

CSR Communication BOOK 2016

Make
Your Dreams
Happen

kaneka

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About the cover design:

We at Kaneka pursue the power of science based on our customers' dreams.

We have been making each dream a reality through communication with our customers and society.

The cover of this book shows a scene in Osaka, Japan, where Kaneka started its businesses hoping to express those brimming dreams.

We will continue to focus on communication, which we believe provides us an opportunity to make your dreams happen.

This printed matter is using FSC® certified paper includes sources from responsibly managed forests.
The environment-friendly vegetable oil ink is used for printing.



kaneka

Make Your Dreams Happen

Communication Is Our Start Line

True to our goal of leveraging science to "make your dreams happen" we at the Kaneka Group have strived to fulfill people's dreams through our diverse range of businesses.

In the process, we highly value communication with all our stakeholders. Through proactive discussions, we draw out people's desires and needs to provide them with new values.

Kaneka Group CSR Communication Book 2016

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Dream

1 Accelerate R&D to enable
**practical use of
regenerative medicine
and cell therapy!**

Dream

2 Is it possible to further
**reduce CO₂
emissions
from homes**
for the global environment?

Dream

3 Do you have any
**effective
fertilizers**
for agricultural produce?

Dream

4 We want to support women to
**explore their
future with a
smile!**

Accelerate R&D to enable practical use of regenerative medicine and cell therapy!



Centers Integrating R&D Divisions

In November 2015, Kaneka Group set up R&D centers for regenerative medicine and cell therapy in the Kobe MI R&D Center and Kobe International Business Center. Both centers are now fully operational, and the previously scattered R&D divisions have been integrated to allow us to conduct work all the way from basic research to commercialization.

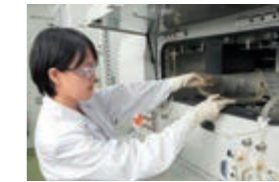
This is what we do!



Takayuki Miyamoto (right)
Tomohisa Kato (left)(at that time)
Regenerative Medicine and Cell Therapy Project



Kobe Molecular Imaging R&D Center, the hub of regenerative medicine and cell therapy



Programmable closed circuit cell culture system, for simple and safe cell culture

Regenerative Medicine and Cell Therapy Project

At the R&D centers, we focus our work on cell preparation for disease treatment, drug discovery technologies using induced pluripotent stem (iPS) cells, and devices for cell separation and cell culture. Situated at the hub of regenerative medicine and cell therapy, we aim to contribute to healthcare and medicine in the future by developing technologies in collaboration with RIKEN and other related medical institutions.

"Directly overseen by Kaneka's president, the Regenerative Medicine and Cell Therapy Project was launched in April 2016 to further speed up our activities. Kaneka has a wealth of knowledge cultivated from our business in pharmaceuticals and medical devices. We will continue our efforts to help advance regenerative medicine by developing and applying our life science technologies."

For more details, see Special Feature I in our CSR Report 2015.

Make Your Dreams Happen

Is it possible to further reduce CO₂ emissions from homes for the global environment?



Environment and Energy Materials for the Net Zero Energy House

To reduce CO₂ emissions from homes, the Japanese government is promoting the net zero energy house (ZEH), with a vision to make it the standard for newly built houses by 2020. Kaneka manufactures and sells diverse materials that are necessary for ZEHs.

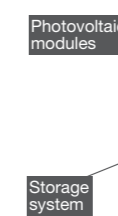
This is what we do!



Jun Ikegami
Administration of J-Project
Corporate Planning Department



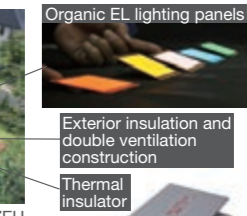
Exhibit at the Eco House and Eco Building Expo, March 2016



Photovoltaic modules
Storage system



Kaneka products utilized in ZEH



Organic EL lighting panels
Exterior insulation and double ventilation construction
Thermal insulator

Our ZEH Solution as a Measure to Address Climate Change

Kaneka manufactures and sells materials necessary for ZEHs, such as thermal insulators and photovoltaic modules, as well as organic EL lighting. We also offer the Solar Circuit construction method, which has superior environmental performance, and in fiscal 2016, we began selling storage batteries for residential use. We also launched the cross-divisional J-Project in 2015, and actively develop Group-wide solutions.

"ZEH design entails expertise and complicated documentation, which is why it is not making headway in the housing industry. Kaneka began offering specific ZEH solutions for the housing industry. We believe that our efforts to help build more ZEHs will lead to less CO₂ emissions, which will benefit society."

Do you have any effective fertilizers for agricultural produce?



Food Production Support

Development of a New High-Performance Fertilizer

KANEKA PEPTIDE is a new high-performance fertilizer that integrates various Kaneka technologies. With the anticipated food shortage from the growing global population, Kaneka Group has set food production support as one of its key strategic domains.

This is what we do!



Ran An
Food Production Support Group
New Business Development Division



KANEKA PEPTIDE, a high-performance fertilizer containing yeast-derived oxidized glutathione



Responding to farmers expectations by integrating our technologies

Testing KANEKA PEPTIDE Around the World in All Kinds of Climates, Crops and Soils

A KANEKA PEPTIDE pilot study conducted in Hebei Province, China enabled many farmers to experience its effectiveness first-hand. Conventional chemical fertilizers require application by the ton, while overuse degrades the soil. In contrast, environmentally conscious KANEKA PEPTIDE does not leave unnecessary residue in the soil.

"In China, we are promoting its use with the recognition and support of the relevant government authorities in charge of fertilizer registration. KANEKA PEPTIDE's success will not only bring higher income to farmers, it will also mean more food supply to communities experiencing food shortages. Promoting its use with confidence, I also hope to contribute to the development of my home country, China."

For more details about Kaneka Peptide, see Special Feature I.

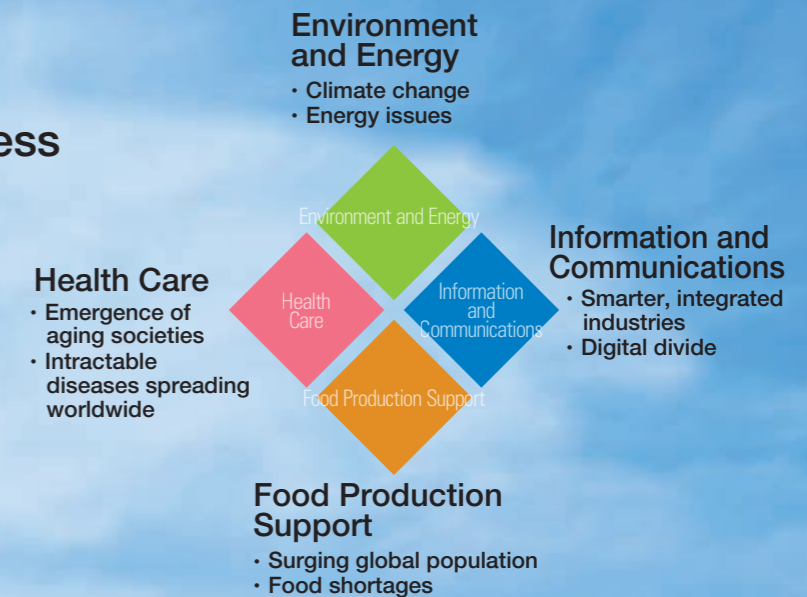
Fulfilling dreams

Communication Is Our Start Line

Contributing through Business to Key Strategic Domains

With the 2009 long-term Declaration of Kaneka United, Kaneka Group established four key strategic domains that embody our corporate philosophy as pillars of growth and initiatives for society.

We at Kaneka Group will confront societal challenges using our products and technologies that create new value. Focusing on innovation and growth, we will contribute to society through our businesses.



Previous CSR reports are available on our website. [Kaneka CSR](#) [Search](#)

We want to support women to explore their future with a smile!



Health Care

Beauty, Health and Independence to Women in Africa

Kaneka Group has been operating the Kanekalon wig business in the African market for more than 30 years. We have achieved a high brand value by providing safe beauty products in partnership with wig manufacturers, beauty salons and female consumers.

This is what we do!



Hiroshi Seko (right)
Charlotte Kumi (left)
Kaneka Africa Liaison Office



Kaneka Africa Liaison Office established in Ghana to meet local needs



Earning strong brand recognition from local wig stores

Providing High Value to Our Stakeholders in Beauty Product Market

In the African market where flammable, cheap and inferior wig products are sold, Kaneka Group has been providing safe beauty products while strengthening relationships with wig manufacturers, local beauty salons and female consumers. Ms. Grace Amey-Obeng (photo center), president of the Professional Cosmetologists and Beauticians Association of Ghana, is involved with evaluation of our products.

"Kanekalon's ideal is to provide safe and high-quality beauty to women. Collaborating with associations of beauty salons, as well as our direct customers such as wig makers, we stay abreast of market needs and find difficulties that even consumers do not realize from our perspective as a maker. Our goal is to serve Africa by developing higher quality products."

For more details about Kanekalon wigs, see Special Feature II.

Providing Solutions for the Global Environment and Improving Quality of Life through New Value Creation



Responding to Environmental Changes and Technological Innovation

On December 12, 2015, a historic global climate deal was adopted by 196 countries at COP21 in Paris, France, that is a framework of measures against global warming beyond 2020. This Paris Agreement indicates each country's strong sense of crisis for increasing disasters of climate change worldwide. Global businesses such as ours must further advance initiatives addressing environmental issues within our future businesses.

Meanwhile, technological innovation continues to grow at an ever-accelerating pace, as we see advances that were once thought likely to take several years start to materialize before our very eyes. People's lifestyles and workstyles are being redesigned while their needs are profoundly changing.

We believe that an environment where diverse people can work proactively will be the foundation of our competitiveness. We must endeavor to make this a reality.

Achieving the Declaration of Kaneka United

As set forth in our long-term vision formulated in 2009, the Declaration of Kaneka United for the future, Kaneka is focusing on "innovation and growth", positioning research and development (R&D) and a global network as the driving force behind our growth. In fiscal 2015, we went ahead with plans to commercialize organic EL lighting, biopolymers and protein A resins. We are also strengthening our R&D in the medium to long term by establishing a regenerative medicine and cell therapy R&D center in Kobe. Creating new social value through R&D enables us to raise our corporate value and fulfill our social responsibility, resulting in our growth and development. By developing technologies and products that protect the environment and improve energy efficiency, we are moving forward in our businesses with environmentally responsible management.

