We report our efforts and data for our fiscal 2008, which is from April 1, 2008 to March 31, 2009 (some data is also included from the 2008 calendar year). We also cover some fiscal 2009 activities as well.

In June 2009, third party Responsible Care verification was obtained from the Responsible Care Verification Center, which performed an objective evaluation on the contents of this report. The copy of that third party verification is available at the end of this report.

The Environmental Reporting Guidelines (2007 version) issued by the Ministry of Environment of Japan and the Sustainability Reporting Guidelines 2006 issued by GRI were referred to in the preparation of this report.

Kaneka published its first Responsible Care Report in 1999 and has since published the report annually. Responsible Care information is also available on our website. The next Responsible Care Report is scheduled to be published in August 2010.
Kaneka Group Outline

Corporate Profile

Name: KANEKA CORPORATION

Head Office:
Osaka Head Office
3-2-4, Nakanoshima, Kita-ku, Osaka
530-8288, Japan
Phone: +81-6-6226-5050
Facsimile: +81-6-6226-5037

Tokyo Head Office
1-12-32, Akasaka, Minato-ku, Tokyo
107-8025, Japan
Phone: +81-3-5574-8000
Facsimile: +81-3-5574-8121

Date of Establishment: September 1, 1949

Paid-in Capital: 33,046 million yen (as of March 31, 2009)

Domestic Facilities:
Sales Office: Nagoya

Plants: Takasago (Hyogo Prefecture)
Osaka (Osaka Prefecture)
Shiga (Shiga Prefecture)
Kashima (Ibaraki Prefecture)

Research Institutes:
Frontier Materials Development Laboratories
Frontier Biochemical & Medical Research Laboratories
Process Technology Laboratories
Photovoltaic and Thin Film Device Research Laboratories
Molding & Processing Development Center

Overseas Facilities:
USA, Belgium, Singapore, Malaysia, Australia, China, and others

Kaneka Group:
78 subsidiaries
(36 domestic and 15 overseas consolidated subsidiaries)

Net Sales
(Unit: million yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>KANEKA CORPORATION</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>438,000</td>
<td>498,749</td>
</tr>
<tr>
<td>2005</td>
<td>464,310</td>
<td>527,204</td>
</tr>
<tr>
<td>2006</td>
<td>473,170</td>
<td>502,968</td>
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<tr>
<td>2007</td>
<td>313,650</td>
<td>473,170</td>
</tr>
<tr>
<td>2008</td>
<td>224,745</td>
<td>293,846</td>
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</table>

Net Income
(Unit: million yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>KANEKA CORPORATION</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>24,745</td>
<td>21,853</td>
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<tr>
<td>2005</td>
<td>28,049</td>
<td>28,099</td>
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<tr>
<td>2006</td>
<td>18,363</td>
<td>18,817</td>
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<tr>
<td>2007</td>
<td>13,306</td>
<td>15,161</td>
</tr>
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<td>2008</td>
<td>1,850</td>
<td>1,850</td>
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</table>

Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>KANEKA CORPORATION</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>6,649</td>
<td>3,031</td>
</tr>
<tr>
<td>2005</td>
<td>7,306</td>
<td>3,134</td>
</tr>
<tr>
<td>2006</td>
<td>7,430</td>
<td>3,204</td>
</tr>
<tr>
<td>2007</td>
<td>7,498</td>
<td>3,218</td>
</tr>
<tr>
<td>2008</td>
<td>7,321</td>
<td>3,288</td>
</tr>
</tbody>
</table>

Consolidated Sales by Business Segment (FY2008)

- Synthetic Fibers and Others: 5.0%
- Electronic Products: 7.5%
- Life Science Products: 8.9%
- Foodstuffs Products: 27.8%
- Chemicals: 20.5%
- Functional Plastics: 14.9%
- Expandable Plastics and Products: 15.4%

Net Sales: 449.6 billion yen

Consolidated Overseas Sales by Area (FY2008)

- Asia: 36.8%
- Europe: 31.2%
- North America: 21.0%

Others: 11.0%
The main business of the Kaneka Group is the manufacturing and sales of chemicals, functional plastics, expandable plastics and products, foodstuffs products, medical supplies and equipment, electronic materials and synthetic fibers. We provide highly-specialized products in the diverse fields of clothing, food, housing and medicine. The segments by classification of all the businesses of the Kaneka Group are as shown below. Kaneka considers electronics, healthcare and functional plastics, which are products that utilize our technological expertise, to be important strategic fields. We focus investment of our management resources on these fields as we seek to build an enterprise structure that is vigorous and has the ability to realize profits.
Elmech™ (transparent film for optical use)
Kaneka Fluor™ (bonded magnets)

Photovoltaic solar power generation system
(Solar cells)
Apical™ (polyimide film)

Catheters for treatment inside blood vessels
Kaneka Coenzyme Q10™

Synthetic Fibers
Kanekalon™, Kanecaron™ (modacrylic fiber)
Protex (flame-retardant cloth)
ULTIMA™ (protein fiber)

Life Science Products
AMMPA Kaneka™ (intermediate for anti-hypertensive captopril)
Kaneka™ Glutathione (glutathione)
Kaneka™ AL-1 (intermediates for enalapril-type anti-hypertensives)
Azetidin-Kaneka™ (intermediate for carbapenems and penems)
HPG-Kaneka™ (side chain for semisynthetic penicillins)
KANEKA Plasmapheresis System
(1) SUFLUX (Membrane-type plasmaseparator)
(2) LIPOSORBER™ (LDL-cholesterol adsorption column)
(3) Selesorb™ (Specific adsorption column for SLE)
(4) Lixelle™ (Adsorption column for dialysis-related amyloidosis)

Electronic Products
KANEKA Plasmapheresis System
(1) SULFLUX (Membrane-type plasmaseparator)
(2) LIPOSORBER™ (LDL-cholesterol adsorption column)
(3) Selesorb™ (Specific adsorption column for SLE)
(4) Lixelle™ (Adsorption column for dialysis-related amyloidosis)
We have made “electronics,” “healthcare” and “functional plastics” our key strategic fields, and we have been focusing our management resources on them as we have sought to expand by creating new businesses and by increasing growth in overseas markets. However, the unprecedented global economic recession has caused a great reversal in our performance in the last fiscal year. This resulted in a loss on our balance sheet for the first time in 31 years in fiscal 2008. In order to fight our way out of this crisis situation as quickly as possible, we are aggressively implementing three types of reforms at Kaneka. These are business structure reforms, research and development reforms and personnel reforms.

In the area of production technology, as one link in our efforts for corporate-wide reform, the risk management functions that accompany production activities, which had formerly been dispersed, have now been centralized in the Responsible Care Department of the Production Technology Division. Specifically, in addition to already established responsibilities related to occupational safety and health, environmental protection and product safety (quality assurance), the organization has been revised to comprehensively manage more tasks, including risk management at production sites, global warming prevention and the promotion of recycling.

The frequency of occupational accidents at the Kaneka Group was lower than the average rate for members of the Japan Chemical Industry Association the year before last, but our rate slightly worsened again in the last year. We have been made aware again that, as a group, we have yet to achieve consistent capabilities in this area. Looking at the status of group companies, we were able to see clearly that they could be divided into two opposite categories—companies that never have occupational accidents and those that have them almost every year. In consideration of this fact, we must not take our support activities as a corporation lightly, but rather we must implement reforms so that the characteristics of each group company are fully understood and considered.

In order to help prevent global warming, we have been conducting systematic efforts and setting concrete goals to reduce CO2 emissions every year, and last year we joined an experimental emissions trading system in Japan. In addition, with energy conservation technology, in order to realize a plan that compares favorably with the nation’s long-term vision, we have selected model workplaces newly. We are also undertaking steady efforts as an organization by developing plans based on new perspectives and applying the latest technologies. To meet the need to firmly establish these efforts throughout our domestic group companies, we have advanced the planned acquisition of Eco-Action 21 (EA-21) certification. We plan to acquire this certification for the entire company early in this fiscal year.

The reduction of waste has also been one of our primary issues until now, and we have continuously made efforts for this purpose, achieving zero waste emissions at all four of our plants for three consecutive years. We have also reduced our emissions of VOC and PRTR substances every year by more than the planned amounts. I believe that these results are due to consideration of environmental protection becoming established at an organizational level and to our capabilities becoming stable. Moreover, regarding the long-term problem of treating waste materials that contain PCBs, the processing of such materials that are in the keeping of the Kaneka Group was begun in March of this year.

