protection, process safety and disaster prevention, occupational safety and health, and chemical and product safety, and apply this knowledge. We also provide Responsible Care education to production leaders of affiliated companies through the Affiliated Company Manufacturing Leaders Conference.

Report Coverage

(Scope of Responsible Care Activities Data as of March 31, 2013)



This report covers Kaneka and 37 Group manufacturing companies.

KANEKA



Takasago Plant
Osaka Plant
Shiga Plant
Kashima Plant

KANEKA Group (Domestic) (26)



Kaneka Hokkaido Styrol Co., Ltd.
Kaneka Tohoku Styrol Co., Ltd.
Kaneka Kanto Styrol Co., Ltd.
Kaneka Chubu Styrol Co., Ltd.
Kaneka Nishinippon Styrol Co., Ltd.
Kanto Styrene Co., Ltd.
Kochi Styrol Co., Ltd.
Sanwa Kaseikogyo Co., Ltd.
Hokkaido Kanelite Co., Ltd.
Kyushu Kanelite Co., Ltd.
Kaneka Sun Spice Corporation
Kaneka Foods Corporation
Tokyo Kaneka Foods Corporation
Taiyo Yushi Corporation
Nagashima Shokuhin Co., Ltd.
Tamai Kasei Co., Ltd.
Shinka Shokuhin Co., Ltd.
Tatsuta Chemical Co., Ltd.
Showa Kaseikogyo Co., Ltd.
Tochigi Kaneka Corporation
Vienex Corporation
Osaka Synthetic Chemical
Laboratories, Inc.
Kaneka Solartech Corporation
Sanvic Inc.
Kaneka Medix Corporation
OLED Aomori Co., Ltd.

KANEKA Group (Overseas) (11)



Kaneka Belgium N.V.
Kaneka North America LLC
Kaneka Singapore Co. (Pte) Ltd.
Kaneka (Malaysia) Sdn. Bhd.
Kaneka Eperan Sdn. Bhd.
Kaneka Paste Polymers Sdn. Bhd.
Kaneka Innovative Fibers Sdn. Bhd.
Kaneka Pharma Vietnam Co., Ltd.
Kaneka Eperan (Suzhou) Co., Ltd.
HiHua Fiber Co., Ltd.
Eurogentec S.A.

Responsible Care Activities



Our Responsible Care activity targets and results for fiscal 2012 and our targets for fiscal 2013 are as follows.

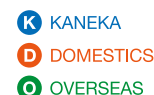
- Significantly outperformed
- Achieved/nearly achieved
- Underperformed
- Significantly underperformed

Key Targets, Results, and Evaluations of Our Responsible Care Initiatives (1)

Item		Fiscal 2012 Targets	Fiscal 2012 Results	Re-sults Evalu-ations
Environmental Protection	Reduction of volatile organic compound (VOC) emissions	Lower the VOC emissions target to 1,900 metric tons (65% less than the fiscal 2000 baseline).	At 2,120 metric tons, we failed to meet our target for the year of 1,900 metric tons.	
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Joint with domestic Kaneka Group companies to achieve zero emissions (for representing a final landfill disposal rate of below 0.5%).	The final landfill rate for the four parent plants was 0.009%, for the seventh straight year of zero emissions. The final landfill rate of all consolidated domestic Kaneka Group companies was 0.22%, enabling the Group to achieve zero emissions for the first time.	
		We will confirm compliance among waste disposal companies.	We checked compliance among waste contractors and confirmed the absence of problems.	
	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 2012 by 20 from the fiscal 1990 level.	We met targets by reducing energy intensity (see note 1 below) by 1.1% from a year earlier. However, we lowered the five-year average (see note 2 below) target by 0.9%, which was slightly below target. We reached our carbon dioxide emissions intensity target for fiscal 2008 through 2012, at 24.5% 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 failed to attain the target as our energy intensity rose 2.1% from a year earlier. However, we reached the five-year average goal, with a reduction of 3.2%		
Process Safety and Disaster Prevention	Improve safety technologies and safety management standards and minimize process risks to eliminate accidents and disasters.	Plant safety initiatives helped reduce the number of process accidents in fiscal 2012 to two. We consider one of the incidents particularly serious, and have further committed ourselves to implementing plant safety initiatives and risk review.		
Occupational Safety and Health	Occupational Safety	Foster a safety awareness in every corner of the organization, reinforcing measures in light of human behavior to increase site safety.	Based on the CSR Safety and Quality Inspection, we took steps to disseminate management's stance to employees at each site, and confirmed that efforts were made to reinforce safety management activities.	
	Management Systems	Reflect top management thinking in safety activities, engaging in initiatives to boost safety levels.	Each site effectively uses occupational safety and health management systems and undertakes risk assessment and other activities.	
	Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	We shared information on health staff activities through workshops (held three times annually) for companywide nurses, and improved their skills through seminars. We conducted line-care training classes for supervisors (on proper ways to discipline subordinates) and self-care training classes for general workers (on mental and physical fitness) (a total of 470 people participated).	
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.	There are no new Yellow Cards. We checked that the Osaka Plant and transportation contractors carry a Yellow Card. We conducted legal compliance checks and voluntary inspections of mobile tanks.		
	Continue holding emergency response drills for transportation.	We collaborated with transportation contractors in implementing emergency response drills and Hiyari Hatto (identifying, reporting, and eliminating worker dangers) at the Takasago Plant and safety operations case studies on vehicle accidents at the Kashima Plant.		
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Formulate quality risk management guidelines, leveraging them to drive risk management for the Kaneka Group and establish and reinforce the foundations of examination and assurance systems that accommodate an expanding business scope.	In the new business domains, we built business-specific quality management systems and used quality risk management guidelines while ensuring adherence to risk assessment usage.	
	Chemical Substance Management	Respond properly to domestic legal revisions relating to the Globally Harmonized System of Classification and Labeling of Chemicals and gather and share information on revised laws, especially in Asia and the United States. At the same time, we launched a full-scale green procurement program companywide.	We obtained timely information on revisions to the Globally Harmonized System of Classification and Labeling-related laws (including Industrial Safety and the Health Act) in Japan, and on changes to overseas laws and regulations (especially in Taiwan and China) and responded as needed. We also formulated green procurement guidelines.	
	Product Safety	Revise product safety management rules and choose new advisors from candidates, strengthening information gathering and the scope of examinations to reinforce product safety management assessments.	We integrated and revised the Product Safety Management Rules and Quality Assurance Rules. We hired an electrical safety advisor.	
Communication with Society	Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	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. We took part in Responsible Care community discussions in the Osaka and Kashima areas.		
Management CSR Safety and Quality Inspection	We implemented management CSR Safety and Quality Inspections at all four parent plants, 23 plants of 20 domestic Group companies, and seven overseas Group companies.	We implemented management CSR Safety and Quality Inspections at all four parent plants, 23 plants of 20 domestic Group companies, and seven overseas Group companies as scheduled.		

Note 1: Energy intensity is a numeral 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 2008 through 2012.

Responsible Care Activities



Key Targets, Results, and Evaluations of Our Responsible Care Initiatives (2)

Item		Fiscal 2013 Targets	Medium- to Long-Term Targets
Environmental Protection	Reduction of volatile organic compound (VOC) emissions	Lower the VOC emissions target to 1,850 metric tons (66% less than the fiscal 2000 baseline).	Continue to cut VOC emissions in line with domestic trends.
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions among domestic Kaneka Group companies on a consolidated basis.	Keep the final landfill rate to below 0.2% for all parent plants. Continue to maintain zero emissions at domestic Kaneka Group companies.
		We will continue to confirm compliance among waste disposal companies.	We will confirm compliance among waste disposal companies.
	Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Continue to promote energy consumption reduction initiatives to attain a carbon dioxide emissions intensity target for fiscal 2020 that is 26% below the fiscal 1990 level.	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce the carbon dioxide emissions intensity target for fiscal 2020 to 26% 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).		Reduce the energy intensity for logistics by around 1% annually by coordinating with the relevant departments to plan and promote efficiency measures (see note 1 below).	
Process Safety and Disaster Prevention		Comprehensively review abnormal reaction controls and maintain the safety of hazardous substance storage by incorporating external expertise through third-party evaluations, thereby minimizing process risks by improving safety levels.	Reduce risks, primarily through risk assessments, undertaking ongoing efforts to minimize risks.
Occupational Safety and Health	Occupational Safety	Make steady improvements based on Hiyari Hatto and hazard predictions and cultivate a corporate culture in which anybody in a team can discuss safety at any time to improve plant safety.	Continue to reinforce the safety activities of Group companies.
	Management Systems	Ensure more efficient Plan-Do-Check-Act (PDCA) of the occupational safety and health management system (OSHMS) and encourage a positive spiral, reinforce operations, and improve occupational safety and health initiatives.	Continue to improve occupational health and safety based on occupational safety and health management systems.
	Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	Continuously improve the mental health of employees and the workplace environment.
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.	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, thereby enhancing safety.
		Continue holding emergency response drills for transportation.	Continue holding emergency response drills for transportation.
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	(We will integrate quality management items and establish targets in line with new CSR activity targets).	(We will integrate quality management items and establish targets in line with new CSR activity targets).
	Chemical Substance Management	Continue to monitor trends in chemical substance management-related laws and regulations in Japan and overseas, and ensure strict compliance. Launch initiatives based on green procurement guidelines.	Identify trends in regulatory revisions in Japan and abroad to improve chemical substance management.
	Product Safety	(We will integrate quality management items and establish targets in line with new CSR activity targets).	(We will integrate quality management items and establish targets in line with new CSR activity targets).
Communication with Society		Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.
		Issue site reports for all Kaneka plants and post them on our website.	Continue to issue site reports for all Kaneka plants.
Management CSR Safety and Quality Inspection		Management will continue making CSR Safety and Quality Inspections (of four parent plants, 23 plants of 20 domestic Group companies, and five overseas Group companies).	Continue to implement management inspections and audits.

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

Highlight

Initiatives in Biodiversity



Kaneka closely monitors the impact of its corporate activities on ecosystems. While providing technologies, materials, and products that reduce environmental impact, we endeavor to reduce the impacts stemming from production. As part of our social contribution efforts, we participate in and support internal and external biodiversity initiatives, some of which we present below.

Participation in and Support for Biodiversity Initiatives

Kaneka participates in the following activities.

- Declaration of Biodiversity by Keidanren Promotion Partners
- Keidanren Nature Conservation Fund
- Keidanren Committee on Nature Conservation
- Japan Business and Biodiversity Partnership

Launch of Kaneka Forestry for the Future



In June 2012, the Takasago Plant began participating in Hyogo Prefecture's private forest preservation project, launching the Kaneka Forestry for the Future project in Taka Town in that prefecture. The project involves forest maintenance and preservation. We will include these activities in our new employee training

program and in employee social welfare. We are the 20th company to participate in the prefecture's forestry project. We plan to undertake around 15 afforestation activities covering approximately 15 hectares over five years through to May 2017.



Forest maintenance includes the trimming of trees and removal of underbrush

Volunteers



Completion of Settsu-no-mori Kaneka Biotope



In August 2012, we celebrated the completion of Settsu-no-mori Kaneka Biotope on the premises of the Osaka Plant. The joint sponsors of this initiative are Kaneka, the Settsu Firefly Research Society, and Settsu city. The project entails building a biotope (a brook for observing fireflies) in a natural section of

the plant property and lending the space to Settsu city. In the next few years, we expect to see fireflies inhabiting the Osaka Plant.



Brook in Settsu-no-mori



Ceremony attendees included members of the Settsu Firefly Research Society

Employee Feedback Using waste heat from the Kaneka Nishinippon Styrol Co., Ltd. plant in a local spa

See details of Yomogi-no-sato at <http://yomogi-sato.com/>



Masahiro Nakajima (third from the left)
Kagoshima Plant,
Kaneka Nishinippon Styrol Co., Ltd.

Kanep pearl molded products produced at Kaneka Nishinippon Styrol



Kaneka Nishinippon Styrol sends waste heat from its plant through a thermal conduction system to warm a cold spring at the Yomogi-no-sato spa rest house. The project started by chance, when the cold spring adjacent to our premises came to mind when we were wondering how best to use waste heat from the plant. The plant previously used cold water to process waste heat. The project eliminated this process, saving water and lowering the biological impact of the spa. We were also able to decrease heating costs for local residents, who thoroughly enjoy using the rest house. At times, however, the spa usage levels affect the temperature of waste heat

from the plant, requiring careful management. Still, we are committed to creatively pleasing local residents.

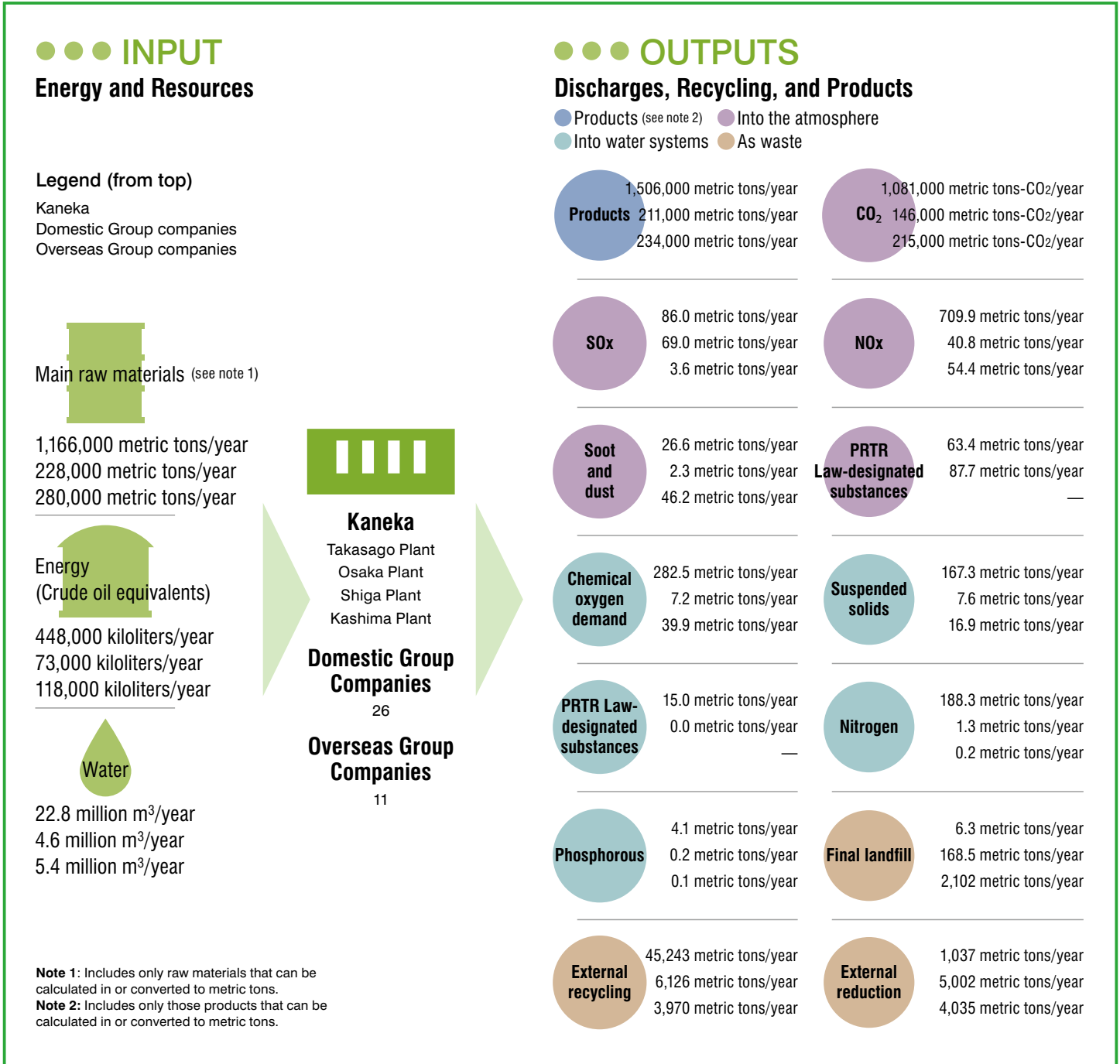


Yomogi-no-sato

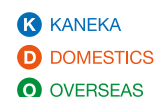
Materials Balance in Production Activities



Below is a summary of the Kaneka Group's energy and resource inputs and outputs and products from its manufacturing activities.



Environmental Accounting



We calculate the costs (investments and expenditure) and impacts (quantitative and financial) of environmental measures for parent and domestic Group companies on a consolidated basis.

Results of Environmental Accounting for Fiscal 2012



Nonconsolidated research and development costs increased ¥380 million, while pollution prevention and resource recirculation costs remain unchanged. Net environmental conservation costs were therefore the same as in the previous fiscal year.

Net benefits from conservation were also on par with the previous year, reflecting an increase of around ¥280 million owing to lower energy expenditure and a decrease of around ¥250 million from lower disposal expenditure due to recycling.

We base these calculations on the Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment of Japan and on other reference materials (partly modifying them to reflect our environmental accounting policies).

