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kaneka

Kaneka Integrated Report 2017



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- Organizations to be Reported, Languages, Reporting Period, Our Treasured Values

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- Financial and Nonfinancial Highlights

2. For Kaneka's Value Creation

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- Quality of Life Solutions Unit

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Examples of Our Efforts

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For Publication of the Integrated Report

This year, for the first time, Kaneka Group will issue the Kaneka Report, which combines the conventional Annual Report, the CSR Report, and the Intellectual Property Report.

The Kaneka Report delivers information on how we will continue to create value, integrate ESG into our business, and contribute to achieving a sustainable society through business efforts.

This report and its detailed information can also be found on our website.

We hope that our shareholders, investors, and other stakeholders understand the significance of the Kaneka Report.

Organizations Covered in This Report

This report covers Kaneka Corporation and its consolidated subsidiaries both in Japan and other countries.

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.

Period Covered

Fiscal 2016 (April 1, 2016 to March 31, 2017).
In some cases, reporting covers activities before or after fiscal 2016.

Detailed financial data are contained in the separate Financial Section 2017.

Our Treasured Values

Based on the belief of committing to challenging the environmental issues of our planet and contributing to upgrading quality of life, we pursue creation of new value with people and technology growing together in creative fusion.

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 upgrading 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."

1 Corporate Philosophy

2 Corporate Ideals

3 Basic CSR Policy

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 CSR Activities

Group CSR activities aim to increase stakeholder satisfaction through business activities, thereby boosting enterprise value.

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.

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.



Support for the United Nations Global Compact

In March 2015, the Kaneka Group became a signatory to the United Nations Global Compact. The UN Global Compact is a voluntary code of conduct through which the top management of signatory companies commit themselves to take action aimed at achieving ten principles in the four areas of Human Rights, Labour, Environment, and Anti-Corruption.

Starting in fiscal 2015, the Group has 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.

As a group with a global network, we actively share information about our commitment to global sustainable growth as a responsible corporate citizen with our stakeholders and the international community.



United Nations Global Compact's Ten Principles

Area	Principle
Human Rights	1 Businesses should support and respect the protection of internationally proclaimed human rights; and
	2 make sure that they are not complicit in human rights abuses.
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	4 the elimination of all forms of forced and compulsory labour;
	5 the effective abolition of child labour; and
	6 the elimination of discrimination in respect of employment and occupation.
Environment	7 Businesses should support a precautionary approach to environmental challenges;
	8 undertake initiatives to promote greater environmental responsibility; and
	9 encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	10 Businesses should work against corruption in all its forms, including extortion and bribery.

Overview of Business Results 2016

Global economic conditions became unstable overall during the fiscal year ended March 31, 2017 although economic conditions in Europe and in emerging and resource-rich countries experienced a gradual recovery. This was because the issue of the U.K.'s withdrawal from the EU and the inauguration of President Donald Trump among other factors resulted in a situation that could have an impact on business confidence, although economic conditions in U.S. remained firm. In the Japanese economy, the appreciation of the yen had an impact on its economic conditions and personal consumption stagnated.

In this business environment, the Kaneka Group's business performance remained solid in the Chemicals, Functional Plastics, and Life Science Products segments due to steady expansion in sales of new and specialized products mainly in overseas markets, and our profitability improved in

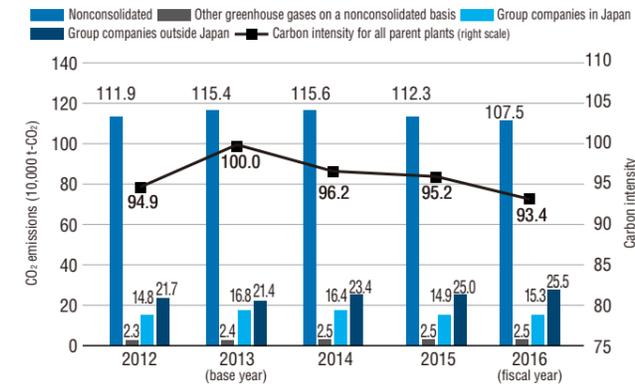
the Foodstuffs Products segment due to expansion in sales of new products and progress in business structure reforms, despite sluggish performance in the Electronic Products, and Synthetic Fibers and Others segments mainly affected by the appreciation of the yen and delays in the recovery of demand.

We will continue to engage in R&D activities (investment toward the future) and achieve the transformation of our business portfolio with a focus on outcomes as soon as possible.

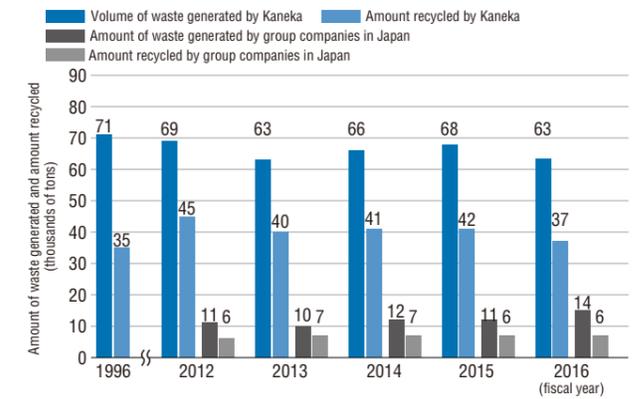
As a result of foregoing, the Kaneka Group reported consolidated net sales of ¥548,222 million (down 1.3% year on year). Operating income was ¥33,164 million (down 13.2% year on year), and net income attributable to owners of the parent was ¥20,484 million (down 2.4% year on year). We paid a dividend for the fiscal year ended March 31, 2017 of ¥18 per share.

Nonfinancial Highlights

CO₂ Emissions from Energy Consumption and Carbon Intensity



Waste Generated and Recycled



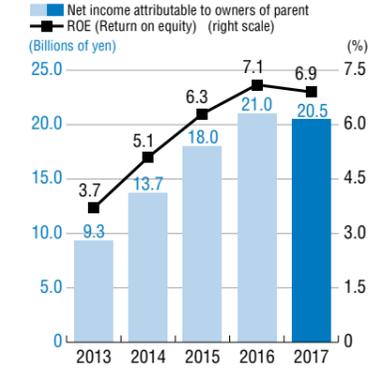
Financial Highlights

*Data are as of fiscal years ended March

Net sales / Operating income



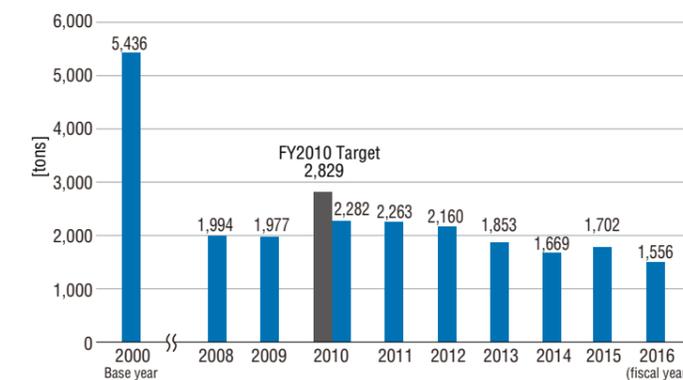
Net income attributable to owners of parent / ROE



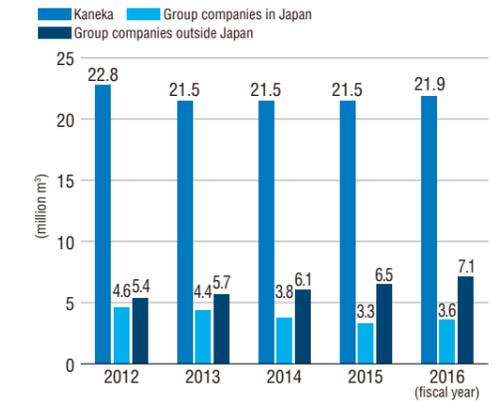
Overseas sales / Overseas sales ratio



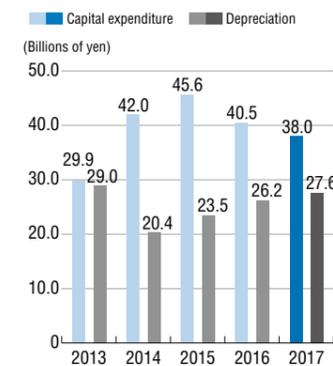
VOC Discharge: Voluntary Plan and Performance



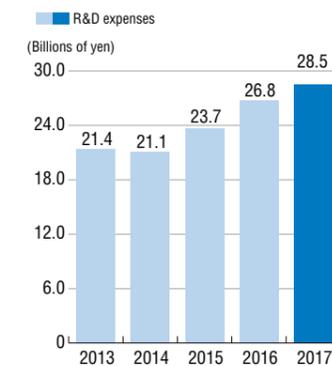
Water Consumption



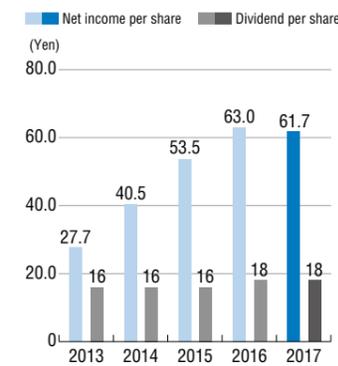
Capital expenditure / Depreciation



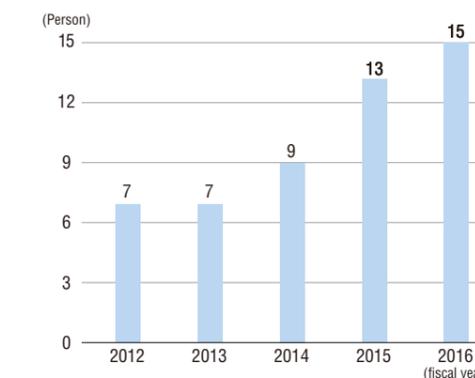
R&D expenses



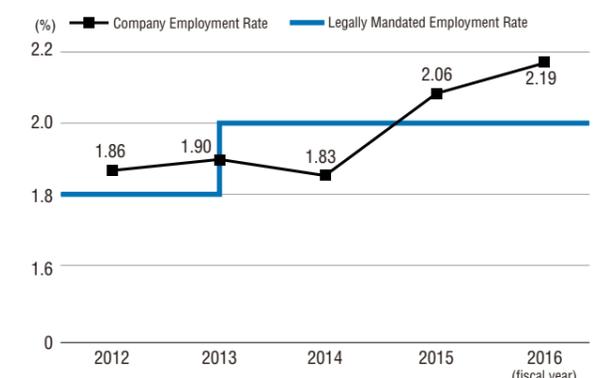
Net income per share / Dividend per share



Changes in the Number of Female Managers



Changes in Rate of Employment of Persons with Disabilities



We will create new value for social development by addressing global and social challenges and achieving business growth



Chairman of the Board

President

K. Sugawara

M. Kadokura

Prompt Response to the Changing Environment to Take a Lead in Technical Innovation

The need for energy saving and a sustainable society, including the Zero-Energy House, are increasing along with the growing world population, increasing demand for resources and energy, and rising environmental awareness. Today, IoT integrates different industries and generates new business models. Business opportunities are also expanding globally in the fields of advanced medical technology, health care, and nursing care due to the progression of the aging society and expansion in the medical and health care markets. Food shortages in emerging nations and aging in advanced countries are promoting dietary diversification and the need for value-added foods as well.

Management System Reform to Accelerate the Growth Strategy Based on Social Problem-Solving Efforts

We have made a great change to our management system in the new medium-term management plan for fiscal 2017. This change is intended to address global environmental protection, population growth, food problems, health promotion in an aging society, and other social issues. We also aim to accelerate our social contributions through new values generated from technological innovation, such as IoT and AI.

Kaneka Group joined the United Nations Global

[Achieve results of the business portfolio reform]



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.

Shifting from “Product Out” to “Solution”

Shifting from “product out” to “market in”: This management system reform is intended to empower us to turn our growth strategies into concrete actions from the solution provider’s point of view to steadily embody the reform scenarios.

Specifically, our business section was renamed Solutions Vehicle (hereinafter called “SV”) to carry out growth strategies from a solutions perspective. Nine new Solutions Vehicles were separated into the following four domains or Solutions Units (hereinafter called “SU”): the Material Solutions Unit, the Quality of Life Solutions Unit, the Health Care Solutions Unit, and the Nutrition Solutions Unit.

Setting R&D, globalization, and human resources development as growth drivers, we will actively promote open innovation to enhance the earning power of core businesses and accelerate business portfolio reform. Globally, we have established our regional headquarters in Europe, the Americas, and Asia for speedy community-based management.

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.

Further Enhancing the Production Capacity for More Creative R&D Capability

As a solutions provider, we are conducting research activities to strengthen the technology of global sourcing and open innovation. We also actively introduce cutting-edge technologies, pursue market and customer-oriented values, and develop creative technologies to provide unique, global number-one, and excellent materials. Last

year, an operation site for corporate research and business development was established in Silicon Valley on the U.S. West Coast, where world-class R&D institutions and industries exist.

Based on the belief that only tough materials can provide solutions, we will do our utmost to develop overwhelmingly competitive materials.

Achieving Discontinuous Growth through M&A and Open Innovation

In addition to management system reform, M&A-based discontinuous growth is also essential for increasing sales volume to achieve our long-term vision. Integrated coordination between the Strategic Unit, corporate, and SV is expected to promote organizational M&A.

By breaking away from self-sufficiency policy and adopting open innovation, we will pursue technological innovation and cluster our business

and products based on external technologies.