In addition to these types of activities, considering the great importance of establishing comprehensive environmental, safety and health efforts in the Kaneka Group, we are advancing the creation and revision of our main company rules. As one aspect of this effort, in particular, we devised emergency responses to handle natural disasters and process accidents. We also seek to increase our risk management capabilities as a group by continuing to conduct drills in collaboration with local governments as part of these efforts. Based on these new scenarios, together with local governments, our four plants conduct comprehensive disaster prevention training, and we continue trainings that make protection of the lives of employees our top priority even in the worst imagined crisis.

This report is a summary of the responsible care activities that the Kaneka Group undertook in this one-year period. I hope you will gain deeper understanding about these activities and would also love to hear your honest feedback.

August 2009

Kimikazu Sugawara
President, Kaneka Corporation
Corporate Philosophy

Using innovative technologies, we strive to create a broad spectrum of life-enhancing products and services that work in harmony with people, society and environment.

Basic Policies for Corporate Activities

1. We contribute to society by providing useful products and services responsive to customers' and market's needs, and pursue the growth of our company simultaneously.

2. We conduct our activities in accordance with all the applicable laws and governmental regulations and also with applicable social and ethical standards.

3. We communicate properly and as appropriate with our investors and with the public.

4. We strive to produce safe products, and to anticipate, meet and comply with all applicable environmental standards.

5. We deal fairly in business and trade, and embrace the precepts of free and fair competition.

6. We strive to maintain a healthy and safe workplace, respect individuals of all origins and respect the rights of employees.

7. We take appropriate measures against unlawful and unethical conduct.

We have established an Ethical Code of Conduct based on our Basic Policies for Corporate Activities. This code provides fundamental guidelines that every employee should adhere to in the execution of their duties.

Corporate Governance

Kaneka believes that corporate governance is key to increasing corporate value based on its corporate philosophy of “In harmony with people, society and the environment, we strive to create a broad spectrum of life-enhancing products and services by using innovative technologies.”

Organization of corporate governance

Important issues affecting the management of Kaneka are first discussed at a Management Conference that includes the President and others, and are then approved by the Board of Directors.

Kaneka’s executives conduct business in a manner suitable to each business type and category and based on its basic strategy of running diversified businesses. In terms of organization, we have adopted a system of divisions. While division managers are given extensive authority over daily business operations, senior officers are responsible for multiple divisions to ensure operational consistency on a corporate-wide scale. Division managers hold monthly meetings to report on the status of operations in their respective divisions directly to all directors and auditors. The Internal Control Department under the direct control of the President independently monitors the operations of each division.

Kaneka employs an auditor system. The Board of Auditors conducts audits in coordination with other parties concerned, such as requiring the Internal Control Department to report as necessary on the status of internal audits and the accounting auditors to provide explanations on accounting audits. The certified public accountants who provided Kaneka with accounting audit services during the year are belonging to KPMG AZSA & Co.
Kaneka believes that it is an important organizational management issue that company directors and employees comply with laws, regulations and corporate statutes in the execution of the business.

### System to ensure that the duties performed by directors and employees comply with laws, regulations and the articles of incorporation

1. In order to further strengthen our efforts for corporate social responsibility, we have established a CSR Committee\(^1\) with the president as its chairperson. In addition to reorganizing our system for the promotion of responsible care activities, this will unify our CSR activities, including compliance with laws and regulations.

2. For compliance with corporate ethical standards as well as with laws and regulations, the Compliance Committee, which is under the CSR Committee, is responsible for the advancement and monitoring of necessary efforts. These include oversight of corporate-wide plans and tracking of their progress, verification of the actual state of compliance, and creation and operation of contact points that are suitably arranged for consulting and reporting.

3. Administrative departments\(^2\) develop rules on functions under their control in view of compliance, plan and implement individual training programs, plan and promote specific activities including encouraging self-checking, and conduct inspections and audits to confirm the compliance status.

4. Moreover, for issues that exceed the purviews of administrative departments and cross over multiple areas, we have established organizations with specific duties underneath the CSR Committee. These committees, which oversee the advancement of plans, for example, include the Earth Environment Committee, the Central Committee on Environment, Safety & Human Health, the Product Safety Committee and the Plant Management Committee.

5. We will prevent any relationship with antisocial forces, and we will always respond resolutely as a unified corporation to any illegal or improper demands. We have also established positions that oversee responses to related issues within the company. In addition, we will advance the enhancement of our in-house systems to reject antisocial forces as we endeavor to gather and manage information and cooperate with police and other outside agencies and related organizations on a regular basis.

6. In order to assure the reliability of our financial reports, we will seek to organize and enhance our systems for internal control related to them, while our Internal Control Department conducts the necessary monitoring activities.

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1. We established our CSR Committee on March 16, 2009.
2. Administrative departments are departments that supervise specific business functions of Kaneka and the entire Group, such as the Personnel Department, the General Affairs Department and the Finance and Accounting Department.

### Realizing thorough understanding among employees

In addition to including a compliance item in our Basic Policies for Corporate Activities, we have established an Ethical Code of Conduct that every employee should follow. This is always posted on our corporate intranet, and we are seeking to raise awareness about it among our staff. Moreover, we have prepared a Compliance Guidebook that includes these fundamental policies and standards as well as easy-to-understand explanations of situations that employees should maintain awareness of during their work. We distribute this guidebook to every person who works for a Kaneka Group company.

We instill the importance of compliance in our employees on the training opportunities such as employment, promotion, those held by business divisions and group companies as well as that for new overseas assignees.

We also conduct training about the Antitrust Law for business managers regularly, requiring every one of them to attend and submit a written oath.

### Consultation contacts

We have established contacts for compliance consultation both in-house and at the offices of independent lawyers that can answer questions about compliance from within the group and respond rapidly to realize a quick resolution should a problem occur.
We have established basic policies related to responsible care and safety, and we have also set various company rules related to responsible care, including Environment Safety and Health Management Rules, Process Safety Management Rules, Product Safety Management Rules, Quality Assurance Management Rules, Equipment Management Rules, and Distribution Management Rules. We implement our responsible care efforts using a Plan-Do-Check-Act (PDCA) cycle.

Group Management

We have shared our concepts and strategies related to responsible care among our group companies, and undertaken various measures emphasizing group management in order to optimize the group as a whole for responsible care. Since the 2003 fiscal year, we have been gathering other fundamental data in order to identify environmental impacts.

In the 2007 fiscal year, we began efforts to acquire environmental management system certification for all our group companies in Japan. We have established and implemented a plan for larger group companies to acquire ISO 14001 certification and for small and mid-sized group companies to acquire Eco-Action 21 certification, which is endorsed by the Ministry of the Environment (see page 18 for additional information).

Activity monitoring has been conducted through safety inspections. Since the 2004 fiscal year, however, we have been implementing Comprehensive Inspections that add product safety (quality assurance) and compliance items to the existing environmental protection and occupational safety items. Since the 2005 fiscal year, we have conducted the safety inspections to all our group companies in Japan and abroad.

In April 2008, we revised our Environment Safety and Health Management Rules. We have specified the handling of group companies and their duties, and made clear that actions related to the rules are also to be undertaken as a unified group. In addition, we revised our Crisis Management Manual for our production divisions to cover more group companies that are subject to its application.

Through these efforts, we are encouraging the independent efforts of group company employees and seeking to reduce the environmental impacts and decrease the number of occupational accidents of the Kaneka Group as we increase our ability to respond to natural disasters, product accidents and other crises.
Basic Policies for Responsible Care

Our corporate philosophy is “Using innovative technologies, we strive to create a broad spectrum of life-enhancing products and services that work in harmony with people, society and environment.”

Based on this philosophy, we are contributing and will contribute for the sustainable development of society and the realization of an affluent society. As a member of society, we note the influence of corporate activities upon the global environment and people’s living environment. In the entire product lifecycle, starting with product development, the purchase of raw materials, manufacturing, distribution, utilization, consumption, and up to disposal, we strive to protect the environment through resource conservation and reduction of environmental impact and to ensure process safety and disaster prevention, occupational safety and health, product safety and reduction of waste materials.

Specifically, there are six policies for corporate activities as follows.