Environmental Accounting Costs (see note 1)

Millions of yen

Cost Classifications	Main Efforts	Fiscal 2012	
		Investments	Expenditure
Business Area		530	5,401
Pollution Prevention	Air and water pollution prevention	–	3,338
Environmental Conservation	Global warming prevention and energy saving	–	–
Resource Circulation	Waste processing, recycling, and reduction	–	2,063
Upstream and Downstream	Product recycling, collection, and processing	1	54
Management Activities	Environmental education for employees and environmental impact monitoring and measurement	18	359
Research and Development	Research and development of products contributing to environmental conservation	0	5,376
Social Activities	Greening, beautification, and disclosure of environmental information	0	76
Environmental Damage	Payment of sulfur oxide emission charges	0	12
Total		549	11,275

Note 1: Figures do not include research and development and global environment conservation costs.

Quantitative Impact of Environmental Conservation Efforts

Category	Initiatives	Items	Units	Fiscal 2012 (Year-on-Year Change)
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Metric tons	-4.8
		NOx emissions	Metric tons	-4.4
		Chemical oxygen demand	Metric tons	-11.9
		PRTR Law-designated chemical emissions	Metric tons	-20.2
Environment	Lower greenhouse gas emissions	CO ₂ emissions	Thousands of metric tons	139.1
	Use less energy	Crude oil equivalents	Thousands of kiloliters	17.6
Resource Recycling	Reduce final landfill	Final landfill	Metric tons	-563.3
	Increase external recycling	Amounts recycled	Metric tons	-3,374

Economic Impacts of Environmental Measures

Millions of yen

Measures	Fiscal 2012
Revenue from Recycling	172
Cost Reductions by Resource Conservation and Energy Index Units	493
Waste Disposal Cost Reductions by Recycling	144
Cost Reductions by Energy Conservation	373
Total	1,182

Environmental Accounting



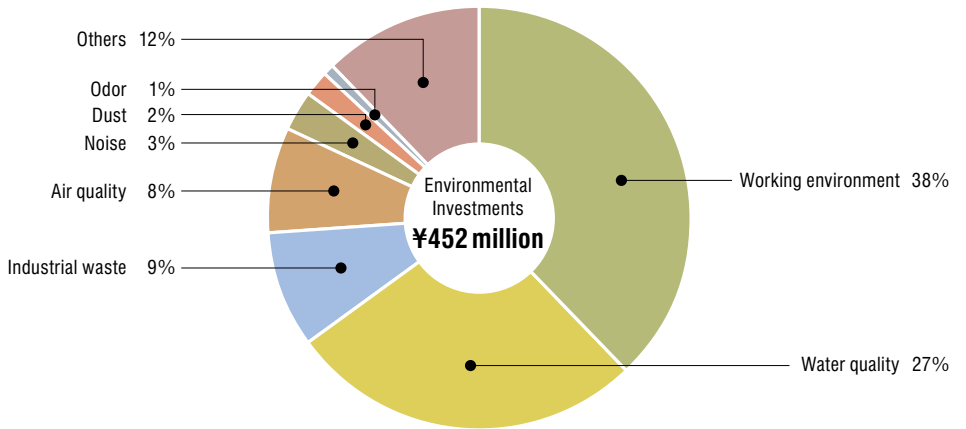
Environmental Investments



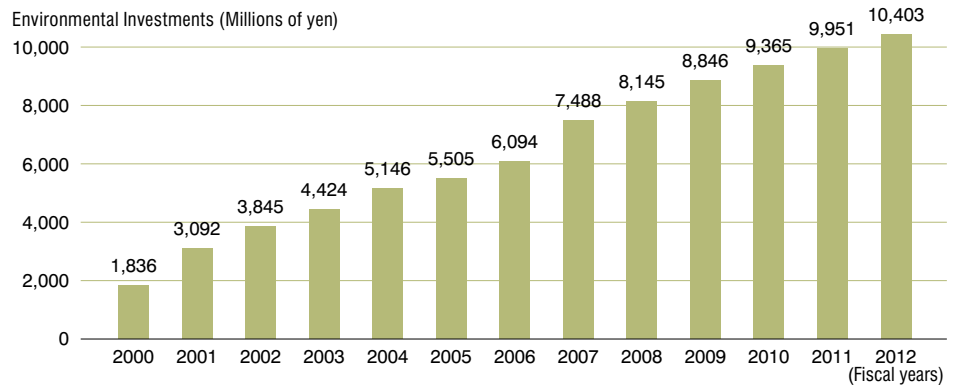
We invest in the environment on an on-going basis. In fiscal 2012, working environment initiatives accounted for 38% of environmental investments, with water quality representing 27%.

Environmental investments totaled about ¥10.4 billion in the 13 years since fiscal 2000. Air quality investments represented 44% of the total, followed by allocations for water quality at 22%, and working environments at 15%. We will continue our efforts to maintain and improve the environment.

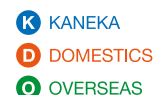
Environmental Investments in Fiscal 2012



Cumulative Environmental Investments



Measures to Prevent Global Warming



The Kaneka Group acts to prevent global warming through initiatives to conserve energy and cut carbon dioxide emissions intensities.

We invest in related facilities through our proprietary energy-conserving facilities investment promotion scheme.

We employ carbon life-cycle analysis to calculate carbon dioxide emission reduction benefits by quantifiably identifying and assessing carbon dioxide emissions with equivalent products in product life cycles, from raw materials procurement to manufacturing, distribution and usage, and recycling or disposal.

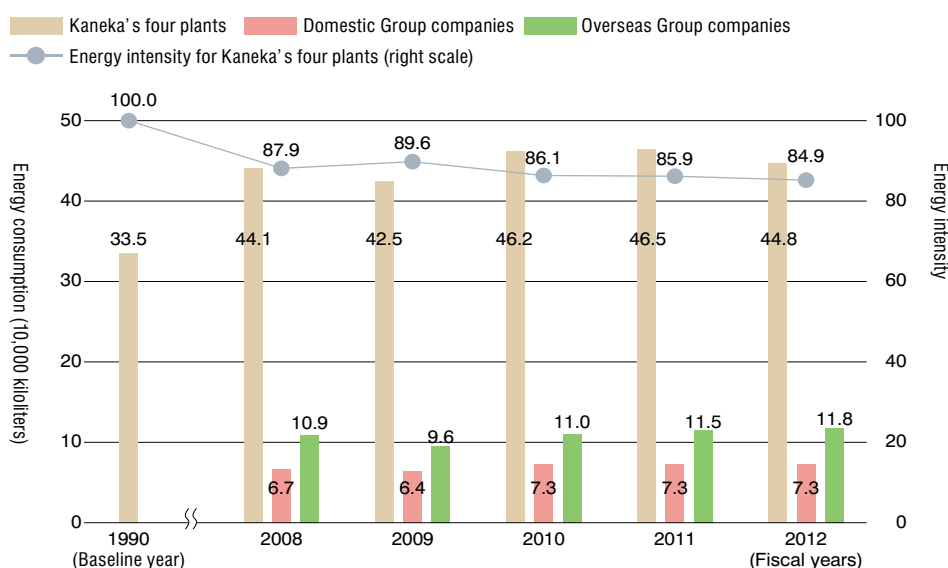
Energy Conservation Efforts



The Kaneka Group strives to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). The energy intensity of our four parent plants in fiscal 2012 was 84.9, down 1.1% from a year earlier. While we reached the year-on-year target, the five-year average was down 0.9%, just below the target, reflecting a change in the product mix. Energy consumption declined 3.7% from a year earlier to 448,000 kiloliters.

Note 1: Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass, and indexing this figure against the baseline year of fiscal 1990. Active mass is a production volume benchmark.

Energy Consumption (Crude Oil Equivalents) and Energy Intensity (see note 2)



Note 2: Calculated in line with a voluntary action plan formulated by the Japan Chemical Industry Association. We retrospectively revised the basis for energy intensity calculations.

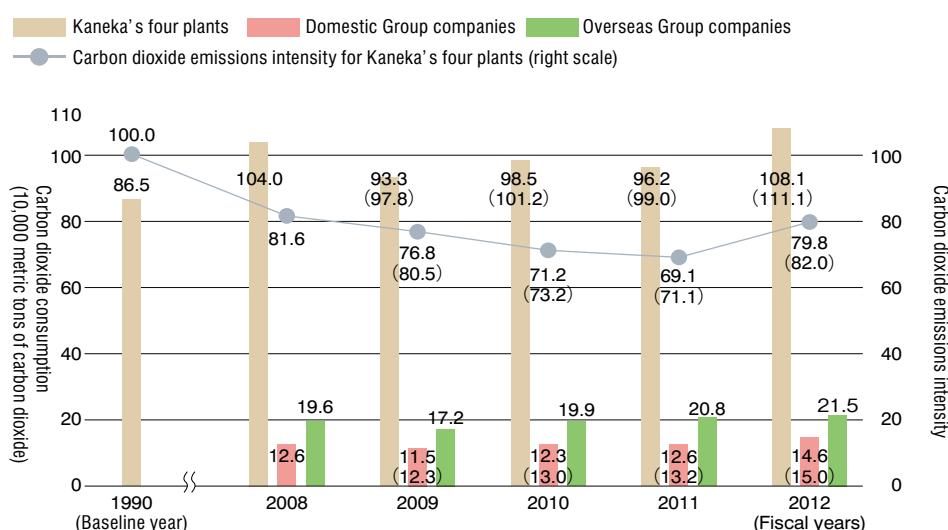
Initiatives to Cut Carbon Dioxide Emissions



The Kaneka Group strives to reduce carbon dioxide emissions intensities by using the intensity (see note 3) as a management indicator based on energy consumed during production. The average carbon dioxide emissions intensity of the four parent plants between fiscal 2008 and 2012 was 75.5, as targeted. On the downside, the fiscal 2012 carbon dioxide emissions intensity was up 15.4% to 79.8. Carbon dioxide emissions rose 12.4% from a year earlier, reaching 1,081,000 metric tons. The main reason for the increase was an expansion in the carbon dioxide emissions coefficient in electricity purchased from power utilities, as nuclear power plants were offline.

Note 3: The carbon dioxide emissions intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass, and indexing this figure against the baseline year of fiscal 1990.

Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity (see note 4)



Note 4: Calculated in keeping with the Act on Promotion of Global Warming Countermeasures, although it does not match published figures because of boundary differences. Since fiscal 2009, we have adopted adjusted figures for the carbon dioxide emissions intensity of purchased electricity. The figures in parentheses represent the actual intensities. We retrospectively revised the basis for energy intensity calculations.

Measures to Prevent Global Warming



Investments in Energy-Conserving Facilities



Kaneka deployed ongoing initiatives to reduce energy and carbon dioxide emissions intensities by investing in energy conservation facilities under a government promotion system through fiscal 2012, the final year of the first commitment period of the Kyoto Protocol. We allocated annual budgets of ¥200 million in small and medium-sized initiatives with relatively long-term returns on investment. This approach was fruitful, so it was decided to extend the system for another four years to enable continued pursuit of reductions in energy and carbon dioxide emissions intensities.

Results of Internal Capital Investment Program to Drive Energy Conservation

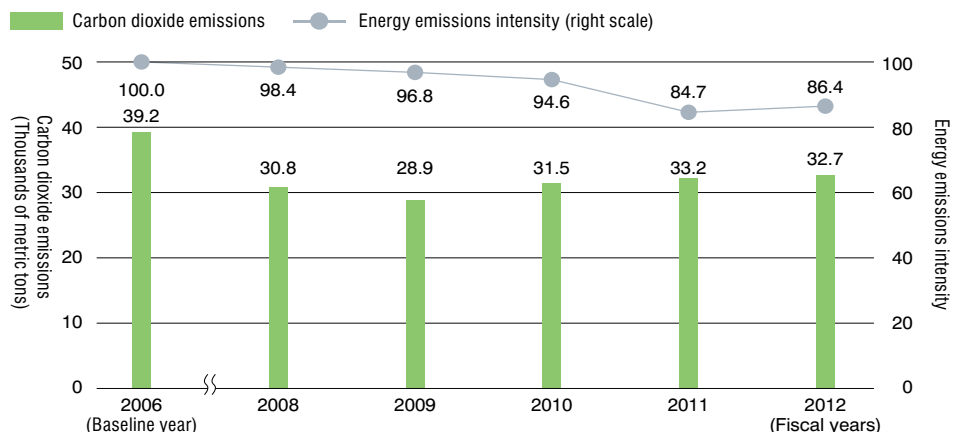
	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Investments	¥200 million	¥200 million	¥200 million	¥200 million
Number	19	30	30	19
Carbon Dioxide Reductions	14,054 metric tons of carbon dioxide annually	4,109 metric tons of carbon dioxide annually	2,027 metric tons of carbon dioxide annually	1,929 metric tons of carbon dioxide annually

Energy-Saving Logistics Initiatives



We endeavor to cut our energy intensity by 1% annually as mandated under the revised Law Concerning the Rational Use of Energy for specified shippers. In fiscal 2012, we employed modal shifts and increased cargo load ratios as central to identifying prospective new reductions at each plant in collaboration with sales units. In fiscal 2012, we endeavored to lower environmental impact, notably by switching from land transportation of containers domestically to ship transportation. However, because of an increase in short distance truck transportation, energy intensity rose 2.1% from the previous year. We offset the rise in emissions from truck transportation by raising domestic ship transportation, thereby lowering emissions by 500 metric tons to 32,700 metric tons.

Carbon Dioxide Emissions and Energy Intensity from Logistics (see note 1)

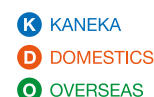


Note 1: Fiscal 2006 is the baseline year for logistics energy intensity.

CHECK & ACT

In fiscal 2102, the final year of the first commitment period of the Kyoto Protocol, we endeavored to cut our energy emissions intensity by at least 1% annually while lowering our carbon dioxide emissions intensity to an average over fiscal 2008 through 2012 of less than 80 of the fiscal 1990 level. As a result, we achieved both emissions intensity targets on a year-on-year basis. However, we were just below the energy emissions intensity target on a five-year average basis, owing to a change in our product mix. In fiscal 2013, we will continue striving to lower our energy emissions intensity by at least 1% annually while reducing carbon dioxide emissions intensity for fiscal 2020 by 26 from the fiscal 1990 level.

Environmental Management Systems and Environmental Efficiency Indices



The Kaneka Group maintains environmental systems based on the ISO 14001 and Eco-Action 21 standards.

We use the Japan Environmental Policy Index to rate the environmental impact of our business in terms of Environmental Impact Points.

Environmental Management Systems



The Kaneka Group maintains environmental systems based on the ISO 14001 and Eco-Action 21 standards to prevent or swiftly address environmental problems.

Environmental Compliance



The Kaneka Group conducts regular internal ISO 14001 and Responsible Care audits, in addition to CSR Safety and Quality Inspections, in order to comply with environmental laws and regulations and agreements with local governments and other bodies. Notwithstanding our goal of lowering environmental risks through these initiatives, the Osaka Plant accidentally leaked chlorine gas in fiscal 2012, greatly troubling neighboring residents. We are doing our utmost to prevent a recurrence, and will implement more stringent initiatives to reduce environmental risks while complying with environmental legislation.