Kaneka will accelerate new business development through acquiring cutting-edge technologies, promoting open innovation with universities and venture companies, and facilitating partnership and M&A within and outside Japan.

Challenge to Business Innovation and Working-Style Reform

In order to promote business operation reform using digital technology and IoT and changing labor systems as a working-style reform, the Business Process Innovation Division was newly established. Company-wide cooperation for staff work management is also an important key to successful working-style reform. To achieve this, we have set up a Staff Function and Productivity Improvement Meeting to boost the cross-sectoral performance of the entire company.

Human Resources as a Source of Growth

Developing Capable Leaders and Promoting Diversity

We are currently working on building a system to facilitate reform. Above all, what is most important for reform is human resources that are also a source of growth for Kaneka Group.

While striving to develop leaders highly capable of driving reform within and outside Japan, we will also promote diversity, including women's active participation in society to enable us to work more globally. Our sustainable growth will be achieved by steadily cultivating human resources who will support Kaneka Group over the next few decades.

Safety 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 the Board of Directors and CSR safety and quality inspections.

Since fiscal 2017, we have defined and enhanced our original eco-friendly products under the concept of environmentally friendly management.

This medium-term management is important in achieving the goals in our long-term vision.

We will be committed to solving social issues, creating an attractive company image, and building a competitive business structure to be reborn as a company that meets the expectations of all of our stakeholders and is evaluated highly.

Transforming our management system

Evolving into a solution provider

We will evolve from a conventional supplier of materials into "a solution provider" that both delivers solutions for social issues and is also committed to realizing Innovation and growth.

Bold management system revamping

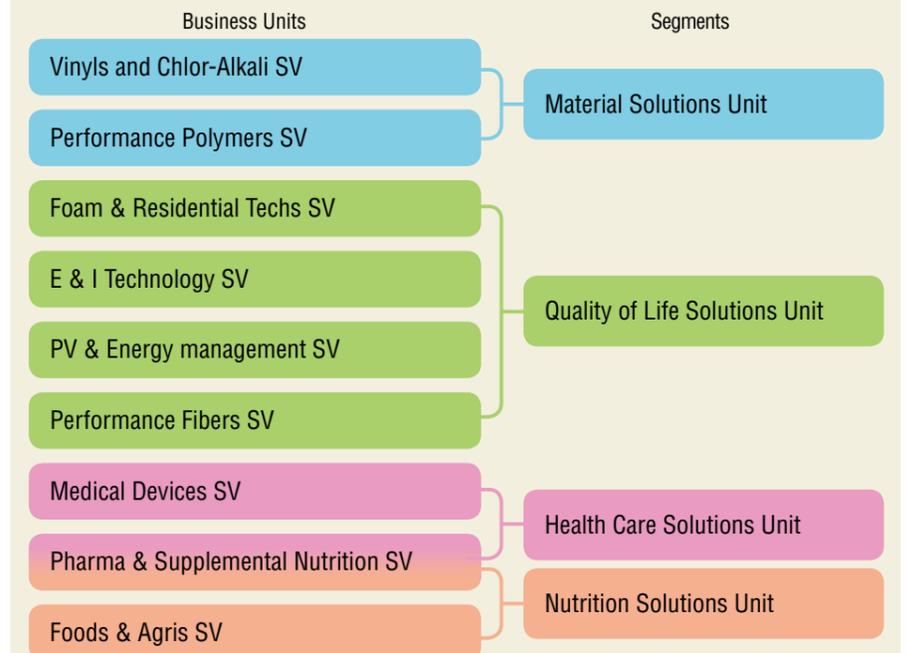
As a step towards becoming a solution provider, we transformed our management system from product-based business units to a new organizational structure comprising Solutions Vehicles (SVs) and Solutions Units (SUs).

Solutions Vehicle (Business Units)	<ul style="list-style-type: none"> • The driving force for growth strategy execution from a solutions perspective • Create new business models and utilize open innovation, alliances, M&A and other types of insourced and outsourced operations to advance business growth
Solutions Unit (Segments)	<ul style="list-style-type: none"> • Business domains set up based on solutions provided by SVs • Help solve social issues by strengthening ties between business units

(Current Business Units)



(New Organizational Structure)



Medium-Term Management Plan (Fiscal 2017–2019)

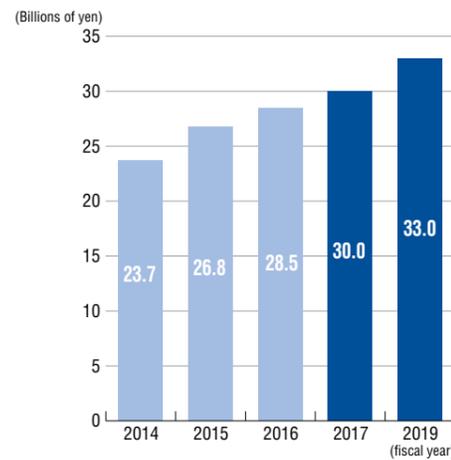
Kaneka Group is always committed to enhancing corporate value to achieve the Declaration of Kaneka United, our long-term vision. Our goal is dramatic growth. To get there, we will speed up business portfolio transformation via three growth drivers: R&D, Globalization, and Active Investment.

Growth Drivers

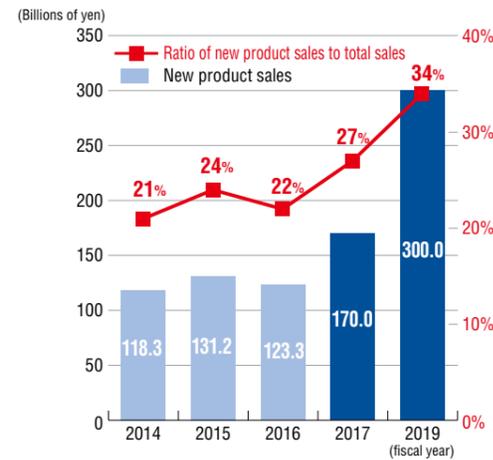
R&D

- Develop materials that give us an edge in providing solutions for social problems. Especially, create only-one, global number-one excellent materials that support our solution-oriented spirit through creative technological development from market and customer perspectives.
- Embrace open innovation and other insourced and outsourced operations to acquire trailblazing technology.
- Keep aggressively deploying resources and realize a new product sales ratio of 30% or higher.

R&D Expenses



New Product Sales



Globalization

- Swiftly promote regionally distinctive growth strategies from a “Glocal” perspective.
- End cycle of intensive investment in Asia and commence investment to restart growth in Europe and the Americas.
- Further strengthen overseas holding companies in Europe, the Americas, and Asia, and actively carry out strategic M&A and alliance based on local perspectives and information-gathering capacity.

Aim to quickly achieve an overseas sales ratio of 50%

EUROPE

- Aggressively invest in growth fields and conduct M&As (Health Care, Material solutions units)
- Actively expand solutions business into new businesses and fields

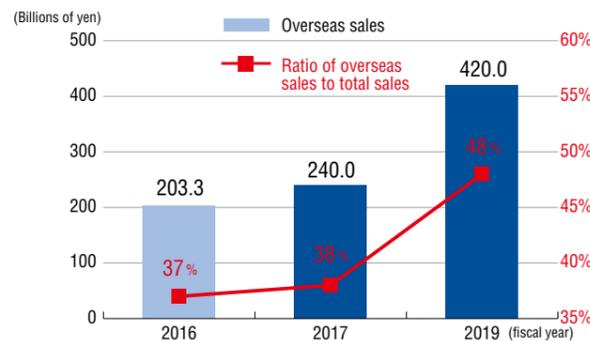
AMERICAS

- Further strengthen production and sales systems in existing businesses
- Create and expand new businesses in the health care field and the aerospace field
- Aggressively conduct M&As and alliances
- Strategically utilize the Kaneka US Innovation Center

ASIA

- Maximize returns on large-scale capital expenditure
- Expand markets in China, ASEAN, and India
- Expand business in the health care field

Overseas Sales



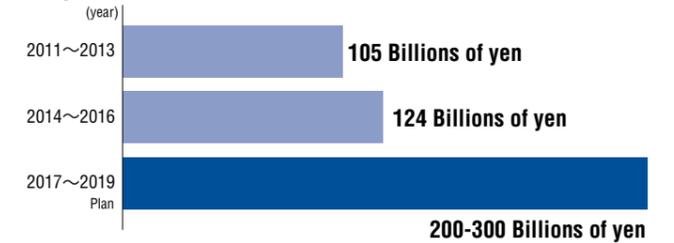
Active Investment

- Investment budget of ¥200-300 billion that includes capital expenditures, business alliances, and M&As

- Promote investments in facilities utilizing evolved technology with a focus on Material and QOL, mainly targeting markets peripheral to existing business
- Acquire full-scale mass production facilities for new businesses

- Promote investments in business tie-ups, M&As and so on with a focus on Health Care and Nutrition, targeting new or peripheral markets in areas where we have existing technologies and can generate synergies. Especially, build a relationship to share synergy and global value for technology and value chains mainly in overseas markets. Also, focus on enhancing the competitiveness of, and expanding the scale of, our number-one global businesses through M&A and other source-in, source-out approaches.

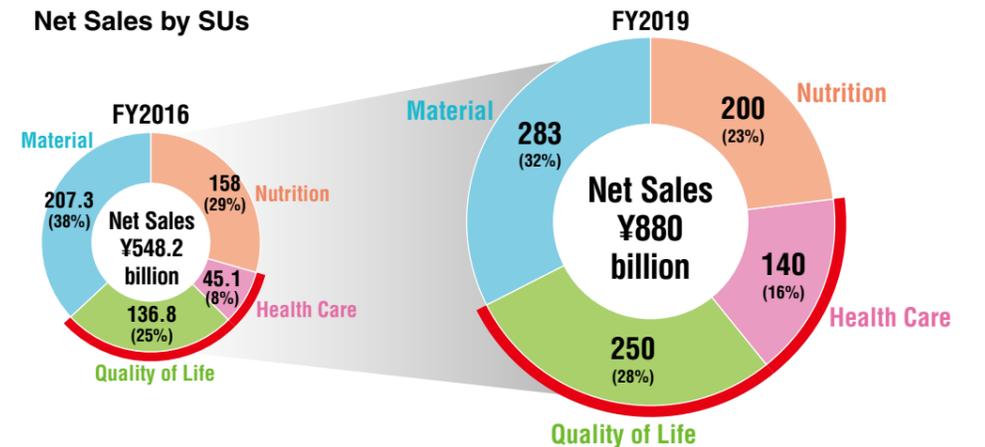
Capital Investment / Investments



Transformation of Business Portfolio

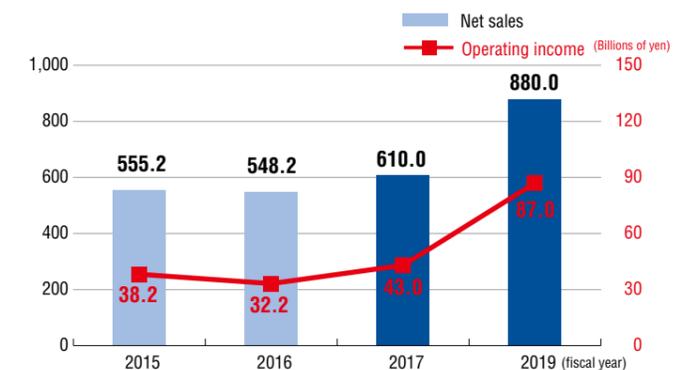
- We will sharply increase the Health Care and Quality of Life solutions units' share of total sales by providing new materials and products as well as solutions of value and executing M&A.

Net Sales by SUs



Performance Targets

- We regard this medium-term management plan as important towards achieving the goals in our long-term vision.
- We aim to accelerate business portfolio transforming under the new management system to achieve our performance targets, regardless of numerous uncertainties including geopolitical risks, political trends, and foreign exchange rates and crude oil market prices.



*Data for 2017 are based on the financial results disclosed on May 12, 2017.

Strategies of Solutions Unit

Material Solutions Unit



We will keep ahead of changing times and environments and produce excellent materials to provide solutions for social issues

Senior Managing Executive Officer In charge of Material SU, and Material Solutions Research Institute

Shinichiro Kametaka

The Material Solutions Unit provides excellent advanced materials, products, and services while also offering solutions on energy-saving technologies and protection of the global environment, development of social infrastructure, and progress of mobility (automobiles, aeronautics, space, etc.). This unit takes a lead in developing innovative material technologies, including new polymers based on cutting-edge technologies, such as composites and biodegradable polymers.

In an age of rapid change, eye-opening technological innovation using materials and IoT has been accelerated over the past few years, including high fuel efficiency, reduced vehicle weight, and self-driving technology in the automobile industry. Excellent materials are a must for such changes.

We see these changes as a great growth opportunity. Not limited to serving our client manufacturers, Kaneka will look at future demands and provide new excellent materials that help cope with various social problems.

Contribute to global environmental conservation and comfortable living

- Provide outstanding materials for evolving social infrastructure, mobility (lighter weight, more fuel efficient vehicles), and more
- Provide solutions where materials like biopolymers are of direct help to ecological society

Develop materials for QOL SU

Environmental

Marine microplastics*

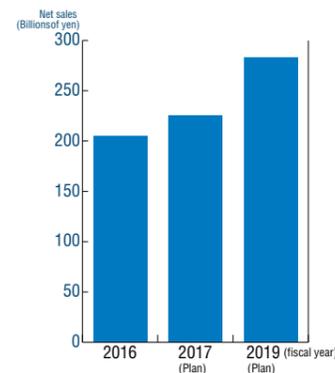


- Biopolymer that degrades in sea water (bio mass)
- ※ Tiny plastic particles present in the ocean. Their impact on the marine environment is a problem.

