

**Facilities and equipment used for the polyolefin foam business at the China Plant
(in Suzhou) to be increased by 250%**

—Sales network to be expanded at the same time to respond to increased demand—

- Kaneka Corporation (Headquarters: Osaka; President: Kimikazu Sugawara) will greatly expand the capacity for production of polyolefin foam (product name: Eperan®) at its wholly-owned subsidiary, Kaneka Eperan (Suzhou) Co., Ltd. (Headquarters: Suzhou, Jiangsu Province; President: Ryoichi Arii), increasing production from 2,400 to 6,000 tons per year. The move is being made to respond to increased demand in China coming from automobile parts and cushioning materials. The plans will be put into action in autumn 2008. At the same time, the company will add wholesale functionality and expand its sales network. The plant and equipment investment will come to around 500 million yen.
- In recent years, due to substantial increases in living standards in China, especially the coastal areas, the automobile market has grown by leaps and bounds. With the Beijing Summer Olympics around the corner, demand for flat-screen televisions has also skyrocketed. Also, with the biggest concentration of IT plants in the world, production levels for IT equipment remain healthy. This robust demand has resulted in increased demand for polyolefin foam, as it is used in automobile parts, cushioning material for household electronics and boxes for transporting IT equipment.
- In light of these circumstances, polyolefin foam production capacity will be expanded at Kaneka Eperan (Suzhou) Co., Ltd. Additionally, in order to aggressively respond to the increased demand and increase the company's share of the market, new branches functioning as sales offices will open in Shanghai and Guangzhou, where there are particularly large numbers of automobile and IT manufacturers. Furthermore, the plan also seeks to aggressively expand sales of automobile parts, chiefly to Japanese companies. The company will also engage in sales of beads manufactured in-house, and outsourced molded parts made from the beads.
- Kaneka Corporation's polyolefin foam business is global in scale, covering Japan, the United States, Europe and Southeast Asia. Demand comes primarily from its use as a packaging material for the IT industry, especially for LCDs and computers, and in automobile parts such as bumper cores and tool boxes. A production base has been established in China, with its rapidly growing economy, to open up new markets and increase demand. With the new production capacity in China, the total capacity for the five production bases will reach more than 33,000 tons per year.

Overview of Kaneka Eperan (Suzhou) Co., Ltd.

Established: September 2003

Capital: 300 million yen (to be increased to 700 million yen in summer 2008)

Address: 166 Qingqiu Street, Suzhou Industrial Park, Suzhou, Jiangsu Province

Sales Offices: Suzhou (additional offices to be opened in Shanghai and Guangzhou after autumn 2008)

Products: Polyolefin foam (beads and moldings)