Parent and Group Company Certification under ISO 14001

Business Sites and Group Companies	Registration Date	Registration No.
Shiga Plant	March 23, 1998	JCQA-E-0015
Osaka Plant	April 5, 1999	JCQA-E-0053
Kashima Plant	April 5, 1999	JCQA-E-0054
Takasago Plant	January 11, 2000	JCQA-E-0105
Tochigi Kaneka Co., Ltd.	April 23, 2001	JCQA-E-0256
Osaka Synthetic Chemical Laboratories, Inc.	January 28, 2002	JCQA-E-0343
Tatsuta Chemical Co., Ltd.	April 19, 2004	JCQA-E-0553
Showa Kaseikogyo Co., Ltd.	January 10, 2008	E0062
Vienex Corporation	December 8, 2010	JSA-E1511
Kaneka Solartech Corporation	June 24, 2011	JQA-EM6704
Sanvic Inc.	September 15, 2011	JMAQA-E841
Kaneka Belgium N.V.	October 3, 1997	97EMS002b
Kaneka (Malaysia) Sdn. Bhd.	January 12, 2007	K021300001
Kaneka Paste Polymers Sdn. Bhd.	February 15, 2008	ER0570
Kaneka Eperan Sdn. Bhd.	February 15, 2008	ER0571

Eco-Action 21 Certification

Group Company	Certification and Registration Date	Registration No.
Kyushu Kanelite Co., Ltd.	June 15, 2007	0001637
Kaneka Hokkaido Styrol Co., Ltd.		
Head Plant	September 3, 2007	0001805
Mori Plant	May 26, 2008	0002501
Monbetsu Plant	September 8, 2008	0002897
Shibetsu Plant	November 11, 2008	0003066
Kaneka Medix Corporation	September 28, 2007	0001893
Hokkaido Kanelite Co., Ltd.	October 2, 2007	0001905
Kaneka Tohoku Styrol Co., Ltd.		
Head Plant	May 14, 2008	0002472
Aomori Plant	February 2, 2009	0003274
Nagashima Shokuhin Co., Ltd.	November 18, 2008	0003093
Sanwa Kasei Kogyo Co., Ltd.	January 16, 2009	0003247
Kaneka Chubu Styrol Co., Ltd.		
Owase Plant	February 23, 2009	0003340
Head Plant	February 9, 2011	0006600
Tokyo Kaneka Foods Corporation	March 31, 2009	0003473
Taiyo Yushi Corporation	March 31, 2009	0003575
Kaneka Foods Corporation	April 2, 2009	0003491
Kaneka Sun Spice Corporation		
Shiga Plant	April 22, 2009	0003556
Ibaraki Plant	April 22, 2009	0003566
Kaneka Nishinippon Styrol Co., Ltd.		
Headquarters, Saga Plant, Kagoshima Plant, and Nagasaki Plant	July 31, 2009	0003949
Kanto Styrene Co., Ltd.	August 11, 2009	0004035
Kaneka Kanto Styrol Co., Ltd.	October 15, 2009	0004259

Environmental Management Systems and Environmental Efficiency Indices



Environmental Efficiency

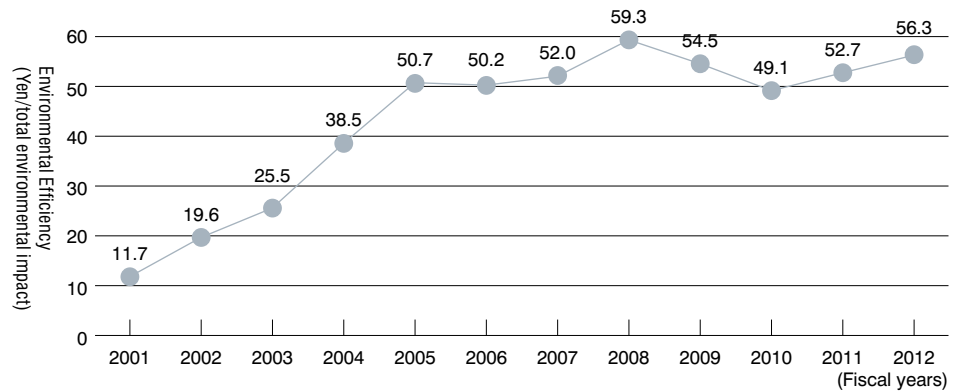


We use the Japan Environmental Policy Index (see note 1) to rate the impact of our production activities in terms of Environmental Impact Points (EIP). We also use these points to assess environmental efficiency (see note 2). In fiscal 2012, our carbon dioxide emissions and EIPs for greenhouse gases rose from a year earlier, although hazardous air pollutant EIPs fell significantly. As a result, our total environmental load decreased 6% from a year earlier, and environmental efficiency improved 7%. We will continue striving to enhance environmental efficiency.

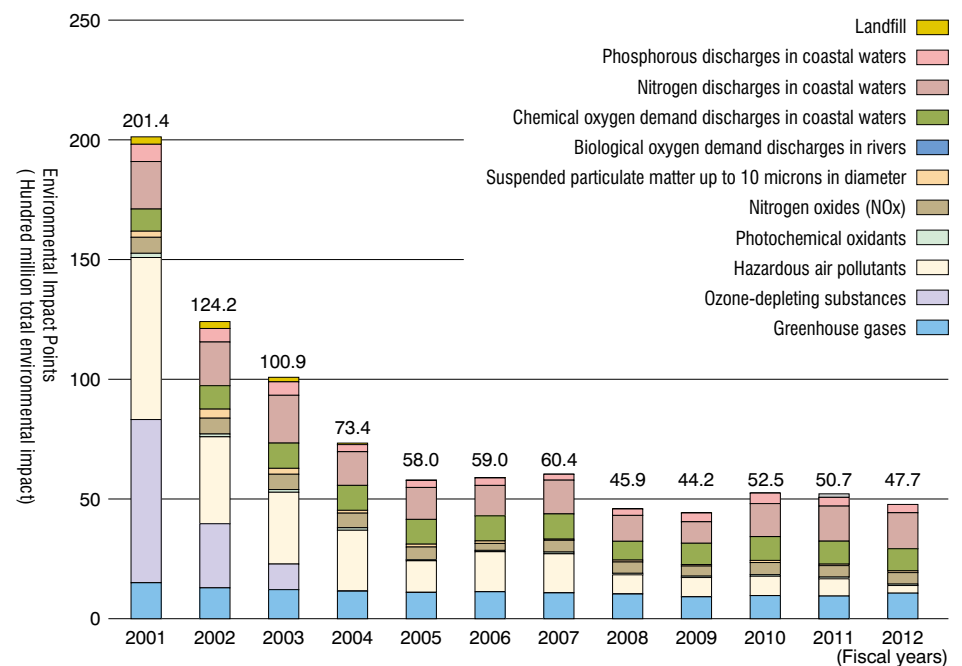
Note 1: The Japan Environmental Policy Index calculates the eco-factor coefficient for each environmentally hazardous substance. The coefficient is based on the ratio of targeted annual emissions under Japan's national environmental policy to actual results. The eco-factor is then multiplied by each environmental impact to score Environmental Impact Points. The Japan Environmental Policy Index Project calculates and publicly discloses these ecofactors. The Japanese-language website is www.jepix.org

Note 2: Environmental efficiency measures initiatives to minimize environmental impact while maximizing the value for sustainable growth. Kaneka calculates the efficiency by dividing net sales (in yen) by the number of EIPs.

Environmental Efficiency



Environmental Impact Points



CHECK & ACT

Despite increases in carbon dioxide emissions and EIPs in fiscal 2012, our total environmental impact declined owing to significantly lower hazardous air pollutant emissions. We will continue to conserve energy to cut carbon dioxide emissions. We will upgrade facilities that recover hazardous air pollutants, thereby further decreasing total environmental impact and improving environmental efficiency.

Reducing Waste and Preventing Pollution



As part of our 3R (see note 1) initiatives, we cut industrial waste disposal generation and recycled resources, achieving zero emissions (see note 2) at all four domestic plants for the seventh consecutive year. We are endeavoring to achieve zero emissions among domestic Group companies, and adhere rigorously to legal requirements and compacts with local governments and other bodies to prevent pollution.

Note 1: 3R stands for reuse, reduce, and recycle.

Note 2: Zero emissions are defined as a final landfill disposal rate of less than 0.5% of waste generation.

Cutting Industrial Waste and Landfill



As in the previous year, Kaneka maintained a final landfill disposal rate of less than 0.2% in fiscal 2012. We generated 6.3 metric tons of final landfill through extensive waste separation and recycling. We thereby achieved zero emissions at all four domestic plants for the seventh consecutive year. During the term, domestic Group companies rigorously separated waste and recycled while reviewing waste contractors, in order to reduce final disposal amounts. Group companies lowered final disposal amounts by 77% from a year earlier to 168.5 metric tons. Consequently, we achieved zero emissions for the first time at all 26 consolidated domestic Kaneka Group companies. We will continue our efforts to cut final disposals.

Properly Disposing of Industrial Waste



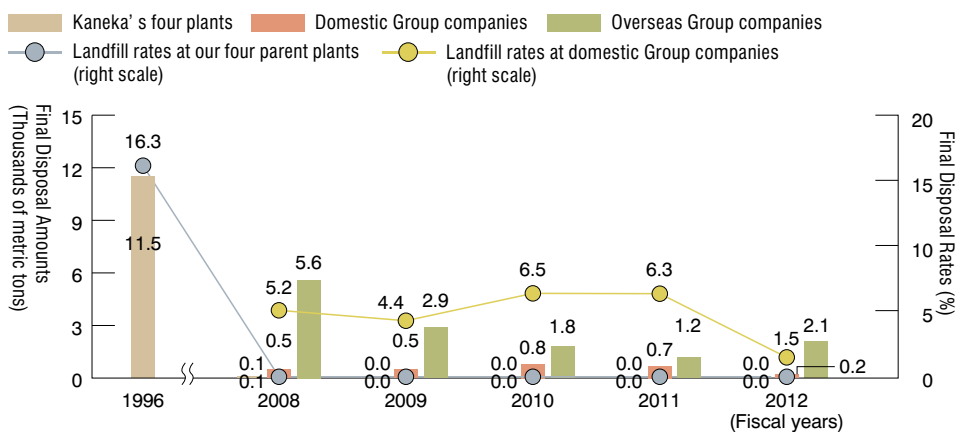
We regularly inspect contractors based on checklists to ensure that they properly process the waste we consign to them.

Recycling Waste

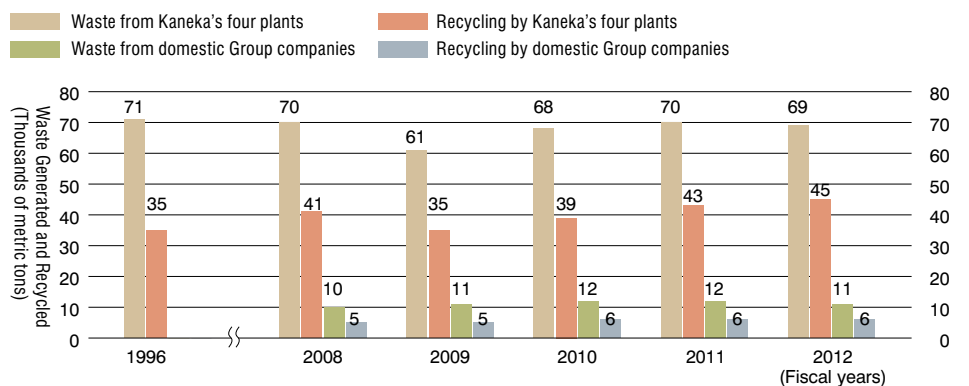


We stepped up companywide efforts to reduce waste in recognition that such endeavors help maintain and improve the global environment by conserving resources, lowering costs, and cutting carbon dioxide emissions. The Responsible Care Technical Group within the Responsible Care Department, which belongs to the Production Technology Division, develops materials recycling technologies for waste from parent and Group companies and works on establishing recycling technologies from the product development stage.

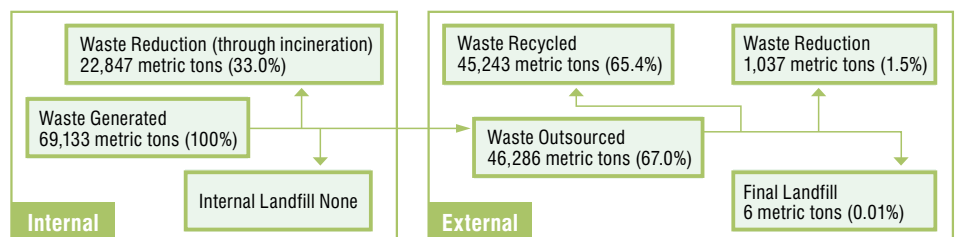
Final Disposal Amounts and Landfill Rates



Waste Generated and Recycled



Industrial Waste and Disposal Methods at Kaneka's Four Plants in Fiscal 2012



Reducing Waste and Preventing Pollution

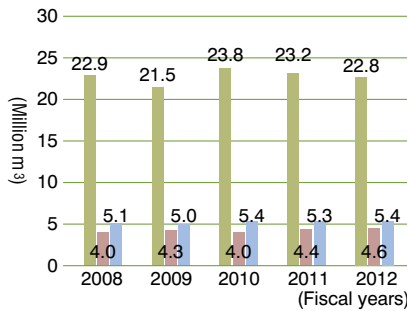


Preventing Air and Water Pollution

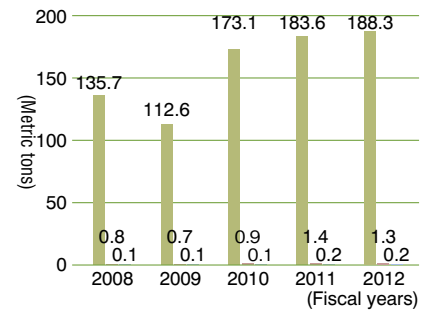


During fiscal 2012, our four parent plants reduced sulfur oxide emissions but increased nitrogen oxide and soot and dust emissions. Nitrogen concentrations in wastewater increased slightly, while concentrations of other pollutants declined.

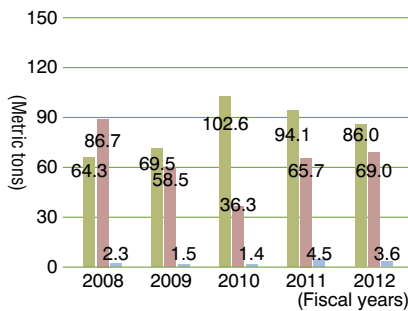
Water Consumption



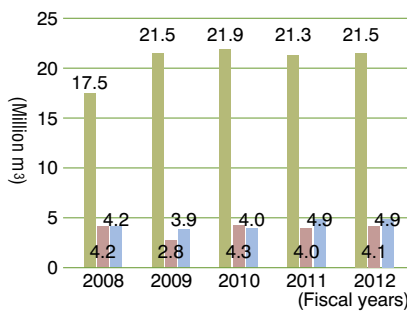
Nitrogen in Wastewater



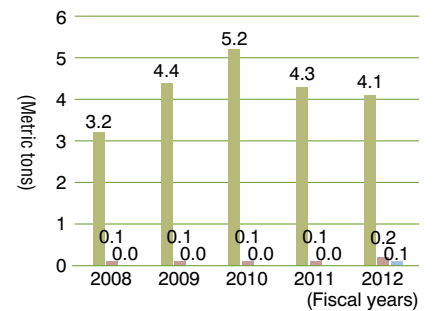
Sulfur Oxide Emissions



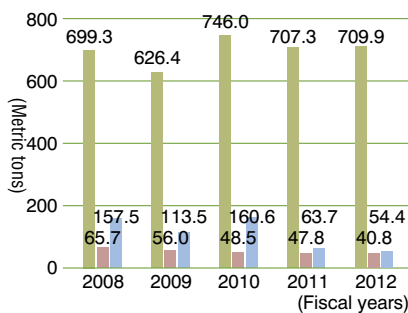
Wastewater Discharges



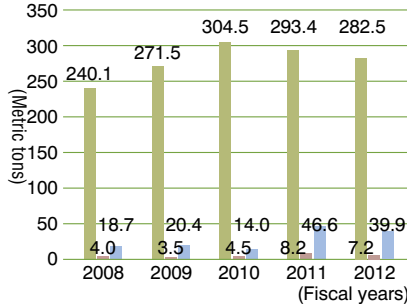
Phosphorous in Wastewater



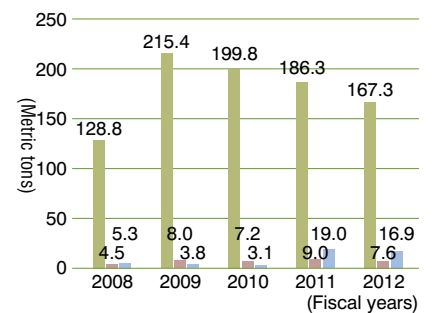
Nitrogen Oxide Emissions



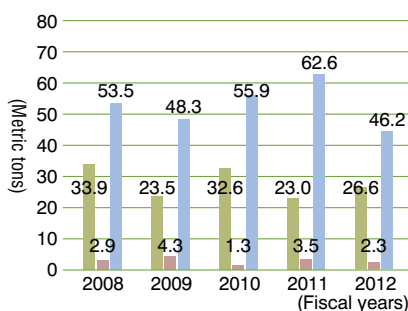
Chemical Oxygen Demand in Wastewater



Suspended Solids in Wastewater



Soot and Dust Emissions

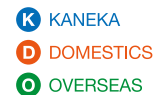


■ Kaneka's four plants
■ Domestic Group companies
■ Overseas Group companies

CHECK & ACT

In fiscal 2012, all Kaneka parent plants recycled 65.4% of waste, up 4.3 percentage points over the previous year's figure of 61.1%. We will continue to recycle waste internally and through our contractors in fiscal 2013. We will step up air and water monitoring while continuing to comply with laws and ordinances and lower environmental impact under our environmental management system.

Cutting Chemical Emissions



We are endeavoring to reduce discharges of volatile organic compounds and voluntarily cut emissions of six harmful atmospheric pollutants that are subject to the Pollutant Release and Transfer Register Law.

Voluntarily Reducing Volatile Organic Compound Discharges



Volatile organic compounds (see note 1) are known causes of photochemical smog. Kaneka endeavors to reduce these emissions. In fiscal 2012, we reduced discharges by 6.3% from a year earlier to 2,120 metric tons. We will continue striving to cut discharges, notably by using alternative raw materials and upgrading facilities.