<table>
<thead>
<tr>
<th>Number</th>
<th>Policy Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Protect the Natural Ecosystem and Reduce Environmental Impact</td>
</tr>
<tr>
<td>2</td>
<td>Offer Safe Products and Information</td>
</tr>
<tr>
<td>3</td>
<td>Develop Products and Technologies in Consideration of the Environment and Safety</td>
</tr>
<tr>
<td>4</td>
<td>Reduce Waste and Promote the Recycling of Plastics</td>
</tr>
<tr>
<td>5</td>
<td>Enhance Process Safety, Disaster-prevention and Occupational Safety and Health</td>
</tr>
<tr>
<td>6</td>
<td>Win Public Confidence</td>
</tr>
</tbody>
</table>

Promotion and Management of Responsible Care

Basic Policies & Management System

We have been a member of the Japan Responsible Care Council since it was established in 1995 by the Japan Chemical Industry Association, and we have sought to strengthen our responsible care (RC) efforts every year. In particular, using a Plan-Do-Check-Act (PDCA) cycle, we have emphasized steadily improving the quality of our six RC items, which include “environmental protection,” “process safety and disaster prevention,” “occupational safety and health,” “chemical and product safety,” “distribution safety,” and “communication with society.” To attain these goals, we have established the RC promotion organization as shown in the figure and have undertaken activities based on it.

Our CSR Committee is directly led by the CSR Committee chairperson (president), and under its direct control are the Compliance Committee, the Earth Environment Committee, the Central Committee on Environment, Safety & Human Health, and the Product Safety Committee. These committees deliberate and determine the policies and measures of the Kaneka Group as a whole and examine related activities. In addition, the Plant Management Committee, as the platform for RC activities conducted at our manufacturing business places, deliberates group issues in more detail.

The Responsible Care Department and the Corporate Technology Administration Department, which are parts of the Production Technology Division, fill the role of disseminating policies and measures that have been established to the entire group through their activity promotion conferences. These activity promotion conferences, which include the Responsible Care Promoters Conference, the Environment, Health & Safety Leaders Conference, and the Affiliated Company Environment, Health & Safety Leaders Conference, cover every division and plant of the company, as well as group companies. In addition, we have established a Quality Assurance Promoters Conference, which is an activity promotion conference that is dedicated to product safety and quality assurance, and supports related activities.

Moreover, in order to further strengthen the RC activities of the group, we reorganized Kaneka’s entire corporate structure from the president on down in March 2009. We will continue promoting activities that embody corporate responsibility based on this new structure.
Audits and Inspections

Kaneka follows RC guidelines in its own PDCA cycle by regularly implementing internal RC audits, internal environmental safety audits, internal audits based on ISO 14001, ISO 9001, OSHMS and other standards, as well as Comprehensive Inspections. Our group companies are also subject to Comprehensive Inspections in addition to internal safety audits by their top management. Companies that have acquired certifications implement internal audits based on those standards.

Comprehensive Inspections headed by the chairperson of the Central Committee on Environment, Safety & Human Health examine the state of management and the result of occupational safety, environmental protection, product safety (quality assurance) and compliance at the subject organizations. In the 2008 fiscal year, safety inspections emphasized confirming the status of efforts to reduce serious risks at Kaneka’s 4 plants, 8 plants at 8 overseas group companies, and 17 plants at 15 group companies in Japan. Through these inspections, we were, for example, able to confirm sincere efforts for risk assessments, innovative safety activities, mutual inspections between plants under the same business jurisdiction, and communication about risks with local citizens. We disseminate examples of good practices to other business places, contributing to the enhancement of our management foundation as a group.

Besides Comprehensive Inspections, we have implemented special inspections for specific items in our manufacturing divisions where product safety is of great importance.

Responsible Care Education

At Kaneka, we regularly implement education about RC for all employees according to their workplaces, ranks and positions.

In addition, we use such opportunities as the Affiliated Company Environment, Health & Safety Leaders Conference and the Affiliated Company Manufacturing Leaders Conference to provide RC education to people responsible for the environment and safety as well as manufacturing leaders at group companies.

Responsible Care Education at Kaneka Corporation

<table>
<thead>
<tr>
<th>Education Opportunities</th>
<th>Provided by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction course for new recruits</td>
<td>Environment, Health &amp; Safety Department at four plants</td>
</tr>
<tr>
<td>Training for employees in their third year of employment</td>
<td>Environment, Health &amp; Safety Department at four plants</td>
</tr>
<tr>
<td>Education for rotated employees</td>
<td>Each receiving department</td>
</tr>
<tr>
<td>Education for general employees</td>
<td>Each department</td>
</tr>
<tr>
<td>Environmental protection &amp; safety basic course for newly promoted supervisors</td>
<td>Responsible Care Department</td>
</tr>
<tr>
<td>Environment and safety management training for newly promoted managers</td>
<td>Environmental Protection &amp; Safety Group</td>
</tr>
<tr>
<td>Education for internal ISO auditors</td>
<td>Each of four plants</td>
</tr>
<tr>
<td>Training to enhance the skills of internal auditors</td>
<td>Responsible Care Department, Products Safety - Quality Assurance Group</td>
</tr>
</tbody>
</table>
State of Responsible Care Effort at Overseas Group Companies

[Kaneka Belgium N.V.]

Kaneka Belgium was established in the city of Westerlo-Oevel in the Flemish region of Belgium in 1970 as the first chemical business from Japan in Europe. Production of Kane Ace (MBS resin) started in 1974, followed by Eperan (polyolefin foam) in 1985 and MS polymer (modified silicon resins) in 1997. Steadily expanding our business capacity in this way, Kaneka Belgium plays a role as one part in the Kaneka global network.

In the EU countries, all aspects of industry are expected to perform well for both the environment and safety. Responsible care is also steadily evolving into a broader range of efforts and is becoming an important area of activity for businesses. At present, based on the Sixth Community Environment Action Programme (2002-2012), we are responding thoroughly to strict regulations related to the environment and safety. These advanced new regulations have no precedent and have been established in rapid succession. We are considering them in our acquisition and maintenance of facilities as well as in our production activities.

Environmental protection

In 2008, the second five-year phase of the EU’s global warming countermeasures began. At Kaneka Belgium, our actual CO₂ emissions were about 31,000 tons in the 2008 fiscal year. Compared to our annual average emission allocation of 36,665 tons, we achieved a reduction of about 5,000 tons. In the future, in addition to optimizing energy consumption from operations, we will continue to investigate cogeneration facilities and the renewal and reform of existing facilities, for example.

Process safety & disaster prevention

Based on a risk control directive issued by the government of Belgium, we are using Hazop-Lopra examination procedures for process safety to steadily advance our investigations. Based on these, at our Eperan and MS plants, we have applied PLC-based process control equipment, increasing reliability through the construction of separate instrumentation for important observation and process safety measurement equipment. The next fiscal year, our plan is to do this also at our MBS plant and enhance our process safety monitoring systems for flammable material storage facilities and for manufacturing processes at all of our plants.

Occupational safety & health

With the fundamental philosophy that “Safety First is not just a slogan, we make it a reality,” we have continued to implement integrated efforts that include mutual safety inspections between departments, education and training based on employee plans, the sharing of disaster examples with the Kaneka Group, and comprehensive disaster prevention training. As a result of these efforts, as of the end of March 2009, we have achieved 2,033 consecutive days without an accident that required stopping work. In the future, we will continue to focus our efforts on eliminating process accidents along with occupational accidents.

Distribution safety

We make plans and designs for the transportation of dangerous materials based on the European Agreement Concerning the International Carriage of Dangerous Goods by Road (ADR). In particular, for facilities that handle dangerous materials that are shipped from factories, supervisors concerned with safety related to transportation receive inspections by third parties every year to assure safety. In addition, we regularly conduct training for supervisors and forklift operators about the correct work procedures for loading cargo onto trucks.

Chemical and product safety

The deadline for preliminary registration for the REACH European chemical substance regulations is November 2008, which is when the regulations become effective. Kaneka Belgium has begun following these regulations, while exchanging information with the Japan Chemical Companies Council in Europe, which responds to all REACH matters, the Federation of the Flemish Chemical Industry and other organizations as well as nearby chemical companies. In particular, under REACH, the reliable transmission of safety information related to chemical substances with the substances themselves in the supply chain is required, so we are arranging business structures that are able to acquire and transfer information about all the substances that we handle.