In terms of a global network, after establishing our regional headquarters in Asia and America in April 2012, we established a European regional headquarter in Belgium last year. Utilizing this headquarter, we will further promote our business operations in Europe as well as in Africa and the Middle East. It is essential for us to understand the customs and culture of the countries and regions where we operate, and offer products that suit local customer needs.

Contributing to Society through Business in Key Strategic Domains

In fiscal 2016, Kaneka began implementation of a new mid-term plan.

Kaneka Group is making every effort to promote projects that can help address environmental and energy problems by bringing a solution to zero energy houses using combination of our products such as thin-film silicon photovoltaic module, insulation materials and storage batteries that serve to reduce the weight of vehicles and airplanes. In addition to such a solution, we offer new value such as biopolymers to conserve ecosystem.

Kaneka is also making a concerted effort to utilize our expertise in the business, where human health care and food production are concerned, through bio-pharmaceuticals, regenerative medicine and cell therapy, and plant supplements.

Through these products, we at Kaneka are carrying out our corporate philosophy: With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrade the quality of life.

"Safety First" is our Top Priority

Based on our belief that "safety is a competitive strength in itself" for manufacturers, Kaneka's management policy for all operations is "safety is our top priority." To achieve our goal of zero accidents, we will further raise safety awareness and strengthen disaster prevention through continuous initiatives together with top management, including facility inspections by Board of Directors and CSR safety and quality inspections.

Kaneka Group joined the United Nations Global Compact in 2015. We are working on sharing our corporate philosophy to gain the trust of our stakeholders worldwide by implementing corporate initiatives in line with the Ten Principles of the UN Global Compact in the four areas of human rights, labour, the environment and anti-corruption. We sincerely welcome your continued support.

M. Kadokura

Mamoru Kadokura
President
Kaneka Corporation

Power of science to enrich life with food worldwide

Material Story

Source of Kaneka

食

Food



Around 800 million or approximately one in nine people in the world today are starving. Meanwhile, in developed countries such as Japan, Europe and the U.S., roughly one-third of food is wasted. Food wasted by consumers, from leftovers and passed expiration dates, amounts to around 222 million tons each year. This is comparable to the total food production of sub-Saharan Africa (see note 1). Kaneka Group has initiated efforts to increase global agricultural production and reduce food waste.

Note 1: Sub-Saharan Africa's total food production is 230 million tons. Source: Global food losses and food waste—Extent, causes and prevention, FAO, 2011.

With its dedication to addressing social issues through business, Kaneka Group has been expanding its core technologies. As one of its core technologies since its establishment, the Group's fermentation technology has created functional foods such as bread yeast and coenzyme Q10. We are further expanding into products that contribute to increasing food supply, such as KANEKA PEPTIDE, a new type of fertilizer that helps address food scarcity, and an anti-freeze ingredient that helps reduce food waste by retaining the quality of frozen foods, in collaboration with universities and research institutes.

New fertilizer for agriculture

KANEKA PEPTIDE

Technology to Efficiently Produce Oxidized Glutathione (GSSG) Based on Fermentation

KANEKA PEPTIDE is a new high-performance fertilizer containing oxidized glutathione (GSSG), which provides nutrients to plants. GSSG works as a fertilizer to make plants grow effectively. It causes corn kernels, for example, to grow larger even as the number of kernels increases. Heavy use of conventional chemical fertilizers has reached the limit of their ability to increase yield, while some have also been known to cause soil degradation. GSSG, on the other hand, stimulates the innate power of plants to further increase yield while improving the ecological

profile of fertilizers. GSSG is a natural ingredient commonly found in plants and animals, including human cells. Kaneka developed the technology to efficiently produce naturally existing GSSG. Moreover, in collaboration with the Research Institute for Biological Sciences, Okayama Prefectural Technology Center for Agriculture, Forestry, and Fisheries, which has been studying the effect of GSSG on plant growth, we are developing effective plant fertilization methods. "We use fermentation technology for glutathione production and pharmaceutical technology for the purification process, both of which are Kaneka Group's core strengths." (Taku Mohri, Bioproducts Research Group, Biotechnology Development Laboratories)

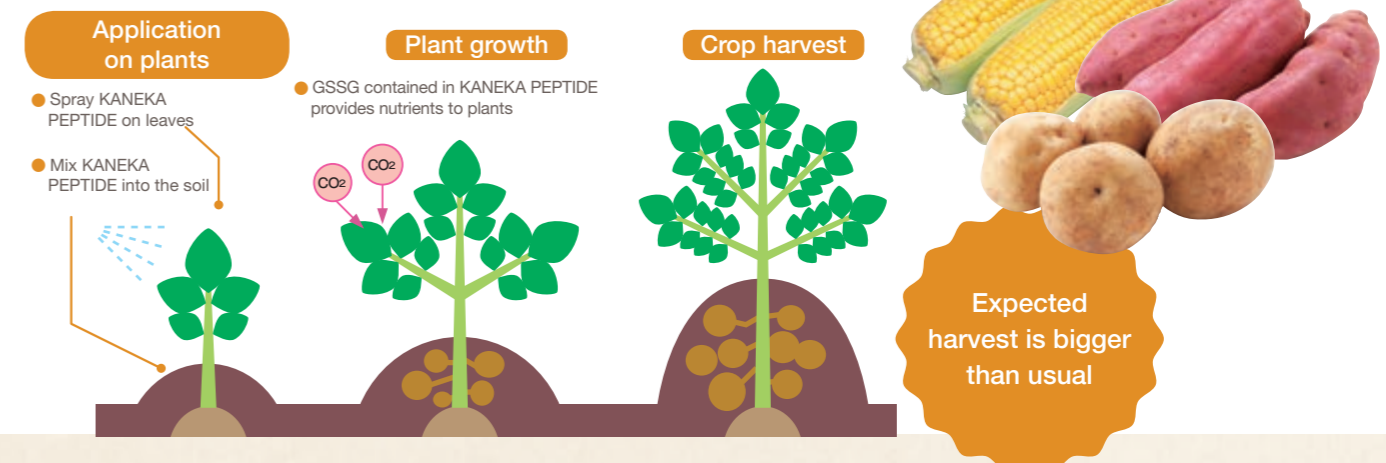
Pilot Studies All Over the World Find 10% - 40% Yield Increase

Effective technology will further benefit society when it is used widely. Anticipating the global market, Kaneka Group has begun pilot studies of KANEKA PEPTIDE on various crops in collaboration with universities, agricultural experiment stations and large-scale farms in countries such as Vietnam, Thailand, India, China, Canada and the U.S. Remarkably, 10% - 40% increases in yield have

KANEKA PEPTIDE We are targeting more than 10 billion yen in sales in 2020 by accelerating our global business development



The Effect of KANEKA PEPTIDE



been confirmed in potato, cassava, sweet potato, corn, onion, eggplant and other crops. Another key to gaining more customers is its simple application. A method of integrating the product into existing fertilization systems has to be devised, since even a single spraying can become costly in countries such as the U.S., where efficient farming is practiced over vast land areas. Furthermore, when we expand the product's range to small-scale farms and regions where people are suffering from starvation, it is crucial that we implement awareness programs and create fertilizer formulas for spray amounts and timing. We are conducting such pilot studies to resolve each of these issues. "Even with the limited workforce available for R&D, the food issue is such a pressing one that we are testing various methods for crops in various countries. We need to launch this product simultaneously worldwide for timely widespread adoption. With its power to enhance plant growth, GSSG has the potential to expand agricultural land to areas with poor soil or those prone to cold weather damage." (Taku Mohri)



Developing formulations while studying easier dispersion and irrigation for farmers



Taku Mohri
Bioproducts
Research Group
Biotechnology
Development
Laboratories

unknown. "That's why I believe we can still make great strides with plants. We hope to encourage agriculture by developing ingredients that are useful to plants." (Taku Mohri) Moving forward, Kaneka will continue to concentrate on technologies acquired from advanced research for food production support, one of our key strategic domains.

Encouraging Agriculture through Materials R&D for Plants

As the pilot studies progress in various parts of the world, an agricultural experiment station staff provided the Group with an important insight: the human body has been extensively studied in the course of developing therapeutic drugs and supplements, while many aspects of plants are still

Stakeholder Message

"I hope more young people will work in agriculture. Kaneka and I share the same motto: For the farmers."

The Okayama Prefectural Technology Center for Agriculture, Forestry, and Fisheries works on developing and promoting technologies that support agriculture, forestry and fisheries, while fostering their future leaders. At the Research Institute for Biological Sciences, we conduct basic, fundamental research in biotechnology that promotes agriculture, manufacturing and industries in the environmental field. I have studied GSSG, an ingredient in KANEKA PEPTIDE that carries an important function.

I began collaborating with Kaneka because we share the same motto and goal: For the farmers, providing products at reasonable prices. Further agricultural development requires products to be available at affordable prices to everyone. Also, I look forward to Kaneka's efforts to promote the effective use of KANEKA PEPTIDE. As Japan's agricultural population declines and ages, the key to raising our food self-sufficiency rate is to improve profitability, so that young people will consider farming as

their career. KANEKA PEPTIDE will certainly help increase agricultural income; actually witnessing this themselves will make more young people aspire to work in agriculture.

Ken'ichi Ogawa

Dr. Sci. (Kyoto Univ.)
Director, Plant Redox
Regulation Research Group
Research Institute for
Biological Sciences
Okayama Prefectural
Technology Center for
Agriculture,
Forestry, and Fisheries



**Preserving the Quality of Frozen Food
Anti-freeze Ingredients**

Anti-freeze Protein Discovered in Antarctic Fish

In subzero temperatures, water freezes in the bodies of ordinary living organisms and destroys the cells. Fish, plants, insects, mushrooms and other life forms living in the Antarctic and other cold regions can survive because they have anti-freeze proteins in their bodies that protect them from freezing. Anti-freeze protein was first discovered in an Antarctic fish in 1969. There are many benefits in applying anti-freeze protein to food products. For instance, "freezing damage," which leads to a decline in the food's taste and texture, does not occur, and the quality of the frozen food after thawing is maintained since it can inhibit the growth of ice crystals during storage. Moreover, products that were once difficult to freeze can now be stored frozen, which lengthens their shelf life and reduces food waste. The challenge was determining which organisms have anti-freeze protein that can be extracted and how to extract it. A stable industrial production method for anti-freeze protein did not exist.



Kaneka Group began communicating with one of the world's foremost authorities on ice crystals, Professor Hidehisa Kawahara of Kansai University's Department of Life Science and Biotechnology.