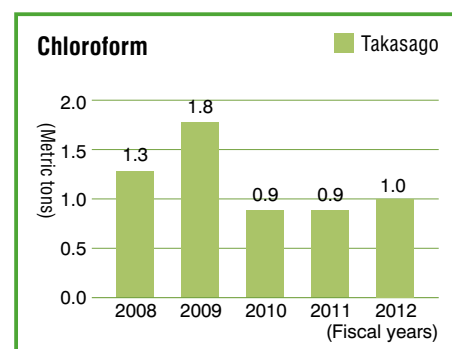
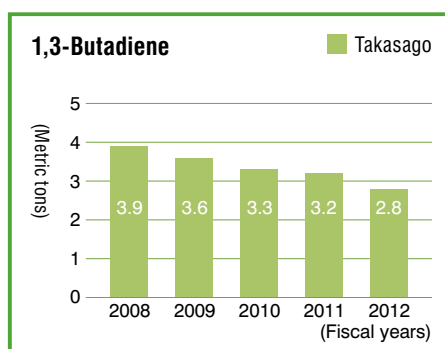
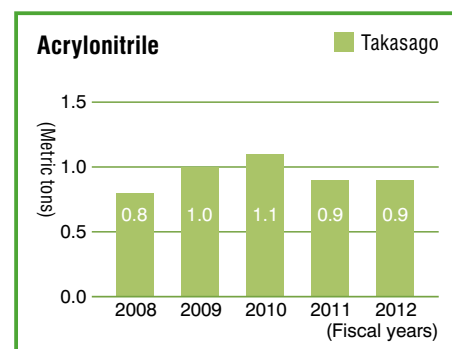
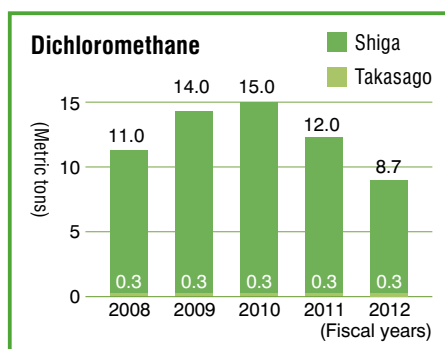
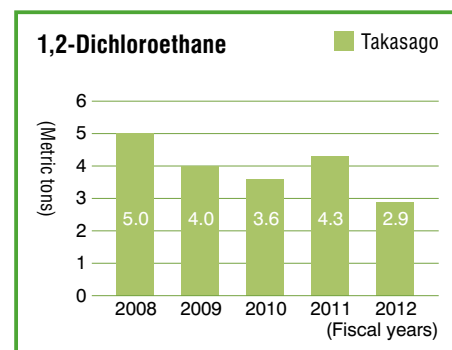
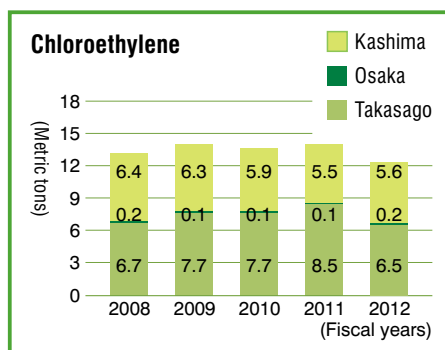
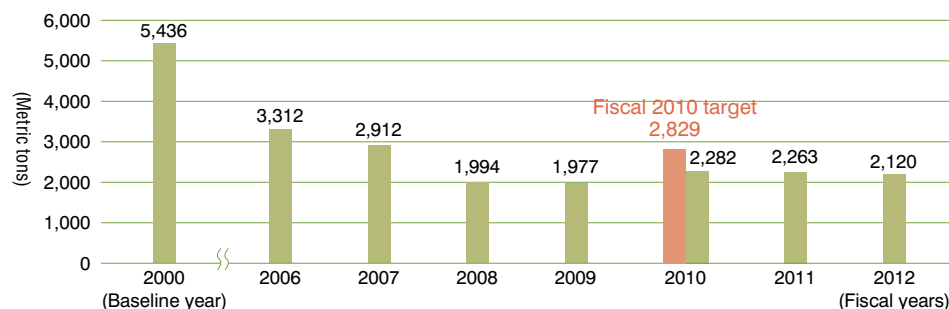
Note 1: Volatile organic compounds readily disperse into the atmosphere and end up as suspended particulate matter or create photochemical oxidants.

Harmful Atmospheric Pollutants

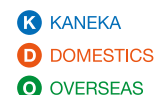


Fiscal 2012 emissions under a plan to voluntarily reduce the discharge of six substances, shown in the graphs, decreased by a total of 19.0% from a year earlier, to 28.9 metric tons. We will keep pushing ahead with efforts to improve facilities and enhance recovery ratios.

Voluntary Plan to Cut Volatile Organic Compound Discharges



Cutting Chemical Emissions



Substances Subject to the Pollutant Release and Transfer Register Law



Kaneka strives to reduce emissions of chemical substances that are subject to the Pollutant Release and Transfer

Register Law. In fiscal 2012, total discharges decreased approximately 19.3 metric tons from a year earlier, to 78.4 metric tons. We will continue endeavoring to cut emissions of chemical substances.

Fiscal 2012 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law (see note 1)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Transfers	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	Fiscal 2011	Total	
Large Discharges of 10 Substances	94 Chloroethylene	12,260	100	0	0	12,360	14,240	1,100	
	186 Dichloromethane	9,017	0	0	0	9,017	12,330	364,200	
	275 Sodium dodecyl sulfate	0	8,600	0	0	8,600	8,400	0	
	392 Normal hexane	8,080	0	0	0	8,080	10,180	513,919	
	240 Styrene	4,705	37	0	0	4,742	4,943	4,231	
	420 Methyl methacrylate	4,660	2	0	0	4,662	4,247	6	
	232 N,N-dimethylformamide	4,000	640	0	0	4,640	8,870	670,000	
	134 Vinyl acetate	3,240	0	0	0	3,240	3,290	1,100	
	157 1,2-dichloroethane	2,900	0	0	0	2,900	4,300	0	
	351 1,3-butadiene	2,800	2	0	0	2,802	3,202	0	
Total Apart from the 10 Substances Above		11,718	5,625	0	0	17,343	23,651	177,878	
Grand Total for All Substances		63,380	15,006	0	0	78,386	97,653	1,732,434	

Note 1: Kaneka handles 65 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

Fiscal 2012 Domestic Group Company Discharges and Transfers of Chemical Substances Subject to the Pollutant Release and Transfer Register Law (see note 2)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Transfers	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	Fiscal 2011	Total	
Large Discharges of 10 Substances	232 N,N-dimethylformamide	34,415	0	0	0	34,415	41,200	2,630	
	300 Toluene	34,048	0	0	0	34,048	28,610	258,582	
	186 Dichloromethane	8,370	0	0	0	8,370	8,520	144,230	
	80 Xylene	4,600	0	0	0	4,600	4,900	0	
	392 Normal hexane	2,548	0	0	0	2,548	1,890	36,572	
	53 Ethylbenzene	1,960	0	0	0	1,960	1,800	0	
	104 Chlorodifluoromethane	1,515	0	0	0	1,515	1,080	0	
	127 Chloroform	135	0	0	0	135	500	2,115	
	355 Bis(2-ethylhexyl) phthalate	61	0	0	0	61	64	0	
	86 Cresol	10	0	0	0	10	-	1,200	
Total Apart from the 10 Substances Above		1	0	0	0	1	0	206,050	
Grand Total for All Substances		87,663	0	0	0	87,663	88,564	651,379	

Note 2: Kaneka's domestic Group companies handle 21 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

CHECK & ACT

We aim to lower discharges by focusing on upgrading facilities for chemical substances that are subject to the Pollutant Release and Transfer Register Law.

Highlight



Promoting Medical Advancements through Initiatives in Tissue Regeneration and Cell Therapy

In 2012, regenerative medicine entered the spotlight when the Nobel Prize in Physiology or Medicine was awarded for induced pluripotent stem cell (iPS cell) research. Kaneka develops devices for cell separation and culture.

Developing Devices that Separate Cells Safely, Conveniently, and Efficiently



Kaneka has been developing cell separation and culture devices since 2004. We created the mesenchymal stem cell (MSC) separation device in 2009 as research purpose. The MSC is the closest to becoming commercialized among all cells used in regenerative medicine. The Kaneka device enables safe, convenient, and efficient separation of MSC. In January 2013, Kaneka obtained medical device approval for the MSC separation device in Europe, which has been subsequently released under the product name "CellEffic BM".

Our desktop programmable cell culture system enables cells to be cultured in bulk in a limited space. We began selling this laboratory equipment in 2013. In 2011, the Kaneka Group welcomed Cellport Clinic Yokohama (see note 1) to the Group. The clinic provides biomedical services, including breast reconstruction after breast cancer surgery and treatment for facial degenerative disorders. We will accelerate developments to support medical advancements, thereby contributing to society.

Note 1: Biomaster, Inc. operates Cellport Clinic Yokohama, which specializes in advanced cosmetic surgery and complies with guidelines from Japan's Minister of Health, Labour and Welfare based on the Act on Special Zones for Structural Reform.



Mesenchymal stem cell separation devices separate cells from bone marrow aspirate



Desktop programmable cell culture system

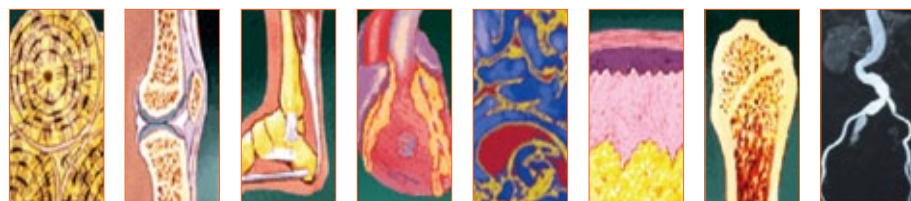
Mesenchymal stem cells offer excellent potential in regenerative medicine applications

Mesenchymal stem cell benefits

•No rejection response, as the cells are the patients' own

Mesenchymal stem cell

Transformable to various cells



Bone Cartilage Tendon Cardiac muscle Nerve Adipose Interstice Blood vessels

Employee Feedback Making Regenerative and Cell Medicine Accessible to More Recipients



Hiroshi Sakurai
New Business Development Group,
Medical Devices Division

(Kaneka Pharma Europe N.V. since May)

Most of the action in regenerative and cell medicine is overseas, so I focus on recommending our products in international academic circles. Professionals on the frontiers of medicine are keen to develop innovative treatments in new fields, and we have already begun cultivating broad-based relationships. Regenerative and cell medicine will one day be central to various aspects of medicine.

We hope to make treatments broadly

available at municipal-level hospitals around Japan. To this end, it will be necessary to have what is now laboratory equipment recategorized as medical equipment and promote standardization to enable their operation by more professionals.

I would like to contribute to the development of global regenerative medicine by providing reliable products to doctors and their patients.



Quality Management Initiatives (Product Safety and Quality Assurance)

We established the Product Safety Subcommittee under the CSR Committee and the Product Safety Review Conference and the Quality Assurance Promoters Conference as support bodies in coordinating companywide product safety and quality assurance.

Quality Management Activities



The Kaneka Group satisfies its customers and contributes to society by consistently supplying safe and secure products. The Kaneka Group is thus committed to complying with laws and regulations at every stage, from product development and design through to manufacture and sales, and to ensure product safety.

In keeping with the expansion of our business domains, we instituted quality management reforms that encompass ensuring product safety in all areas from product development to sales. This is an evolution from previous quality assurance activities, which focused mainly on production.

Activities in fiscal 2012 included the following:

- We integrated and revised the Product Safety Management Rules and Quality Assurance Rules.
- In new business domains, we built business-specific quality management systems. At the same time we formulated and deployed quality risk management guidelines to reinforce risk assessment implementation.
- To enhance awareness among employees who will support such initiatives, we began reviewing our companywide quality education system.

Product Safety Review Conference



The Product Safety Review Conference meets before the launch of new products or applications to discuss potential threats to life, health, or property from such products and applications, or from products whose production processes have dramatically changed.

In keeping with the expansion of our business domains, we have recently evaluated more products and services in new fields. The conference responded to this situation by drawing on more external experts in new areas in fiscal 2012.

Chemical Substance Management



Kaneka appropriately manages chemical substances in its products and the materials used in its products, and complies rigorously with increasingly stringent legal requirements in Japan and abroad. We provide labels and displays based on the Globally Harmonized System of Classification and Labeling of Chemicals, Safety Data Sheet, technical materials, catalogs, and other chemical substance information to encourage the proper handling of our products.

We have begun undertaking activities for chemicals that are general-purpose products under the Japan Initiative of Product Stewardship promoted by the Japan Chemical Industry Association, a voluntary industry initiative to minimize chemical product risks.

Audits and Inspections



The Kaneka Group conducts internal audits and CSR Safety and Quality Inspections to confirm and improve quality-related activities.

We pay particular attention to preventing mishaps in the fields of food, medicine, and pharmaceuticals by complying with Japan's Food Sanitation Law, the Pharmaceutical Affairs Law, and other relevant legislation. As well as seeking assistance from external experts for internal audits and CSR Safety and Quality Inspections, we undergo regular audits from several external organizations. These audits are based on ISO 9001, ISO 13485, ISO 22000, the American Institute of Baking (see note 1), and the Hazard Analysis and Critical Control Point system (see note 2).

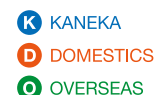
Note 1: We maintain an educational guidance and auditing system based on the International Integrated Quality System of the American Institute of Baking. We established the system to maintain food product safety (GMP) and hygiene management at plants.

Note 2: The Hazard Analysis and Critical Control Point (HACCP) system is an international management system for food safety, and encompasses national, local government, and sector certifications.

CHECK & ACT

We develop and deploy quality management (integrating product safety and quality assurance) based on reviews by the Product Safety Subcommittee. We will educate employees about our requirements to prevent significant product complaints and quality problems.

Quality Management Initiatives (Product Safety and Quality Assurance)



ISO 9001 Certification of Kaneka and Group Companies

Division or Group Company	Major Products	Registry Organization and Registry Number
High Performance Polymers Division	Modifier resins (Kane Ace and Kaneka Telalloy), modified silicone polymer (Kaneka MS Polymer), and polymer-based adhesive (Silyl)	LRQA / YKA0927477
	Weather-resistant methyl methacrylate film (Sunduren)	LRQA / YKA4004220
Electrical & Electronic Materials Division	Ultra-heat-resistant polyimide films (Apical, Pixeo), optical film (Elmech), bonded magnets (Kaneka Flux), multi-layered insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet	LRQA / YKA0935762
Foam Plastic & Plastic Products Division Hokkaido Kanelite Co., Ltd. Kyushu Kanelite Co., Ltd. Kaneka Foam Plastics Co., Ltd.	Bead technique-based polyolefin resins and molded products (Eperan, Eperan PP), bead technique-based expandable polystyrene (Kanepearl), and extruded polystyrene foam board (Kanelite)	JCQA / JCQA-0673
PVC & Chemicals Division	Caustic soda, hydrochloric acid, sodium hypochlorite, chlorine, vinyl chloride monomers, polyvinyl chloride, polyvinyl chloride paste, heat-resistant polyvinyl chloride, and OXY chlorination catalyst	JCQA / JCQA-1263
Foods Division Kaneka Foods Corporation Tokyo Kaneka Foods Corporation Nagashima Shokuhin Co., Ltd.	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, fermented milk products, frozen dough, cooking fillings, yeasts, yeast foods, and yeast cultures	JQA / JQA-QMA10274
New Business Development Division	Highly heat-resistant and light-resistant resins and molded products	DNV / 01635-2006-AQ-KOB-RvA/JAB
Solar Energy Division Kaneka Solartech Corporation Tochigi Kaneka Corporation	Photovoltaic modules	JQA / JQA-QMA13200
Vienex Corporation	Bonded magnets (Kaneka Flux), multilayer insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet	LRQA / YKA0958035
	Electronic products	JSA / JSAQ2593
Showa Kaseikogyo Co., Ltd.	Plastic compounds	ASR / Q0556
Sanwa Kaseikogyo Co., Ltd.	Bead technique-based polyolefin molded products (Eperan, Eperan PP)	ASR / Q1919
Kanto Styrene Co., Ltd.	Polystyrene foam molded products	JACO / QC03J0233
Tatsuta Chemical Co., Ltd.	Plastic film, plastic sheet	Bureau Veritas Japan / Q2364840
Kaneka Hokkaido Styrol Co., Ltd.	Polystyrene foam molded products for engineering and construction	LRQA / 4002793
Kaneka Sun Spice Corporation	Spices, secondary processed foods	JQA / JQA-QMA11351
Osaka Synthetic Chemical Laboratories, Inc.	Active pharmaceutical ingredients, pharmaceutical intermediates, and industrial organic chemicals	JCQA / JCQA-0444
Taiyo Yushi Corporation	Margarine, shortening	JQA / JQA-QMA14671
Sanvic Inc.	Synthetic resin sheets and films	JMAQA / JMAQA-1824
Kaneka Belgium N.V.	Polyvinyl chloride modifier (Kane Ace), bead technique-based polyolefins (Eperan, Eperan PP), modified silicone polymer (Kaneka MS Polymer), and acrylic sol	AIB-VINCOTTE / BE-91 028g
Kaneka North America LLC	Ultra-heat-resistant polyimide films (Apical), Performance modifiers (Kane Ace and Kaneka Telalloy), heat-resistant vinyl chloride resins, and modified silicone polymers (Kaneka MS Polymer)	BSI / FM72722
Kaneka (Malaysia) Sdn. Bhd.	Performance modifiers (Kane Ace)	SIRIM QAS / AR2321
Kaneka Eperan Sdn. Bhd.	Bead technique-based polyolefins (Eperan, Eperan PP)	SIRIM QAS / AR2598
Kaneka Paste Polymers Sdn. Bhd.	Vinyl chloride paste resin	SIRIM QAS / AR2321
Kaneka Eperan (Suzhou) Co., Ltd.	Bead technique-based polypropylene (Eperan PP)	UL DQS Inc. / 439438 QM08
Kaneka Innovative Fibers Sdn. Bhd.	Synthetic fibers	SIRIM QAS / AR5612
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	BSI / FM541299

ISO 13485 (see note 1) Certification of Kaneka and Group Companies

Division or Group Company	Main products	Registry Organization and Registry Number
Medical Devices Division Kaneka Medix Corporation	Lixelle, Liposorber, catheters, Silascon, and ED coil	TÜV SÜD / Q1N 12 11 24736 027
Kaneka Pharma Vietnam Co., Ltd.	Catheters (parts)	

Note 1: ISO 13485 is an international standard covering the comprehensive management system requirements for the design and manufacture of medical equipment.