Communication with society

We are promoting communication with the local community by, for example, sending lecturers to classes during the community’s safety week. We are also supporting the Young Executive Stay (YES) Program, which is sponsored by the Belgium-Japan Association. To achieve this program’s goals of mutual understanding and increased interaction, young Belgian executives are sent to Japan where they experience Japanese culture and visit businesses. Training was held at our company before the trip. We believe that this contributed to strengthening the friendship and connections between the two countries of Japan and Belgium.
Kaneka Malaysia (KM) is located at the Gebeng Industrial Estate, Kuantan in the east coast region of Peninsular Malaysia. First incorporated in 1995 as Kaneka’s main integrated production facility in Asian Region, the company has gradually expanded its operation to become one of the leading chemical plants in the area with the steady production of PVC Impact Modifiers & Processing Aids (Kane Ace B & PA) by MBS Plant, Dispersion Polyvinyl Chloride (Kanevinyl Paste) by Paste Polymer Plant and expanded Polypropylene & Polyethylene foam (EPERAN-PP&PE) by Eperan Plant. Being in the vicinity of residential area and tourism industry, KM is responsible for ensuring that its business activity is in accordance with all rules and regulations of local authority and the government.

As such, a few proactive programs and initiatives have been adopted by KM in line with Responsible Care concepts not only within the company but also with neighboring plants and communities to ensure that KM stays as a reliable, safe and strong business entity in the region.

**Environmental protection**

KM abides by strict regulations on stack emission, effluent discharge of wastewater plant, disposal of wastes and noise control. Regular monitoring program has been adopted to measure the integrity of those aspects to the environment. The monitoring results are not only for internal use (for improvement activities) but also to be reported to authority on regular basis for their acknowledgment. One example of our proactive approaches to preserve the cleanliness and integrity of nearby river is by having a third party verify that our wastewater discharge does not disrupt water quality as outlined by Interim National Water Quality Standard (INWQS) for Malaysia. Another positive approach is by having all the three plants certify under ISO 14001 (Environmental Management System) under which the environmental approach is by having all the three plants certify under ISO 14001 (Environmental Management System) under which the environmental policy, objectives and environmental programs have been established. Under this program, KM was able to recycle (reuse) about 85% of wastewater sludge in fiscal 2008 against disposal at landfill site.

**Occupational safety & health, Process safety & disaster prevention**

As a responsible company, KM believes that every employee is entitled to a safe workplace and a healthy work environment. As such, all company activities are conducted in a manner that will not affect the well-being of employees, the public and the environment. Since first established, KM has worked with various government agencies and professionals in complying with applicable laws and regulations.

Safety & Health Manual, a written code of work practice (guided by applicable laws & regulations) becomes a major reference for KM operation. As an effort to promote a healthy occupational culture, KM has long established an in-house clinic operating daily with a weekly visit by an Occupational Health Doctor providing necessary health consultation for our employees. Besides, occupational medical surveillance and chemical exposure monitoring programs for selected technicians are also carried out as part of the regulatory requirement.

In the event of emergency, KM’s Emergency Response Plan (ERP) procedure activates plant’s Damage Control Team (DCT) members to respond to and control any situations that threatening life, property and the environment. DCT members are specially trained by external specialists and they also have their regular drills for emergency preparedness. On major disaster prevention, all pressured vessels are subjected to regular inspection and authority approval to ensure fitness for operation. Risk-Based Inspection (RBI) program adopted by KM is a special scheme introduced by authority to self-manage the vessels’ maintenance and inspection activity to optimize the balance between safety and productivity.

- **Product safety**

In keeping the customers informed on the health, safety and environmental implications of the product, KM has complied with the requirement to supplement product safety information (MSDS) for all customers. In collaboration with Kaneka Corporation, subsidiaries and suppliers, KM also meets special requirements on the aspect of product safety and compliance with Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH).

- **Communication with society**

Maintaining good relationships with neighboring companies, government agencies and authorities is crucial for KM operation. KM is also a member of Gebeng Mutual Aid (GEMA), an emergency organization set up to provide mutual and collective assistance in the event of major emergency at neighboring plants. KM also actively participates in Gebeng Community Advisory Panel (GCAP), a committee consisted of various industries in Gebeng and local community (public). A few community programs have been planned to enhance relations and improve communication among the members. In addition, KM is also one of the signatories for Responsible Care activity in Gebeng industrial area since 2005.
Kaneka Texas (KTC) is located in the Bayport industrial zone outside of Houston. Since the plant began operation in 1984, KTC has continued activities following Kaneka Responsible Care policies, as well as abiding by US laws and regulations in close cooperation with the community. In 2008, we built and began the trial operation of plants for CPVC (chlorinated polyvinyl chloride, which is heat-resistant), and MS polymer (silyl terminated polyether) in succession. In addition to environmental and safety measures related to the construction and trial operation of these plants, the arrangement of a responsible care system that can cover the expanded plant scale was a major objective, as it had been the previous year.

### Environmental protection
In the construction and start of operation of two plants in 2008, we cleared all environmental standards including those related to the atmosphere, wastewater and flooding countermeasures. We successfully completed trial runs and began stable operation without any trouble related to the environment.

### Occupational safety & health
Unfortunately, a series of occupational accidents occurred at the beginning of 2008. In addition to the implementation of concrete measures to prevent recurrence, we initiated a safety awareness program that was proposed by the employee safety committee and is unique to KTC. As a result of this program, which is called S.E.A.R.C.H. (Safe Employees Are Really Changing Habits), we have been able to maintain a record of zero accidents since June.

Our new plants were designed and built in accordance with laws and regulations as well as the guidelines of chlorine-related industrial groups, and we conducted established safety checks before beginning facility operation, achieving operation without any trouble related to safety.

### Process safety & disaster prevention
Following a risk management plan (RMP) as required by the US Environmental Protection Agency (EPA), we reexamine existing plants every five years. In 2008, we also passed a random inspection by an EPA inspector.

Emergency Response Team (ERT) members who have received specialized education and training are selected from among the employees to conduct autonomous self-protection efforts. These members undergo training in firefighting, rescue, first-aid and other skills at dedicated training facilities. In 2008, we conducted training again on responding in the case of a chlorine leak.

We are active in community disaster prevention as a member of Channel Industries Mutual Aid (CIMA), which is a mutual disaster prevention organization comprised of companies in the industrial zone. When Hurricane Ike struck in 2008, we closed all plants. Due to careful preparations beforehand we were able to close and reopen the plants without any problems related to safety or the environment.

### Product safety
With dedicated staff, we undertake activities to assure that products from all KTC businesses comply with laws and regulations. In 2008, in response to the EU's REACH chemical regulations, we conducted preliminary registration of the raw materials that we use.

### Communication with society
We gave a presentation to the Bay Area Citizen’s Advisory Panel (BACAP), a local organization about our efforts for the environment and safety at our new CPVC and MS plants, deepening their understanding of KTC.

Moreover, through Kaneka Kares, our employee volunteer organization, we encourage a wide range of volunteer activities, including contributing to various organizations and schools and repairing public facilities. In 2008, in particular, as an effort to help people who suffered from Hurricane Ike, with Kaneka Nutrients (KNL), we contributed to the Neighborhood Center of the nearby city of La Porte.

### Public commendation from the Texas Chemical Council
In 2008, for abiding by laws and regulations and the success of our responsible care activities rooted in the local community, together with KNL, we once again received two commendations. We received the Caring for Texas Award for remarkable achievements in environmental protection and reform and the Distinguished Service Safety Award for remarkable achievements in improving our occupational safety record and for our safety efforts.
Kaneka Nutrients (KNL) is located across the street, on the west side of Kaneka Texas (KTC) in the Bayport Industrial District in the suburbs of Houston, Texas. In 2006 we began production of coenzyme Q10 using the fermentation process, and in 2008, we expanded our business by starting the production of Kaneka QH™ (Active, pre-converted form of coenzyme Q10).

KNL in conjunction with KTC complies with all the laws and regulations of the USA and conducts responsible care activities rooted in the community.

- **Environmental protection**
  Since the beginning of operation in 2006, we have complied with the environmental regulations, and devoted ourselves to preventing odor issues through the use of regenerative thermal oxidizer (RTO) and the volatile organic compounds (VOC) in the gas emitted from the refining process have been treated thermally using a flare stack.