Infrastructure



- Modified silicone polymers
- Specialty PVC resins (Pipes Sealing materials Adhesives)



Mobility

Automobiles (Weight Reduction and CO₂ reduction)

- Structural adhesives

Aviation-Aerospace

- Composites (Composites used as an alternative to metal)

- Modifier
- Modified silicone polymers
- Polyvinyl chloride Specialty PVC resins

Supply materials to other solutions units

Quality of Life Solutions Unit



We will maximize the strengths of each business unit and provide solutions for information-oriented society and our daily lives

Executive Vice President In charge of Quality of Life SU

Minoru Tanaka

The Quality of Life Solutions Unit contributes to upgrading people's lives through pursuing energy-saving technologies, improving the convenience and comfort of community infrastructure, and creating new value with digital technological innovation for an information-oriented society. Directly accessing market needs, this unit provides solutions based on its excellent materials and original services. For example, our package solution that includes solar cells, insulator materials, a solar circuit method, and organic EL lighting equipment is expected to contribute to the design and construction of energy-saving houses and buildings.

In the electronic materials field, for example, this unit aims to create unconventional materials and technologies for smart and connected houses and cars that have been promoted by technological innovation.

Contribute to energy-saving and a rich life

- Deliver energy-efficient housing solutions⇒Create a high quality, sustainable housing market
- Provide unique materials and services that excel regarding both energy-saving and smart application needs

Energy-saving

Energy-efficient houses and buildings (ZEH/ZEB*)



- High-efficiency solar cells (Heterojunction back-contact type)
- Organic EL lighting



- Storage batteries
- HEMS (Home-use energy management system)
- High-performance insulation materials
- SC construction system

※ A zero energy house (ZEH) or a zero energy building (ZEB) refers to a house or building with basically a zero net primary energy consumption annually

Functional fibers

- New functional fibers

Logistic solution



- Phase change materials (Temperature controlled transportation containers in the pharmaceutical and medical field)



Synthetic Fibers (Modacrylic fiber)



Insulation materials

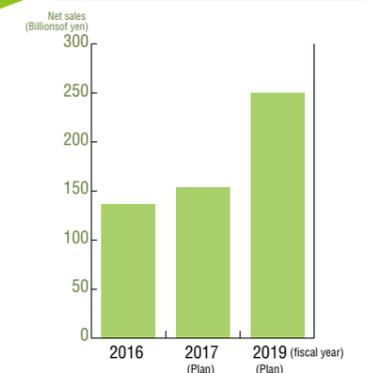
Photovoltaic modules Circuit-Thermal management materials

Digital Devices

Weight-Size-Wearable-High tech



- Flexible display materials
- Miniature sensor materials



*Data for 2017 are based on the financial results disclosed on May 12, 2017.

A show home for Net Zero Energy House was built, and visitors can actually experience the comfort of the house.

For reduction of CO₂ emissions from houses, the government set the Net Zero Energy House (ZEH) as a standard for new houses by 2020. With energy-saving technologies cultivated in the Solar Circuit House and energy creation technologies using solar panels, Kaneka will provide human-and eco-friendly solutions.

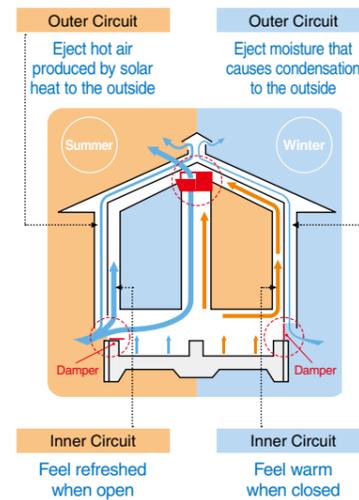
The Solar Circuit House Providing Comfort and Energy-Saving Performance

Kaneka's Solar Circuit House is a highly airtight and heat-insulating detached house providing comfort and energy-saving performance. The entire house, from the roof to the foundation, is completely covered with an insulation material called Kanelite Foam, and the seams of insulation materials are filled with Airtight Sealing Tape. Doing so made it possible to provide high airtightness; for example, the airtight function (equivalent clearance area) for a housing unit of approximately 132 m² is equivalent to one postcard.

The space between exterior and interior walls is used to leverage

natural energy. Dampers are also placed under the floor and in the attic. Wind flow can be generated by opening the damper in summer, while closing it can prevent heat from escaping in winter (see the diagram below). In addition, pollen is removed by Refrain, a 24-hour ventilation system with filters and a dehumidification function. This system also dehumidifies the house in summer and brings warm air into the rooms in winter, bringing a comfortable life without relying too much on air conditioners. Since its release in 1988, more than 21,000 Solar Circuit Houses have been built.

The Solar Circuit (SC) method, combining external heat insulation and double ventilation techniques



Solar Circuit House for ZEH

In 2016 the Kaneka Sustainable New Town was established at the Takasago Plant, and a ZEH show home was also opened on the premises. ZEH is a house that generates the same amount of energy as is consumed at the house to achieve zero annual electricity consumption.

Equipped with VISOLA, which is a solar-cell system built into the tiles of the Solar Circuit House, the show home has storage batteries and an energy management system so that lightning equipment and air conditioners can be used with the electricity generated and stored during daylight hours. Surplus electricity can also be sold. Not limited to taking a look around, the show home provides an opportunity for visitors to stay a night at the house and discover the comfort of ZEH.

We will continue to work with construction companies to make ZEH more popular and reduce CO₂ emissions, while also striving to provide a comfortable and healthy life through our solutions for making residents' dreams come true.

Voice of employee

Many of our customers say, "It was comfortable to stay here."

Concierges at Kaneka Sustainable New Town ZEH show home



Ayako Fumino
Mariko Nakama

Since opening last September, many people have visited and stayed at the show home. Some of them stayed here with their children. We have received many favorable comments, such as, "It was comfortable to stay," and, "I comfortably took my clothes off in the dressing room because of no temperature difference." A visitor with an allergy said, "Stepping into the house, I found the air clean." Dampers are automatically opened and closed, so you do not even have to worry about difficult technical things and will find it comfortable to stay.

Stakeholder Message

I expect to see the innovative ideas and technologies of Kaneka as a material provider.

Department of Architecture Faculty of Engineering Shinshu University



Associate Professor
Hideki Takamura

My research theme is how to build comfortable and eco-friendly houses. Actually, there are many different means for achieving comfort and saving energy. I think my research should be based on residents' opinions, measurements, and actual conditions. Since last summer, I have been surveying the comfort and airtightness of a Solar Circuit House with the cooperation of the house's owner, and evaluating the aging of solar circuit performance. My interaction with Kaneka, a material provider, allowed me to find their unique ideas, which are different from assembly manufacturers. Kaneka, producing insulation materials, solar panels, storage batteries, and organic EL, can potentially evolve ZEH even further with their original material technologies.



Panoramic view of the Kaneka Sustainable New Town. Show home where visitors can experience the Solar Circuit House

Efforts for Net Zero Energy Building (ZEB)

Kaneka is also committed to realizing ZEB.

To promote ZEB, it is important to increase the energy self-sufficiency rate by introducing a photovoltaic system not only on the building's roof but also on the walls. However, installation of this system to the walls caused light pollution due to sunlight reflecting around it, which was considered a problem. To address this issue, we developed a low-reflection eco-friendly photovoltaic system in 2016 jointly with the New Energy and Industrial Technology Development Organization (NEDO), a National Research and Development Agency.

At the Kaneka "Dreamology"

Center (see the photo), which was opened last November as a training facility, low-reflective solar cells were installed on the walls, while handrails are equipped with thin-layer see-through solar cells that transmit light to verify the effectiveness of the photovoltaic system. In this way, we are making progress on ZEB solutions.



*A Net Zero Energy Building (ZEB) is a building whose energy consumption from fossil fuels, etc. is zero or roughly zero due to its building structure, energy-saving equipment, and utilization of renewable energy.

Nutrition Solutions Unit



We will reform our business portfolio and create profitable business models from a new perspective

Managing Executive Officer
In charge of Nutrition SU

Hidesuke Amachi

The Nutrition Solutions Unit supplies solutions that increase the value of food by defining "nutrition (sustenance essential for living)" as "food." In response to diversified food culture, this unit provides unique food materials that offer deliciousness, nutrients, and other added value as well as materials for dietary supplements that maintain and promote human health. Through expanding our business domain to the origin of food—the fields of agriculture, livestock, and fishery—we will provide solutions for food production improvement, including high-performance fertilizers.

In addition to conventional confectionery, bread ingredients, and dietary supplements, we will also pursue marketing strategies to make people aware of the Kaneka brand as a healthy product brand and contribute to health and rich food cultures as well.

Contribute to health and a plentiful, varied diet

- Provide a broad range of solutions that help diversify and enrich people's diets.
- Offer solutions that help prevent disease and promote health, and enhance the food materials lineup
- Deliver solutions that assist production in the fields of agriculture, livestock, and fishery

Expand into agriculture and livestock domains

Dietary diversification and health consciousness

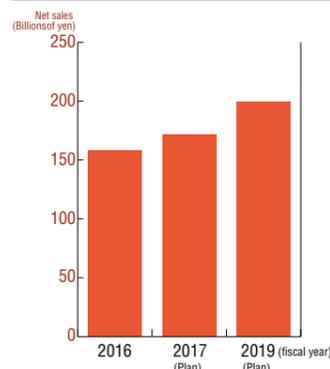


Food Production Support

Population growth and food issues

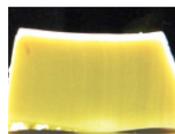


- Kaneka Peptide (New high-performance fertilizers)



Enhance food product quality

Added-value food product needs



- Antifreeze Protein (New food product material)

Expand dietary supplement and health food business

Greater health consciousness



- Enhance product lineup by M&As, etc.
- Develop new dietary supplement materials

Health Food Strategic Unit

Supplements (Coenzyme Q10)

Baking and confectionary materials (Margarine, Shortening, Baker's yeast)

Health Care Solutions Unit



Based on the knowledge acquired in the United States, the largest market in medically advanced countries, we will establish a solid business infrastructure in the life science field

Managing Executive Officer In charge of Health Care SU
and Health Care Solutions Research Institute

Kazuhiko Fujii

The Health Care Solutions Unit offers solutions on health promotion and medical progress in the aging society and the high-tech medical society. This unit provides medical solutions, such as globally distributed endovascular therapy catheters treatment and other medical devices, small-molecule drugs (APIs and intermediates), biopharmaceuticals, technologies for regenerative medicine and cell therapy, and advanced treatment and diagnostic techniques.

In order to increase our life-science presence in the United States, Kaneka will actively explore new business opportunities with a view to collecting relevant information, cooperating with research institutions, and even M&A. We also established an R&D site in Silicon Valley in 2016 to build a business-oriented research structure.

Contribute to a society advancing in age and medical sophistication

- Strengthen marketing and product development globally in cutting-edge medical fields including biopharmaceuticals, and regenerative medicine and cell therapy
- Proactively utilize open innovation and U.S. R&D bases
- Provide solutions that deliver value by fusing devices and medicine

Regenerative medicine and cell therapy

Putting regenerative medicine and cell therapy into practical and widespread use



- Automatic culturing system
- Cell separation devices

Innovative medical devices

New treatment devices

- Drug-delivery stents
- Biodegradable stents



Endovascular catheters



Blood purification equipment

Tests and diagnostics

Genetic testing and disease prevention



- DNA chromatography chip (Genetic testing and diagnostic equipment)
- Bacteria testing equipment



Pharmaceutical intermediates and API

Cutting-edge medicine

Bio, nucleic acid medicine and other technological advancements

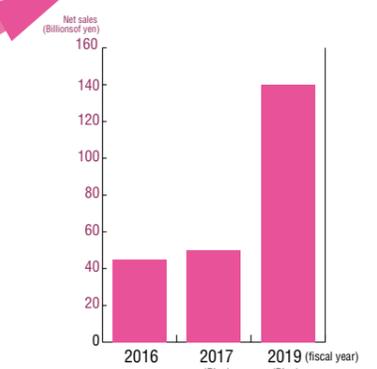


- Protein A Resin (Material for purification of antibody drugs)
- Bio and nucleic acid medicine (Contracted manufacturing business)

Small-molecule drugs

Expand API business

- Global business expansion



*Data for 2017 are based on the financial results disclosed on May 12, 2017.

Contribute to Developing a Healthy Society with Our Biopharmaceuticals

Biopharmaceuticals were put to practical use in the 1980s and have showed significant growth in recent years. Today, more than 350 million people around the world enjoy the benefit of these medications. Kaneka Group introduced biotechnology into its techniques for producing small molecule drugs, allowing us to successfully build relationships of trust with pharmaceutical companies worldwide. In 2010 we made Belgium-based Eurogentec our subsidiary in order to enter into the biopharmaceutical field. Our business on both small molecule drugs and biopharmaceuticals will provide health and medical solutions.



Production cultures of plasmids used as DNA vaccines for new treatments



For more details, please visit our website.

Kaneka CSR

Enter the Biopharmaceutical Field with Our Biotechnology Knowledge, Cultivated through Producing Small Molecule Drugs

Biopharmaceuticals Generated from Advanced Biotechnology

Biopharmaceuticals are medicinal products produced through genetic recombination, cell fusion, cell culture, and other advanced biotechnologies. Genes (DNA) were found to be the blueprints of proteins, and technologies made it possible to recombine DNA, which eventually contributed to the evolution of biopharmaceuticals. Unlike small molecule drugs made using conventional organic synthetic techniques, biopharmaceuticals have large molecular weight and complicated shapes, because they are produced using DNA and proteins in the living things. The structure of biopharmaceuticals is similar to the original structure of living things. Because of this, they have not only a low risk of side effects but also high treatment effects for many diseases, and are also useful in disease diagnosis. Today, biopharmaceuticals are also drawing attention as medications that are effective for rheumatoid arthritis, cancer, and other intractable diseases.