Anti-freeze protein
Exploring uses in frozen noodles, processed egg products, cooked rice, fish paste products and desserts



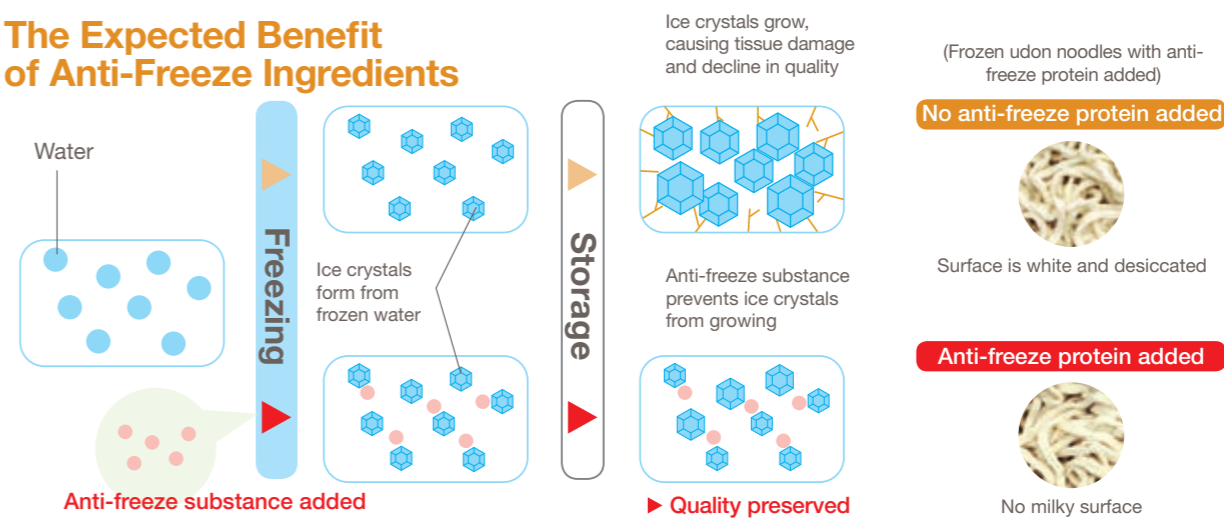
Atsushi Takaragawa
New Business
Planning Group
Strategic Planning
Department
Foods Division

Successful Natural Extraction and Mass Production with Open Innovation

In 2008, Kaneka Group collaborated on R&D with a joint venture company and Kansai University, which was promoting open innovation; in 2012, anti-freeze protein was successfully mass-produced from radish sprouts. Since it allows defrosted food to be savored without losing its taste, smell and physical properties by just adding a tiny amount of 0.02% - 0.2% to the food, our product has earned an excellent reputation from many food manufacturers of frozen sushi, udon noodles, kamaboko (steamed fish paste), rolled eggs, gyoza (fried ground meat dumplings) and others so far. In 2015, we launched another new product: anti-freeze polysaccharide extracted from enoki mushrooms. It is tolerant to heat and acid as it is not a protein, and is used with hamburger and deep-fried chicken. Kaneka Group currently has over 100 products using anti-freeze ingredients. "I think Kansai University chose us as its partner in open innovation because, as a B2B company dealing with many food manufacturers in Japan, they believed that we can make anti-freeze ingredients more widespread. For this project, Kaneka Group facilitated the commercialization of the university's



The Expected Benefit of Anti-Freeze Ingredients



research seed.” (Atsushi Takaragawa, Manager, New Business Planning Group, Strategic Planning Department, Foods Division)

Research on New Ingredients to Reduce Global Food Waste

In April 2015, our anti-freeze protein was awarded the 2015 Commendation for Science and Technology Prize by the Minister of Education, Culture, Sports, Science and Technology (Development Category). This prize honors the achievements of those who have invented or researched and developed groundbreaking work that is actually used or applied to improve people's lives, society and the economy. “I believe reducing food waste is a really worthwhile project for society. Shelf life will be extended dramatically if all kinds of food can be frozen. This

With the growing need for frozen foods, we are developing simple products for the expanding market



will allow us to get closer to nearly zero waste.” (Atsushi Takaragawa)
 “A long time ago, people used to throw food out.” We believe the time will surely come when we will look back and say this. Kaneka Group will continue exploring and spreading the use of new anti-freeze ingredients.

| Stakeholder Message |

"The new frontier in Japanese confectionery. Freeze while still delicious; enjoy by natural thawing."

Kagetsudo makes and sells Japanese confectionery, such as freshly pounded soft rice cakes and sweets using finely ground green tea powder, named after Sakai, the birthplace of the famous master of the Japanese tea ceremony, Sen no Rikyu. We sell soft rice cakes using Kaneka's anti-freeze ingredient. Japanese confectionery such as rice cakes are best eaten fresh, as their flavor quickly deteriorates. However, when they are frozen with the anti-freeze ingredient, they retain their freshly made flavor, and our customers can enjoy this

fresh taste after the natural thawing process. And because it is a natural ingredient, I can proudly inform the customer, “This is the new frontier in Japanese confectionery.” Our first product using the anti-freeze ingredient is the One Charge S, which was developed for athletes. We wanted to create a product that can easily supply energy to people participating in sport, who lead busy lives with work and so forth. With this product, people can stock up

when they have time. While playing sport, they can then easily get their supply of energy just by thawing the product naturally. With such safe ingredients provided by Kaneka, we hope to devote all our efforts into expanding and introducing new rice cake desserts in the future.



The rice cake dessert One Charge S



Masahiro Maeda
Kagetsudo



Wigs
Made of
Kanekalon

Kanekalon is a modacrylic fiber closely resembling the texture of human hair. Currently capturing the largest market share in Africa, wigs made of 100% Kanekalon are widely known for their high quality.



Making Smiles in Africa

Over 30 years have passed since Kaneka Group started exporting fiber for hair accessory products. We are not just another raw materials manufacturer. We have built a relationship based on trust by being deeply involved with the market and offering products that fit our customers' needs. **P.16~17**
 We have also been donating part of our sales to the school meal program of the World Food Programme (WFP) since 2013, thereby helping improve school attendance rates of children in Africa. **P.18~19**

Improving Women's Quality of Life in Africa

Kanekalon, a Brand for Women Exploring Their Future

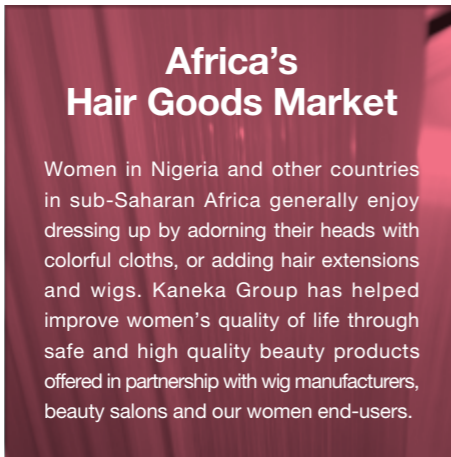
"When I was fitting a young girl with a wig for the first time in her life, her face lit up the moment she saw herself in the mirror, as if she was saying: *I can't believe this is really me!* It was also a wonderful moment for me.

Kanekalon is a brand that makes a difference to women exploring their future." (Yukiyo Oda, Technology Management Department, Kanekalon Division)

Kanekalon's wigs can be styled in various ways, because they are light, easy to braid and is naturally beautiful. The hairs of African women are difficult to comb through because of their curls; wigs enable them to realize their gorgeous and elegant self. In the spirit of helping women working hard toward their dreams, we held the Miss

Kanekalon beauty pageant in Nigeria in 2015. The winners, who were chosen based on the two selection criteria of inner and outer beauty, gave speeches about their ideas on African beauty and their dreams. "Forming the women's self-identities is the same as creating a culture. In the future, we plan to expand the Miss Kanekalon beauty pageant to cover the whole of Africa." (Koshi Imazu, Marketing Group II, Kanekalon Division)

From among more than 3,000 applicants, the top three winners are expected to actively work in many fields as Kanekalon brand ambassadors for one year.



Taking Root in African Countries, Supporting the Value Chain

Kaneka Group started cultivating the African market more than 30 years ago, in the early 1980s. An employee, staying at New York for a business trip, saw

Yukiyo Oda
Technology Management Department
Kanekalon Division



a Senegalese buying large quantities of Kanekalon wigs, and was prompted to fly to Africa to study the market. Confirming that there was a potential market in Africa, we entered the Senegalese market together with our business partner in the U.S. Today, we cover the market over the whole of sub-Saharan Africa in partnership with various wig manufacturers.

Kanekalon's business model is unique, as we have built our own value chain instead of just being upstream as a raw materials manufacturer. For hairdressers working in beauty salons, we hold training seminars on correctly assessing quality and new styling methods, and styling beauty pageants. For wig manufacturers, we have introduced new styles in the African market by providing advice on quality control and proposing plans for marketable products based on our market research.

Supporting Job Creation

Kaneka Group is joining hands with a group partner, a wig manufacturer in Kenya, who has been assisting local hairdressing schools for many years. "To deliver the message of Kanekalon's quality and attractiveness to end-users, it is

important to send out to the world more hairdressers with the right knowledge and skills. Training professionals in hairdressing schools also supports job creation and economic independence for the youth." (Yukiyo Oda)

Kaneka is also planning to start initiatives that are more deeply rooted in Africa as soon as possible. "In 2016, Kaneka Group will establish the Kaneka Africa Liaison Office. With the new base close to our partners and end-users, we can further collaborate with various stakeholders and capture the constantly changing trends in Africa to meet people's and community's various needs." (Koshi Imazu) We will further strive to be trusted by our stakeholders through new job creation and other efforts for the community while strengthening our value chain by offering products and creating frameworks to meet local needs.

Koshi Imazu
Marketing Group II
Kanekalon Division

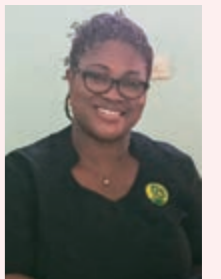


1 7 Yukiyo Oda and Koshi Imazu visiting local stores to explore market trends 2 3 6 Miss Kanekalon beauty pageant. Over 700 people from the hair industry and corporate partners attended, including hairdressers 4 Local hairdressers holding a Kanekalon product 5 A lively Ghana market 8 Smiling local woman wearing a Kanekalon wig

Stakeholder Message

"Kaneka is like family to us, spreading high-quality hair goods together."