- **Occupational safety & health, Process safety & disaster prevention**
  KNL falls under the rule of the “Occupational Safety and Health Act” (OSHA). We are required to follow process safety management (PSM) regulations and guidelines which control and prevent hazard to workers and the public. We continuously monitor change in the process and when a change is to be implemented, we go through a comprehensive process to ensure that the change is well managed under our “management of change” procedure. We also do rigorous risk analysis (HAZOP) to prevent risk. We have had zero accidents or recordable injuries since January 2007. In fiscal year 2009, we are scheduled to have a third party PSM audit to improve our Process Safety management capability and comply with US regulations.

  We share our disaster prevention efforts with KTC through extensive firefighting training as well as first aid training and handling of hazards in our plant. We also receive additional training from the Channel Industries Mutual Aid (CIMA) NPO. When Hurricane Ike hit Texas in September 2008, we were prepared through careful disaster prevention preparation in cooperation with KTC. After the hurricane passed, we were able to return to normal plant operations quickly and safely because of the dedication of our employees to our operation.

- **Product safety**
  KNL managed product quality through the Q7A practice known in the pharmaceutical industry as API GMP (Active pharmaceutical ingredients). Since then, the FDA has enacted a new law 21 CFR 111 which regulates suppliers and manufacturers of dietary supplements such as KNL. Since the law has passed, we have successfully transitioned to the new quality control system. Our products have also received GRAS (Generally regarded as safe for use in food) certification and have scored high marks from all customer audits conducted at the KNL site. In addition, to further enhance our food product safety system, we have set a goal to acquire ISO 22000 certification in the 2010 fiscal year and started a project team for this purpose.

- **Communication with society**
  In cooperation with KTC, we encourage volunteer activities in the community through the Kaneka Kares employee volunteer organization and we make donations to various groups and schools in our neighborhood. In 2008, we undertook efforts to help people who suffered from Hurricane Ike and we contributed to the Neighborhood Center.

- **Public commendation**
  Together with KTC we received a “Caring for Texas” Award and a “Distinguished Service Safety Award” from the Texas Chemical Council.
<table>
<thead>
<tr>
<th>Item</th>
<th>Targets for FY2008</th>
<th>Outcome in FY2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Protection</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce Discharge of Chemical Substances</td>
<td>Reduce amount of VOC emissions by 47% from fiscal 2000 (baseline year) to 2,900 tons, less than our midpoint fiscal year target.</td>
<td>The amount of VOC emissions was 1,994 tons, achieving our goal by a wide margin.</td>
</tr>
<tr>
<td>Reduce Industrial Waste</td>
<td>Sustain zero waste emissions (final landfill disposal rate of less than 0.5%). Create system to consider waste disposal techniques from the research and development stage.</td>
<td>With a final landfill disposal rate of 0.1%, we maintained zero waste emissions at all 4 plants for 3 consecutive years. Included specific arrangements to investigate waste processing technologies from the research and development stage. In our RD Management Rules.</td>
</tr>
<tr>
<td>Utilize our Waste Information Management System and continue the compliance with laws and regulations. Conduct risk reduction activities through onsite inspections and rating evaluations.</td>
<td>Employed our Waste Information Management System, and managed our compliance with laws and regulations. Conducted onsite inspections and rating evaluations as planned. Introduced and began use of electronic manifests (Takasago Plant).</td>
<td></td>
</tr>
<tr>
<td>Reduce the energy index per unit of production by 1% or more compared to the previous fiscal year.</td>
<td>Energy index per unit of production increased by 3.9% compared to the previous fiscal year.</td>
<td></td>
</tr>
<tr>
<td>Continue increasing distribution efficiency, and reduce the energy index per unit of distribution by 1% or more compared to the previous fiscal year.</td>
<td>Continued increasing distribution efficiency, and cut the amount of CO₂ emissions caused by distribution by 4,800 tons, reducing the energy index per unit of distribution by 5.5%.</td>
<td></td>
</tr>
<tr>
<td><strong>Process Safety and Disaster Prevention</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthen our work to identify serious accident risks throughout the company, and promote countermeasures to prevent accidents and disasters.</td>
<td>Under the direction of the president, strengthened efforts throughout the Kaneka Group to identify risks related to serious accidents and disasters. Also, aimed toward improving our ability to respond to crises by revising our Crisis Management Manual.</td>
<td></td>
</tr>
<tr>
<td><strong>Occupational Safety</strong></td>
<td>Establish internal auditing (at least once per year) at affiliated companies. Work to establish regular holding of the Affiliated Company Environment, Health &amp; Safety Leaders Conference and the Manufacturing Leaders Conference.</td>
<td>In addition to confirming the status of internal auditing of affiliated companies through safety inspections, we held the Affiliated Company Environment, Health &amp; Safety Leaders Conference and Manufacturing Leaders Conferences as planned.</td>
</tr>
<tr>
<td>Management System</td>
<td>Establish application of OSHMS and seek continuous cultivation of internal auditors and improvement of their auditing abilities.</td>
<td>For the purpose of establishing the regular application of OSHMS, we held trainings for internal auditors twice, preparing over 100 auditors and appointing and registering them at every workplace.</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>In addition to seeking to establish specialty care by clinical psychologists, continue implementation of mental health trainings in consideration of employee ranks.</td>
<td>In addition to starting counseling by clinical psychologists at every workplace, we implemented mental health training for over 700 managers and other employees.</td>
</tr>
<tr>
<td>Distribution Safety</td>
<td>Continue to create new Yellow Cards and Container Yellow Cards, revise existing ones and make certain they are carried whenever required. Continue implementing legal compliance inspections and voluntary inspections of mobile tanks, and work to assure safety thoroughly.</td>
<td>Revised one Yellow Card. Conducted checks of drivers together with transportation companies in order to promote consistent card-carrying. We continued to conduct legal compliance inspections and voluntary inspections of mobile tanks and provided thorough safety assurance.</td>
</tr>
<tr>
<td>Quality Assurance</td>
<td>• Create guidelines for management of change, and strive to spread and establish them throughout the entire Kaneka Group. • Strengthen workplace guidance and support with emphases on the trend monitoring and management of change.</td>
<td>In cooperation with transport companies, we conducted trainings on emergency responses during transportation and emergency dispatches. Based on the records of management of change at each plant, we prepared and published guidelines for management of change that summarize its essentials, and we arranged for spreading their use throughout the Kaneka Group.</td>
</tr>
<tr>
<td><strong>Chemical Substance and Product Safety (Quality Assurance)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct REACH preliminary registration accurately. • Conduct surveys of trends in chemical substance management (Chemical Substances Control Law, GHS, etc.) in Japan and abroad, and respond precisely.</td>
<td>Completed preliminary REACH registration, and began collecting information about substances and making other preparations. We also completed legal compliance with the revised Industrial Safety and Health Law and shared information in-house about revisions to the Chemical Substances Control Law and the PRTR Law.</td>
<td></td>
</tr>
<tr>
<td>Product Safety</td>
<td>Further strengthen the product safety examination capabilities for medical equipment, functional foodstuffs and other products and technologies related to life science.</td>
<td>Conducted product safety examinations and preliminary examinations focused on our life science products. We also revised our Product Safety Management Rules.</td>
</tr>
<tr>
<td>Communication with Society</td>
<td>Issue an RC report with information about the RC activities of our overseas group companies at the end of June and post it on our website. In this report, include efforts in respect for human rights, nurturing and utilizing human resources and creating comfortable work environments.</td>
<td>Included information about RC activities of overseas group companies, and came closer to an RC report for a global corporation. This report includes efforts in respect for human rights, nurturing and utilizing human resources and creating comfortable work environments and was published at the end of June and provided on our company website.</td>
</tr>
<tr>
<td>Issue site reports for all Kaneka plants.</td>
<td>Issued site reports for all Kaneka plants and provided them on our company website.</td>
<td></td>
</tr>
<tr>
<td>Audit by Management</td>
<td>Continue to implement audits and inspections (Kaneka’s 4 plants, 15 domestic group companies (17 plants) and 8 overseas group companies).</td>
<td>Implemented Comprehensive Inspections at Kaneka’s 4 plants, 15 domestic group companies (17 plants) and 8 overseas group companies. In addition, hired outside authorities and conducted special inspections focused on quality for manufacturing divisions in the medical supplies field.</td>
</tr>
</tbody>
</table>
### Evaluation: Significantly surpassed targets
- Maintain the fiscal 2008 emissions amount.
- Sustain zero waste emissions (final landfill disposal rate of less than 0.5%).
- Utilize our Waste Information Management System and continue the compliance with laws and regulations. Conduct risk reduction activities through onsite inspections and rating evaluations. Introduce electronic manifests at other plants than Takasago.
- Reduce the energy index per unit of production by 1% or more compared to the previous fiscal year.
- Investigate and advance efficient efforts in coordination with related departments in order to reduce the energy index per unit of distribution by an annual average of 1%.
- Advance countermeasures for explosions, fires and natural disasters, and contribute to the reduction of process accidents and disasters as well as improve our ability to respond to accidents when they occur.
- Continuously confirm the status of internal auditing at affiliated companies through safety inspections and follow-up inspections, and promote holding the Affiliated Company Environment, Health & Safety Leaders Conference and Manufacturing Leaders Conferences regularly.
- Regularly implement thorough risk assessments and safety measures for sources of serious hazard.
- Continuously advance mental health maintenance and strengthen responses to influenza pandemic.
- Continue to create new Yellow Cards and Container Yellow Cards, revise existing ones and make certain they are carried whenever required. Continue implementing legal compliance inspections and voluntary inspections of mobile tanks, and work to assure safety thoroughly.
- Continue emergency response training for transportation.
- Promote the permeation of guidelines for management of change and strengthen management of change by holding explanation meetings at each group company separately, for example.
- Conduct work related to REACH registration. Respond suitably by collecting and sharing information about revisions to laws in Japan and abroad.
- Further strengthen product safety examinations for new products and existing products that have had major changes in function or application.
- Publish a CSR report about our efforts for society with contents that are thorough and improved, and provide it on our website.
- Issue site reports for all Kaneka plants and provide them on our company website.
- Continue to implement audits and inspections (Kaneka’s 4 plants, 13 domestic group companies (15 plants) and 2 overseas group companies.