Entered the Biopharmaceutical Field in 2010

Since the 1970s, Kaneka has built trustful relationships with pharmaceutical companies worldwide by developing its own technologies in the area of chiral compounds*1 through combining biotechnology and organic synthetic techniques for small molecule drugs. Taking advantage of our biotechnology and related know-how backed with experience, we made Eurogentec our subsidiary in 2010 to enter into the biopharmaceutical field. Eurogentec was founded in 1985 as a spin-off company of the University of Liège in Belgium. Having extensive experience and achievements in the biotechnology field, the company is mainly engaged in the contract manufacturing of biopharmaceuticals. They also produce and sell life-science products, including proteins, DNA, and peptides for research and diagnostic purposes.

also increased the number of transactions with major leading pharmaceutical companies. In technological development, the R&D divisions of Kaneka and Eurogentec are accelerating their joint research on plasmids, to be used as DNA vaccines and expected to become a key to new treatments. They have filed patents on efficient plasmid production techniques and have successfully mass-produced plasmid DNA molecules as well. "In biopharmaceutical development, research on non-conventional treatments for cancer, diabetes, and other diseases has become increasingly active. Plasmids are essential for the creation of new medicines. The Kaneka Group's successful mass production of plasmids is expected to accelerate drug development and even achieve early detection and treatment of various diseases. Our customers highly evaluate our technology as being at the top international level. Going forward, we will install new large-scale GMP production equipment to meet the growing demand," says Lieven Janssens, Ph.D., Executive Vice President of Kaneka Eurogentec.

Kaneka and Eurogentec Work Together on New Medications

Eurogentec's affiliation with Kaneka Group has brought numerous benefits to both companies. Kaneka was able to set biopharmaceuticals as its new core business, while Eurogentec enjoys its increased social credibility thanks to Kaneka's presence. The consolidation has



*1 Chiral compounds: Substances having mirror stereoisomeric forms, just like right and left hands. In some cases, the right hand has medicinal properties, while the left hand causes side effects. General organic synthetic techniques generate both hands. Kaneka used biotechnology and made it possible to selectively produce just one hand of chiral compounds

Kaneka Group's Network of Pharmaceutical Development and Production

Kaneka manufactures pharmaceutical intermediates and active pharmaceutical ingredients (APIs*2) at its Takasago Plant and Kaneka Singapore. We also have an open innovation base, the Kaneka US Innovation Center, in California, where many universities and bio-venture companies exist. Furthermore, Kaneka Eurogentec has its headquarters and manufacturing sites for biopharmaceuticals and life-science products in Belgium, and also manufacturing sites for life-science products in the United Kingdom and in California.



Pharmaceutical Business

As part of pharmaceutical business, Kaneka Group is working on "active pharmaceutical ingredients and intermediates", "protein A chromatographic carrier for antibody medical refinery (KANEKA KanCap A)", "generic medicine", "regenerative and cell medicine", etc.

*2 APIs: Active Pharmaceutical Ingredients



Stakeholder's Message

Kaneka Eurogentec is an Ideal Company Connecting a Region to the World

Wallonia Export-Investment Agency (AWEX), Belgium

CEO

Pascale Delcomminette (left)

Senior Business Development Manager for Asia-Pacific

Aicha Benmaalla (right)

AWEX is a public agency with the mission of developing the economy of the Wallonia region by assisting local companies in expanding overseas as well as by attracting and supporting foreign businesses. Today, there are more than 200 life-science companies in the region, which is growing remarkably as a science park. In particular, Kaneka Eurogentec has an ideal business model to drive the regional growth. The company provides customers with solutions for prompt and safe treatments and plays an innovative role in medical progress. Their efforts are highly valuable in improving the QOL (quality of life) of patients.

In 2016, we presented Kaneka Eurogentec with the top award for export business to the EU in the Wallonia region, the Grand Prix Wallonie à l'Exportation, in grateful acknowledgment of their social contributions. We believe that Kaneka Eurogentec will continue to take leadership in contributing to global health care and further develop together with the Wallonia region.



Become a Reliable Partner for Pharmaceutical Companies Worldwide in the Integrated Field of Biopharmaceuticals and Small Molecule Drugs

Credibility and Flexibility Required as a Partner for Pharmaceutical Companies

A contract manufacturing company trusted by pharmaceutical clients must not only have cutting-edge technologies but also be capable of safe and stable delivery of products.

Kaneka Eurogentec^{*3} has acquired certification of Good Manufacturing Practice (GMP), which is the international criteria for production management and quality control of pharmaceuticals, and also obtained certifications from the U.S. Food and Drug Administration (FDA), enabling the company to ensure its high credibility.

"Stringent quality systems are required for pharmaceutical production. We faced no problems in obtaining strict world-level GMP and

FDA certifications. Since then, we have maintained and enhanced our quality control system. The efforts include preparing, maintaining, and managing standard operating manuals pursuant to the criteria, providing periodic staff training, and undergoing customer and authority inspections," says Ingrid Dheur, Biologics Division Vice President, Kaneka Eurogentec.



At the early stage of pharmaceutical development, the structure of target materials and schedules frequently change; thus, the capability of

providing flexible responses to customers' demands is also a must. Kaneka Eurogentec offers the "One-Stop Shop" system to collectively manage all procedures from process development to GMP production and quality control to provide efficient development support. The expertise and response ability of the project team involved in the operations and other staff members are highly appreciated, resulting in long-term and loyal customers.

Providing Solutions for a Healthy Society

Kaneka Group's pharmaceutical business is not simple manufacturing work but has been focusing on the solution-providing approach by offering efficient production methods based on

Kaneka Eurogentec covers biopharmaceuticals and all fields of biotechnology including agents for research and diagnostic purposes. The company continues to maintain and enhance the quality control essential for pharmaceutical production by introducing the latest equipment, systematizing facilities, and developing human resources.

our original technologies which are suitable for pharmaceutical structures ordered by customers. Setting biopharmaceuticals as our new core business allowed us to widely extend the scope of our proposals.

For prompt response to new technological development and customers' needs, Kaneka Eurogentec is currently developing platforms^{*4} of the technologies of producing biopharmaceuticals based on its many years of contract manufacturing knowledge.

"We need to further strengthen the technology platform for us to continually contribute to health care. We will promote research synergy with Kaneka and reinforce our R&D capability to become the center of the Kaneka Group's biopharmaceutical business," states Ingrid Dheur.

"To keep the world's top solution-providing company, we need to continue to innovate technologies. Kaneka Eurogentec has already started the development of gene therapy, which is drawing attention as the next-generation biopharmaceutical. We will continually pursue frontline and unique technologies to advance the health care field and contribute to society," Lieven Janssens says.

Kaneka and Kaneka Eurogentec will continue to play a vital role in pharmaceutical development and provide health care solutions in the integrated field of biopharmaceuticals and small molecule drugs.

^{*4} Platform: To provide business foundations (technologies, equipment, services, etc.) to third parties.

^{*3} The company name was changed on April 1st, 2017

Infrastructure to Support Value Creation

Intellectual Capital

Policies Regarding Intellectual Property

Kaneka upholds the global-scale reinforcement of intellectual property conducive to new business, as well as intellectual property that protects existing business, as a key policy, and we work to acquire the necessary rights in the necessary countries.

Moreover, we respect the intellectual property rights of other companies and, to avoid disputes, are sure to conduct patent searches and secure patent clearance whenever a new theme is proposed, business commercialized, or specification revised.

Contribution to Business

(1) Global IP Activities

We decided to station an intellectual property specialist at our holding company in Europe from fiscal 2017, thereby enabling issues to be dealt with quickly. This follows on from the placement of such specialists at our holding company for the Americas and our holding company in Asia.

(2) Contribution to Existing Business

In fiscal 2016, we obtained patent rights concerning, for example, new crystalline form of reduced coenzyme Q10, in which oxidation stability has been dramatically improved over conventional crystals, and a manufacturing method for flame-retardant expandable styrene resin particles using a brominated flame retardant that demonstrates excellent environmental compatibility.

Patents concerning multilayer polyimide films and thermosetting resin composition tablets for LED packages were subject to oppositions by third party. In all cases, however, oppositions were dismissed and the patents were maintained.

Concerning synthetic fibers for artificial hair, on the basis of our trademark rights, the export of counterfeit goods was monitored by Chinese customs and one company suspected of infringement was charged, whereby counterfeit goods were switched with our official products.

(3) Contribution to New Business

Concerning biodegradable polymer, which uses vegetable fats and oils and other biomass as its primary raw materials, during fiscal 2016, patents for resin compositions that demonstrate excellent moldability were registered in both Japan and the United States.

Moreover, patents such as a nucleic acid chromatography chip which enables quick visual detection of specific bacterial or viral genes, and a high-performance fertilizer expected to boost crop yields were registered in Japan.

Number of Patent Applications / Number of Patents Held

The number of domestic applications published under the umbrella of the KANEKA Group in fiscal 2016 was 281 excluding Kohyo publication (Japanese translation of PCT* application) and Sai-Kohyo publication (domestic re-publication of PCT application).

The number of domestic applications published in fiscal 2015 (filed in fiscal 2012-2013) temporarily fell in comparison to fiscal 2014 because we started the challenge to improve patent allowance rate by strengthening of prior art search before applications were filed from fiscal 2011.

In fiscal 2016, however, domestic publication number increased in comparison to last year while continuing said allowance rate improving challenge.

The number of PCT applications published increased significantly from 133 in fiscal 2015 to 202 in 2016 as a result of initiatives to strengthen our patent portfolio overseas.

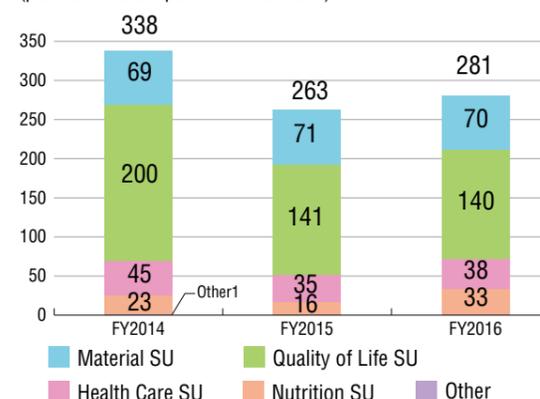
The number of patents held by Kaneka Group increased steadily both domestically and overseas, with domestic and foreign patents totaling 3,442 and 3,210 respectively as of the end of fiscal 2016. In particular, the number of foreign patents held increased significantly as a result of said initiatives to strengthen our patent portfolio overseas.

A large number of patents relating to Organic EL (OEL) lighting panels, heat-resistant, light-resistant transparent resins, endoscope treatment tools, and so on were registered domestically throughout fiscal 2016.

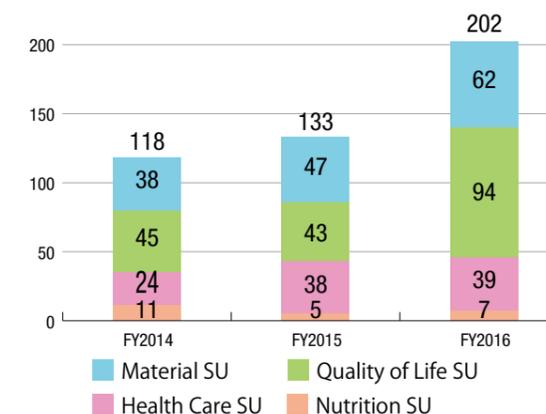
A large number of patents relating to modified silicone liquid polymers, graphite sheets, synthetic fibers for artificial hair, and so on were registered overseas.

*PCT: Patent Cooperation Treaty

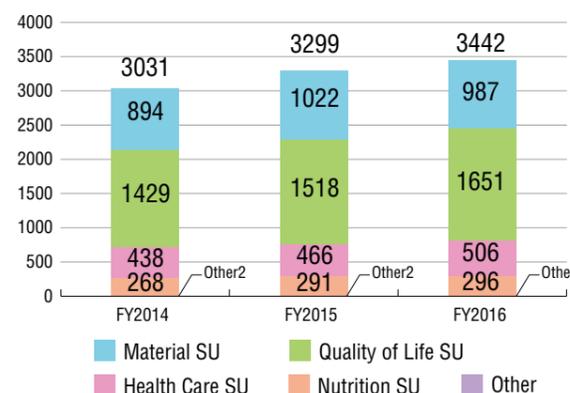
Number of published applications in Japan (publication and republication excluded)



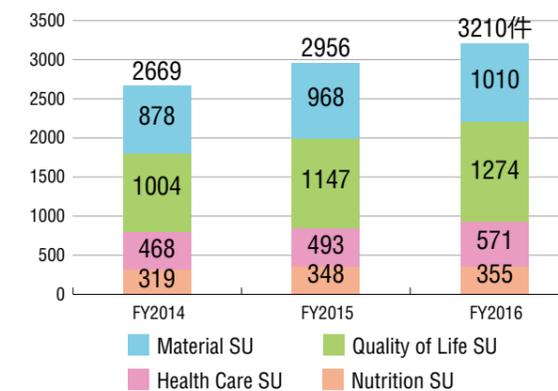
Number of published PCT applications



Number of national patents held



Number of foreign patents held



Lawsuits Concerning Intellectual Property

As of the end of June 2017, no intellectual property lawsuits with the potential to significantly affect operations have been filed against the KANEKA Group. Meanwhile, we have filed the following patent infringement lawsuits in response to the suspected infringement of patents held by KANEKA.