The FC Group of Companies provides safe and high-quality beauty to Ghanaian women through the management of beauty salons and hairdressing schools, and production and sales of related products. Also, the beauty salon association, which I chair, is composed of about 100 salons, and endeavors to maintain and improve the standards of the beauty industry. Kaneka's wigs do not just provide a variety of styles to Ghanaian women; they also have a high-quality feel and do not easily fade and discolor under light. We trust Kaneka like family; they train local staff well and share useful information with us. We are looking forward to Kaneka's future products and services that will contribute to African women's health and beauty.



Ms. Grace Amey-Obeng
CEO, FC Group of Companies
President, Professional Cosmetologists and Beauticians Association of Ghana



©WFP/Rein Skullerud



©WFP



©Mayumi.Rui



©WFP/Rein Skullerud

As a WFP Corporate Partner

Since 2013, Kaneka has been supporting the World Food Programme (WFP) school meal program in Africa, where Kanekalon business operates.

Improving People's Living Standards Leads to Steady Business Growth

As a WFP corporate partner, Kaneka supports the school meal program in Sierra Leone, one of Kanekalon's markets.

By donating part of our sales of Kanekalon to this program, we supplied school meals to about 700,000 elementary school children in total from 2013 to 2015. We decided to continue our support for this program from 2016 until 2018. In areas where the elementary school dropout rates of girls are high, we are also providing rice and vegetable oil to girls whose families lack food.

We received the following feedback from a child in the elementary school supported by the program: "(Because of the WFP school meal program,) I can eat breakfast and lunch at school every day. I can concentrate in class and actively take part in the discussions. My grades are also better and I don't get sick. I am thankful for the WFP and its supporters."

Enjoying lives at school, studying and gaining knowledge allows the children to dream of their future. Dreams support children to grow up to play key roles in helping develop a future society. As a WFP corporate partner, Kaneka will continue to help improve the living standards in communities we operate, which will lead to steady growth of our businesses.



At the Japan Association for the World Food Programme, February 26, 2016

Sixth Stakeholder Dialogue (Summary)

Kaneka holds dialogues with various stakeholders to exchange different perspectives and opinions to deepen mutual understanding, and collaborate by sharing common issues.

On February 26, 2016, we held a dialogue with the Japan Association for the World Food Programme to discuss the importance of continuing support and their expectations from corporate support.



Kunio Suzuki
Executive Officer
Japan Association
for the World Food
Programme

"Solving social problems takes a long time. Continuous support is needed."

WFP works toward a world without hunger in Africa and various other regions. Almost none of its programs end in a single year. We are truly grateful to Kaneka for its long-term commitment to help the communities of Sierra Leone for a total of six years.

From Kaneka

We will continue our commitment to support the development of African countries in our own way, which we believe will strengthen the communities' trust on us and support our business growth.

Stakeholder Dialogue

The World Food Programme (WFP)

The World Food Programme (WFP) is the world's largest humanitarian agency fighting hunger worldwide, which is part of the United Nations, and is voluntary funded. The Japan Association for the World Food Programme is a certified nonprofit organization supporting it in Japan. WFP is in charge of logistics and telecommunication; in emergencies, aiming to bring food and other relief supplies to the field within 48 hours, with 70 airplanes, 5,000 trucks and 20 ships for this purpose.



©WFP/Hukomat Khan



©WFP/Lou Dematteis



Yuji Kotera
General Manager
Business Development
Japan Association
for the World Food
Programme

"We hope Kaneka will teach children about the situation on global food and hunger."

At an event held by one of our sponsor companies in Japan, we conducted a food tasting of the corn-based porridge supplied to the local people in Africa. Through the event children's attitude toward food changed: They had more appreciation for their food. I believe talking about the global food situation at corporate events also educates the children about food.

From Kaneka

At our 65th anniversary event held in 2014, we introduced the school meal program and conducted fund-raising activities. We will continue working on awareness programs in the future.

KANEKA at a Glance

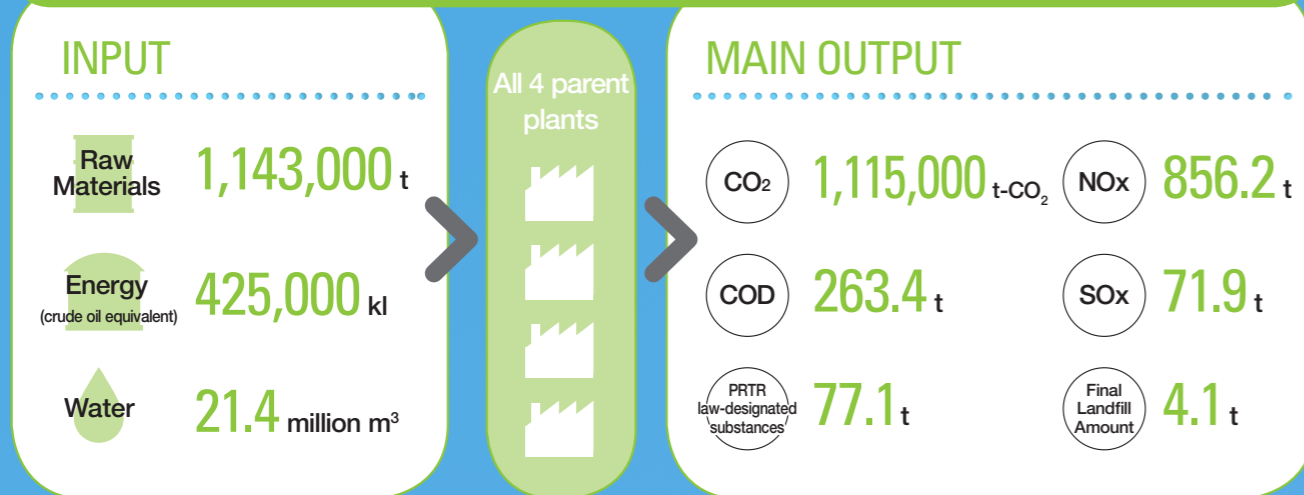
Further information on the data is available on our website.

Kaneka CSR [Search](#)

The results of our major CSR activities in fiscal 2015 are presented below.

Materials Balance (FY2015)

We summarized the resources and materials used and the emissions and products that resulted from manufacturing at all four parent plants in fiscal 2015.



Participants in Start-of-Day Emergency Drills

6,143

Implemented emergency drills especially for the safety confirmation sequence, calling out the names of participants and examining emergency hotlines.

▶ Safety and Disaster Preparedness

Support after the Kumamoto Earthquake

JPY 10 millions

Donated to aid people affected by the April 2016 Kumamoto earthquake in their recovery efforts. We also donated 1,000 sheets of Kanelite Foam insulation in response to a request from the area.

41

ISO 9001 Certification
divisions and group companies

Obtained the international certification for quality management to improve customer satisfaction.

▶ Parent and Group Company Certification

28.6%

Consolidated Payout Ratio

For the period ended on March 31, 2016, targeting a stable, consistent consolidated payout ratio of 30%.

▶ Dividend Policy and Information Disclosure



Energy Intensity

83.5

Energy saving efforts combined with increased production allowed us to reach our goal. We achieved an overall decrease of 2.9% from the previous year.

▶ Measures to Combat Climate Change

Environmental Investments

JPY 752 millions

Breakdown: Air quality: 44.8%, Work environment: 23.8%, Water quality: 19.6%, Noise reduction: 6.8%, Dust: 2.7%, Odor reduction: 2.3%

Total: 12.8 billion yen (FY2000-FY2015)

▶ Environmental Accounting

Final Landfill Disposal Rates

0.0007%

Of the 67,856 tons of total waste generated, only 4.7 tons were disposed of in landfill. This marks the tenth consecutive year of reaching our zero emissions goal.

▶ Reducing Waste and Preventing Pollution

CO₂ Emissions Intensity

77.8

For all four parent plants. We achieved our fiscal 2015 goal, far exceeding our fiscal 2020 goal of 74.

▶ Measures to Combat Climate Change

Participants in CSR Briefings

320

Since fiscal 2014, CSR Briefings have included Group companies in Japan. In fiscal 2015, we held briefings at 16 locations of six companies.

▶ Promoting Corporate Social Responsibility (CSR)

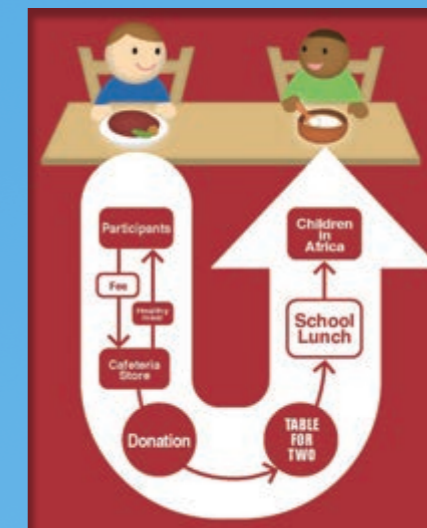


Initiatives for the Global Community

Six-year participation in TFT

Since 2010 we have participated in the Table for Two (TFT) program, with 20 yen per meal from each of the cafeterias at four business operation sites going to support school lunches in Africa.

▶ Initiatives for Local and Global Communities



Safety improvements in potential unsafe areas

90.6%

The Osaka Plant worked on logistics safety improvement, resulting in improvements in 48 out of 53 potential unsafe locations.