### Achieved/almost achieved targets
- Reduce amount of VOC emissions in the 2010 fiscal year by 46% to 2,829 tons (target for final fiscal year in the plan).
- Achieve a final landfill disposal rate for all four plants of 0.2% or less by the end of fiscal 2010.
- Introduce Waste Information Management Systems at our group companies, observe laws and regulations through the creation of electronic manifests, and continue risk reduction activities through onsite inspections and rating evaluations.
- Investigate and advance efficient efforts in coordination with related departments in order to reduce the energy index per unit of distribution by an annual average of 1%.
- Utilizing risk assessment results, plan and conduct comprehensive disaster prevention trainings at every plant with consideration for harmonious existence with communities.
- Continuously strengthen safety activities at affiliated and cooperating companies.
- Implement OSHMS and continuously improve occupational safety and health.
- Continuously improve the level of mental health and quality of work environments.
- Continue to create new Yellow Cards and Container Yellow Cards, revise existing ones and make certain they are carried whenever required. Continue implementing legal compliance inspections and voluntary inspections of mobile tanks, and work to assure safety thoroughly.
- Continue emergency response training for transportation.
- Reduce risks to quality by establishing risk management in every part of the Kaneka Group.
- Conduct comprehensive chemical substance management (respond to new regulations).
- Strengthen the functions of the Product Safety Committee by enhancing advisory boards and conducting multifaceted inspections.
- Increase public disclosure about efforts for society and continue to publish reports that fulfill accountability concerning our corporate social responsibility. Continue providing these reports on our corporate website.

### Underperformed targets
- Long-term target Listed page
- Maintain the fiscal 2008 emissions amount.
- Sustain zero waste emissions (final landfill disposal rate of less than 0.5%).
- Utilize our Waste Information Management System and continue the compliance with laws and regulations. Conduct risk reduction activities through onsite inspections and rating evaluations. Introduce electronic manifests at other plants than Takasago.
- Reduce the energy index per unit of production by 1% or more compared to the previous fiscal year.
- Investigate and advance efficient efforts in coordination with related departments in order to reduce the energy index per unit of distribution by an annual average of 1%.
- Advance countermeasures for explosions, fires and natural disasters, and contribute to the reduction of process accidents and disasters as well as improve our ability to respond to accidents when they occur.
- Continuously confirm the status of internal auditing at affiliated companies through safety inspections and follow-up inspections, and promote holding the Affiliated Company Environment, Health & Safety Leaders Conference and Manufacturing Leaders Conferences regularly.
- Regularly implement thorough risk assessments and safety measures for sources of serious hazard.
- Continuously advance mental health maintenance and strengthen responses to influenza pandemic.
- Continue to create new Yellow Cards and Container Yellow Cards, revise existing ones and make certain they are carried whenever required. Continue implementing legal compliance inspections and voluntary inspections of mobile tanks, and work to assure safety thoroughly.
- Continue emergency response training for transportation.
- Promote the permeation of guidelines for management of change and strengthen management of change by holding explanation meetings at each group company separately, for example.
- Conduct work related to REACH registration. Respond suitably by collecting and sharing information about revisions to laws in Japan and abroad.
- Further strengthen product safety examinations for new products and existing products that have had major changes in function or application.
- Publish a CSR report about our efforts for society with contents that are thorough and improved, and provide it on our website.
- Issue site reports for all Kaneka plants and provide them on our company website.
- Continue to implement audits and inspections (Kaneka’s 4 plants, 13 domestic group companies (15 plants) and 2 overseas group companies.

### Significantly underperformed targets
## Material Balance in Production Activities

### Energy and Resources

<table>
<thead>
<tr>
<th>Energy (Crude oil equivalent)</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
<td>441,000 kL/year</td>
</tr>
<tr>
<td>Domestic group companies</td>
<td>67,000 kL/year</td>
</tr>
<tr>
<td>Overseas group companies</td>
<td>108,000 kL/year</td>
</tr>
</tbody>
</table>

### Main Raw Materials

<table>
<thead>
<tr>
<th>Material Balance in Production Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
</tr>
<tr>
<td>Domestic group companies</td>
</tr>
<tr>
<td>Overseas group companies</td>
</tr>
</tbody>
</table>

### Products

<table>
<thead>
<tr>
<th>Products*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
</tr>
<tr>
<td>Domestic group companies</td>
</tr>
<tr>
<td>Overseas group companies</td>
</tr>
</tbody>
</table>

### To the Atmosphere

<table>
<thead>
<tr>
<th>CO₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
</tr>
<tr>
<td>Domestic group companies</td>
</tr>
<tr>
<td>Overseas group companies</td>
</tr>
</tbody>
</table>

### To Water Systems

<table>
<thead>
<tr>
<th>COD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
</tr>
<tr>
<td>Domestic group companies</td>
</tr>
<tr>
<td>Overseas group companies</td>
</tr>
</tbody>
</table>

### As Waste

<table>
<thead>
<tr>
<th>Final landfills</th>
<th>External recycling</th>
<th>External reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaneka</td>
<td>70 tons/year</td>
<td>40,753 tons/year</td>
</tr>
<tr>
<td>Domestic group companies</td>
<td>417 tons/year</td>
<td>2,863 tons/year</td>
</tr>
<tr>
<td>Overseas group companies</td>
<td>5,569 tons/year</td>
<td>1,575 tons/year</td>
</tr>
</tbody>
</table>
Environmental Management Systems

Our lifestyles put great burdens on the natural environment, and the survival of humanity itself is now being threatened. Businesses, which are responsible for the majority of economic activities, are expected to make proactive efforts to tackle environmental issues regardless of their size or business field.

In the Kaneka Group, we have built environmental management systems for all our manufacturing companies in Japan, and we are working to prevent the occurrence of environmental problems and respond to them quickly should they occur. We have created a rule that large group companies and small and midsized group companies are expected to respectively acquire ISO 14001 certification and Eco-Action 21 certification, which is endorsed by the Ministry of the Environment of Japan, in order to establish their environmental management systems. We began efforts to acquire Eco-Action 21 certification in the 1996 fiscal year. As of April 2009, 17 plants at 16 companies had acquired it.

Environmental Compliance

The Kaneka Group regularly confirms the status of our compliance with laws and regulations, agreements with local governments and other rules related to the environment through ISO 14001 internal audits, RC internal audits, Comprehensive Inspections and other efforts. In fiscal 2008, we did not receive any penalties, warnings or directives from national, prefectural, or municipal governments related to air, discharged water, odor, noise pollution or other issues.