Regarding patent infringement lawsuits based on KANEKA's US patent right concerning the production method for oxidized Coenzyme Q10 are still pending before the United States District Courts, the Central District of California and the Southern District of Texas.

Regarding patent infringement lawsuit based on KANEKA's US patent rights concerning polyimide film products and relevant

manufacturing method, the United States District Court, the Central District of California gave a judgement ordering the defendant to pay the damages of approximately \$ 13.5 million to Kaneka (May 2017).

Regarding patent infringement lawsuit based on KANEKA's US patent rights concerning a flame retardant polyester fiber for artificial hair, the United States District Court, the Northern District of Texas gave a judgement ordering the defendant to pay the damages of approximately \$ 6 million to Kaneka. The appeal court (CAFC) affirmed the first instance decision (April 2016) and the defendant-appellant did not make a final appeal to the Supreme Court. Therefore, the case has been terminated by our win.

As a topic for fiscal 2016, this column features our intellectual property rights activities in the field of regenerative medicine and cell therapy, the promotion of open innovation in the United States, and other R&D efforts.

TOPICS 1

Research and Development Regarding

In Japan, regenerative medicine promotion act(*1) was issued in 2013. Moreover regenerative medicine safety securing act(*2) and pharmaceuticals and medical device act(*3) came into force in 2014. As a result, it is now possible to outsource production of cell-processed products used for regenerative medicine. Thus, the business environment has been drastically changed.

Kaneka believes that this change in the environment is a great opportunity and has actively promoted research and development of regenerative medicine and cell therapy. Kaneka has so far developed various devices required for a series of processes from cell separation to administration such as "cell separation device", "cell concentration and washing device", "automatic cell culturing system", "thermostat-controlled transporting system" and "cell injection syringe" based on the technique and know-how of blood purification systems we have accumulated in the medical device business.

Further, from 2015, we established our research and development center specializing in regenerative medicine and cell therapy in Port Island, Kobe. We have begun in earnest research and development of "mesenchymal stem cell preparation derived from amniotic membrane", "large-scale culture technique for iPS cell" and "drug discovery supporting technique by using iPS cell" and are accelerating activities aiming to be "the top company of practical application of world standard cells, devices and facilities".

As a significant result achieved during fiscal 2016, we developed a new revolutionary technique, in collaboration with the University of Tokyo with support of AMED(*4), for preparing iPS cells in a large scale by suspension culture using lipids present in blood.

The iPS cells cannot grow under a condition in which cells are individually suspended in culture medium. We have successfully prepared more than 1 billion iPS cells, required to treat one patient with severe diabetes, by adding minute amounts of the lipids (lisophosphatidic acid and sphingosine-1-phosphate) to a medium and only by culturing with mild shaking in a commercially available culture vessel.

This technique is expected to reduce the cost to about one-third and the process time to about one-tenth compared to conventional methods, thereby significantly contributing to practical application of iPS cell preparations. An international patent application for the outcome of the research was filed together with the University of Tokyo (WO2016/121737).

In addition, patent applications and design applications have been actively filed based on the knowledge accumulated so far such as a method for highly efficiently concentrating and recovering mesenchymal stem cells from a cell culture medium (Japanese Patent No. 5800797), a cell separation filter, a culture device, a method for inducing differentiation to a desired cell, and characteristic designs of a cell separation vessel. We thereby aspire to secure our superiority in the intellectual property (as of June 30, 2017, 85 patent families among which 14 registered Japanese patents and 2 foreign registered patents).

Suspension culture of iPS cells



*1 Act on comprehensive promotion measure for prompt and safe regenerative medicine for the people
 *2 Act on the safety of regenerative medicine
 *3 Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics
 *4 AMED: Japan Agency for Medical Research and Development

TOPICS 2

The Kaneka US Innovation Center in Silicon Valley, United States Established a Development Site for Life Science and Information-Communication Technology (ICT)

Silicon Valley, in California, the United States, is the center of the world's most advanced research and development activities and front-line industries. This area is known as a place of open innovation, where companies are working with university researchers and venture companies to develop new technologies and industries.

In September 2016, the Kaneka US Innovation Center was established in Newark, in Silicon Valley, as a development site for research and business activities. This is our second R&D base, following one in Texas. This center promotes open innovation and surveys the advanced technological trends in life science and information-communication technology.

Kaneka Pharma America, a sales company, pioneers the sales of catheters and other medical equipment, while Europe-based Kaneka Eurogentec exports biopharmaceuticals to the United States.

The Kaneka US Innovation Center investigates the needs for and technical

trends in life science in the U.S. market to develop new technologies and products.

As IoT becomes increasingly sophisticated, and automated driving is getting closer to practical use, potential needs for highly functional materials exist in the information and communication field. We will explore advanced and specific material needs and propose various solutions by working with the Kaneka US Material Research Center at Texas A&M University, which is the Kaneka's first open innovation center in the United States.



A meeting at the Kaneka US Innovation Center

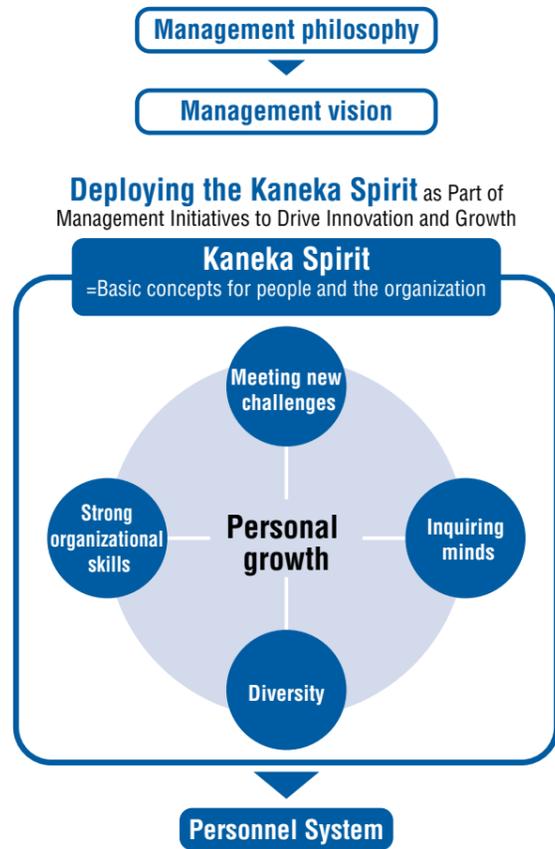


The Kaneka US Innovation Center

Human Capital

Basic Concepts for People and the Organization

The basic concepts for people and the organization—based on our corporate philosophy and long-term vision—are also at the heart of our personnel system. This concept, the Kaneka Spirit, has derived from ongoing dialogues between labor and management and evolved through the infused human resources systems, through which we foster people eager to meet new challenges, as well as a strong organization, diverse human resources, and inquiring minds. In fiscal 2016, we revised the system of evaluating managers to accelerate the company reforms.



■ The four elements of the Kaneka Spirit



Global Human Resource Development

In the Overseas Dispatch Training, the trainee system has been enhanced to allow young members to become familiar with overseas operations from an early stage. Employees who have worked for the company for two years or more are eligible to serve as voluntary trainees working at a Group company outside Japan. Not limited to advanced nations, the scope of personnel development has been expanded to India, Indonesia, and other emerging countries.

In the Global Employee Development Program (KG Program), in addition to the “show-of-hands” style language training, the company also provides an opportunity to learn languages for those who are assigned overseas by the business department and who are engaged in overseas operations, in order to improve their practical language and communication skills.

In fiscal 2016, we have newly started the Kaneka Creative Corner, a group training sessions where direct guidance from our top management, and Zen sitting practice are provided to prospective national staff leaders from group companies outside Japan to cultivate their potential as global leaders.

Active Promotion of Female Employees

In fiscal 2016, we committed to the theme stipulated in the Action Plan of the Act on Promotion of Women’s Participation and Advancement in the Workplace. We established the new time-based annual leave system and revised the telecommuting program in response to proposals from the participants in the first phase of the Women’s Network System, where female employees address workplace-related issues. In the second phase, all participants have created and accomplished a vision to enable female employees to be more active in Kaneka.

There were 16 voluntary participants in the training for fostering female leaders. The employment rate of female students who graduated from colleges of technology and universities in fiscal 2017 exceeded 30%. Our female members also gave career seminars at colleges to motivate students’ willingness to work and cultivate future human resources.

While creating a women-friendly company environment, we will be more active in hiring women and building their capacity.

TOPICS 1

Strengthening Our Efforts to Develop Human Resources in Malaysia

At Kaneka (Malaysia) Sdn.Bhd., the construction of the production lines for Kane Ace and Kaneka MS Polymer was completed this year to increase our market share in the ASEAN region. Human resources development is an important key to stable operation.

Thus, experienced leaders of operation at the Takasago Plant, a mother plant, have been sent to Malaysia since April 2016 to improve and streamline the production line operation with local employees.

In order to stabilize and improve production, the 3S (see note 1) activity and the pointing and calling-out procedures (see note 2) were introduced, but it was not easy to have local employees understand the concept. So, we

patiently explained them the reasons and importance of the efforts. After a while, these activities gradually produced measurable results and finally became routine practice.

The Takasago Plant is planning to send next-generation leaders to the plant in Malaysia over the next three years. This is not just an assistance project; they should have the perspective of optimizing the whole plant and will take a broad view of the overall business. Employees cultivated through this opportunity are expected to become Kaneka’s global leaders, not limited to Japan.

Note 1. 3S: *seiri* (organize), *seiton* (arrange), and *seisou* (clean up).
Note 2. Pointing and calling-out procedures: To check the safety by pointing at each item with a finger and calling out its name and status.



All members keeping in mind the pointing and calling-out procedures to check the safety



Through the activities, I want to find the importance of on-site confirmation

TOPICS 2

Organizational Culture to Make Women More Active in the Workplace

The Act on Promotion of Women’s Participation and Advancement in the Workplace that came into force in April 2016 requires companies to take four steps, including identifying the working situation of female employees, analyzing issues, and developing action plans.

After 2013, when Kaneka started institutional reform for women’s active participation, the two occupational categories of the management-track position and the regional career-track position were eliminated. Instead, the Work-at-Home System, the Leave of Absence for Spouse’ Overseas Transfer System, and the Babysitting Expenses Aid System were newly established. We also actively sent female employees to external training to cultivate

their leadership.

Action plans were developed in 2016 based on the act described above. In these plans, the number of female managers will be doubled, and several women will be appointed as senior managers by March 2021. Under these plans, we will continue to improve our corporate culture and working conditions to make female employees more active in the workplace.



The Women’s Network System, established in 2015 to encourage female employees to address work-related issues

CSR Promotion System

In order to strengthen its organizational problem-solving capacities related to CSR matters, Kaneka Group created the CSR Committee in March 2009.

The CSR Committee determines and revises the basic policies that provide direction for the group to fulfill its responsibility as a good corporate citizen. The Committee also develops comprehensive strategic plans and produces action plans for CSR activities, and assesses their implementation status.

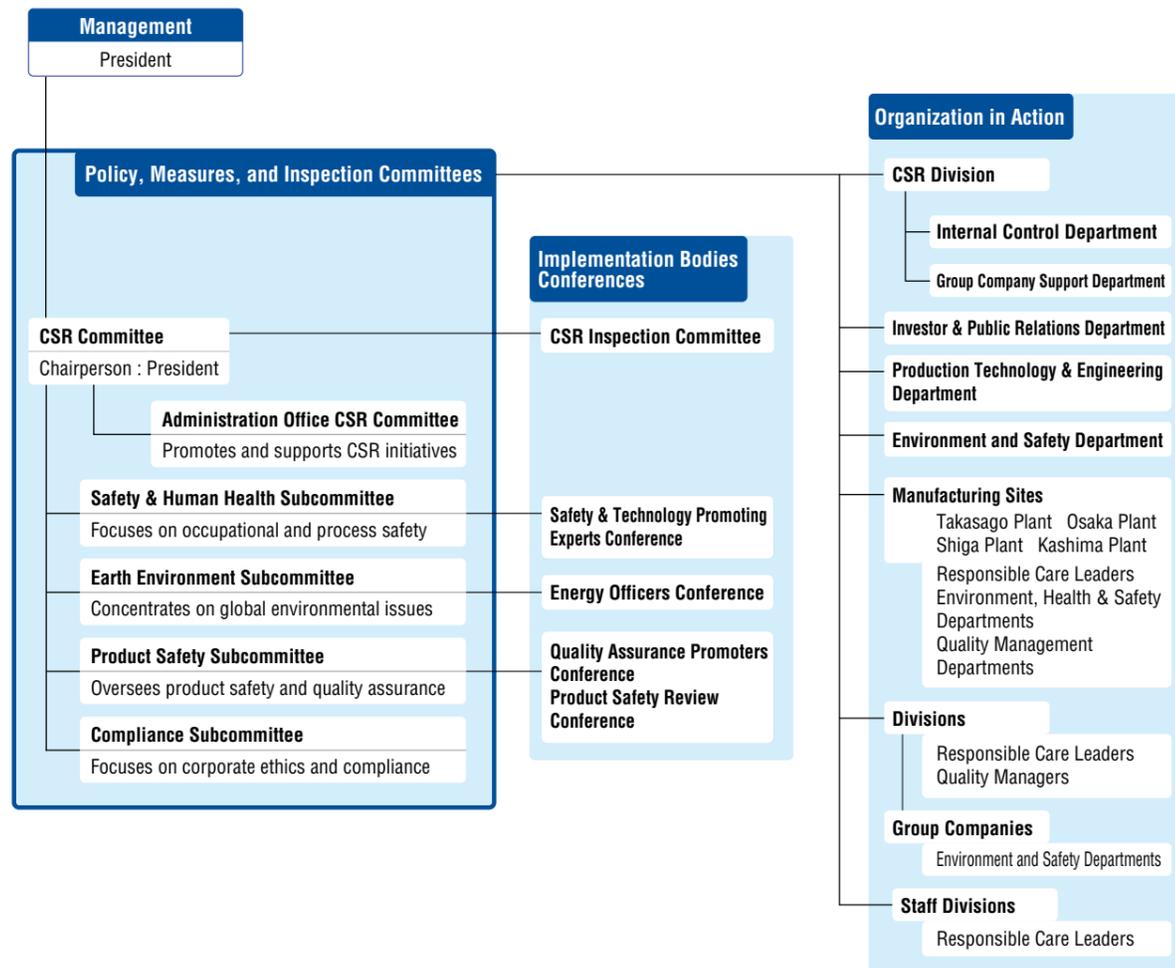
In fiscal 2016, the CSR Committee met twice, and the Safety and Human Health Subcommittee once, the Earth Environment Subcommittee twice, and the Product Safety and the Compliance Subcommittees each met three times.

