



Environmental Accounting

At Kaneka, we calculate environmental conservation costs (investments and expenditures), environmental conservation effects (in units of physical quantity), and the economic effects (in monetary units) associated with environmental conservation measures for Kaneka Corporation and our domestic group companies on a consolidated basis.

The totals for fiscal 2008 are as follows.

Results of Environmental Accounting for FY2008

Method of Analysis: Analyzed based on the "Environmental Accounting Guidelines 2005" issued by the Ministry of the Environment of Japan and other references. (Partly modified in view of Kaneka's environmental accounting policies.)

- Environmental conservation costs: Investment and expenditure were totaled separately.
- Economic effects associated with environmental conservation measures: Items such as "deemed effects", "windfall effects", etc. are not included.

Environmental Conservation Costs (Monetary Units)

Unit: million yen

Classifications	Major Efforts	FY2007				FY2008			
		Kaneka Corporation		Consolidated basis		Kaneka Corporation		Consolidated basis	
		Investment	Expenditure	Investment	Expenditure	Investment	Expenditure	Investment	Expenditure
Cost within business area		1,395	4,957	1,498	5,470	656	5,143	792	5,627
(1) Pollution prevention cost	Air and water pollution prevention		3,036		3,271		3,143		3,322
(2) Global environmental conservation cost	Prevention of global warming (energy-saving measures, etc.)		—		—		—		—
(3) Resource circulation cost	Waste processing, recycling, reduction		1,921		2,199		2,000		2,303
Upstream/downstream cost	Recycling, collection and processing of products, etc.	0	193	0	257	0	200	0	258
Management activities cost	Environmental education for employees, environmental impact monitoring/measurement, etc.	0	399	0	418	0	363	0	398
Research and development cost	Research/development of products contributing to environmental conservation, etc.	—	2,110	—	2,110	—	2,236	—	2,236
Social activities cost	Greening, conservation of scenic beauty, disclosure of environmental information, etc.	0	59	0	68	0	58	0	66
Environmental damage cost	Environmental conservation dues (SOx dues)	0	9	0	39	0	8	0	37
Total		1,395	7,727	1,498	8,362	656	8,008	792	8,622

Note: Totals for fiscal 2007 include Kaneka and domestic group companies (26 companies) and totals for fiscal 2008 include Kaneka and domestic group companies (25 companies). However, research and development costs and global environmental conservation costs are not included in these totals.

Environmental Conservation Effects (Physical Quantity Units)

Classifications	Measures	Items	Unit	FY2007	FY2008	Difference	Additional Information
Pollution prevention	Reduction of hazardous air and water pollutants	SOx emission	tons	65.5	64.3	△ 1	P.23
		NOx emission	tons	725.0	699.3	△ 26	P.23
		COD	tons	322.3	240.1	△ 82	P.23
		PRTR chemical emission	tons	135.9	76.6	△ 59	P.19
Global environmental conservation	Reduction of greenhouse gas emission	CO ₂ emission	tons	1,102,000	1,054,000	△ 50,000	P.22
	Energy conservation	Amount converted based on crude oil	kL	486,000	441,000	△ 50,000	P.21
Resource circulation	Reduction of final landfill	Amount landfilled	tons	83	70	△ 13	P.24
	External recycling	Amount recycled	tons	47,477	40,753	△ 6,724	P.24

Note: These totals are only for Kaneka Corporation.

Comments About Our Fiscal 2008 Results

For our environmental conservation costs (Kaneka Corporation expenditures), compared to the previous fiscal year, research and development cost increased about 130 million yen and pollution prevention cost increased about 110 million yen due to strengthened measures to prevent air pollution by toxic substances and other efforts. In total, our environmental conservation costs increased by ¥280 million compared to the previous fiscal year.

Among environmental conservation effects (in units of physical quantity), our emissions of PRTR substances decreased by 59 tons compared to the previous fiscal year, and the amount of waste that was subject to final landfill disposal also decreased further due to our efforts to realize zero waste emissions.

Economic Effects Associated with Environmental Conservation Measures (Monetary Units)

Unit: million yen

Measures	FY2007		FY2008	
	Kaneka Corporation	Consolidated basis	Kaneka Corporation	Consolidated basis
Revenue by recycling	115	202	56	162
Cost reduction by resource conservation and improvement in unit per volume	553	722	515	709
Waste disposal cost reduction by recycling	12	67	29	53
Cost reduction by energy conservation	347	427	60	156
Total	1,027	1,419	660	1,080

Note: Totals for fiscal 2007 include Kaneka and domestic group companies (26 companies) and totals for fiscal 2008 include Kaneka and domestic group companies (25 companies).

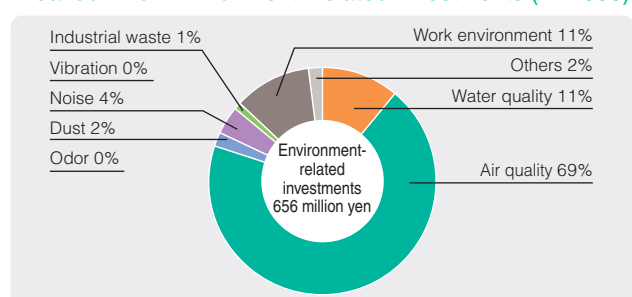
Trend in Environment-Related Investment

Among our investments related to the environment for fiscal 2008, 69% of the total was for improved equipment for the prevention of air pollution and other atmosphere related expenditures. The next largest investments were related to working environments and water quality with each area accounting for 11% of the total.