ISO 22000 (see note 2) Certification of Kaneka and Group Companies

Production Unit or Group Company	Main Products	Registry Organization and Registry Number
Takasago Plant Pharmaceutical Manufacturing Department	Coenzyme Q10 (Kaneka Q10, Kaneka QH)	SGS / GB10 / 81403
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	BSI / FMS573377

Note 2: ISO 22000 is an international standard for food safety management systems.

Highlight



Improving Customer Satisfaction by Overhauling Logistics (Upgrading and Integrating Logistic Sites)

Kaneka Group food companies are overhauling logistics. We run large logistics centers in eastern and western Japan that swiftly serve customers based on our commitment to safety and security.

Completing Large Logistics Centers in Eastern and Western Japan to Improve Food Business Logistics



In September 2012, Kaneka completed construction of the Kaneka Food East Japan Logistics Center. This facility in Kawagoe, Saitama Prefecture offers approximately 20,000 square meters of warehouse space. The center consolidated 12 warehousing sites run by divisions and sales companies. Group companies in the food business are overhauling logistics by optimizing inventory management and distribution. In western Japan, the Kaneka Food West Japan Logistics Center in Settsu, Osaka Prefecture began operating in June 2010. The centralization of inventory management in eastern and western Japan has enabled us to swiftly accommodate customer demands. To improve logistics quality in response to growing demand for food safety and security, the West Japan Logistics Center obtained AIB Food Safety certification (see note 1), while the West Japan Logistics Center plans to obtain certification. Group companies in the food business will continue to improve logistics management and become more competitive by boosting customer satisfaction and trust.

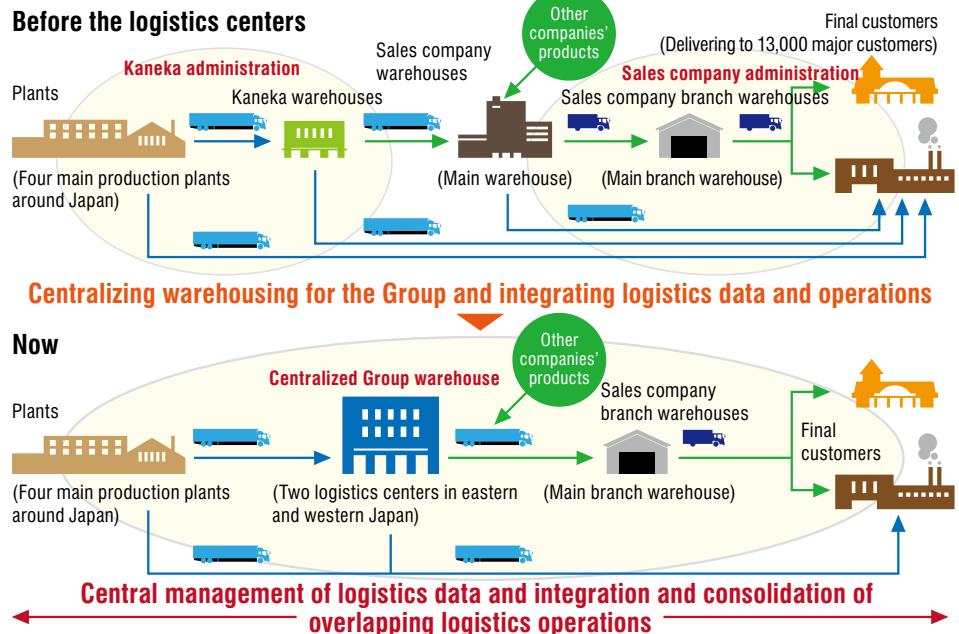
Note 1: The American Institute of Baking developed the AIB Food Safety system to ensure that production processes can provide healthy and safe foods. Around 10,000 food processors worldwide have adopted the system as the AIB International Consolidated Standards for Inspection. We employ this standard for the receipt, storage, and delivery of foods through our logistics centers.



To improve goods distribution, we deployed containers and built a facility for washing them

The Kaneka Food East Japan Logistics Center has around 20,000 square meters of warehouse space

Modifications resulting from the new logistics centers



Employee Feedback With Food, the Quality of Logistics and the Products Themselves Are Equally Important



Jun Enoki, general manager of the Foods Division (pictured on the right), says that, "The Kaneka Group provides various food ingredients, especially in the bakery and confectionary areas.

With logistics centers in place in eastern and western Japan, we can ensure safer, more secure logistics for customers around the nation." Mr. Enoki enthuses that, "The East Japan Logistics Center is a fully equipped storage warehouse that employs IT systems to maintain optimum temperature control from loading and storage through to delivery. The warehouse handles more than 11,000 shipments daily. The system also can manage traceability."

Hiroshige Yagi of the Strategic Planning & Administration Group in the Foods Division (pictured on the left) explains that, "Improving inventory management precision by consolidating inventory sites has empowered us to deliver fresher products and not only cut administrative costs but also reduce food waste. More efficient logistics have enabled us to shrink our truck fleet and lower carbon dioxide emissions, minimizing environmental impact dioxide emissions."



Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities

We draw on our Basic Procurement Policy to engage in procurement activities that are fair, equitable, and environmentally friendly, and accordingly value close communication with business partners.

Undertaking Green Procurement Based on Basic Procurement Policy



Under the Basic Procurement Policy formulated in fiscal 2011, the Kaneka Group declared its commitment to the global environment and to engaging in rational transactions that enhance corporate value for the organization and its business partners.

We have undertaken employed green procurement in some businesses over the years. In fiscal 2012, we formulated our Green Procurement Guidelines to deploy such activities Groupwide.

Procurement Initiatives



In fiscal 2012, the Procurement Department made a decision to begin using recycled paper in compliance with the Act on Promoting Green Purchasing as part of green procurement initiatives. We now print our publications using vegetable ink. We encourage green procurement internally by labeling environmentally friendly products in purchase catalogs and on site.

We will continue to fulfill our corporate social responsibilities in procurement activities and educate employees through internal publicity.

Policy

Basic Procurement Policy

- 1 We will engage in procurement activities that enhance the corporate value of both Kaneka and our business partners.
- 2 We will endeavor to reduce environmental damage by engaging in green procurement.
- 3 We will provide opportunities for business partners to make fair and rational transactions in consideration of quality, price, supply stability, technical development capabilities, environmental protection, and safety.
- 4 We will abide strictly by the relevant domestic and foreign laws and regulations.

CHECK & ACT

We will undertake specific initiatives to ensure that the entire Group procures materials in line with our new Basic Procurement Policy. We will confirm progress in these activities through internal audits, CSR Safety and Quality Inspections, and other initiatives.

Dividend Policy and Disclosure

Kaneka is committed to providing timely and proper disclosure to shareholders and investors to help them gain an accurate understanding of the Group while building a relationship of trust and meeting their expectations.

Shareholder Composition and Dividend Policy



At March 31, 2013, Kaneka had 350 million shares issued and outstanding and 22,396 shareholders. Domestic financial institutions accounted for 50.9% of the total, with foreign companies owning 20.0%, individuals representing 19.7%, 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, 2013 was 57.8%.

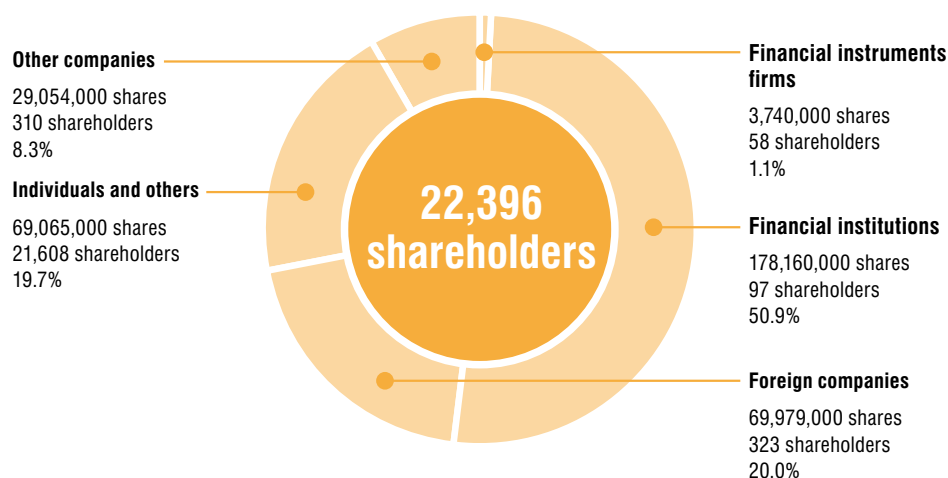
We harness retained earnings to maintain financial stability and address dramatic changes in the operating climate to generate sustainable growth.

Shareholder Reporting



We issue semiannual business reports to our shareholders, making this information publicly available through our website. In fiscal 2010, we redesigned the covers, included top management interviews, and incorporated explanations to make it easier to understand our financial position. We also revised our investor relations information in line with our website renewal. We print investor relations publications using environmentally friendly ink made from vegetable oil, and use Universal Design fonts. We have also revised our investor relations website.

Shareholder Composition



Disclosure and Investor Relations



We are dedicated to providing the timely and proper disclosure of corporate information that our investors need.

Our investor relations officials explain our performances in teleconferences following the announcements of quarterly and annual results. The president separately holds briefings on our medium-term management plan and other initiatives. Our website presents our financial results, annual report, and other investor information.

CHECK & ACT

In fiscal 2013, we will continue to build on our fiscal 2012 efforts to ensure proper disclosure to shareholders and investors.

Highlight



Helping to Eradicate Hunger and Food Imbalances as a Partner Company of WFP Corporate Programme in Japan

Kaneka became a WFP corporate programme in Japan's partner to help eradicate hunger worldwide.

We Donate Part of Our Kanekalon Sales in Africa to the United Nations World Food Programme's School Feeding Programme



WFP is the food aid arm of the United Nations system, and works to eradicate hunger worldwide. It provides emergency food supplies during disasters and civil conflicts. It also operates a school feeding programme that seeks to improve children's nutrition and promotes their access to education. WFP engages in activities to help people suffering from hunger become self-reliant.

Just under 900 million people suffer from hunger or malnutrition, meaning one in eight people in the world do not have enough to eat. At the same time, more than one billion people suffer from obesity and consume vast amounts of food, which is a tremendous disparity.

The international community seeks private-sector support to help resolve this global problem.

Kaneka decided to become WFP corporate partner in Japan from 2013 to 2015.

We donate part of our sales of Kanekalon, a synthetic fiber used in women's wigs in Africa, to WFP's school feeding programme. We assist young African women in pursuing beauty not just for their own pleasure but also for the happiness of their families.

Kaneka's corporate brand ambassador, Kurara Chibana, is WFP's celebrity partner.



©Mayumi.R

Kaneka's corporate image character, Kurara Chibana, is WFP's celebrity partner



©WFP/Rein Skullerud

WFP distributing food

The United Nations World Food Programme: <http://www.wfp.org/jp>

WFP Corporate Program in Japan: <http://ja.wfp.org/get-involved/corporate/corporate-program>

Kaneka Employees Give through Table for Two



Kaneka has participated in the Table for Two (TFT) initiative since 2010. Our employees lead social contribution efforts in this area, donating ¥20 for designated menu items at corporate cafeterias to provide school lunches in Africa.

Kaneka contributes to activities to help eradicate hunger, poverty, and food allocation imbalances through WFP, while employees assist individually through Table for Two.

TFT makes it easy for employees to donate to a good cause during their lunch time

Highlight



Support Initiatives following the Great East Japan Earthquake

The Kaneka Group has contributed to restoration efforts following the March 2011 Great East Japan Earthquake, and will continue offering its support in the years ahead.

Participating in the Fukushima Sunflower Foster Parent Project



Kaneka's Shiga and Kashima plants take part in the Fukushima Sunflower Foster Parent Project. This initiative uses sunflowers in an effort to decontaminate radioactive soil in Fukushima Prefecture so land can again be used for agriculture. The project leaders are encouraging more people to grow sunflowers in their gardens.

Participants buy sunflower seeds from the project organizers and sow them in their gardens. When the sunflowers seed, the growers send the seeds to Fukushima Prefecture for replanting to cleanse the soil.

We hope that our participation in this effort to provide seeds contributes even a little to accelerating the recovery of disaster-stricken areas.



Taking care of sunflowers

Involvement in the IPPO IPPO NIPPON Project



Kaneka donates ¥500,000 every year to the IPPO IPPO NIPPON Project, which was set up by the Japan Association of Corporate Executives. Its purpose is to provide educational equipment to vocational high schools in coastal areas of the Tohoku region, and contribute to recovery from the Great East Japan Earthquake.

We will be donating from the fourth subscription term (March 1 through to July 31, 2013) to September 2016 in keeping with project requirements.



IPPO IPPO NIPPON Project

We are continuing to provide support through Tohoku produce fairs during Kaneka summer festivals

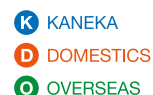


The four Kaneka parent plants hold summer festivals every year as a part of community contribution activities. The Takasago Plant has had a Tohoku produce fair booth at its summer festival since fiscal 2011 to support restoration from the Great East Japan Earthquake.

We would like to broaden our scope of support for restoration in disaster-afflicted areas by holding various events.



Tohoku fair scene



Community Contributions of Domestic and Overseas Group Companies

The Kaneka Group engages in highly transparent corporate activities to deepen stakeholder understanding of its operations as a good corporate citizen and build strong ties with society.

Awards



Kaneka	The Kingdom of Belgium made Kimikazu Sugawara, Kaneka's president, a Commander of the Order of Leopold in appreciation for contributions that Kaneka Belgium N.V. has made to Belgium over many years. Kaneka was a special sponsor of Tutankhamun and the Golden Age of the Pharaohs exhibition in Osaka as a part of the Company's support for cultural projects. We sponsored an exhibition of illustrations by modern artist Soya Asae at OPEN YOKOHAMA 2012.
Takasago Plant	The Specialty Plastics Manufacturing Department won the Commissioner's Award of the Fire and Disaster Management Agency in the Hazardous Materials Safety Techniques Association's 11th essay competition on preventing hazardous material accidents. 📺 ①
Takasago Service Center Co., Ltd.	The city of Kobe commended Kaneka Sanseiso for its contributions to resource recycling.
Kashima Plant	The Ibaraki Safe Driving Management Conference gave the Kashima Plant an encouragement award for its traffic accident prevention activities.
Kaneka Sun Spice Corporation	The Shiga Prefecture Food Hygiene Association gave this subsidiary the President's Award for food hygiene excellence. The Ibaraki Labor Bureau awarded this subsidiary the bureau chief's Green Cross for Safety medal in recognition of a 930-day zero accident record from February 2006 to December 2009. It also received the Ibaraki Labor Bureau Chief's Encouragement Award for outstanding health and safety standards and improvement initiatives.
Tokyo Kaneka Foods Corporation	The Tokorozawa Labor Standard Association issued a zero-accident record certificate in recognition of 630,000 accident-free work hours in January 2013.
Kaneka Solartech Corporation	Toyooka City designated the subsidiary as the first local environmental business. 📺 ②
Kaneka North America LLC	Texas Chemical Council gave this subsidiary a Distinguished Service Award for plant and employee safety and a Caring for Texas Award for local environmental activities.
Kaneka Pharma Vietnam Co., Ltd.	This subsidiary received an award under the fiscal 2012 Green Award program for outstanding corporate environmental protection contributions in Binh Duong Province.

Fostering Youth



Kaneka Group	We conducted regular facility visits, on-site learning, after-school classes, lectures, and other events for neighboring students. We accept student interns and sponsor Trial Week for junior high school students. 📺 ③ 📺 ④
Shiga Plant	This plant enables children to experience first-hand the value of biotopes by convening Walnut School seasonal nature observation walks three or four times a year. 📺 ⑤

Awards



Award ceremony



Kaneka Solartech, designated by Toyooka City as the first local environmental business

Fostering Youth



Family recreation at Tamai Kasei Co., Ltd.