We at Kaneka conduct trainings for employees at all levels, based on our CSR Handbooks covering fundamental and practical aspects. In fiscal 2016, training sessions were held three times for new employees, twice for mid-career entrants, and one time each for those newly promoted to managerial and supervising positions.

We also held 18 sessions to explain our CSR activities, including at meetings of group company presidents and group company top management, as well as at briefing sessions held for new employees of group companies and group companies in Japan.

We will encourage individual employees to consciously commit themselves to CSR activities so that we can successfully fulfill our corporate social responsibility and make social contributions as well.

CSR Structure



Environment and Safety

Promoting Responsible Care

All members of the Kaneka Group share a commitment to Responsible Care (RC) (see note 1), and all of our activities are managed in keeping with Responsible Care principles.

We carry out CSR safety and quality inspections for all group companies in and outside Japan. These address considerations related to environmental protection, occupational health and safety, product safety and quality assurance, and compliance. We also actively monitor the progress of implementation of the relevant policies and actions.

Kaneka's Environmental Health and Safety Management Regulations and Quality Management Regulations clearly define the actions and responsibilities expected of group companies. Employees of group companies are urged to be proactive, and together we endeavor to reduce the environmental impact and risks of occupational accidents, as well as to improve our capacity to respond to natural disasters or product-related accidents that may occur.

Note 1: Responsible Care refers to actions undertaken on a voluntary basis by the chemical industry to promote improvements in aspects of environmental, safety, and health performance, throughout the entire process, from the development of chemical products to their manufacture, usage, and disposal. The initiatives and achievements are communicated to the public to raise

public confidence in their operations. Kaneka has been actively promoting this approach since 1995 as a founding member of the Japan Responsible Care Council (which merged with the Japan Chemical Industry Association in fiscal 2012).

Basic Policies for Responsible Care

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

Win public confidence

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

TOPICS

Joined Community Dialogues

Community dialogues were held by the Japan Responsible Care (RC) Council in Osaka and Hyogo on November 16, 2016, and February 18, 2017, respectively.

The Osaka Plant belongs to the Osaka district and the Takasago Plant to the Hyogo district; this fiscal year, we participated in the dialogues as a member of the group of managing companies.

Community dialogue is intended to introduce the activities of district RC member companies to community residents and administrative officials and enable them to have better understanding of our business activities. The activities are mainly composed of five codes: environmental protection, process safety and disaster prevention, occupational safety and health, chemical and product safety, and distribution safety.

On the day, member companies gave presentations on their RC activities and

outcomes. This was not just a briefing session; we spent sufficient time answering questions. Such efforts resulted in a vigorous exchange of views among the competent authorities, relevant companies, local residents, and residents' associations. We will continue to promote mutual understanding with local communities through RC activities.



Dialogue in Osaka with many participants, including the pertinent authorities, relevant companies, and local residents

Protect the natural ecosystem and reduce environmental impact

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

Reduce waste and promote the recycling of plastics

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

Environmental Efficiency

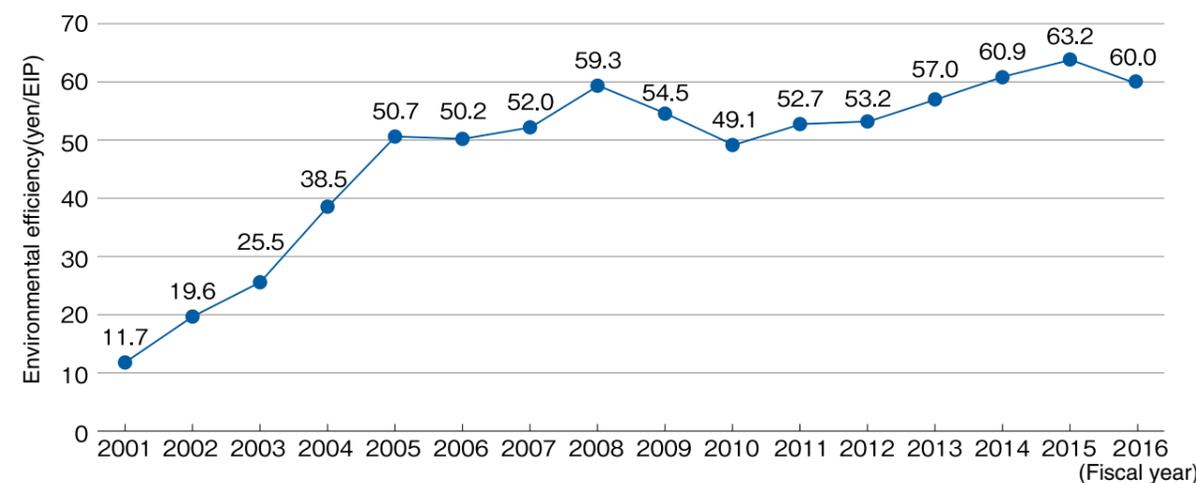
We assess the environmental impacts of our production activities using Environmental Impact Points (EIP), which are compiled using the JEPIX methodology (see note 1), and we use those points to assess our environmental efficiency (see note 2).

Our total environmental impact in fiscal 2016 decreased slightly, by 0.4% from the previous year, to 4.58 billion EIPs, while our environmental efficiency dropped by 5.1% from the previous year due to a decline in sales.

Note 1: The Japan Environmental Policy Priorities Index (JEPIX) methodology involves the calculation of an "eco-factor" coefficient for each emitted substance that has an environmental impact, using a ratio of the annual target for emissions under national environmental policies versus actual annual emissions ("Distance to Target"). The eco-factors are then multiplied by a quantity for each environmental impact to produce a single integrated index known as Environmental Impact Points (EIP). Calculations of eco-factors are done by the JEPIX Project (www.jepix.org, in Japanese).

Note 2: Environmental efficiency is a yardstick to measure efforts to maximize value and minimize environmental impacts, with the aim of achieving sustainable growth. Kaneka calculates this by dividing net sales (yen) by the EIP.

Environmental Efficiency



Initiatives to Cut Carbon Intensity

At Kaneka, we are working to reduce carbon intensity, using a carbon intensity index (see note 3) as an indicator for management, based on carbon dioxide emissions from energy consumption associated with production activities. Since the base year was changed from fiscal 1990 to fiscal 2013, the target was accordingly changed to "93.2 or below compared to fiscal 2013 (100) in fiscal 2020" without changing the target level.

The carbon intensity index of all parent plants was 93.4 in fiscal 2016, so we achieved our target of 97.0 for the year, based on a target of 93.2 for fiscal 2020.

Non-consolidated carbon dioxide emissions (see note 4) decreased by 4.3% from the previous fiscal year to 1,075,000 tons. Main factors in the decrease included activities to reduce carbon intensity, differences in the product mix, CO₂ emission factors of purchased electricity, and so forth.

Note 3: The carbon intensity index is calculated as carbon dioxide emissions from energy consumption in production activities divided by activity volume, with the index set at 100 in the base year of fiscal 2013, using fixed numbers for Kaneka. It helps in the visualization of the impact of our activities, and was used to establish targets for fiscal 2020.

Note 4: Carbon dioxide emissions are calculated as prescribed by the Act on Promotion of Global Warming Countermeasures, and as with energy the figure is a non-consolidated total for Kaneka.

3R Initiatives

Because reducing waste leads to improving global sustainability by means of resource savings, cost reduction, as well as carbon dioxide emissions reduction, Kaneka is pursuing waste reduction on a company-wide basis.

We effectively achieved zero emissions in fiscal 2016, with a final landfill volume for Kaneka (see note 5) of 3.0 tons, equivalent to a final landfill rate of 0.005%.

The final landfill rate of 45 group companies in Japan (see note 5) in fiscal 2016 failed to achieve zero emissions, with a rate of 1.8%.

We will work on controlling the emission intensity of industrial wastes and reducing the final landfill rate.

Note 5: The landfill volume, landfill rate, industrial waste volume, and recycling amount of Kaneka and group companies in Japan indicate totals for the company as a whole, including its facilities and companies other than the plant department.

TOPICS

Eco-Friendly Products

Kaneka Groups is engaged in various environmental initiatives.

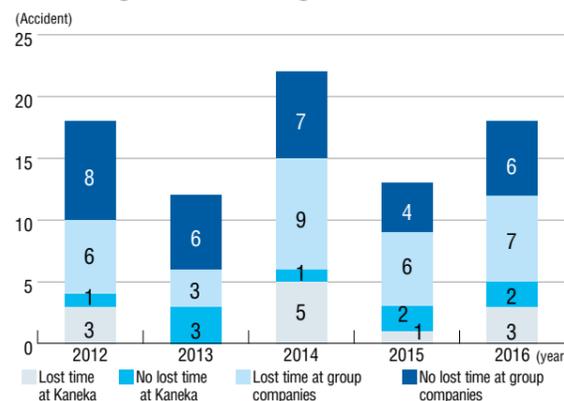
Focusing on eco-friendly management from fiscal 2017, we will define, enhance, and expand our eco-friendly products.

Energy Creation	Energy Storage	Energy Saving	Energy Saving	Waste Reduction	Clearing Agents for Chemical Pollutants
Product name VISOLA/Soltilex/ GRANSOLA Intended use Solar power generation systems Reason for environmental contribution Creating energy with houses equipped with this product	Product name Kaneka residential electricity storage systems Intended use Residential stationary batteries (Lithium ion secondary battery) Reason for environmental contribution Storing energy by houses equipped with this product	Product name Kanepearl Intended use Residential/automotive foams Reason for environmental contribution Saving energy as insulation and lightweight residential / automotive materials	Product name Eperan Intended use Automotive parts Package cushioning materials Reason for environmental contribution Saving energy as lightweight automotive parts	Product name PHBH Intended use Biodegradable polymers (Packaging materials, garbage bags, foams) Reason for environmental contribution A naturally derived and biodegradable polymers that has little environmental impact when discarded	Product name KANEKA Surfactin Intended use Biosurfactant Cleaning agents Reason for environmental contribution A naturally derived and biodegradable material friendly to the environment

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

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

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



Occupational Safety and Health

In 2016, a total of 18 occupational accidents occurred in the Kaneka Group, of which 10 resulted in lost work time, and eight did not. In response to the high number of accidents due to body parts getting caught in machines, we provide a risk sensory learning program using sensory equipment and a profession-specific safety education program to reduce the number of occupational accidents to zero, in order to boost personal safety awareness and strengthen our safety management capacity.

Accident Severity Rate and Accident Frequency Rate

Area	All Kaneka Group		Kaneka		Group Companies in Japan and Overseas	
	2015	2016	2015	2016	2015	2016
Employees of Kaneka of Group Companies	0.61	0.56	0.18	0.35	0.74	0.67
Frequency Rate	0.01	0.01	0.008	0.01	0.01	0.01
Accident Severity Rate						

TOPICS

The Safety Room

Regarding safety as the highest priority in management, Kaneka Group actively makes its plants safe and secure for employees.

The Kashima Plant performs PDCA based on two concepts—equipment safety technology and employee safety awareness—to retain the safety mind-set alive and continually evolve safety activities. This PDCA is intended to retain the memory of the fatal accident caused by an explosion in 2009.

The Safety Room was opened in 2015 as a place to make all employees aware of and familiar with the mind-set and techniques of the safety-first policy. This place allows employees to understand the basics of safety by learning about the relationship between direct and indirect causes and discussing accidents that occurred at their workplace.

Furthermore, employees will actually experience and learn the potential risks, such as getting a body part caught in a machine



The Safety Room, named *Sokai-juku* at the Kashima Plant, to retain the memory of the accident

and receiving an electric shock. In addition to learning about the importance of strictly observing the working regulations, they will also develop self-maintenance skills in the maintenance training room to pursue safe and secure operations. This training has had more than 400 participants so far, which exceeds the total number of employees at the Kashima Plant. Every single employee carries out repetitive learning and makes a new pledge to work on safety, which improves safety awareness through the PDCA.

In 2017, the Safety Room received the Effort Award, one of the Responsible Care Awards, from the Japan Chemical Industry Association, as a benchmark example of popularizing the safety-first policy across the chemical industry.