▶ Enhancing Sustainable Procurement

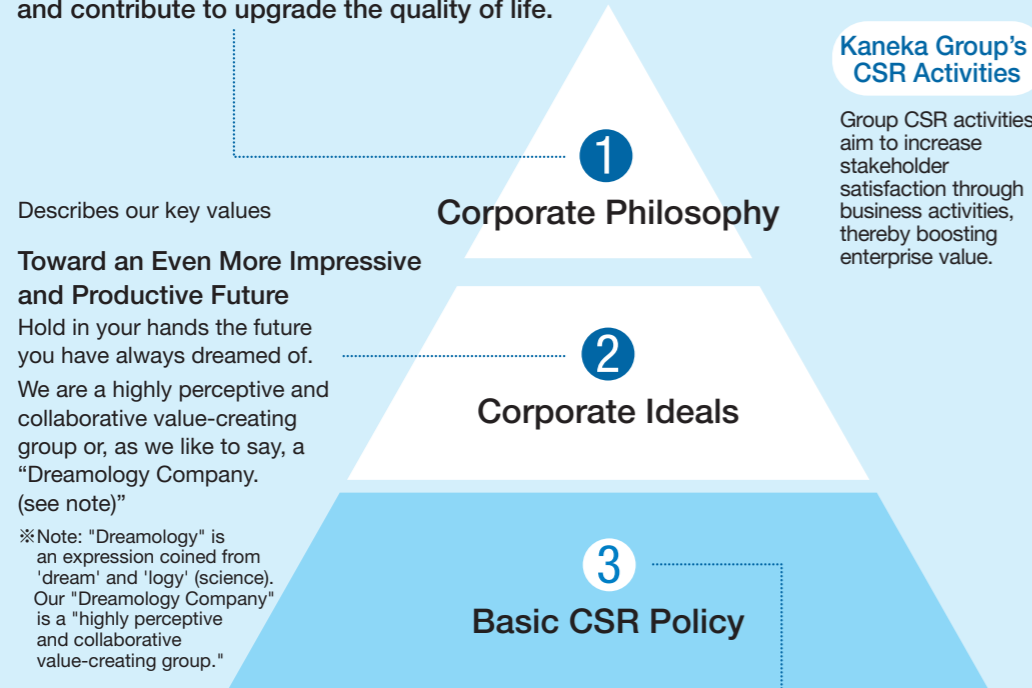
Our Corporate Philosophy and CSR

Kaneka Group defines its Basic CSR Policy as a guideline for action for each employee and the foundation of its management philosophy, the Declaration of Kaneka United. Guided by this policy, we strive to improve our social responsibility performance as well as our corporate value to further improve the satisfaction of our key stakeholders—employees, society, customers, the environment, shareholders and investors, and vendors.

Management Philosophy Structure “Declaration of Kaneka United”

Expresses our raison d’être and our social mission

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



Describes our key values

Toward an Even More Impressive and Productive Future

Hold in your hands the future you have always dreamed of. We are a highly perceptive and collaborative value-creating group or, as we like to say, a “Dreamology Company. (see note)”

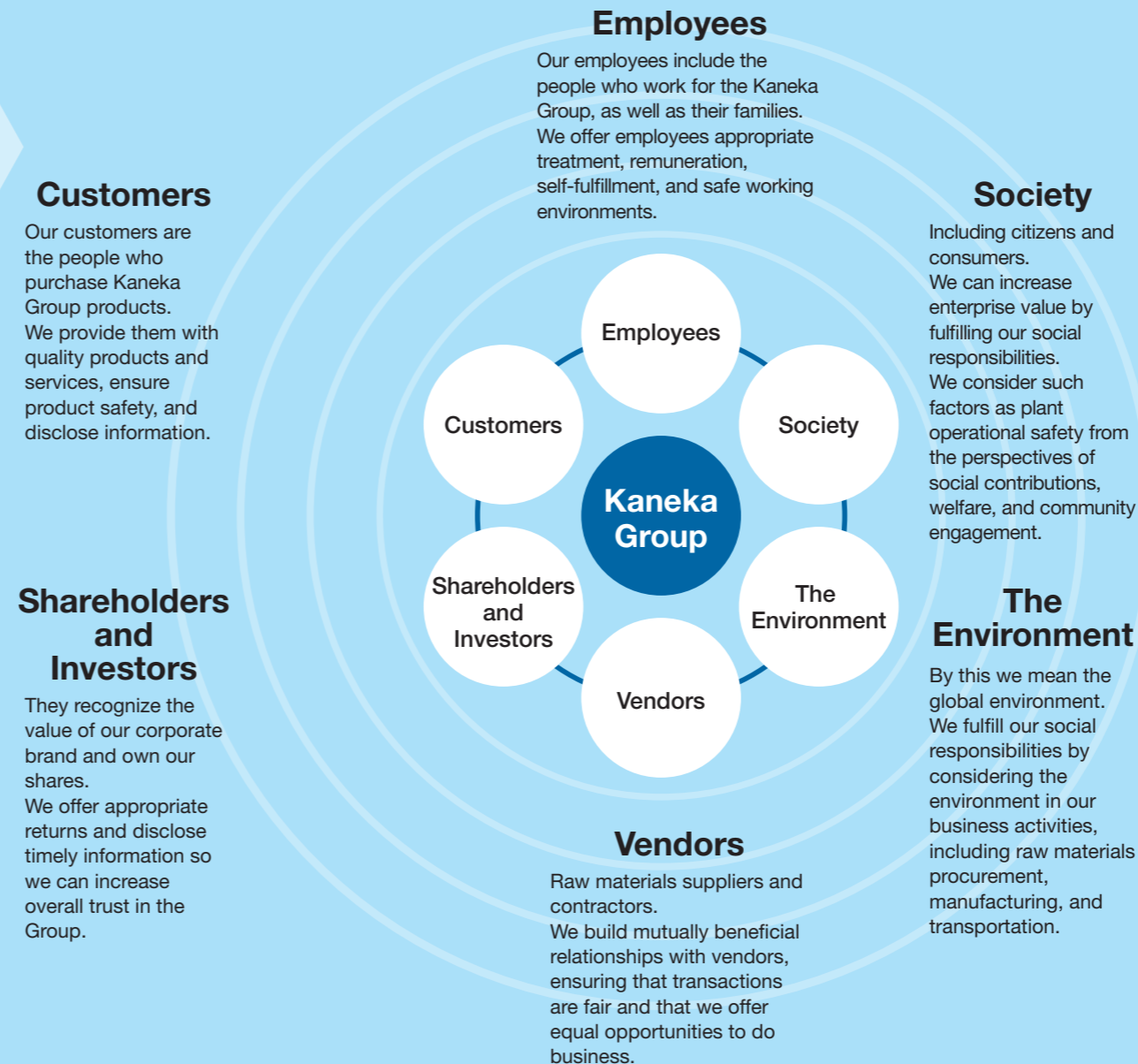
※Note: “Dreamology” is an expression coined from ‘dream’ and ‘logy’ (science). Our “Dreamology Company” is a “highly perceptive and collaborative value-creating group.”

Provides an action agenda for each employee for materialization of our Corporate Philosophy

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

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

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.

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.

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.

Implementing CSR

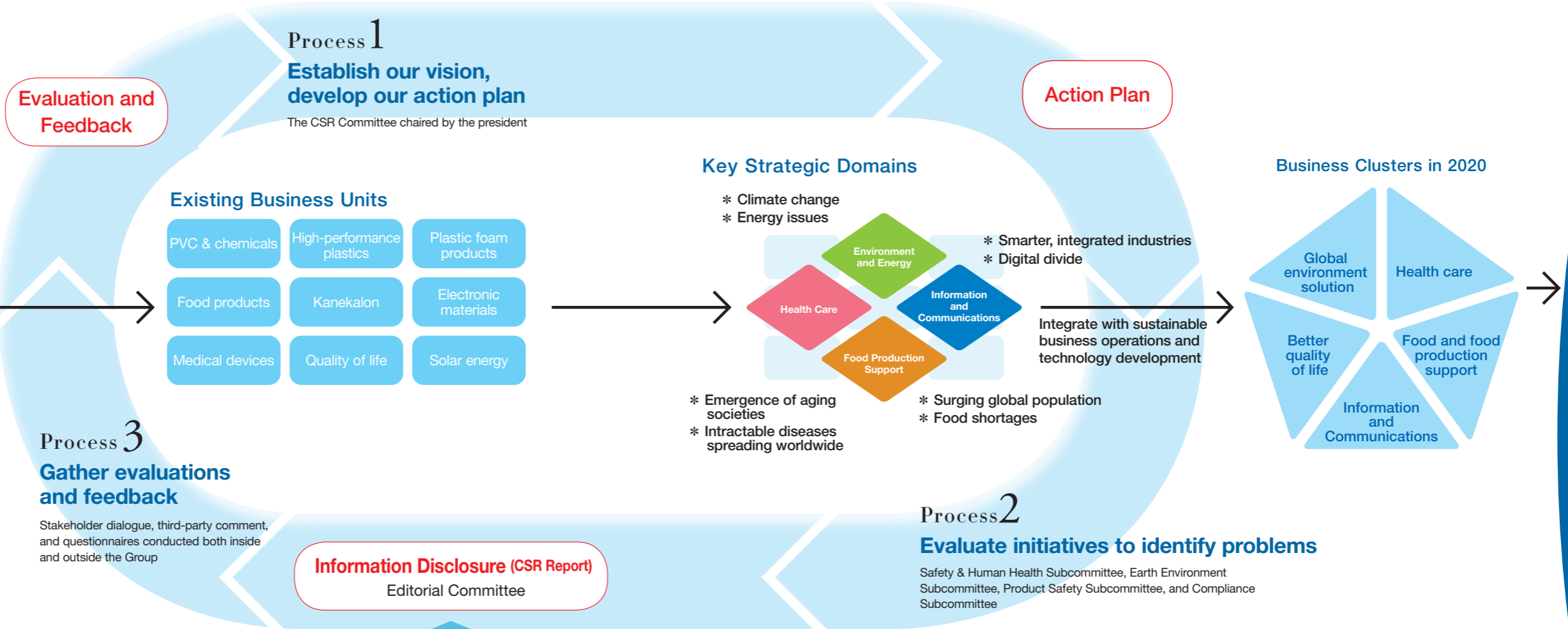
Kaneka Group established its CSR Committee (chaired by the president) to strengthen our strategies to fulfill our social responsibilities in a more coordinated manner. The committee formulates and updates our Basic CSR Policy, develops action plans for the entire Group, and assesses progress. Under supervision of the Committee, the following four subcommittees promote and implement our initiatives: the Safety and Human Health Subcommittee, Earth Environment Subcommittee, Product Safety Subcommittee, and Compliance Subcommittee. In fiscal 2015 the CSR Committee met twice, while the Safety & Human Health subcommittee met once and each of the Earth Environment, Product Safety, and the Compliance Subcommittees twice.



Our Initiatives for Social Responsibility

Through our CSR efforts, Kaneka aims to contribute to society as a corporate citizen. We have identified four key strategic domains through which we leverage our strengths, such as through our research and development efforts, to help solve societal challenges by offering new technologies and products. We are also guided by the goals of the United Nations Global Compact, which we joined in March 2015, and the Fourth Edition of the Global Reporting Initiative (GRI) guidelines.

Brand Concept
Make Your Dreams Happen



Realizing a Sustainable Society

Support for the United Nations Global Compact

The UN Global Compact is a voluntary code of conduct for corporations. Seeking to have a global impact through our business operations and CSR efforts, Kaneka Group actively shares information on our views and activities with our stakeholders and the international community, while continuing to contribute to sustainable growth for our world.