Hands-on learning for local students



Walnut School nature observation

Community Contributions of Domestic and Overseas Group Companies



Fostering Youth (continued)

Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., and Kanto Styrene Co., Ltd.	Provided on-site training to local students, students from special needs schools, organizations for people with disabilities, and others to engage in packaging, and provided them with ballpoint pens and other recycled products. 📺 ⑥
Hokkaido Kanelite Co., Ltd.	Every year, employees visit students in the fourth grade at city schools to discuss global warming.
Taiyo Yushi Corporation	Provided local students with the opportunity to make soap from oil and tour the facility.
Kaneka Belgium N.V., Eurogentec S.A., and Kaneka (Malaysia) Sdn. Bhd.	Conducted factory tours for students and trainees. Provided internships, especially for engineering students. 📺 ⑦
Kaneka North America LLC	Through energy summer camps, invited local students to the factory and dispatched employee volunteers. Provides \$5,000 in scholarships every year to a local high school (for the 18th year in fiscal 2012). Donated \$5,000 for educational activities at a local youth center.

Regional Contributions



Takasago Plant and Takasago Service Center Co., Ltd.	Through Kaneka Forestry for the Future, this subsidiary leases a wooded area in Taka Town, Hyogo Prefecture, with volunteer employees trimming trees and cutting underbrush. Since 2011, it has conducted a potato planting and harvesting event for the city's kindergarten children. It also runs a store at the Takasago Lantern Festival and has participated in a marathon relay race by neighboring companies and the general public. 📺 ⑧
Takasago Plant, Osaka Plant, Shiga Plant, Kaneka Shokuhin Corporation, Kaneka Sun Spice Corporation, Tokyo Kaneka Foods Corporation, Shiga Electronic Corporation, Nagashima Shokuhin Co., Ltd., and Tatsuta Chemical Co., Ltd.	Managed and participated in summer festivals sponsored by the Kaneka Group and the local community and government to foster interaction between employee's families and local residents. 📺 ⑨
Osaka Plant	Coordinated a safety networking event with nine related companies, including Konica Minolta Supplies Manufacturing Co., Ltd., Daikin Industries, Ltd., and Osaka Gas Co., Ltd.
Kashima Plant, Osaka Synthetic Chemical Laboratories, Inc., and Tokyo Kaneka Foods Corporation	Conducted a comprehensive disaster and fire drill for an earthquake and tsunami and held a high-pressure gas disaster drill. Also concluded an agreement with the local government for buildings to serve as refuges during tsunamis and conducted evacuation drills. Installed LED lighting to discourage street crime. 📺 ⑩
Kaneka Solartech Corporation, Kaneka Foods Corporation, Kanto Styrene Co., Ltd., KM Transderm Ltd., Tokai Kaneka Shokuhin Corporation, Tochigi Kaneka Corporation, and Hokkaido Kanelite Co., Ltd.	Participated in events and sports activities sponsored by the local government, associations, the community, the industrial complex, and other organizations to foster interaction with the community.
Your Health Care Co., Ltd.	Provided funds as a sponsor of the Japan Weightlifting Association and supplied Ubiquinol (a reduced form of coenzyme Q10) to members of Japan's national team, including female weightlifter Hiromi Miyake.
AnaSpec, Inc. (Eurogentec Group)	Participated in a campaign against Alzheimer's disease. Volunteers made donations and participated in a walk in San Jose. 📺 ⑪
Kaneka Korea Corporation	Took part in an interdisciplinary discussion on a range of topics, including a Japanese Embassy-sponsored debate at Hanyang University on different R&D environments and procedures in Japan and Korea.



On-site training at Kanto Styrene Co., Ltd.



Plant visit by local university students at Kaneka (Malaysia) Sdn. Bhd.

Regional Contributions



Kindergarteners participating in a potato digging event



Summer festival



Comprehensive disaster and fire drill



Campaign against Alzheimer's disease at AnaSpec, Inc.

Community Contributions of Domestic and Overseas Group Companies



Environmental Initiatives



All Kaneka plants	In collaboration with local governments, chambers of commerce, and other organizations, plant personnel cleaned parks, arterial roads, and other local locations.
Shiga Plant and Kashima Plant	Participated in the Fukushima Sunflower Foster Parent Project to support disaster restoration. 12
Kaneka Solartech Corporation, Kaneka Foods Corporation, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Kanto Styrene Co., Ltd., Takasago Service Center Co., Ltd., Kaneka Sun Spice Corporation, Shiga Electronic Corporation, Taiyo Yushi Corporation, Osaka Synthetic Chemical Laboratories, Inc., Nagashima Shokuhin Co., Ltd., Tochigi Kaneka Corporation, and Hokkaido Kanelite Co., Ltd.	Regularly picked up waste around industrial complexes and in the vicinity of sites, collected empty cans, mowed grass, and performed other cleanup activities. Engaged in volunteer initiatives, including collective group cleanups of neighborhood roads and rivers. 13
Kaneka Belgium N.V.	Obtained ISO 50001 certification.
Eurogentec S.A.	Continued to participate in an eco-zone project led by the Wallonian government.

Environmental Initiatives



Fukushima Sunflower Foster Parent Project



Cleanup effort by Kaneka Foods Corporation

International Contributions



Takasago Plant, Osaka Plant, Shiga Plant, and Tokyo Head Office	Again took part in Table for Two, donating ¥20 for designated menu items at cafeterias at four business sites to provide school lunches in Africa.
Taiyo Yushi Corporation	Continued to collaborate 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.

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



Third Stakeholder Dialogues

Kaneka conducts stakeholder dialogues to share differing opinions on common issues and to deepen mutual understanding in the process.

Third Stakeholder Dialogue

(Dialogue with students from the laboratory of Professor Toshihiro Kanai at Kobe University, who wrote the third-party opinion for Kaneka's CSR Report from 2010 to 2012)



In November 2012, we conducted our third 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.

We conducted a broad discussion with students from the laboratory of Professor Toshihiro Kanai at Kobe University, whom we asked to write a third-party opinion, about CSR Report 2012, which we issued in July 2012.

Dates and Locations

November 27, 2012
at Kobe University

Topics and Format

1. CSR Report 2012 feature articles

We conducted free-ranging question-and-answer sessions on the three feature articles.

2. Overall composition and contents of the report

We summarized opinions from the group discussion using a sheet specifically prepared for the CSR Report readers meeting and announced the results.

The Kaneka Group will continue conducting stakeholder dialogues about CSR issues.



Free-ranging question-and-answer session and exchange of opinions

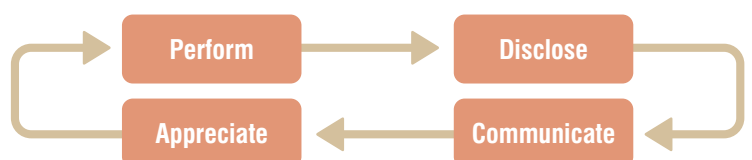


Group engaging in discussion using the special sheet prepared for the CSR Report readers meeting

Kaneka's stance on building trust through stakeholder dialogues

Model for building trust (through a type of PDCA cycle)

We aim to reinforce trust through this PDCA cycle.



Third Stakeholder Dialogue



Third Stakeholder Dialogue

November 27, 2012 at Kobe University

Participating students from the laboratory of Professor Toshihiro Kanai at Kobe University



Shinya Okumura



Yuka Ozaki



Yoshitaka Shimizu



Yuriko Takigawa



Junichi Tachikawa



Yusuke Tanaka



Shuhei Matsuura



Topic 1.

Free-ranging question-and-answer sessions on the three feature articles

Student Opinions	Kaneka's Responses
<ul style="list-style-type: none"> ● The feature articles were the most memorable in the entire CSR Report. The 'Kaneka and Society—Our Mission in Health Care' article was particularly specific and easy to understand. What are Kaneka's criteria for CSR activities? 	<ul style="list-style-type: none"> ○ Some say that 2003 was essentially the first year in which many Japanese companies began undertaking CSR activities, Europe being the birthplace of such initiatives. The most common CSR activity by Japanese corporations is social contributions through core businesses. The special features focused on the following three stakeholders—society, the environment, and employees.
<ul style="list-style-type: none"> ● I think there are limits to plant expansions, as population growth and decreasing land space is a global issue. What is Kaneka's stance on environmental issues such as deforestation and bioenergy research and development? 	<ul style="list-style-type: none"> ○ One viewpoint is that we will need agricultural techniques that do not depend on soil. Water recycling is another key theme. Food production support is one of our important strategic domains, and it encompasses these themes. For example, our Ubiquinol (a reduced form of coenzyme Q10) offers high yields, helping to improve the survival rate of chickens when used in feed, and should help boost food supplies.
<ul style="list-style-type: none"> ● I was surprised to read about Kaneka's contributions to medicine with catheters in the first feature story. Was Kaneka worried on behalf of shareholders about the lack of profits in that area? Can one conclude that the company focused more on eliminating risks and less on prospective earnings when it launched its catheter business? 	<ul style="list-style-type: none"> ○ We recognize the concerns of stakeholders, and it is important to cultivate our business by earning their trust rather than focusing on short-term profits. For the catheter business presented in the first special feature, we positioned our top priority as eliminating risks.
<ul style="list-style-type: none"> ● From the perspective of returns on equity, what impact can a Japanese company have when competing with others when cultivating overseas businesses? 	<ul style="list-style-type: none"> ○ Corporations around the world used to focus greatly on "selection and concentration." They may want to consider the Japanese merchant principle of Sanpo Yoshi (satisfaction for all three parties), although I am not sure whether this principle works worldwide. Still, I believe people today are reassessing this and other Japanese-style management and business practices in a positive light, one of which is the value placed on human resources.
<ul style="list-style-type: none"> ● How do you identify stakeholder concerns? 	<ul style="list-style-type: none"> ○ As a business-to-business entity, we identify needs through our sales representatives making both regular and irregular visits to companies.
<ul style="list-style-type: none"> ● Reading the feature stories and the exchange of views enabled me to understand Kaneka's stance on shareholders through its CSR activities and how it values its employees. 	<ul style="list-style-type: none"> ○ We aim to continue fulfilling our corporate responsibilities by engaging in CSR through our core businesses, thereby enhancing stakeholder satisfaction.
<ul style="list-style-type: none"> ● Concerning the third feature story, 'Kaneka and its Employees—Globalizing Our Operations', what have been the challenges in transferring authority to local employees? Do they think differently from Japanese employees? 	<ul style="list-style-type: none"> ○ Some companies have encountered problems with employees when building their businesses. One should respect other cultures, and we consider such respect vital in deploying operations around the world.
<ul style="list-style-type: none"> ● As a business-to-business company, how do you evaluate the needs of end consumers? 	<ul style="list-style-type: none"> ○ We wish to develop our businesses by doing as much as possible to satisfy downstream users and consumers, which is challenging as well as important.

Third Stakeholder Dialogue



Third Stakeholder Dialogue

November 27, 2012 at Kobe University



Topic 2.

Summarized opinions from the group discussion using a sheet specifically prepared for the CSR Report readers meeting and announced the results

CSR Report readers meeting—Student Opinions in the Group Discussion

Positive Points	Areas for Improvement
<ul style="list-style-type: none"> ● The report contained the views of many employees. It described each business specifically and clearly stated Kaneka's business priorities. 	<ul style="list-style-type: none"> ○ It would have been better to clearly express key messages throughout the report.
<ul style="list-style-type: none"> ● It was great that Kaneka explained its CSR policies and corporate vision at the beginning. 	<ul style="list-style-type: none"> ○ I wanted to see how exactly the CSR Committee influences other departments and businesses.
<ul style="list-style-type: none"> ● The special features were specific and reflected Kaneka in the outline of activities. 	<ul style="list-style-type: none"> ○ How about presenting more examples of overseas CSR activities (or increasing overseas content in the English version)?
<ul style="list-style-type: none"> ● It was good that Kaneka included opinions from stakeholders and third parties. 	<ul style="list-style-type: none"> ○ I would like the report to note the importance of CSR at the beginning for those unfamiliar with the concept.
<ul style="list-style-type: none"> ● The different tables of contents in the PDF and digest versions were easy to understand. 	<ul style="list-style-type: none"> ○ Although Kaneka is a business-to-business company, it would be beneficial to include content that is a little more consumer oriented.
	<ul style="list-style-type: none"> ○ It would be better to describe future approaches or how Kaneka will carry out initiatives in areas in which it failed to reach its goals.
	<ul style="list-style-type: none"> ○ I would have liked the report to specifically describe Kaneka's vision for people of all generations.

Comments from Professor Toshihiro Kanai



Professor Toshihiro Kanai of Kobe University

Since 2010, when Kaneka published its first CSR report, I have been presenting my opinions from a third-party viewpoint, and 2012 marked my third time. This time, Kaneka created an opportunity for my students to express their opinions.

I am grateful to Kaneka, as this was a practical opportunity for the students to learn by engaging directly with a private enterprise.

Students felt it crucial to consider themselves stakeholders, so dialogues like this are increasingly important. Companies are divided into two camps when it comes to CSR: one group feels compelled to take part, while the other leverages CSR as a good vehicle for reaching out to a wide range of stakeholders, which is an important consideration.

Our Response to Stakeholder Opinions and Requests

One benefit of the third stakeholder dialogue was that it explored the following points through direct input from

students who were about to seek employment. The dialogue revealed the extent to which stakeholders consider the CSR activities of the Kaneka Group acceptable or inadequate, and highlighted the areas needing improvement.

We believe that pursuing CSR

through core businesses and enhancing stakeholder satisfaction will help us enhance enterprise value and fulfill our corporate responsibilities. We will discuss the valuable points and opinions we received with related departments to bolster sustainable CSR activities.

Cultivating Human Resources and Creating Comfortable Work Environments

Kaneka respects human rights, diversity, and individuality. We comply with laws and regulations and eschew discrimination against any employee.

Basic Concepts for People and the Organization

K D O

We established basic concepts for our people and organization in keeping with our corporate philosophy and the components of our long-term vision. This concept reflects repeated discussions between labor and management. In deploying our personnel system, we will foster the Kaneka Spirit and cultivate challenge takers, people with strong organizational skills, diversity, and inquiring minds.

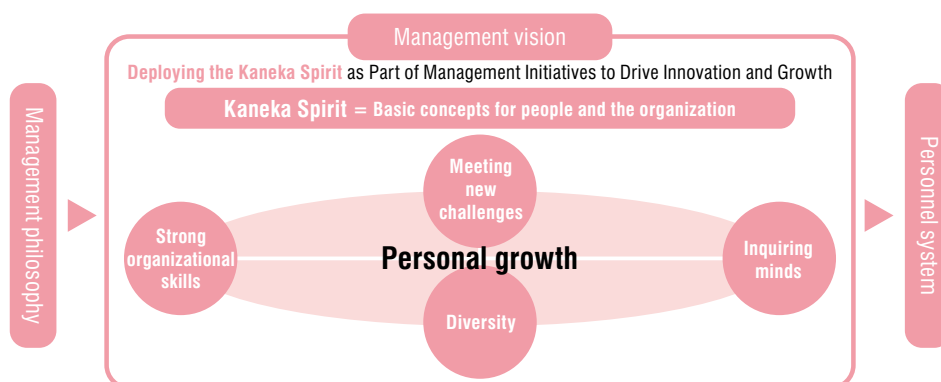
Maintaining Systems to Support Personal Growth

K D O

To reinforce our personnel system in its third year after deployment and strengthen management, we revised our personnel evaluation framework and operations for all job categories in fiscal 2012. At the same time, we reviewed our job ranking system and introduced rankings for research jobs to strengthen R&D. The revised system became effective from fiscal 2013.

We also set up an in-house job posting system to extend career opportunities and cultivated our corporate culture to support people taking up new challenges. We have broadened the scope of general manager encouragement awards to foster a spirit of challenge among employees.

Deploying the Kaneka Spirit as Part of Management Initiatives to Drive Innovation and Growth



Career and Life Development Support

K D O

To cultivate human resources in keeping with the Kaneka Spirit, we provide extensive off-time training programs. These include programs that are profession-specific, or that focus on management development or cover specialist and practical skills development. We also offer programs to support self-advancement.

We provide career and life development support programs for employees of all ages.

Cultivating Internationally Minded People

K D O

We maintain a Global Employee Development Program to support employees seeking to work abroad or engage in international operations. We constantly improve training so more than 1,700 employees can communicate in foreign languages. We have established various programs to provide overseas work experience for young employees while enabling employees from overseas Group companies to work in Japan.

In fiscal 2012, we inaugurated training for young prospective leaders at overseas Group companies. We also provided leadership development support to employees in Europe and Malaysia.

Global Employee Development System (fiscal 2012)

	Program	Number of Employees
Development Training	Global Employee Development Program	1,709
Overseas Experience	Overseas Trainee System	9
	Short-Term Overseas Trainee System	2
	Program for Acquiring Language Skills Abroad	15
Language Courses	English and Chinese	490
Personnel Exchanges	Global Employee Exchange Program	4
Overseas Training	Multinational Leadership Development Program (Europe)	13
	The Leadership Challenge Workshop (Malaysia)	20

Cultivating Human Resources and Creating Comfortable Work Environments



Senior Reemployment



In response to the Revised Law Concerning Stabilization of Employment of Older Persons, which mandates ongoing employment for existing and interested employees up to the age of 65, we reviewed our Senior Reemployment System during fiscal 2012. The new setup came into effect on April 1, 2013. We offer the My Plan 60 course to employees 18 months before they turn 60 to encourage them to meet new challenges after they reach this milestone.