Offer safe products and information

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

Develop products and technologies in consideration of the environment and safety

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

Quality Management Activities

We at the Kaneka Group strive to benefit society and satisfy our customers, through providing a stable supply of safe and reliable products. To that end, we undertake quality management activities to ensure the safety and quality of our products at all stages of design, development, manufacturing and sales.

In fiscal 2016, related activities included the following:

- We inspected the status of product tests to verify conformity with laws and regulations as well as with certification and accreditation criteria.
- We conducted on-site inspections of food logistics management in terms of legal compliance and food defense and found no problems.
- We undertook a range of activities to build the capacity of our employees, including through outside seminars and in-house lectures by external experts.
- We provided employees in the business and research divisions with e-learning regarding quality control as part of strengthening the foundation of quality management.

Product Safety Review Conference

Due to expanded business operations and diversified activities of the group, we need to conduct an increasing number of reviews of our new services and products.

To respond to emerging opportunities in a timely and speedy manner, in fiscal 2016 the administration office of the Product Safety Review Conference carried out related pre-consultations (hearings).

Moreover, for products in new business fields, we involved external experts in the reviews, receiving their input from the initial stages of product development.

Chemical Substance Management

Internationally, regulatory systems are becoming more stringent in order to achieve appropriate management of chemical substances related to consumer products. We strictly follow Japanese and international laws and regulations, and also actively offer information for the proper handling of our products, through displaying the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) labels and providing a safety data sheet for products.

We will also continue our efforts on information disclosure, including working with the Japan Initiative of Product Stewardship (JIPS), an initiative supported by the Japan Chemical Industry Association, which promotes voluntary efforts within the chemical industry to minimize chemical risks.

In addition, we revised and publicized the internal standards for chemical risk assessment to respond to the Revised Industrial Safety and Health Act, which came into force in 2016.

Communication with Society

Stakeholder Dialogue

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

On March 1, 2017, we had a dialogue with Japan Platform (JPF), Kaneka's partner for the Great East Japan Earthquake and the Kumamoto earthquake.

Details of this dialogue with JPF are available on our website.

Kaneka CSR

Search

From left:

- | | | | | |
|--|--|---|--|--|
| Acting Manager,
External Relations
Japan Platform, a Specified NPO | Domestic Division Manager
Head of the Tohoku Office,
Japan Platform, a Specified NPO | Senior Officer, General Manager CSR Division
Administration Office CSR Committee
Kaneka Corporation | Manager
Administration Office CSR Committee
Kaneka Corporation | Assistant Manager
Administration Office CSR Committee
Kaneka Corporation |
| Naoya Hirano | Yukihiko Akutsu | Minetoshi Marufuji | Kiyotaka Kondo | Mika Fujii |

“Cooperating with a company that has cutting-edge technologies will enhance the regional capability and save many lives.” —JPF

“We continue to provide reconstruction support through business activities, such as by supplying our products.” —Kaneka

Mr. Hirano: JPF is an all-Japan system for overseas humanitarian assistance. We leveraged our foreign experience and provided the first full-scale support activities in Japan when the Great East Japan Earthquake occurred.

Mr. Akutsu: We focus on addressing both deaths directly caused by disasters and deaths in the reconstruction phase. We believe that cooperating with Kaneka, which has cutting-edge technologies, will enhance regional capability and save many lives.

Mr. Hirano: Before our request, Kaneka actively offered us solar panels to deal with power shortages. That offer was so helpful.

Fujii: At the time, our employees in charge of the photovoltaic modules business proposed that they could produce portable and easy-to-install solar panels. So, we sent you around 100 solar panels via our distribution network, and you let us know about many words of thanks from affected people and gave us their pictures, which made us aware that how our products were helpful to them.

Kondo: After the disaster, for early reconstruction of the fishery industry in Kesenuma, we started to rebuild Kanae, the only company making styrene foam fish containers in the city, and the company began operation again in 2013. We also provided nuclear decontamination agents and Soil Block (large-size polystyrene foam for civil engineering work) for highway recovery.



Mr. Hirano: Kaneka has a concept of Build Back Better, meaning better reconstruction. This is great. We think private companies have the power to revive afflicted areas, such as by helping recover businesses and even creating jobs.

“CSR activities play a pivotal role in passing down the wish for reconstruction.” —Kaneka

“We found that the management of Kaneka has a strong commitment.” —JPF

Marufuji: Kaneka learned a lot from the Great Hanshin-Awaji Earthquake. The plant had little damage, but our employees and partner companies were afflicted. Our members, who had warm support from people around the country, want to repay them. CSR activities play a pivotal role in passing down their wishes to young members.



Kaneka made a donation of 10 million yen through JPF to the Kumamoto earthquake that occurred in April 2016.



We provide relief supplies, including Kanelite Foam, a resin foam product used as a floor insulation material, for gymnasiums serving as evacuation centers.



Mr. Hirano: After reading the CSR Communication Book 2016, I found the management of Kaneka has a strong commitment. I think Kaneka's strength is that the president serves as the head of CSR Committee, sets up the administration office, and creates a companywide CSR system.

Mr. Akutsu: The CSR Communication Book 2016 emphasizes the importance of having a dialogue with society and verifying the inconsistency between the direction of Kaneka CSR activities and social needs. I was very impressed with Kaneka's humble attitude. Even NGOs and NPOs sometimes fail to accurately meet the needs of humanitarian activities. It is not easy to catch up with and respond to rapidly changing social needs. But, we must avoid being self-righteous. I was inspired by your CSR activities of being humble and thinking about affected people first. This is what we need to be.

“Cooperating with a company providing a dialogue opportunity makes support activities innovative.” —JPF

“Kaneka will aim to become a solution provider to meet future needs.” —Kaneka

Mr. Hirano: Today, the world faces the highest number of refugees since World War II, while the scale of



We made a company donation through JPF to people affected by the Great East Japan Earthquake in 2011.

natural disasters has also increased. NGOs and various sectors other than supporters are required to get involved in addressing complicated global issues. There are high global expectations for innovative support activities. Sustainable activities will be provided through cooperation among universities, research institutions, and private companies that cope with social problems from a business perspective. In this respect, Kaneka is leading in the wig business in Africa.

Mr. Akutsu: We expect Kaneka to make many dreams come true. Innovation in chemistry will enhance regional capability, which is our goal as well.

Marufuji: I think the role of private companies has been changing. Our management team has a strong desire to become a solution provider to satisfy social and future needs. Another important role of companies is to build a profitable business model that also contributes to society and continues their business activities. For this reason, we will continue to have dialogues with stakeholders and make sound efforts.

About Japan Platform

Japan Platform (JPF), an international humanitarian organization, was established as a platform where NGOs, financial circles, and the government cooperate with one another and utilize their strengths and resources to provide efficient and prompt emergency assistance for refugees and people affected by natural disasters. By seeking financial aid from the government and raising contributions from private companies and individuals, this platform promptly secures initial activity funds for emergency assistance, so that NGOs can swiftly start support activities.



Corporate Governance

List of Directors



Kimikazu Sugawara
Chairman of the Board
(Representative Director)



Mamoru Kadokura
President(Representative Director)



Minoru Tanaka
Executive Vice President



Shinichiro Kametaka
Member of the Board
Senior Managing Executive Officer



Akira Iwazawa
Member of the Board
Managing Executive Officer



Hidesuke Amachi
Member of the Board
Managing Executive Officer



Shinobu Ishihara
Member of the Board
Managing Executive Officer



Kazuhiko Fujii
Member of the Board
Managing Executive Officer



Yasuaki Nuri
Member of the Board
Managing Executive Officer



Takeo Inokuchi
Independent Member of the Board



Mamoru Mohri
Independent Member of the Board

Audit & Supervisory Board Members
Hideyuki Matsui
Masami Kishine
Hiroshi Fujiwara (Outside)
Yasuhiro Uozumi (Outside)

Managing Executive Officers
Atsushi Kawakatsu
Ikuo Aoi
Fuminori Hoya
Masaaki Kimura
Yoshiki Takeoka

Executive Officers
Yasuhiro Sumi
Haruhiko Maki
Riichi Nishimura
Kan Okabe
Toshio Komori

Takamune Yasuda
Hitoshi Yahara
Masahiro Ueda
Takuo Ishibashi

Basic Philosophy

Kaneka believes that a working corporate governance function is extremely important in order to realize its diverse, global business growth, and to maintain the optimal allocation of corporate resources to the R&D, production and sales activities that support that growth. The corporate governance function is also essential to realize sustainable growth together with the medium- to long-term improvement of corporate value. From this perspective, Kaneka is working to enhance corporate governance, both to ensure transparency and fairness in decision-making, and to build more dynamic management through swift, bold decisions. Kaneka believes the following basic items are particularly important in those efforts.

- Respecting and ensuring the equality of shareholder rights.
- Collaborating with other stakeholders in the value-creation process.
- Ensuring transparency through the timely, appropriate disclosure of information.
- Strengthening the oversight and strategic recommendation functions of the Board of Directors by leveraging the independence and insight of its outside officers.
- Appropriately communicating and encouraging understanding of Kaneka's corporate philosophy and policies among all stakeholders.
- Conducting a constructive dialogue with shareholders based on an understanding of Kaneka's corporate policies.

[Our Efforts to Strengthen the Governance Capacity]

- 2006**
- Introduced the executive Officer system
 - Changed the number of directors from 21 to 13
 - Formulated the Basic Policy on Internal Control System

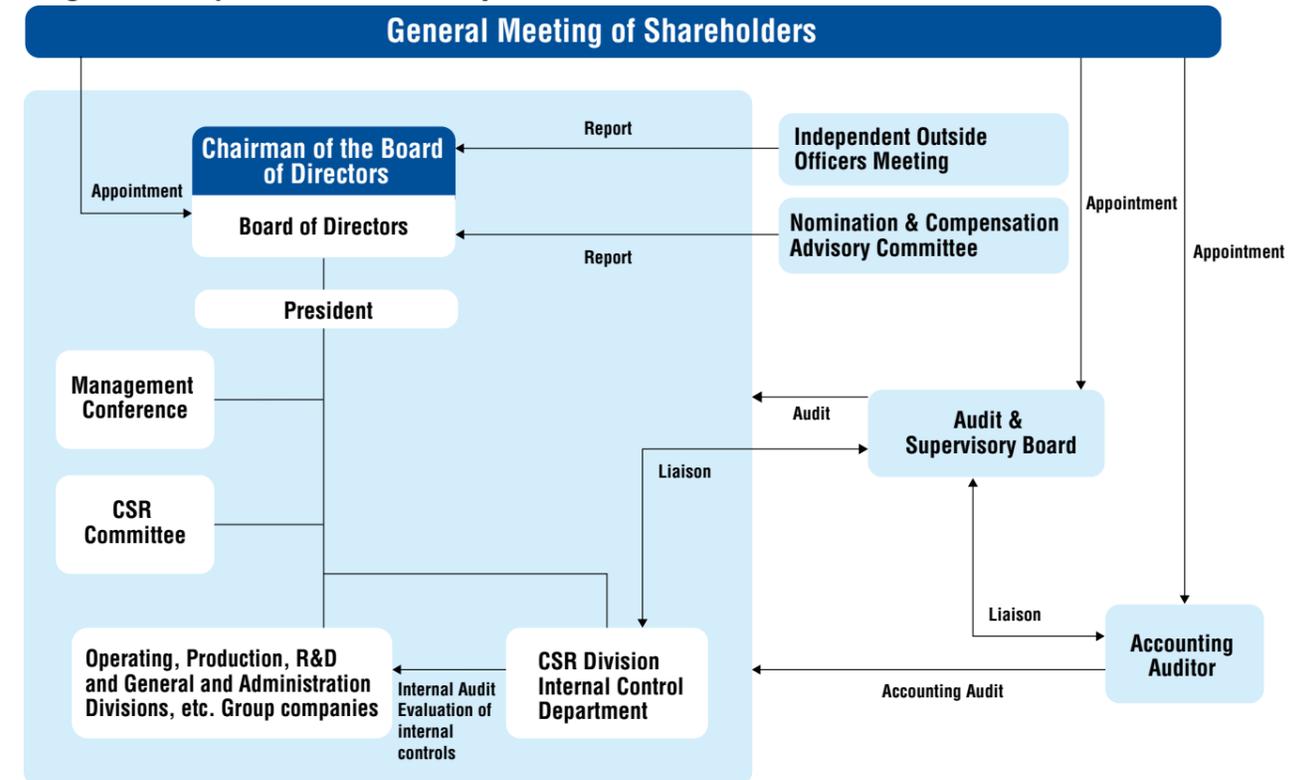
- 2011**
- Appointed an outside director

- 2013**
- Formulated the Criteria for Independence of Outside Directors

- 2015**
- Increased the number of outside directors from 1 to 2
 - Formulated the Basic Policy on Corporate Governance
 - Established the Appointment and Remuneration Advisory Committee
 - Established the Independent Outside Officers Meeting

- 2016**
- Commenced the effectiveness evaluation on the Board of Directors

Diagram of Corporate Governance System



Organizational Design and Business Execution Structure

Kaneka has put in place two independent outside directors and two independent outside Audit & Supervisory Board members, all of whom provide fully functioning oversight of the execution of business by the Board of Directors and audits by the Audit & Supervisory Board. Kaneka has thus chosen the “company with an Audit & Supervisory Board” format as our organizational design under the Companies Act.