UN GLOBAL COMPACT
 Network Japan
 WE SUPPORT

Area	Icon
Human rights	Heart icon
Labour	Group of people icon
Environment	Leaf icon
Anti-corruption	Red X icon

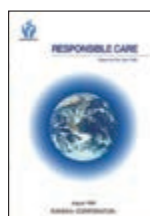
Social Concerns and Social Demands

United Nations Global Compact, Global Reporting Initiative (GRI) Guidelines, Responsible Care Global Charter, and others

History of Our CSR Efforts

1999
 Started publication of Responsible Care Reports

2009
 Created our long-term vision "Declaration of Kaneka United"
 Established the CSR Committee



The first RC Report



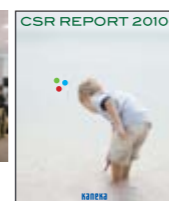
CSR Committee meeting

2010
 Disclosed information to stakeholders

2010
 Commenced publication of CSR Reports
 Convened the CSR Editorial Committee
 Began conducting internal and external questionnaires



CSR Editorial Committee meeting



The first CSR Report

2011
 Collected evaluations and comments from direct stakeholders

2011
 Started Stakeholder Dialogues
 Dialogues held with local governments, regional councils, university students (Kobe University), and others



Stakeholder dialogue held in November 2012 at Kobe University

2013
 Renamed the digest version of the CSR Report to the CSR Communication Book
 Strengthened the role of the publication as a tool for communication with stakeholders



CSR Communication Book

2015
 Responded to global social responsibility trends and growing social demands

2015
 Joined the UN Global Compact
 Introduced initiatives to implement the Global Compact's Ten Principles in four key areas

Established the CSR Division
 Further strengthened activities through direct supervision of the president



Joined the UN Global Compact Learning Forum

In March 2015, Kaneka Group became a signatory to the UN Global Compact. Since fiscal 2015, we have participated in the working groups of the Global Compact, which enables us to gather a wealth of information about CSR for our new initiatives through enhanced communication with other companies.

2016
 Renewed the CSR website
 Provided a wider range of information to stakeholders



CSR Website

Corporate Governance and Compliance

Corporate Governance Structure

1 Basic Principles of Corporate Governance

The Board of Directors, on behalf of the shareholders, is responsible for the company's sustainable growth and for increasing corporate value in the medium to long term through efficient and effective corporate governance. The Board of Directors exercises its oversight functions on overall management to ensure fairness and transparency, as well as appoint management positions, evaluate and determine remuneration, evaluate serious risks and determine strategies to counter them, and make the best decisions on important business operations.

2 Corporate Governance Structure

We currently have two independent external directors and two independent external auditors. Since both the overseeing of business operations by the Board of Directors and auditing by the Board of Auditors are functioning well, Kaneka has chosen to be a Company with Board of Auditors under the Companies Act.

The Board of Directors makes resolutions on important matters related to the management of the Kaneka Group after deliberation by the Management Committee, which includes the president. There are at most 13 board members. Of these, two are independent external directors to strengthen the oversight function. Directors serve for a period of one year to clearly define management responsibilities.

3 Internal Audit

Auditors and the Board of Auditors, on behalf of the shareholders, are responsible for ensuring healthy and sustainable corporate growth, and for establishing a structure with good corporate governance that can gain social trust by checking on the performance of directors in regard to their duties. The Board of Auditors comprises four members, two of whom are independent external auditors in principle, and performs audits in coordination

with the Accounting Auditor and the CSR Division's Internal Control Department. Auditors are given a space to periodically exchange views with the president, and monitor the state of business operations at least once a year, by attending key meetings of the Board of Directors and those of the Management Committee, which decides on the implementation of important matters, and division head meetings.

Moreover, independent external director's meetings are held and an appointment and remuneration advisory committee will be created as an ad-hoc committee to make full use of independent external directors.

Kaneka has adopted the executive officer system to separate the oversight function of directors from the implementation function of business operations, which also facilitates decision-making and clearly defines roles. The Board of Directors decides on key management strategies and business operations of the entire Kaneka Group, while executive officers handle business operations in their respective areas of responsibility.

Division heads, as well as executive officers appointed by the Board of Directors, exercise extensive authority over daily operations. However, directors handle several divisions to ensure overall coordination and hold monthly division head meetings to enable the directors and auditors to directly hear progress reports from each division head. The Internal Control Department of CSR Division evaluates the effectiveness of internal control and conducts an internal audit.

4 Corporate Governance and CSR

Chaired by the president, the CSR Committee was established to ensure that we adhere to laws and regulations, are accountable to our stakeholders, and are engaged in activities that contribute to sustainable social progress. The CSR Division was created in April 2015 as a division that directly reports to the president to reinforce CSR initiatives.

Guided by our Corporate Vision, we at Kaneka aim to fulfill our corporate social responsibility and achieve good corporate governance, which will allow us to provide shareholders and investors with sustained corporate growth and improved corporate value over the medium and long term, while maintaining good relationships with our stakeholders, including our customers, the communities where we operate, our business partners, and our employees.

Compliance

Compliance with relevant laws and regulations is important to our corporate management as well as to all directors and employees at the Kaneka Group. Our corporate Intranet provides ready access to our Compliance Guidebook, which provides a clear explanation of our Ethical Code of Conduct as well as the laws and regulations to be observed by all of our directors and employees. Additionally, a variety of training sessions and meetings, and activities of the Compliance Subcommittee ensure that we strictly adhere to our compliance policies.

The compliance online course for all employees, launched in 2014, was also conducted during fiscal 2015, and in fiscal 2016 it will be extended to Group companies in Japan.

Training sessions on the Antimonopoly Act are conducted regularly with all of our managerial officers involved in sales, purchasing, and business development,

all of whom are required to submit a pledge. Additionally, CSR evaluation audits were carried out for all Group companies in Japan, the U.S. and Europe. We also started site visits of Group companies in Japan for antitrust-related training.

Moreover, we set up compliance consultation hotlines both internally and with outside law firms in order to answer inquiries from those within the Group. We strive to respond quickly to provide a rapid resolution to any concerns that may arise.



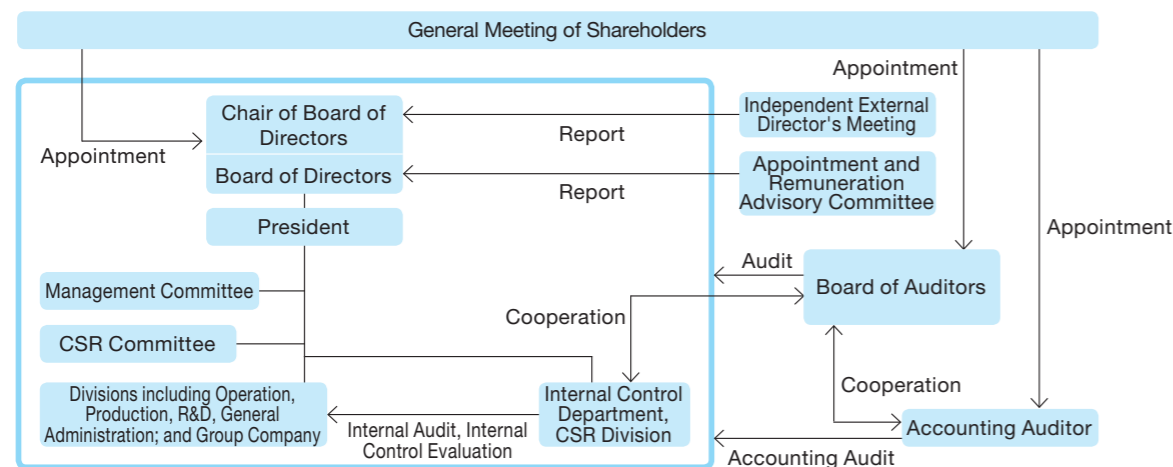
A compliance training session

Basic Policy on Our Internal Control System

Systems for ensuring proper execution of duties by the Board of Directors and employees adherence with laws, regulations and articles of incorporation.

- 1 Appointment of a minimum of two independent external directors to strengthen the supervisory function of the Board of Directors.
- 2 Establishment of an Appointment and Remuneration Advisory Committee as an advisory committee to the Board of Directors in order to ensure sound corporate governance practices.
- 3 Facilitation of an independent external director's meeting, comprised of independent external directors and independent external auditors, to discuss corporate governance-related matters, and to report to the Chair of the Board of Directors any issues and improvement measures.
- 4 Establishment of the CSR Committee, chaired by the president, to lead our CSR efforts and Responsible Care activities.
- 5 General responsibility of the Compliance Subcommittee, which falls under the CSR Committee, to oversee the Group's corporate ethics and compliance programs and procedures; including coordinating programs; monitoring progress; verifying business compliance, establishing and operating appropriate consultation and creating a whistleblowing mechanism.
- 6 Consolidation of special bodies to oversee programs to address company-wide issues, including the subcommittees under the CSR Committee, namely the Safety & Human Health Subcommittee, the Earth Environment Subcommittee, and the Product Safety Subcommittee.
- 7 Relevant internal regulations to ensure compliance with laws; and education and training programs, self-checks and audits to ensure such regulations are fully understood and complied with.
- 8 Implementation of strict measures to ensure that the Group as a whole has absolutely no relationship with any anti-social elements, as well as to reject any illegal or improper demands. In addition, we established an in-house office that is responsible for the collection and management of relevant information and that cooperates with external organizations, including the police, to undertake and strengthen measures to prevent the influence of any anti-social elements.
- 9 Undertaking of the necessary monitoring activities by the Internal Control Department to ensure the reliability of financial reporting, as well as put in place internal controls over financial reporting.

Corporate Governance Structure



We disclose information about our corporate governance on our website.



Basic policy on corporate governance



Corporate governance report



Independence standards for external directors



Basic policy on our internal control system

KANEKA GROUP TOPICS

Report on the Kaneka Group's CSR initiatives in fiscal 2015.