We will continue to improve work environments so reemployed senior employees can fulfill their potential.



Toshiaki Okada from the Production Technology Group at Takasago Plant (pictured right) is a senior contract employee whose mission is to pass on his skills to operators at domestic plants and Group companies. He says that, "I feel happiest knowing that the production sites still need me."

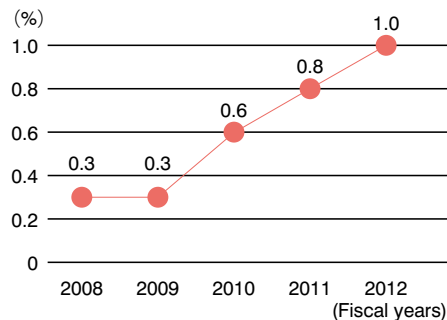
Providing Opportunities for Women



Kaneka aims to ensure work success for all employees regardless of gender. We emphasize the recruitment and training of female graduates for key career positions. Women are increasingly playing key roles throughout our organization in Japan and abroad, becoming role models for younger employees.

At the same time, we provide ongoing applied training to regional female employees, encouraging particularly talented individuals to pursue key career positions.

Percentage of Managers who are Female (see note 1)



Note 1: Ratio of female managers to all manager

Attracting and Retaining Foreign Nationals



We have engaged in the full-fledged employment of foreign nationals since fiscal 2010, and are continuing to deploy initiatives to accelerate the globalization of our business. In fiscal 2012, we improved work conditions to fully harness the talents of foreign recruits. We set up a consultation desk at business sites for foreign employees, with external experts providing support. We offer training to enhance Japanese-language proficiency and conduct cross-cultural workshops to which supervisors of foreign nationals are also welcome.

Number of foreign employees (new graduates slated for key career positions)

Fiscal Year Employed	Number Hired
2011	3
2012	9
2013	3

(Composition: Five in technology and 10 in administration)

Employee Feedback | I Aim to Leverage My R&D and Cross-Cultural Skills Globally to Lead Others

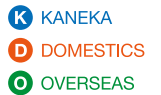


An Zen
Frontier Biochemical & Medical Research Laboratories

My challenge in a rapidly changing food market is to collaborate with development and sales units to create flavors that match market needs. What drives me forward is the happy faces I see on customers using the ingredients I have developed. I came to Japan from China in 2001

and joined Kaneka after completing my doctorate. I engage in fine food research. I would like to become a leader who can develop businesses across borders by leveraging my R&D expertise and my perspectives as a female foreign national.

Cultivating Human Resources and Creating Comfortable Work Environments



Employing People with Disabilities



Kaneka's rate of hiring people with disabilities in fiscal 2012 exceeded the legally required rate of 1.8%, at 1.86%. On April 1, 2013, the government raised the legal requirement to 2%. We will continue to step up initiatives to hire people with disabilities and enhance their work environments.

Flexible Working Systems



We introduced flextime, discretionary work, and variable working hour programs to provide flexible and self-driven systems for employees.

Childcare and Family Care Leave Programs to Help Employees Balance Their Professional and Private Lives



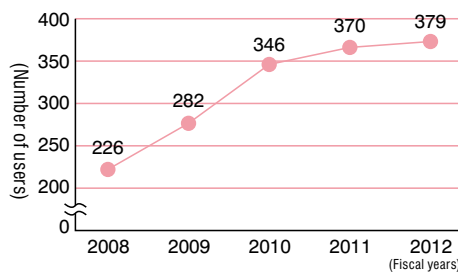
Kaneka established childcare and family care leave programs that exceed the regulatory requirements to help employees balance work-life commitments. We improved our programs in fiscal 2012 to increase accessibility to employees, notably by adding half a day for leave to care for ill or injured children.

Percentage of Employees with Disabilities

(%)

Fiscal years	Kaneka's Rate of Hiring People with Disabilities	Legally Required Rate
2008	1.89	1.80
2009	1.88	1.80
2010	1.73	1.80
2011	1.67	1.80
2012	1.86	1.80

Discretionary Work System Users



Yosuke Nakamura of the Information Systems Department takes advantage of programs that enable him to devote more time to child-rearing, saying that, "I work so I can spend time with my family".



Kaneka received the Kurumin mark, which is awarded to companies that provide childcare support to employees. We formulated Action Plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children as part of our ongoing efforts to attain our goals.

Number of Childcare Program Users

Fiscal 2012	Males	Females
Shorter working hours system	1	32
Childcare leave	3	25

Cultivating Human Resources and Creating Comfortable Work Environments



Labor and Management Relationships



Labor and management representatives meet daily to discuss and exchange opinions concerning joint targets. Engagement is through gatherings such as management meetings, central labor and management conferences, and conferences of representatives. We reflect on the results of operations undertaken by a specialist labor management committee regarding the introduction of new work programs and review of personnel systems.

Labor and Management Joint Targets

Labor and Management Joint Targets

Labor and management mutually seek to develop business and achieve rewarding lives for union members while contributing to social progress.

Preventing Sexual and Power Harassment



We endeavor to keep workplaces free from sexual and power harassment and are fully prepared to rapidly address any instances of such behavior. We highlight awareness of these issues through our Rules of Employment and Compliance Guidebook and other means. We maintain consultation desks at every business site, and have adopted a system for submitting reports to consultants over the Web.

Protecting Personal Information



We take the utmost care in managing the personal information of customers and employees. We are improving our capabilities through ongoing education based on the Information Security Guidebook produced by the Information Systems Department.

Human Rights Education



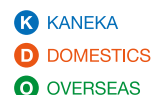
Respect for human rights is a fundamental requirement for Kaneka and its employees, as explicitly stated in our Rules of Employment and Ethical Code of Conduct. We spread awareness of the importance of human rights in many other ways, such as through training for new and promoted employees. We also have employees participate in local government-sponsored human rights seminars and conferences.

Human Rights Education

Fiscal 2012	Contents
Training for New Employees	Explains such issues as sexual and power harassment and nationality/racial discrimination.
Training for Newly Appointed Managers	Human rights instruction from outside experts.

CHECK & ACT

We will collaborate closely with research operations to facilitate a transition to our new personnel system. We will reinforce our Global Employee Development Program and expand opportunities for trainees to study foreign languages abroad.



Occupational Safety and Health and Disaster Prevention

The Kaneka Group strives to achieve zero occupational accidents by implementing various occupational safety and health measures at each business site that reflect personnel, facilities, raw materials, and organizational factors.

Occupational Safety and Health Efforts

Occupational Safety and Health Efforts



There were 18 injury cases in 2012. Of these, nine resulted in work time losses and nine were no lost time injuries.

Several factors were behind these mishaps. The human element was the failure to sense danger. Other factors were poor risk prevention with equipment, inappropriate work process operations, and inadequate supervision of subordinates. We will formulate measures to prevent recurrences and similar mishaps, and implement steps including stronger line management and improving the ability of employees to sense danger.

Enhancing Our Occupational Safety and Health Management System



All of our plants acquired occupational safety and health management system (OSHMS) certification from the Japan Industrial Safety & Health Association in fiscal 2007. In fiscal 2010, we received and passed renewal inspections for all plants (with the Kashima Plant being re-certified). As a part of our occupational safety and health management system, we undertook an initiative to improve our Plan-Do-Check-Act (PDCA) cycle, centered on risk assessment.

Zero Accident Principles

◆ All people, you and me, are indispensable;	we ensure everyone is working safely.	Pledge of safety
◆ Safety is everyone's responsibility;	we do not miss sparing the time to seek safety.	Participation in safety
◆ There is no trick to safety;	we always value a fundamental approach to it.	Adherence to safety basics
◆ Be aware of potential danger;	we endeavor to eliminate safety risks.	Safety in advance
◆ Where there is carelessness, there is the possibility of an accident;	we do not allow even a small chance of negligence.	99%, yet 0%

OSHMS Certifications

Business Site	Location	Certification Date	Certification No.
Takasago Plant	Hyogo	March 10, 2008	08-28-13
Osaka Plant	Osaka	August 21, 2007	07-27-10
Shiga Plant	Shiga	January 15, 2008	08-25-6
Kashima Plant	Ibaraki	December 13, 2010	10-8-26

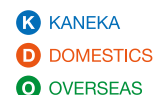
Number of Group Employee Accidents Resulting/ Not Resulting in Lost Time



Accident Severity Rate and Accident Frequency Rate

	Area	All Kaneka Group Companies		Parent Company		Group Companies in Japan and Overseas	
		2011	2012	2011	2012	2011	2012
Employees of Kaneka and Group Companies	Frequency Rate	0.25	0.50	0.40	0.38	0.14	0.57
	Accident Severity Rate	0.01	0.02	0.02	0.01	0.00	0.02
Employees of Business Partners	Frequency Rate	0.00	0.45	0.00	0.28	0.00	1.15
	Accident Severity Rate	0.00	0.90	0.00	0.01	0.00	4.58

Occupational Safety and Health and Disaster Prevention



Hands-On Learning to Improve Sensitivity to Danger



We use equipment at our four parent plants and one Group company to provide hands-on learning so employees can better identify risks. We provide training on gas and dust explosions and static electricity incidents, as well as on what happens when people are caught in machinery to employees of all parent plants and Group companies, and to the employees of other companies upon request.



Experiential training sessions

Process Safety and Disaster Prevention Initiatives

Targeting Zero Process Accidents



The Kaneka Group has long affirmed that safe and stable operations are a key priority by pursuing zero process accidents. In fiscal 2012, there were two such incidents at parent plants. While this number was below the nine recorded in the previous fiscal year, one of the incidents could have affected local residents significantly if handled differently. We will drive forward with initiatives to eliminate similar accidents, including by assessing the validity of measures taken after previous process accidents, and by ensuring that all Kaneka Group companies take the same steps.

Disaster Prevention Drills



In fiscal 2012, we held comprehensive disaster drills at all Kaneka plants, as shown in the table on the right. Group companies also regularly conduct drills, including evacuation and reporting drills, in addition to learning how to use fire extinguishers.

Mental Health Care



As well as prioritizing physical health, Kaneka places importance on the mental health of employees, endeavoring to more swiftly identify and prevent mental illness. In fiscal 2012, the Kaneka Group conducted three line-care training classes 10 self-care training classes. Six Kaneka sites conducted mental health counseling to support returns to work.



Employees attending a mental health seminar

CHECK & ACT

In fiscal 2012, we instituted occupational safety and health measures to eliminate occupational accidents leading to lost work time. Unfortunately, there were four incidents at parent plants and nine at Group companies during the year under review. We are determined to eliminate serious accidents, and will continue reinforcing line management and acting to improve workers' sensitivity to risk.

Basic Safety Policies

- ◆ Safety forms our management foundation, and is the basis of all corporate activities.
- ◆ Safety is the foundation of local and worldwide communities' confidence in Kaneka.
- ◆ Safety is based on our belief that "All accidents can be prevented."
- ◆ Safety is the responsibility of every employee in accordance with his/her duties.
- ◆ Safety must be maintained continuously.

Comprehensive disaster drill at the Takasago Plant



Comprehensive Disaster Drills

Plant	Date	Approximate Number of Participants	Program Details
Takasago Plant	December 17, 2012	1,200	The plant held firefighting drills with the Takasago Fire headquarters based on a scenario in which heavy oil leaked from a tank outlet after an earthquake and caught fire.
Osaka Plant	March 21, 2013	500	The plant conducted a drill to prevent effluent from leaking before detox equipment was deployed, and reported and provided evacuation guidance to residents based on a scenario in which monomethylamine leaked from piping after a power outage.
Shiga Plant	February 26, 2013	250	The plant conducted a drill to prevent methylene chloride leaks from the tank outlet after an earthquake.
Kashima Plant	November 14, 2012	130	The plant conducted a drill based on a scenario in which butyl acrylate leaked from a storage tank outlet after an earthquake, causing a fire.

Occupational Safety and Health and Disaster Prevention



Initiatives to Prevent Transportation Disasters



In keeping with annual plans, in fiscal 2012 we conducted initiatives to improve awareness standards to ensure safe operations, and collaborated with transportation contractors. These initiatives included education concerning on-site transportation safety awareness based on Hiyari Hatto examples and operational case studies relating to vehicle accidents. We have taken steps to prevent accidents from escalating by ensuring that personnel follow the proper procedures and promptly report incidents. Initiatives included drills on reporting during a transportation emergency and emergency drills under various scenarios relating to toxic substances.



Field exercise involving a fire engine and ambulance



Employees from the Takasago Plant took part in a drill in a scenario where chlorine leaked from a tanker

Plant Safety Initiatives



As of the end of March 2011, we completed plant safety efforts launched in September 2009. In fiscal 2012, we deployed safety initiatives that Kaneka divisions led in collaboration with manufacturing units. We continued to take steps at all domestic production sites, including those of Group companies. These efforts included maintaining high safety levels for the same operations at all production sites, as well as risk reductions centered on risk assessments.

CHECK & ACT

There were two process accidents at parent plants in fiscal 2012. Although this was an improvement over the nine experienced a year earlier, one of the accidents was potentially harmful to local residents (see column below). In fiscal 2013, the Kaneka Group will deploy measures to reduce the risk of explosion and fire, including abnormal reactions and leaks of hazardous and toxic substances, to ensure zero accidents. At the same time, we will improve our incident responsiveness.

Chlorine Gas Leakage at the Osaka Plant

Incident Outline

At approximately 8:30 a.m. on November 1, 2012, Kaneka employees discovered that chlorine gas was leaking from a polyvinylchloride facility at the Osaka Plant in Setsu, Osaka Prefecture. The employees immediately sought to locate the source and informed the fire department, the local police station, government agencies, and neighboring facilities and residents.

The leak stopped several minutes later. Although nobody was harmed, there were reports of a chlorine gas smell around the plant.

We deeply apologize for causing

so much concern to people in the neighboring area.

Cause of Accident

After a regular internal inspection of the tank of Chemical Reactor A, a worker forgot to restart automatic operation. This meant that the reactor's No. 1 Exhaust Valve was left open. When Chemical Reactor B went through to the exhaust stage, the No. 2 Exhaust Valve opened on the common exhaust line for reactors A and B. Chlorine gas from Reactor A should flow to detoxifying equipment, but there was too much gas for the equipment to process, resulting

in a leak.

Safety Measures to Prevent a Recurrence

We established a task force immediately after the accident to review equipment interlocks and all other related aspects. We deployed a series of measures to address the risks identified. We also installed more chlorine gas detectors and gradually increased the capacity of chlorine gas detoxification equipment.

In these and other ways, we will do our utmost to prevent a recurrence.

Overseas 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.

Working with Communities to Pursue Mutual Development

Kaneka Malaysia Group



In 1995, we established the Kaneka Malaysia Group at the Gebeng Industrial Estate in the north of Kuantan City, which is on the east coast of the Malaysian Peninsular. The group's five companies—Kaneka (Malaysia) Sdn. Bhd., Kaneka Eperan Sdn. Bhd., Kaneka Paste Polymers Sdn. Bhd., Kaneka Innovative Fibers Sdn. Bhd., and Kaneka Apical Malaysia Sdn. Bhd.—engage in manufacturing and marketing for the rapidly growing markets in China, India, and Southeast Asia.

Kaneka Malaysia Group has obtained ISO certification and maintains strict production safety standards. As a result, the group has been free of occupational accidents leading to lost work time for six consecutive years since February 23, 2007. The group accepts many interns every year. In fiscal 2012, it welcomed 21 students from a nearby university and other institutions and two students from Japanese vocational high schools. The group engages in activities that contribute to community progress, notably by participating in a local conservation program.

Providing Treatment to Numerous Sufferers of Intractable Diseases

Kaneka Pharma America LLC



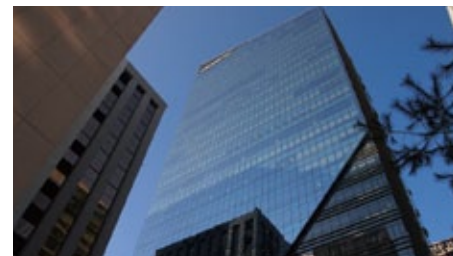
Kaneka Pharma America LLC is a medical equipment sales firm based in Midtown, New York. A year before its official establishment in 1997, the company obtained a Premarket Approval Application from Food and Drug Administration for the Liposorber System, the first hyperlipidemia treatment device from a Japanese medical equipment maker. Since commercializing this system, the company has marketed a range of catheters, including those for treating acute myocardial infarction. It also offers laboratory equipment to separate stem cells from bone marrow aspirate, mainly in the United States, but also in other markets including Canada and Brazil.

The Liposorber System is essential for sufferers of the genetic disorder familial hypercholesterolemia. We have treated more than 400 extremely grateful patients, including the very young, in the United States.

As well as marketing, Kaneka Pharma America engages in identifying medical trends in an advanced U.S. market, with a view to deploying innovations in Japan and other markets. Kaneka Pharma America is committed to building Kaneka's medical equipment business and to delivering safer, more reliable treatments to a greater number of sufferers of intractable diseases.

Discussing Interdisciplinary Domains for Korean and Japanese Technologies

Kaneka Korea Corporation



Kaneka Korea Corporation was established in Seoul in October 2011 to reinforce relationships with Korean multinationals, especially those operating in Asia. As part of its efforts to cultivate Kaneka's Asian operations, this subsidiary provides market research and engages in sales and business support.