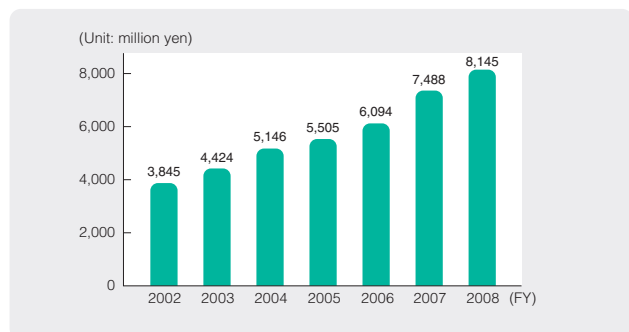
The nine-year cumulative total of investments related to the environment since fiscal 2000 has reached about 8.1 billion yen.

Amongst our investments, air quality (52%) has been the largest category, followed by water quality (21%) and industrial waste (10%).

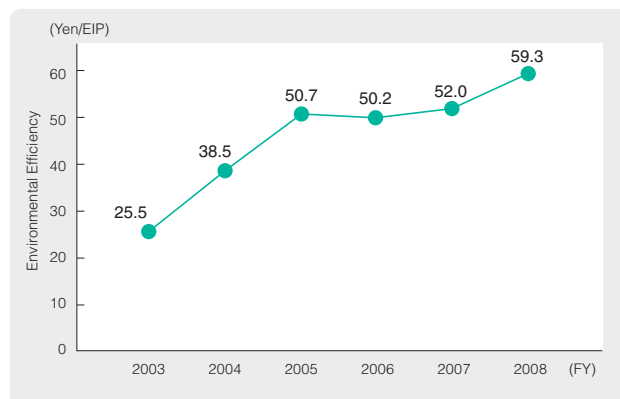
Breakdown of Environment-Related Investments (FY2008)



Cumulative Environment-Related Investments



Environmental Efficiency



Environmental Efficiency Indexes

Kaneka's Environmental Efficiency

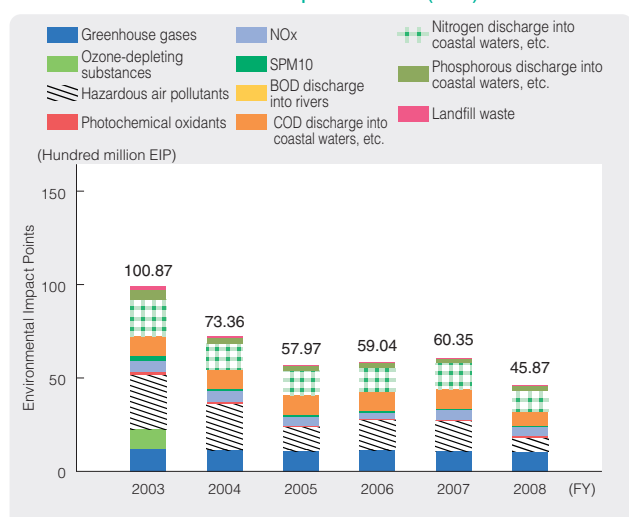
We are striving at Kaneka to make the environmental impacts generated by our production activities as small as possible. The results of our efforts have been evaluated using the JEPIX¹ method to determine the total environmental impacts as an Environmental Impact Point (EIP) score.

From the perspective of realizing a sustainable society, we are also evaluating our environmental efficiency² using EIP.

In fiscal 2008, we were able to lower our EIP by reducing the amounts of emissions of harmful pollutants into the atmosphere and nitrogen into the ocean. We were able to improve our environmental efficiency even as we were swept up in the global economic recession and our sales declined.

In the future, we will focus our efforts on environmental impact items that have a large effect on EIP and improve our environmental efficiency.

Kaneka's Environmental Impact Points (EIP)



- 1: JEPIX (Japan Environmental Policy Index) method: An "eco-factor" coefficient is calculated for each environmental impact substance from the ratio of the annual emissions amount targeted by the Japanese national environment policy to the actual amount of annual emissions (distance to goal). The eco-factor is then multiplied by each environmental impact, and a simple index called an Environmental Impact Point (EIP) is determined. The eco-factors are calculated by the JEPIX Project and are made publicly available. (<http://www.i.hosei.ac.jp/~claude/>)
- 2: Environmental efficiency: Seeking sustainable growth, Kaneka calculates this as a measure to judge our efforts to minimize environmental impacts while maximizing value. The formula is: sales (yen) / total environment impact (EIP).

Environmental Rating

On September 9, 2008, we received an "environmental rating loan," which gives a favorable lending rate to businesses that consider the environment, from the Development Bank of Japan. In this rating, Kaneka received the highest rank for making "efforts in consideration of the environment that are particularly advanced." Based on this, we received a ¥2.5 billion loan with a seven-year term.

In this rating, we were evaluated highly, including in the following three areas.

- (1) Greatly reducing the amount of chemical emissions under a voluntary plan to reduce emissions of volatile organic compounds (VOC), and achieving zero waste emissions at all plants for two consecutive years
- (2) Efforts for the effective use of used products, as exemplified by the recycling of Kanelite Foam, an extruded polystyrene foam that is used in building insulation materials and other products, and waste materials from polyvinyl chloride protective cable tubing
- (3) Reduction of CO₂ emissions in the private sector through products that are considerate of the environment, including resin sashes that contribute to increasing energy conservation and making buildings last longer

We are applying this loan to research and development expenses, including for hybrid photovoltaic modules. These modules, which layer amorphous silicon and thin film crystal silicon, use small amounts of natural resources and greatly improve the efficiency of converting solar energy to electricity.