Soil Blocks work behind the scenes. Although unseen, they support roads and reclaimed land as embankment material



TOPICS 01 [Tohoku Recovery Support]

Supplying Polystyrene Foam to Reconstruct Roads in Tohoku

In areas affected by the 2011 earthquake and tsunami in Tohoku, Japan, many roads are still waiting to be restored. In such cases, it is important to quickly restore strong, resilient roads economically. Kaneka Kentech Co., Ltd. supplies Soil Blocks to these road reconstruction projects. Soil Blocks are large polystyrene foam blocks made for civil engineering works. They are water resistant and strong enough to withstand structural loads while being light, and are particularly effective for embankment works on soft ground and steep slopes. Formed by expanding 1-mm diameter particles to 50 times their size, they are also environmentally friendly. With the use of lightweight Soil Blocks, road subsidence due to heavy weight can be avoided. They are also easy to work with, making it possible to shorten the construction period. In the long term, Soil Blocks enable an economical construction method

by saving a lot of time and effort for repair. We have supplied Soil Blocks for up to 100,000 m³ of reconstructed roads, particularly those on soft ground. Road reconstruction helps disaster-affected areas by providing routes for emergency evacuation and goods transport, and creating tourist routes. Through such products and technology, we look forward to contributing more to the recovery efforts.



Kazuhiko Kurobe
Soil Environment Division
Kaneka Kentech Co., Ltd.

TOPICS 02 [Acting on Climate Change]

Group of Materials Help Lighten Vehicles

Amid the trend for tackling climate change, automakers' efforts to reduce vehicle weight are increasing as they strive to cut CO₂ emissions by improving fuel efficiency. The use of plastics for auto parts is one such example. Kaneka's resin products have been used to make plastic for various auto parts because of their exceptional heat resistance, strength and moldability. Recently, they have also been noted as excellent lightweight materials.

For example, the engineering resin for injection molding, Kaneka Hyperite JP, is used widely for its low liner thermal expansion (elasticity) properties and dimensional stability to lighten the exterior parts such as slide rail covers, rear spoilers and pillar garnish. Also, a molding method for polypropylene foam made using the bead method, Eperan PP, was successfully developed to achieve high strength while being lightweight, and is now used for lighter interior seats. We also developed a modifier to enhance the

toughness of epoxy resin, Kane Ace MX, and other modifier to improve the moldability of polypropylene-based resin for further lighten vehicles. In January 2016, we showcased our unique technological solutions at the Automotive Lightweight Technology Expo in Japan. We will continue the material development to satisfy the sophisticated needs of customers and to contribute to the sustainable society.



The red areas show where Kaneka products are used (bumper, dashboard and seat core material)



Letting children experience the "wonders of science"

TOPICS 03 [Support for Raising the Next Generation]

Participating in the 2015 Children's Chemistry Show

The Children's Chemistry Show, a Chemistry Day event for experimenting with chemistry, was held at the Kyocera Dome in Osaka on October 24 and 25, 2015, and was sponsored by the Dream Chemistry 21 Committee. Chemistry Week celebrations are held annually during the week of October 23, the date of Chemistry Day, which commemorates the Avogadro constant (see note 1).

Note 1: The proportionality factor that relates the amount of substance in one mol and the number of constituent particles (molecules, atoms, ions, etc.) it contains. It is named after the Italian chemist Amedeo Avogadro.



Children make their "one and only eraser in the world," listening closely to the explanation of the staff

This was the third show held in the Kansai region, with the first two shows held in 2014. Around 4,300 people attended the two-day event, with approximately 330 children visiting Kaneka's booth for eraser making. The children were given 25 minutes each to experiment with creating their "one and only eraser in the world" in three different colors. Drawing on the assistance from the staff, the children and their parents were absorbed in making their very own eraser. We will continue to show children the power of science through the wonders of chemistry. We look forward to continuing our support for educating the next generation at the next Children's Chemistry Show to be held in Kansai in fiscal 2016.



Employees of Your Health Care Co., Ltd., a mail-order company selling functional food items (from left: Hiromi Tomioka, Ikuko Miyake and Ayako Yoneda)

licorice root, extracted using our own unique technology, to produce the functional food item licorice extract containing 3% Glabridin (product name: Kaneka Glavonoid). This product helps consumers maintain a healthy lifestyle; it has been scientifically demonstrated to assist with improvements in BMI (see note 1) by reducing excess visceral fat, which is known to contribute to various diseases.

As a mail-order sales company of dietary supplements such as reduced foam of coenzyme Q10, Your Health Care aims to further promote a healthy society in the future by increasing its product line of scientifically reliable FFC products.



The functional food Glavonoid, available since 2011, was recently re-labeled as a Foods with Function Claims product

In recent times consumers have been increasingly seeking products to improve their health and quality of life. In support of this trend, in April 2015, Consumer Affairs Agency, Government of Japan introduced a new labelling system for Foods with Function Claims (FFC), in addition to the existing programs for Foods for Specified Health Uses and Foods with Nutrient Function Claims. In September 2015, Your Health Care Co., Ltd., a Group company, began mail-order sales of Glavonoid as a Foods with Function Claims product. Glavonoid is a supplement containing fat-soluble polyphenols derived from

Note 1: Body Mass Index (BMI) is a numerical value used to indicate the degree of obesity: BMI = (body weight [in kg]) ÷ (height [in m])². The Japan Society for the Study of Obesity defines a standard BMI as being between 18.5 ~ 25, with a value of 25 or higher indicating obesity.

TOPICS 04

[Contributing to Improved Quality of Life]

Functional Food Products to Help Lower BMI

TOPICS 05

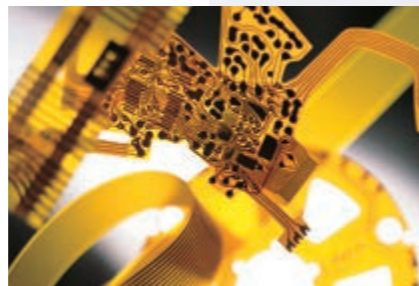
[Helping Innovate Digital Device Technology]

Polyimide Film Wins the 47th Ichimura Prize

Kaneka Group conducts R&D on materials to meet the growing need for enhanced performance and smaller and slimmer information devices arising from the evolution of electronic products.

One such material is our ultra-heat-resistant polyimide film, Pixeo, which was developed using our unique manufacturing process. Widely used primarily in flexible printed circuit boards (FPC) for smartphones and tablets, it is more reliable than previous FPC and makes slimmer devices possible.

The three engineers involved in developing Pixeo were awarded the 47th Ichimura Prize in Industry from the New Technology Development



Foundation (see note 1), in recognition of their development of a groundbreaking technology and its commercial success. In addition, the product was developed using Pixeo and Apical, with the European Organization for Nuclear Research (CERN) from Kaneka and then Kaneka

High-performance film boasting top performance in heat (400°C) and cold (-180°C) resistance among commercially available plastic films

High-Tech Materials, Inc. receiving the 61st Award of the Society of Polymer Science, Japan. As one of our key strategic domains, we will continue actively pursuing research and product development related to the information and communications field.

Note 1: The Ichimura Prize is awarded to technological developers for achievement in developing outstanding technology in Japan that contributes to the advancement of science and technology, industrial growth, improving culture and national welfare and safety.

TOPICS 06

[Providing Global Product Technology Reflecting Local Needs]

Establishing a Three-Hub Structure from America and Asia to Europe

Kaneka Group recognizes the importance of global businesses rooted in local communities. In October 2015, the Group established Kaneka Europe Holding Company N.V. in the Belgian capital of Brussels, as its regional hub for Europe, Africa and the Middle East. The hub is mainly engaged in studying and planning regional business strategies, R&D,

human resources, legal affairs and governance, and to enhance those functions and promote our business operations in the region. Before this, we have established Kaneka Americas Holding, Inc. in the U.S. and Kaneka Asia Co., Ltd. in China as regional hubs in 2012. With this current addition in Europe, we now have a three-hub global

structure. This brings us steadily closer to realizing our Basic CSR Policy to strive to fully understand the cultural backgrounds, manners and customs of the countries and regions where we do business as a means of actively contributing to local societies and communities.

Aiming to increase sales in the Middle East and Africa with regional hub establishment



Kaneka Eperan (Suzhou) employees learn first hand the danger of an accident on a device to experience a hand becoming caught



HiHua Fiber employees experience the danger of falling

TOPICS 07

[Toward a Safe Manufacturing Site]

Expanding Sensory Learning to Group Companies in China

Sensory learning is a safety-training program to improve danger sensitivity by safely experiencing accidents and hazards in the workplace. The danger of accidents and hazards are physically felt by trainees through simulating a hand accident using a gloved dummy arm at the end of a stick or showing experiments on accident mechanisms of dust particle explosions.

From 2015, we began sensory learning at three company sites in China: HiHua Fiber Co., Ltd., Kaneka Eperan (Suzhou) Co., Ltd., and Kaneka (Foshan) High Performance Materials Co., Ltd. "It deeply

impressed in me that 'always' staying safe is important. Carelessness is the enemy of safety." (Shu Jing, HiHua Fiber) "I learned the importance of keeping safe." (Ya Yun Feng, Kaneka (Foshan)) "Safety means protecting yourself. Avoiding injuries due to inattentiveness means protecting the company." (Niu En Ling, Kaneka Eperan (Suzhou)) Repeated training is important to improve and maintain safety consciousness. We are committed to creating a culture of safety by continuous sensory learning in the future.

Kaneka CSR Activities: Achievements and Evaluations

The achievements and evaluations of our CSR activities are displayed below. (Further information is available on our website).

CSR Achievements, and Evaluations

● Well above target ○ Achieved/almost achieved
 △ Not achieved × Significantly underperformed

Key Stakeholder	Item	Fiscal 2015 Achievements	Evaluation
All Stakeholders	CSR Management	Bolster Governance and Compliance	○
		CSR Implementation	○
	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	○
		Reduction of Industrial Waste	○
		Reduction of Volatile Organic Compound (VOC) Emissions	○
The Environment	CSR Management	Management CSR Safety and Quality Inspection	○
		Reinforce Risk Management	○
	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	○
		Reduction of Industrial Waste	○
		Reduction of Volatile Organic Compound (VOC) Emissions	○
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	○
	Chemical Substance Management	○	
Vendors	Proper Procurement	Green Procurement	○
		Bolstering Distribution Safety	○
Shareholders and Investors	Timely and Appropriate Disclosure	○	
		○	
Society	Improving Communication with Society	○	
		○	
Society	Reinforcing Process Safety and Disaster Prevention	△	
		△	

Key Stakeholder	Item	Fiscal 2015 Achievements	Evaluation
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	○
		Work-life Balance	○
		Labor and Management Relationships	○
	Reinforcing Occupational Safety and Health	Respect for Human Rights	○
		Occupational Safety	△
	Management Systems	Occupational Health	○
		Management Systems	○

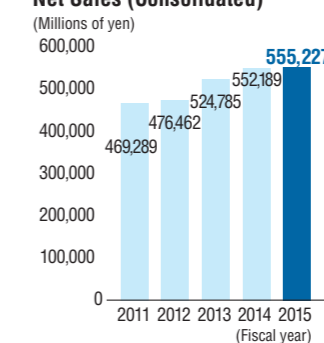
*1. Energy intensity index is a numeral value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990 as 100.
 *2. The transport related energy intensity index is a value indexed against the energy intensity of fiscal 2006, the baseline year (=100).