In fiscal 2012, Kaneka Korea participated in a Japan-Korea debate session sponsored by the Japanese Embassy. This event was part of monthly interdisciplinary discussions on science and technology held between people from Japan and Korea at Hanyang University. The 10 debate participants included those from Kaneka, Samsung Electronics Co., Ltd., and other companies, as well as professors and researchers from Seoul National University and other academic institutions. Participants discussed ways in which to tackle differing development environments and enhance bilateral cooperation in technological innovations and exchanged a range of information.

In fiscal 2013, Kaneka Korea intends to co-sponsor a Seoul citizens festival, to help develop useful new technologies for the world while interacting with the community.



Exhibiting at a trade show

Domestic Group Company Initiatives



Helping Preserve the Environment through the Styrene Foam Business

Kanto Styrene Co., Ltd.



This subsidiary was established in 1966 and joined the Kaneka Group in 1982. It manufactures and sells styrene foam products, mainly in the northern Kanto area. Styrene foam is an energy-saving material, with an air content of more than 98%. It expands 50 to 80 times from its raw form. Styrene foam excels in heat insulation and shock absorption. Its diverse applications include food containers, insulation material in buildings, and as a shock-absorbing material.

The foam is ideal for contemporary society because of its low environmental impact. In 2012, 87.4% of used foam was recycled through an initiative of the Japan Expanded Polystyrene Association, to which styrene manufacturers around Japan belong. Kanto Styrene also recycles styrene foam through a specialty facility that is one of the Association's recycling sites. Our wish is to help preserve the environment by expanding our business in styrene foam.

Aiming to Create Competitive Products and Enhance Lifestyles

Kaneka Foods Corporation



This wholly owned subsidiary maintains a facility at the Seishin Industrial Park in Nishi Ward, Kobe that manufactures processed foods from oil and fats for bread making and confectionery, as well as for cheeses and dairy products. This company plays an important role as western Japan's production base for Kaneka's Foods Division.

Kaneka Food adheres to a management philosophy of creating competitive products and enhancing lifestyles. Our 2020 vision is to ensure an ongoing supply of products made with environmentally friendly manufacturing processes at lower costs than our competitors, while ensuring high quality and maintaining food safety and security. We will continue to engage in manufacturing reforms. We have also set about qualifying for Food Safety System Certification 22000 (FSSC 22000), an upgraded version of ISO 9001 and the AIB International Consolidated Standards for Inspection. In addition, all employees are participating in a zero emission initiative through Eco-Action 21.

We interact with the community in various ways, including accepting students from local junior high schools for one-week internships and taking part in events hosted by the industrial park association.

Helping to Boost Quality of Life by Selling Safe and Secure Health Foods

Your Health Care Co., Ltd.



This subsidiary was established in 2004 to offer supplements incorporating Kaneka-developed functional food materials, in particular Ubiquinol (a reduced form of coenzyme Q10). Online sales began in February 2010.

With people in Japan becoming more health conscious, doctors increasingly recommend supplements to their patients. Your Health Care sponsors seminars for such organizations as the Japanese Circulation Society, the Japanese Heart Failure Society, and the Japanese Headache Society. It promotes medical research into Ubiquinol (a reduced form of coenzyme Q10) while providing information to doctors.

By supplying top-quality safe and secure supplements in the years ahead, we will help to improve the quality of life for people in an aging society.

Domestic Group Company Initiatives



Developing Transdermal Medical Products for High-Need Patients and Their Families

KM Transderm Ltd.



This company was established to engage in transdermal medical product research and development to accommodate the needs of physicians and help patients improve their quality of life. Its products combine Kaneka's polymer materials and technology and the transdermal formulations of MEDRx Co., Ltd.

There has long been demand for transdermal drugs among patients who find oral administration difficult. The need for transdermal offerings has increased considerably in recent years, as families find it easier to check administration of these products to patients with dementia, many of whom may otherwise forget or refuse to take their medication.

KM Transderm contributes to next-generation medicine by developing innovative transdermal products employing Kaneka-developed adhesives that are less irritable to the skin. Key domains are central neurological diseases and psychiatric disorders.



Transdermal medical patch

Contributing to the Enjoyment of Food through the Manufacturing and Selling of Frozen Foods

Nagashima Shokuhin Co., Ltd.



This subsidiary was established in August 1968 in Nagashima-cho, Kuwana in Mie Prefecture. It manufactures frozen pie sheets and tart shells for bakers and pastry chefs.

The company acquired ISO 9001 certification in 2004 and takes part in AIB International's food safety initiatives. We ensure quality and safety and endeavor to improve quality management standards so customers can enjoy quality products that are safe and secure.

We obtained Eco-Action 21 certification in 2008. We make a concerted effort to reduce food and industrial waste and thereby reduce environmental impact. We provide work experience for local elementary and high school students, and will continue to participate in community activities.



Students gaining work experience

Providing New Solutions for Innovating Medications and Diagnostic Products

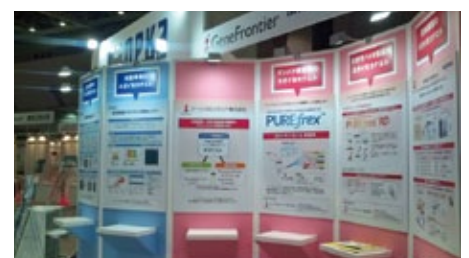
Gene Frontier Corporation



This company became part of the Kaneka Group in 2010. It pursues R&D in leading-edge biotechnology and shares its findings in academic and scientific circles.

The company focuses on biomedical areas such as antibody therapeutics, which has attracted considerable attention in recent years as an innovative treatment approach, and has created proprietary techniques that greatly enhance the efficacy of biomedicines. Pharmaceutical and other companies are already using these techniques in biomedicine R&D processes.

Gene Frontier will continue to drive innovations in medications and diagnostic agents, and will contribute to the future of medicine by providing new solutions as a trusted partner of research institutions engaging in biomedicine development, and as a trusted partner of diagnostic and pharmaceutical businesses.



Exhibiting research results

Third-Party Verification



CSR Report 2013 Independent Verification—Opinions

June 25, 2013

Mr. Kimikazu Sugawara
President Kaneka Corporation

Japan Chemical Industry Association
Chief Director
Responsible Care Verification Center
Junji Takase

Purpose of verification

Responsible care report verification is designed for the Responsible Care Verification Center to express an opinion of an expert representative of the chemical industry about the following items as presented in Kaneka Corporation's CSR Report 2013.

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values
- 2) The accuracy of non-quantitative information presented in the Report
- 3) Assessments of responsible care activities
- 4) The characteristics of the Report

Verification procedure

- For the corporate head office, we conducted investigations into the rationality of the calculation methods of values reported by each site (Four parent plants and Group companies), as well as the accuracy of other non-quantitative information. We conducted these investigations by questioning the people responsible for each business area and the people responsible for preparing the Report about the contents of the Report. We also received documents and explanations from them.
- For the Osaka Plant, we conducted investigations into the rationality of the calculation methods of values reported to the corporate head office and the accuracy of those values as well as the accuracy of other non-quantitative information. We conducted investigations by questioning people responsible for each business area and those responsible for preparing the Report. We also received documents and explanations from them, as well as physically confirming sites and checking evidential materials.
- We applied sampling techniques in our investigations of the values and other information presented in the Report.

Opinions

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values:
 - Rational methods were used to calculate and collect numerical values for both the corporate head office and the Osaka Plant.
 - As far as was investigated, performance values are accurately calculated and collected based on uniform Companywide criteria.
- 2) The accuracy of non-quantitative information presented in the Report:
 - The information presented in the Report was confirmed to be accurate. At the stage of drafting the Report, minor issues were raised regarding the suitability of expressions and comprehensibility; however, these issues have been rectified in the final Report.
- 3) Assessments of responsible care activities:
 - Kaneka promotes responsible care activities through CSR management. In particular, top management regularly visits sites to discuss CSR and RC ideas with employees. Kaneka sets specific and quantitative goals for RC activities, and its Plan-Do-Check-Adjust cycle is working properly.
 - Kaneka deserves praise for striving to prevent accidents that have occurred at other companies. Kaneka has immediately investigated fires and explosions at other chemical firms and rechecking its own plants after organized inspection items in accordance with plant characteristics.
 - In its environmental efforts, Kaneka and domestic Group companies have attained zero emissions (less than 0.5% of final landfill disposal rate).
 - At the Osaka Plant, Kaneka prevents accidents by promoting excellent initiatives, including visualizing worksite dangers, and visualizing rules and safety initiatives and engaging in other activities to reinforce workplace capabilities.
 - Also praiseworthy was that the Osaka Plant helps maintain the local natural environment in collaboration with the municipal office, local government, neighboring elementary school, and other organizations, as the plant is adjacent to a residential area.
- 4) The characteristics of the Report:
 - There were many inclusions of stakeholder opinions on CSR activities, notably through the third party message and employee opinions.
 - We also laud Kaneka's attitude toward disclosure, particularly in terms of the following points. The company published negative information (about an accidental gas leak) and explained measures to prevent a recurrence. It also explained policies for the following year's initiatives by presenting CHECK & ACT columns for each effort.

My Impressions from Reading CSR Report 2013



Chieko Minami

Doctor of Commerce and Professor of Marketing,
Graduate School of Business Administration, Kobe University

Graduated from the Faculty of Letters of Kobe University.
Completed a Master's Degree in Communication from the Graduate School of Michigan State University.
Completed the first semester of a doctoral course at the Graduate School of Business Administration, Kobe University.
Assistant Professor, Faculty of Economics and Business Administration, Yokohama City University.

I will never forget what the public relations officer of a foreign manufacturer once said in a lecture: "In the near future, people won't just concern themselves with product value, they will become highly conscious of the social stances of the companies supplying such offerings."

Since then, the term CSR has become part and parcel of society. But sometimes people don't quite understand what it is and think it has nothing to do with a company's core businesses.

Thus, it is against that backdrop that I was particularly pleased that early in its report Kaneka began by defining CSR as meaning "a company that contributes actively to social progress through its business." Kaneka goes on to convey this stance to stakeholders, presenting it as central to top management's commitment, later describing how strategic priorities with businesses and products contribute to society. I believe it is a sound idea to

convey employee awareness when describing businesses by drawing on comments from executives and employees. I was also glad to see comments from other stakeholders, because I consider it important for the Kaneka Group to remain informed about stakeholder opinions relating to its CSR activities, and to take diverse steps to access such information.

Kaneka clearly presents its Basic CSR Policy in its guidelines on corporate activities and social contributions, compliance with laws and regulations, communications, human rights, and safety. This clarity makes it easier for Kaneka to formulate its CSR initiatives. I was very pleased that Kaneka itself evaluates its CSR target achievements. The report shows detailed environmental data, which would be more persuasive if the company also provided the criteria for establishing certain numerical benchmarks for its activities. In another words, more background information

would be useful, for example, to explain why it is so important to pursue certain percentage improvements in terms of lowering environmental impact.

I laud the report for relating the Kaneka Group's CSR to its corporate philosophy, as this structural approach shows the close connection of CSR to Kaneka's *raison d'être*. Still, there is some room for improvement in that this section comes after the special features. I think it would be better to position CSR first in relation to the corporate philosophy and then to clarify the value that Kaneka wishes to offer society based on its corporate philosophy. Kaneka would more effectively express the importance of CSR if it systematically illustrated the outlines and policies of its CSR activities in line with corporate and business strategies based on the values explained above. I would like to see next year's report improve in this regard.

Suggestions and Improvements from the 2012 Report

Kaneka made the following improvements in response to Professor Toshihiro Kanai's suggestions in his third-party opinion in the 2012 CSR Report.

- | | |
|--|--|
| 1. Step up efforts to collect more stakeholder feedback. | → We renamed the digest version the Communication Book to focus more on dialogue with stakeholders. |
| 2. It is better to discuss CSR in the context of corporate strategy. | → We added the Strategic Focuses and Products section on pages 6 and 7 to describe the CSR roles of Kaneka products in keeping with management's strategies. |
| 3. I recommend adding more content for children. | → We included more visuals in the Communication Book. We recognize that this is insufficient, and we will undertake ongoing steps to improve this situation. |

Stakeholder Feedback

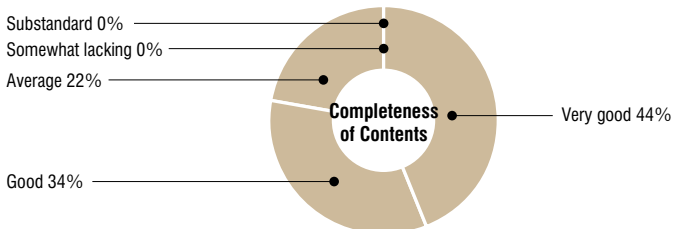
Below we present feedback from readers of the Kaneka Group CSR Report 2012.

Overview

Questionnaire implementation period	September 11 through October 11, 2012
Period analyzed	September 11 through October 11, 2012
Materials covered by questionnaire	Kaneka Group CSR Report 2012
Number of valid responses	478

Q.1

What were your impressions of the Kaneka Group CSR Report 2012?



Q.2

What interested you most about the Kaneka Group CSR Report 2012?

What articles impressed you the most (pick all that apply)?

① Responding to the Great East Japan Earthquake	44%
② Special Feature 2: Kaneka and the Environment	37%
③ Special Feature 1: Kaneka and Society	32%
④ Helping Cut Carbon Dioxide Emissions throughout Product Lifecycles	27%
⑤ Kaneka Business Operations	24%
⑥ Environmental Data	21%
⑦ Community Contributions of Domestic and Overseas Group Companies	21%
⑧ Winning Green Purchasing Award	20%
⑨ Special Feature 3: Kaneka and its Employees	19%
⑩ Africa's Market for Hair Extension Products	13%

Key Opinions

Q.3

What areas would you like to see improved or know more about?

- If it were simpler to understand where Kaneka is heading, I would find it easier to grasp the company's individuality. As is, I'm unsure of the essence of the company.
- Unless I know more specifics about Kaneka's products, it is hard for me to evaluate the business. I would like to see a page listing the company's products.
- I recommend a page layout in which the company presents planned improvement measures in cases where it failed to reach its objectives.

Q.4

What did you think about the special features?

Special Feature 1

Kaneka and Society—Our Mission in Health Care

- I found it impressive and moving that Kaneka strives to put patients ahead of profits.
- I wanted to know and read more about this. I did not know Kaneka was active in the medical field.

Special Feature 2

Kaneka and the Environment—Our Recommendations for Social Sustainability

- I learned about AONILEX biomass and biodegradable plastic for the first time. I sensed that the company cares about the notion that what comes from nature will return to nature.
- I was astonished to learn about the cycle in which plastic is made from plants and returns to the soil, as in nature, and that science has progressed so far as being able to determine decomposition times by adjusting blends.
- The article would have been more credible if it had presented the costs and other drawbacks.

Special Feature 3

Kaneka and Its Employees—Globalizing Our Operations

- With so many companies highlighting Asia, Kaneka deserved kudos for presenting Belgium and showing how the company has complied with European environmental regulations.
- The article mentioned the successful open day that the plant conducted to present its products and environmental initiatives to local residents. I think such an approach is a good idea and should continue in the years ahead.
- I would like to see more detailed content about overseas employment and patent issues.

Editorial Afterword (Response to Third-Party Opinion)

Editorial Afterword(Response to Third-Party Opinion)

Four years have passed since we began issuing a CSR report. From the 2013 edition, we asked Professor Chieko Minami to write the third-party opinion.

As Professor Minami pointed out, the term CSR is now a common one in society. Still, it is important for all employees to reflect on what they can do for society and act accordingly. This is why we inserted the 'What's CSR?' section early in the report. We also conveyed new initiatives, including new CSR activity targets, augmenting existing targets for responsible care activities.

We received feedback from various perspectives on several initiatives presented in this report. In the years ahead, we will endeavor to enhance stakeholder satisfaction by undertaking more diverse CSR activities, such as by conducting more stakeholder dialogues.

Professor Minami also signposted possible improvements, one being to provide more background information to explain why it is so important to pursue certain percentage improvements with CSR activity targets, and another being to present CSR positioning in relation to corporate philosophy before clarifying the value for society. We will endeavor to reflect these perspectives in our next CSR report.

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

Administration Office
CSR Committee
Kaneka Corporation



Meeting between a member of the Administration Office CSR Committee and Professor Minami

Group Product Registered Trademarks

The following product names in CSR Report 2013
are registered trademarks of the Company or the Group.

- KANEKA Biopolymer AONILEX
- KANEKALON
- KANECARON
- SOLAR CIRCUIT
- SoltileX
- VISOLA
- KANEKA NATURAL SURFACTANT
- KANE ACE
- KANEKA TELALLOY
- KANEKA MS POLYMER
- SILYL
- SUNDUREN
- APICAL
- PIXEO
- ELMECH
- KANEKA FLUX
- EPERAN
- EPERAN PP
- KANEPEARL
- KANELITE
- LIXELLE
- LIPOSORBER
- KANEKA QH
- KANELITE FOAM
- PATTHERMO