Important management matters pertaining to management of the Kaneka Group are decided by resolution of the Board of Directors following deliberation at a Management Conference, a body consisting of the President and other executives of Kaneka. Kaneka has introduced an executive officer system with the purpose of promoting swift and flexible responsiveness to changes in the business environment, as well as to separate and enhance business execution and oversight functions. While division managers, including executive officers selected by the Board of Directors, are given extensive authority over daily business execution, directors are responsible for or in charge of each division to supervise the execution of operations. Division managers hold monthly meetings to report on the status of operations in their respective divisions directly to all directors and Audit & Supervisory Board members.

The CSR Committee, chaired by the President, has been established to promote activities that contribute to society’s sustainable development, as well as to guide Kaneka in ensuring legal and regulatory compliance, and fulfilling its accountability to stakeholders.

Board of Directors

Meetings of the Board of Directors are convened, in principle, at least once a month. The Board of Directors discusses important matters regulated by laws and regulations, the Articles of Incorporation, and Board of Directors regulations, and then decides on the execution thereof. In tandem, directors report to the Board of Directors on the status of execution of their prescribed duties, with the Board of Directors monitoring the legality and appropriateness of their actions. The number of directors is capped at 13, and in principle 2 of them are independent outside directors appointed to strengthen the oversight function of the Board of Directors. The terms of office of directors are limited to one year in order to clarify management accountability.

Audits and Oversight

The Audit & Supervisory Board consists in principle of four Audit & Supervisory Board members, two of whom are independent outside Audit & Supervisory Board members. Audits are conducted in coordination with the accounting auditor and CSR Division Internal Control Department. The Audit & Supervisory Board members meet periodically to exchange opinions with Kaneka’s representative directors, and attend meetings of the Board of Directors, Management Conference, division manager meetings and other important meetings where key matters regarding business execution are decided. In this way, the Audit & Supervisory Board members properly monitor the status of operational execution in Kaneka.

The Internal Control Department of the CSR Division is responsible for evaluating internal controls and conducting internal audits with regards to the business operations of each division.

Nomination & Compensation Advisory Committee

To ensure that its corporate governance initiatives function effectively, Kaneka has put in place a Nomination & Compensation Advisory Committee as an advisory committee to the Board of Directors. When Directors and Audit & Supervisory Board members are appointed and dismissed or the remuneration of directors is decided, the independent outside directors on the Nomination & Compensation Advisory Committee advise the representative directors by expressing their opinions from the standpoint of fairness and neutrality and report the results to the Board of Directors.

The members of the Nomination & Compensation Advisory Committee comprise Kaneka’s representative directors and independent outside directors. In fiscal 2016, this committee was held twice to discuss the remuneration of the directors, the company system, and the operational system.

Independent Outside Officers Meeting

The Independent Outside Officers Meeting, comprising Kaneka’s independent outside directors and independent outside Audit & Supervisory Board members, meets at least once a year to discuss matters regarding corporate governance. Prior to a meeting being held, the members of the Independent Outside Officers Meeting collect necessary information from the standing Audit & Supervisory Board members, and the content of

discussions is reported to the Chairman of the Board, as appropriate.

The Independent Outside Officers Meeting was held once in fiscal 2016 to discuss the operation of the Board of Directors, the roles of outside directors, risk management, and other matters.

Corporate Officer Compensation

• Policy for Determining Corporate Officer Compensation

Compensation for directors is linked to the medium- to long-term interests of Kaneka’s shareholders and is intended to enhance the directors’ motivation for maximizing corporate value through a system that is appropriate, fair and balanced.

Compensation for directors is comprised of a fixed monthly compensation, together with a bonus

linked to operating results and stock option equity compensation. Compensation for outside directors comprises a fixed compensation. Each of these components is maintained within caps approved by the General Meeting of Shareholders, and is decided after consideration of Kaneka’s operating environment, business results and other factors.

Remuneration for individual directors is determined by the Board of Directors after discussion by the Appointment and Remuneration Advisory Committee in accordance with the Concept of Remuneration for Officers.

Auditors are provided with fixed remuneration, which is determined within the limitation in total amount approved by resolution of shareholders meeting. The amount for individual auditors is determined after discussion with the auditors according to their duty and responsibility.

Breakdown of Corporate Officer Compensation

Position	Total Compensation (Millions of yen)	Breakdown of Compensation by Type (Millions of yen)			Persons Compensated
		Monthly (fixed) Compensation	Stock Option Equity Compensation	Bonuses	
Directors (excluding outside directors)	605	452	53	100	11
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	48	48	-	-	2
Outside directors	68	68	-	-	5

Notes:

- Amounts less than the specified unit have been rounded off.
- Persons compensated and monthly (fixed) compensation for directors include compensation paid to a director who retired from their positions at the close of the 92nd Ordinary General Meeting of Shareholders on June 29, 2016.
- Persons compensated and monthly (fixed) compensation include compensation paid to an outside Audit & Supervisory Board member who retired from their positions at the close of the 92nd Ordinary General Meeting of Shareholders on June 29, 2016.
- Maximum compensation to directors is ¥46 million per month (fixed salary) (resolved at the 76th Ordinary General Meeting of Shareholders on June 29, 2000), and annual stock option equity compensation is ¥75 million (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).
- Maximum compensation to Audit & Supervisory Board Members is ¥7.8 million per month (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).

Evaluation of Effectiveness of the Board of Directors

The Chairman of the Board regularly checks reports from the Independent Outside Officers Meeting and the opinions of Kaneka officers. The Chairman then analyzes and evaluates the significance and operations of the current Board of Directors, and discloses an overview of the results.

In June 2016 Kaneka discussed the operations of the Board of Directors (the content of information provided in advance, content of proceedings, deliberations, etc.), the roles of outside directors, risk management and other matters in the Independent Outside Officers Meeting. As a result of a self-assessment performed based on those discussions, Kaneka has confirmed that the Board of Directors has been effectively functioning as a decision-making body regarding important matters

of the Kaneka Group, including examination of risk management, that the Board plays an effective role in supervising the business operation, and that the Board has the ability to maintain its effectiveness.

Kaneka will continue to make efforts to maintain the effectiveness of the Board of Directors through evaluation in the future.

Status of Internal Control System

By resolution of the Board of Directors, Kaneka has stipulated a basic policy concerning the system to ensure operational appropriateness (internal control system). This basic policy is confirmed periodically and revised as necessary in an effort to maintain the effectiveness of the internal control system. The policy was resolved for the fiscal year ending March 31, 2017 by the Board of Directors meeting held on March 22, 2017.

Corporate Profile

NAME
KANEKA CORPORATION

OFFICES
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, 2017)

NET SALES
548.222 billion yen (Fiscal years ended March 2017)

NUMBER OF EMPLOYEES (As of March 31, 2017)
9,666 (including consolidated subsidiaries)

FACILITIES IN JAPAN
Osaka Head Office
Sales Office Nagoya (Aichi Prefecture)
Plants
Takasago (Hyogo Prefecture)
Osaka (Osaka Prefecture)
Shiga (Shiga Prefecture)
Kashima (Ibaraki Prefecture)

RESEARCH INSTITUTES
Material Solutions Research Institute
Health Care Solutions Research Institute (Biotechnology Development Laboratories)
(Regenerative Medicine and Cell Therapy Laboratories)
Process Development Research Laboratories
Process Technology Laboratories
Photovoltaic & Thin Film Device Research Laboratories

AFFILIATED COMPANIES
104 subsidiaries
(including 41 (in Japan) and 35 (outside Japan) consolidated subsidiaries)

INVESTOR INFORMATION (As of March 31, 2017)

COMMON STOCK TRADED
Tokyo, Nagoya

TRANSFER AGENT
Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch
3-6-3, Fushimimachi, Chuo-ku, Osaka 541-8502, Japan

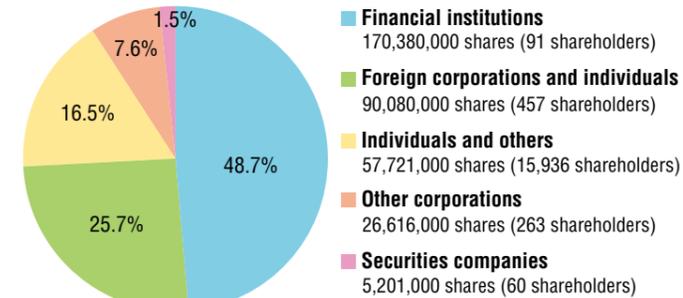
ACCOUNTING AUDITOR
KPMG AZSA LLC
Ginsen Bingomachi Bldg., 3-6-5, Kawaramachi, Chuo-ku, Osaka 541-0048, Japan

AUTHORIZED CAPITAL
750,000,000 shares

ISSUED SHARES
350,000,000 shares

NUMBER OF SHAREHOLDERS
16,807

DISTRIBUTION OF SHAREHOLDERS

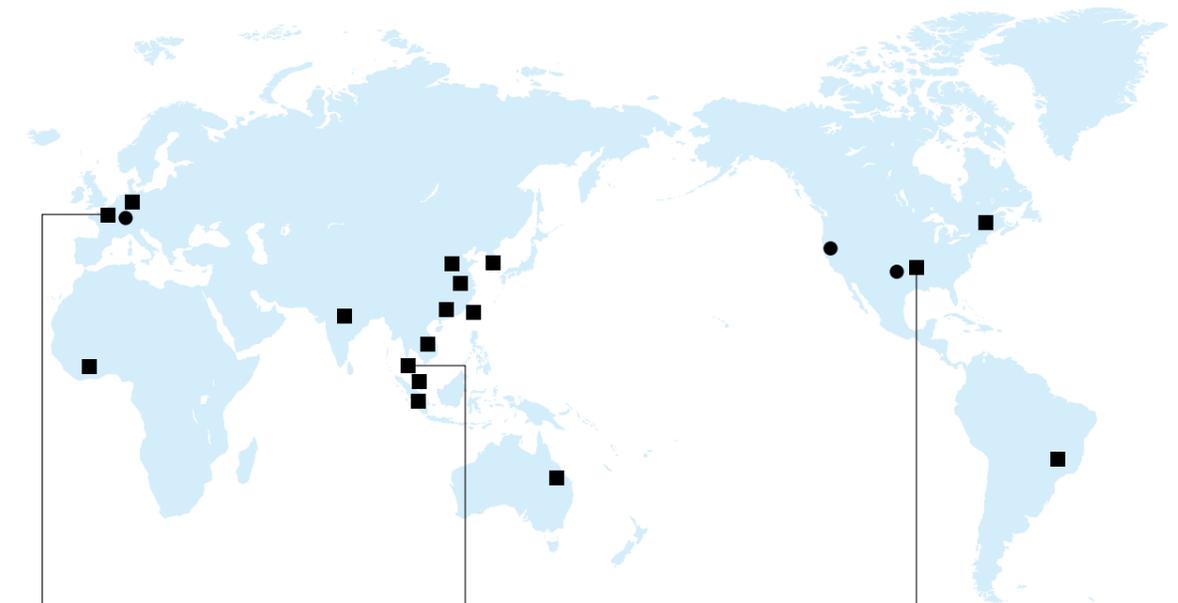


Notes:
1. Share numbers are rounded down to the nearest thousand.
2. Percentages are rounded to the nearest decimal point.

COMMON STOCK PRICE RANGE (Tokyo Stock Exchange; Yen)

Years ended March 31	2013	2014	2015	2016	2017
High	567	710	898	1,278	1,061
Low	370	495	558	810	643

Global Network



Belgium



Kaneka Europe Holding Company N.V.
Kaneka Belgium N.V.
Kaneka Pharma Europe N.V.

Kaneka Eurogentec S.A.

Malaysia



Kaneka (Malaysia) Sdn. Bhd.
Kaneka Eperan Sdn. Bhd.
Kaneka Paste Polymers Sdn. Bhd.
Kaneka Innovative Fibers Sdn. Bhd.
Kaneka Apical Malaysia Sdn. Bhd.
Kaneka MS Malaysia Sdn. Bhd.

America



Kaneka Americas Holding, Inc.
Kaneka North America LLC

EUROPE / AFRICA

- Kaneka Europe Holding Company N.V.
- Kaneka Belgium N.V.
- Kaneka Pharma Europe N.V.
- Kaneka Eurogentec S.A.
- Kaneka Modifiers Deutschland GmbH
- Kaneka's European Photovoltaics Research Laboratory
- Kaneka Africa Liaison Office

AMERICA

- Kaneka Americas Holding, Inc.
- Kaneka North America LLC
- Kaneka Pharma America LLC
- Kaneka Aerospace LLC
- Kaneka South America Representative Ltd.
- Kaneka US Material Research Center
- Kaneka US Innovation Center

ASIA / OCEANIA

- Kaneka Asia Co., Ltd.
- Kaneka Trading (Shanghai) Co., Ltd.
- Kaneka Eperan (Suzhou) Co., Ltd.
- HiHua Fiber Co., Ltd.
- Kaneka (Foshan) High Performance Materials Co., Ltd.
- Kaneka (Malaysia) Sdn. Bhd.
- Kaneka Eperan Sdn. Bhd.
- Kaneka Paste Polymers Sdn. Bhd.
- Kaneka Innovative Fibers Sdn. Bhd.
- Kaneka Apical Malaysia Sdn. Bhd.
- Kaneka MS Malaysia Sdn. Bhd.
- Kaneka Singapore Co. (Pte) Ltd.
- Kaneka (Thailand) Co., Ltd.
- Kaneka Pharma Vietnam Co., Ltd.
- Kaneka India Pvt. Ltd.
- PT. Kaneka Foods Indonesia
- Kaneka Taiwan Corporation
- Kaneka Korea Corporation
- TGA Pastry Company Pty. Ltd.

■ Overseas Subsidiaries and offices
● Overseas R&D Facilities