We did, however, receive one complaint related to the environment about a fine resin powder blown in the air. Due to a malfunction causing resin to become stuck in a drying line, some resin powder blew away and a thin layer of it accumulated on a drum can at a neighboring plant. We responded immediately after being contacted and stopped the resin from blowing away. As a measure to prevent recurrence of this problem, we are regularly checking whether or not line is becoming blocked, and we also plan to improve our resin blockage detection equipment.

Acquisition of ISO 14001 Certification by Kaneka and Group Companies

<table>
<thead>
<tr>
<th>Business Establishments and Group Companies</th>
<th>Specification No.</th>
<th>Registration Date</th>
<th>Registration No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shiga Plant</td>
<td>JIS Q14001(04)</td>
<td>March 1998</td>
<td>JQA-E-0015</td>
</tr>
<tr>
<td>Osaka Plant</td>
<td>JIS Q14001(04)</td>
<td>April 1999</td>
<td>JQA-E-0033</td>
</tr>
<tr>
<td>Kashima Plant</td>
<td>JIS Q14001(04)</td>
<td>April 1999</td>
<td>JQA-E-0034</td>
</tr>
<tr>
<td>Takasago Plant</td>
<td>JIS Q14001(04)</td>
<td>January 2000</td>
<td>JQA-E-0105</td>
</tr>
<tr>
<td>Tochigi Kaneka Corporation</td>
<td>JIS Q14001(04)</td>
<td>April 2001</td>
<td>JQA-E-0256</td>
</tr>
<tr>
<td>Osaka Synthetic Chemical Laboratories, Inc.</td>
<td>JIS Q14001(04)</td>
<td>January 2002</td>
<td>JQA-E-0343</td>
</tr>
<tr>
<td>Tatsuta Chemical Co., Ltd.</td>
<td>JIS Q14001(04)</td>
<td>April 2004</td>
<td>JQA-E-0553</td>
</tr>
<tr>
<td>Showa Kasekogyo Co., Ltd.</td>
<td>JIS Q14001(04)</td>
<td>January 2008</td>
<td>E0062</td>
</tr>
<tr>
<td>Kaneka Belgium N.V.</td>
<td>ISO 14001(04)</td>
<td>October 1997</td>
<td>97EMS002b</td>
</tr>
<tr>
<td>Kaneka (Malaysia) Sdn. Bhd.</td>
<td>ISO 14001(04)</td>
<td>January 2007</td>
<td>K021300001</td>
</tr>
<tr>
<td>Kaneka Paste Polymers Sdn. Bhd.</td>
<td>ISO 14001(04)</td>
<td>February 2008</td>
<td>EO570</td>
</tr>
<tr>
<td>Kaneka Eperan Sdn. Bhd.</td>
<td>ISO 14001(04)</td>
<td>February 2008</td>
<td>EO571</td>
</tr>
</tbody>
</table>

State of Eco-Action 21 Certification Acquisition

<table>
<thead>
<tr>
<th>Group Companies</th>
<th>Date of certification registration</th>
<th>Certification registration Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyushu Kanelite Co., Ltd.</td>
<td>June 15, 2007</td>
<td>0001637</td>
</tr>
<tr>
<td>Hokkaido Kaneparl Co., Ltd.</td>
<td>September 3, 2007</td>
<td>0001805</td>
</tr>
<tr>
<td>Kaneka Media Corporation</td>
<td>September 28, 2007</td>
<td>0001893</td>
</tr>
<tr>
<td>Hokkaido Kaneka Co., Ltd.</td>
<td>October 2, 2007</td>
<td>0001905</td>
</tr>
<tr>
<td>Miyagi Juhee Co., Ltd.</td>
<td>May 14, 2008</td>
<td>0002472</td>
</tr>
<tr>
<td>Koto Co., Ltd.</td>
<td>May 26, 2008</td>
<td>00025001</td>
</tr>
<tr>
<td>Monbetsu Kasei Co., Ltd.</td>
<td>September 8, 2008</td>
<td>0002897</td>
</tr>
<tr>
<td>Shibetsu Kasei Co., Ltd.</td>
<td>November 11, 2008</td>
<td>0003066</td>
</tr>
<tr>
<td>Nagashimashokuhin Co., Ltd.</td>
<td>November 18, 2008</td>
<td>0003093</td>
</tr>
<tr>
<td>Sanea Kasekogyo Co., Ltd.</td>
<td>January 16, 2009</td>
<td>0003247</td>
</tr>
<tr>
<td>Tsukasa Co., LTD.</td>
<td>February 2, 2009</td>
<td>0003274</td>
</tr>
<tr>
<td>Cosmo Kasei Co., LTD.</td>
<td>February 23, 2009</td>
<td>0003340</td>
</tr>
<tr>
<td>Tokyo Kaneka Food Co., Ltd.</td>
<td>March 31, 2009</td>
<td>0003473</td>
</tr>
<tr>
<td>Tayyo Yushi Co., Ltd.</td>
<td>March 31, 2009</td>
<td>0003575</td>
</tr>
<tr>
<td>Kaneka Food Co., Ltd.</td>
<td>April 2, 2009</td>
<td>0003591</td>
</tr>
<tr>
<td>Kaneka Sun Spice Co., Ltd. Shiga Plant</td>
<td>April 22, 2009</td>
<td>0003556</td>
</tr>
<tr>
<td>Kaneka Sun Spice Co., Ltd. Ibaraki Plant</td>
<td>April 22, 2009</td>
<td>0003566</td>
</tr>
</tbody>
</table>
Volatile organic compounds (VOCs)* are known to generate suspended particulate matter and photochemical oxidants, which are causes of photochemical smog. In order to ensure comfortable living, it is necessary to reduce VOCs emitted from plants and other sources as much as possible. In accordance with the program of the Japan Chemical Industry Association, of which we are a member, we have established a voluntary plan to reduce the amount of our VOC emissions. We began related efforts in the 2006 fiscal year, setting fiscal 2010 as the final year.

In the 2008 fiscal year, we achieved a 63% reduction (1,994 tons of emissions) compared to the baseline year, greatly exceeding our 48% reduction target for the final fiscal year of the plan (2,829 tons of emissions in the 2010 fiscal year). Except for reduction in the amount of production, the main reasons that we were able to achieve the goals of this plan are that we enhanced the recovery equipment at our Takasago Plant as well as improved the combustion equipment at our Osaka Plant. In the 2009 fiscal year, we will continue striving to maintain the same level of emissions as the 2008 fiscal year.

Substances Subject to the PRTR Law

Total emissions reduced by 93% compared to fiscal 2003

Kaneka is working to reduce our emissions of substances that are subject to the Pollutant Release and Transfer Register Law (PRTR Law). In fiscal 2008, our total amount of emissions was 77 tons, 59 tons less than the previous year. As a result, we achieved a 93% reduction compared to the 2003 fiscal year. We also transferred 1,589 tons, which was 76 tons more than the previous fiscal year. Our domestic group companies emitted a total of 111 tons of substances subject to the PRTR law in fiscal 2008, achieving an 18% reduction compared to the previous fiscal year. We will continue to work to suppress the amount of emissions in the 2009 fiscal year.