Kaneka Group Profile

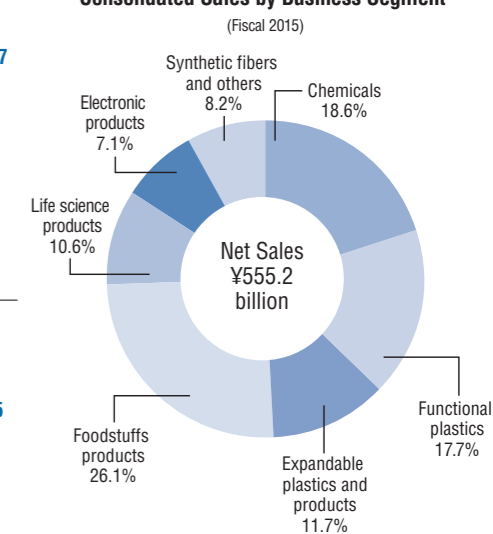
Corporate Profile

Name KANEKA CORPORATION
Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan
Osaka Head Office Tel: +81-6-6226-5050 Fax: +81-6-6226-5037
Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, 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, 2016)
Facilities in Japan Sales Office Nagoya
 Plants Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes Frontier Materials Development Laboratories, Medical Device Development Laboratories, Biotechnology Development Laboratories, Photovoltaic & Thin Film Device Research Laboratories, Molding & Processing Development Center, Thin-Film Process Technology Development Center, and Process Technology Laboratories
Overseas Facilities U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, Brazil, and others
Kaneka Group 104 subsidiaries (including 40 (in Japan) and 35 (outside Japan) consolidated subsidiaries)

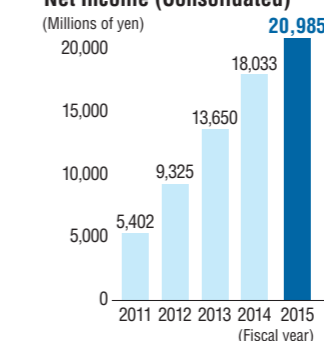
Net Sales (Consolidated)



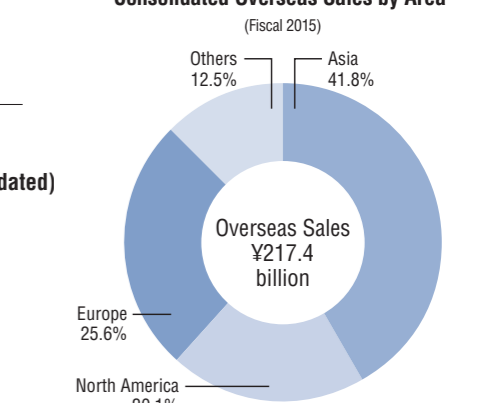
Consolidated Sales by Business Segment



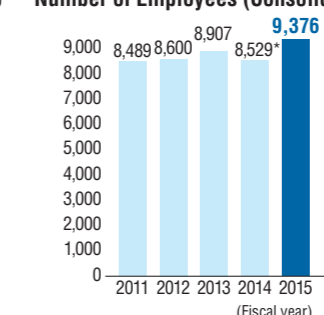
Net Income (Consolidated)



Consolidated Overseas Sales by Area



Number of Employees (Consolidated)



*From fiscal 2014, we changed the basis on which we calculate the number of employees at Group companies (excluding temporary employees).

Third Party Comment on the 2016 CSR Report



Chieko Minami

Professor of Marketing, Graduate School of Business Administration, Kobe University

Graduated from the Faculty of Letters, Kobe University. Completed a Master's Degree in Communication from Michigan State University. Completed a Master's Degree at the Graduate School of Business Administration, Kobe University. Withdrew from the Doctoral Course. Formerly an associate professor at the Faculty of Economics and Business Administration, Yokohama City University before assuming current post. Doctor of Commerce. Specializes in the field of marketing.

“I look forward to a more accessible CSR Report to provide full disclosure to stakeholders.”

Ten years have passed since Japanese businesses formally adopted corporate social responsibility (CSR). As a concept that originated overseas, CSR is still experiencing difficulties in taking root in corporate Japan as few companies can fully visualize its ideal implementation.

The report clearly directs the Kaneka Group's CSR activities toward social contribution through its business operations, and explicitly shows this by focusing on key strategic domains where the Group can exhibit its strength. This is particularly evident in the accessibility and readability of the digest version, the CSR Communication Book.

Special Features that Go Straight to the Heart

The special feature on food production support in particular, presents the familiar topic of food, which is also of great concern to society. Obscure scientific technology, such as how the new fertilizer promotes higher crop yield, or how anti-freeze ingredients retain the quality of frozen foods, are explained with illustrations and combined with feedback from employees, all of which clearly convey Kaneka's contributions to the food industry. In the special feature on Kanekalon business, which has valued local community ties in Africa for more than 30 years, the Group's support and dialogue on the WFP school meal project for local children demonstrates a regional community engagement that goes beyond mere donation and is grounded in local needs. The positive effects on the wig culture there and women's self worth are also visually and concretely expressed through the Miss Kanekalon contest and other initiatives. All of these create a favorable impression of the Kaneka Group's CSR activities.

I would also like to give special mention to Kaneka's

environmental data (the full report is available on the website). Manufacturing industries inevitably have an impact on the environment at every step of the production process, from raw material procurement to production and distribution. Kaneka is to be commended for continually disclosing activities that reduce its environmental impact using well-organized data through the "Materials Balance in Production Activities." Going forward, I hope to see Kaneka continue to present to stakeholders its sustained efforts on CSR initiatives together with precise evidence based on data.

Improvements to Enhance Communication

The discussion on regenerative medicine and cell therapy on the first section is somewhat lacking. Given that this is a very high-profile social issue, there will certainly be more interest on the topic from stakeholders. This article would have benefited from a more comprehensive approach to addressing the topic.

In "KANEKA at a Glance" there is an emphasis on data relating to the year's CSR activities. However, the implication and corresponding evaluation of these figures was not evident in the article. It was an interesting way of expressing data visually but there is room for improvement in terms of the presentation.

Although CSR reports from various corporations can be obtained, people refrain from reading reports that are too voluminous or contain too much information. Whatever the medium, these reports will not be effective if they are not read. Addressing stakeholder interests and making more accessible reports are crucial in information disclosure. Along with more substantial content, I look forward to Kaneka's ongoing efforts to improve its CSR report from this perspective.

Suggestions and Improvements from the 2015 Version

We made the following improvements in response to Professor Minami's suggestions for the 2015 version.

1

Kaneka needs to explain its criteria for establishing its CSR activity targets and self-assessments.



We endeavored to present the context for our target criteria by adding more quantitative assessments in the report, particularly for data related to human resources and our Responsible Care initiative.

2

Kaneka needs to show how it engages with the international community as a signatory to the UN Global Compact.



The Kaneka Group's commitment to the UN Global Compact is integrated into the Group's CSR activities as described in the section "Our Initiatives on Social Responsibility", and is further reported in the main initiatives for fiscal 2015.

Response to Third Party Comment



Personal talk with the CSR Committee head

In the 2016 CSR Report, the structure of the digest version was modified to strengthen communication with stakeholders.

In particular, near the beginning of the report, we highlighted special features on food production support and health care as our social contribution through business activities from among our various key strategic domains. These articles contain the concept for and significance of each initiative, together with messages from stakeholders. Through dialogues and discussions, we drew out people's wishes and needs, and made an effort to present them in the section "Fulfilling dreams."

In addition to commending some of our initiatives, Professor Minami also provided advice on several areas for improvement, such as including additional content on high-profile social issues, and providing the implication and corresponding evaluation of numerical data presented for our CSR activities. We will implement these recommendations in the next report to better communicate our efforts.

Our goal is to continue reporting specific CSR initiatives through business activities to all our stakeholders, and to address their concerns by producing a CSR report that provides full disclosure. We would appreciate any comments, suggestions, corrections or other feedback on any information contained in this report. Finally, thank you to all our stakeholders for taking the time to read this report.

Administration Office CSR Committee
Kaneka Corporation

From the Editorial Team

This Communication Book was prepared to communicate to our stakeholders around the world the highlights of Kaneka's CSR activities. The opening section describes how we strive to respond to our stakeholders' expectations based on communication with them, and our unique approach to offer new value.

Many of our employees appear in the Special Features and Topics sections to highlight each key role they play in communication.

The Two Special Features present how we at the Kaneka Group are working on food production support and health care—two of our four key strategic domains—in our core businesses.

The section on Our Initiatives for Social Responsibility shows how we have implemented our CSR activities focusing on the businesses in the Group's key strategic domains as well as the history of our CSR efforts.

All disclosed information is available on our website. For more information, please visit: <http://www.kaneka.co.jp/kaneka-e/csr/>

Organizations Covered in This Report

This report covers Kaneka Corporation and

its consolidated subsidiaries both in Japan and other countries. The data on Responsible Care activities encompass the parent and all 43 Group production subsidiaries. In this report, "Kaneka" refers specifically to Kaneka Corporation. "Kaneka Group" encompasses Kaneka Corporation and Group companies (its consolidated subsidiaries). References to "Group company/companies" do not include Kaneka Corporation.

Languages

This report is available in Japanese and English.

Third-Party Verification and Opinions

The Japan Chemical Industry Association verified the Responsible Care data in this report. Professor Chieko Minami of the Graduate School of Business Administration of Kobe University provided a third-party opinion on the overall content of the CSR Reports, following the 2015 version.

Period Covered

Fiscal 2015 (April 1, 2015 to March 31, 2016). In some cases, reporting covers activities before or after fiscal 2015.

Published

September 2016

Publication of the Previous Report

September 2015

Next Report

Scheduled for September 2017

Reference Guidelines

The G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the Environmental Reporting Guidelines (2012 edition) issued by the Ministry of the Environment of Japan.

Inquiries

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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.