Chemical Substances Subject to PRTR Law That Are Discharged and Transferred by Kaneka (FY2008) (Unit: kg)

<table>
<thead>
<tr>
<th>Ordinance Designated Number</th>
<th>Chemical Substances</th>
<th>Emission to atmosphere</th>
<th>Drainage into public water</th>
<th>Discharge into soil</th>
<th>Waste taken to landfill sites</th>
<th>Total</th>
<th>&lt;FY2007&gt;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>Chloroethylene</td>
<td>13,250</td>
<td>520</td>
<td>0</td>
<td>0</td>
<td>13,770</td>
<td>&lt;32,570&gt;</td>
<td>400</td>
</tr>
<tr>
<td>145</td>
<td>Dichloromethane</td>
<td>12,410</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12,410</td>
<td>&lt;23,461&gt;</td>
<td>805,590</td>
</tr>
<tr>
<td>177</td>
<td>Styrene</td>
<td>7,402</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>7,442</td>
<td>&lt;9,854&gt;</td>
<td>2,721</td>
</tr>
<tr>
<td>102</td>
<td>Vinyl acetate</td>
<td>7,300</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,300</td>
<td>&lt;7,900&gt;</td>
<td>50</td>
</tr>
<tr>
<td>116</td>
<td>1,2-dichloroethane</td>
<td>5,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
<td>&lt;7,100&gt;</td>
<td>0</td>
</tr>
<tr>
<td>320</td>
<td>Methyl methacrylate</td>
<td>4,169</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>4,171</td>
<td>&lt;9,700&gt;</td>
<td>141</td>
</tr>
<tr>
<td>74</td>
<td>Chloroethene</td>
<td>4,100</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4,100</td>
<td>&lt;9,100&gt;</td>
<td>0</td>
</tr>
<tr>
<td>268</td>
<td>1,3-butadiene</td>
<td>3,900</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>3,902</td>
<td>&lt;7,002&gt;</td>
<td>0</td>
</tr>
<tr>
<td>172</td>
<td>N,N-dimethylformamide</td>
<td>3,200</td>
<td>550</td>
<td>0</td>
<td>0</td>
<td>3,750</td>
<td>&lt;10,450</td>
<td>370,000</td>
</tr>
<tr>
<td>254</td>
<td>Hydroquinone</td>
<td>0</td>
<td>2,500</td>
<td>0</td>
<td>0</td>
<td>2,500</td>
<td>&lt;2,700&gt;</td>
<td>0</td>
</tr>
<tr>
<td>Total of Remaining 35 Substances</td>
<td></td>
<td>8,222</td>
<td>4,003</td>
<td>0</td>
<td>0</td>
<td>12,225</td>
<td>&lt;14,013&gt;</td>
<td>409,865</td>
</tr>
<tr>
<td>Grand Total of All 45 Substances*</td>
<td></td>
<td>68,953</td>
<td>7,617</td>
<td>0</td>
<td>0</td>
<td>76,570</td>
<td>&lt;135,881</td>
<td>1,588,767</td>
</tr>
</tbody>
</table>

* Kaneka handles 45 of the 354 substances subject to registration by the PRTR Law.
Amount of Chemical Substances Subject to PRTR Law That Are Discharged and Transferred by Kaneka’s Domestic Group Companies (FY2008)

(Unit: kg)

<table>
<thead>
<tr>
<th>Ordinance Designated Number</th>
<th>Chemical Substances</th>
<th>Emission to atmosphere</th>
<th>Drainage into public water</th>
<th>Discharge into soil</th>
<th>Waste taken to landfill sites</th>
<th>Total</th>
<th>&lt;FY2007&gt;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>172</td>
<td>N,N-dimethylformamide</td>
<td>44,300</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>44,300</td>
<td>&lt;51,570&gt;</td>
<td>15,100</td>
</tr>
<tr>
<td>227</td>
<td>Toluene</td>
<td>39,207</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>39,207</td>
<td>&lt;51,020&gt;</td>
<td>230,000</td>
</tr>
<tr>
<td>63</td>
<td>Xylene</td>
<td>15,400</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15,400</td>
<td>&lt;19,000&gt;</td>
<td>0</td>
</tr>
<tr>
<td>40</td>
<td>Ethylbenzene</td>
<td>3,900</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,900</td>
<td>&lt;6,000&gt;</td>
<td>0</td>
</tr>
<tr>
<td>145</td>
<td>Dichloromethane</td>
<td>3,300</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,300</td>
<td>&lt;3,130&gt;</td>
<td>70,500</td>
</tr>
<tr>
<td>266</td>
<td>Phenol</td>
<td>2,600</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,600</td>
<td>&lt;1,150&gt;</td>
<td>2,500</td>
</tr>
<tr>
<td>242</td>
<td>Nonylphenol</td>
<td>1,800</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,800</td>
<td>&lt;0&gt;</td>
<td>0</td>
</tr>
<tr>
<td>272</td>
<td>Bis(2-ethylhexyl) phthalate</td>
<td>266</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>266</td>
<td>&lt;352&gt;</td>
<td>783</td>
</tr>
<tr>
<td>96</td>
<td>Chloroform</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>&lt;2,160&gt;</td>
<td>870</td>
</tr>
<tr>
<td>242</td>
<td>Nonylphenol</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>&lt;14&gt;</td>
<td>2</td>
</tr>
<tr>
<td>Total of Remaining 14 Substances</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>&lt;976&gt;</td>
<td>16,184</td>
</tr>
<tr>
<td>Grand Total of All 24 Substances *</td>
<td>110,814</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>110,814</td>
<td>&lt;135,372&gt;</td>
<td>335,939</td>
</tr>
</tbody>
</table>

* Kaneka domestic group companies handle 24 of the 354 substances subject to registration by the PRTR Law.

Harmful Atmospheric Pollutants

A 96% reduction in emissions of six substances that we handle compared to fiscal 1999

In response to revision of the Air Pollution Control Law in 1996, we established a voluntary emissions reduction plan in 1997 for six harmful atmospheric pollutants that we handle (chloroethylene, 1,2-dichloroethane, dichloromethane, acrylonitrile, 1,3-butadiene, chloroform), and we have been making efforts to realize this plan since then.

In fiscal 2008, we reduced our total emissions of these six substances by 96% compared to fiscal 1999, achieving a great reduction of 51% compared to the previous fiscal year. The main reason for this reduction was the operation of the exhaust gas combustion equipment that we installed to reduce chloroethylene at our Takasago Plant and Kashima Plant in fiscal 2008. We will continue to work to reduce emissions of these pollutants.

Change in Amounts of Emissions of Six Harmful Atmospheric Pollutants

<table>
<thead>
<tr>
<th>Chemical Substances</th>
<th>Takasago Plant</th>
<th>Osaka Plant</th>
<th>Shiga Plant</th>
<th>Kashima Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chloroethylene</td>
<td>17.5</td>
<td>17.0</td>
<td>18.5</td>
<td>22.4</td>
</tr>
<tr>
<td>1,2-Dichloroethane</td>
<td>17.2</td>
<td>17.0</td>
<td>18.0</td>
<td>22.5</td>
</tr>
<tr>
<td>Dichloromethane</td>
<td>15.0</td>
<td>16.0</td>
<td>17.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Acrylonitrile</td>
<td>17.3</td>
<td>17.0</td>
<td>18.0</td>
<td>23.3</td>
</tr>
<tr>
<td>1,3-Butadiene</td>
<td>17.2</td>
<td>17.0</td>
<td>18.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Chloroform</td>
<td>17.0</td>
<td>17.0</td>
<td>18.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>

(Unit: tons)
Global Warming Prevention and Energy Conservation Measures

The first commitment period set by the Kyoto Protocol had begun when we entered the 2008 fiscal year. The government revised the Law Concerning the Rational Use of Energy (energy conservation law) and the Law Concerning the Promotion of the Measures to Cope with Global Warming (global warming countermeasure law) in 2008. Reporting is now required for a corporation in its entirety, including its offices and other facilities, not just its plants as had been the case in the past.

In the chemical industry, the Japan Chemical Industry Association, of which Kaneka is a member, has set energy per unit of production as an index and established a voluntary action plan. We set a target of decreasing our energy index per unit of production by an average of 1% or more annually, and we have continuously made efforts for this purpose. In fiscal 2008, we established our structure and conducted vigorous debates in order to further enhance our efforts. Among our efforts, we appointed a consultant and uncovered issues at our Takasago Plant, which has high energy consumption compared to our other plants.

In fiscal 2008, we reduced our energy consumption by 46,000 kl (crude oil equivalent) compared to the previous year. On the other hand, our energy index per unit of production was 87.4, a 3.9% increase from the previous fiscal year. Even our five-year average results did not show improvement. The main reason for this is that, caught by the global economic recession in the 2008 fiscal year, our efficiency declined as production volume decreased.

In the 2009 fiscal year, in addition to strengthening our efforts to identify issues related to reducing energy consumption corporate-wide, we will continue to realize the efficient use of energy by starting to execute concrete countermeasures for the issues that have been identified.

1: Energy per unit of production: this value is calculated as the amount of energy used in manufacturing (as a crude oil equivalent in kiloliters) over the amount of production (t).
2: Energy index per unit of production: this value is calculated in comparison with the fiscal 1990 energy per unit of production, which is set as 100.
3: Due to changes in the coefficients used in calculations this time, we have also revised past values for energy and carbon dioxide.

Energy Conservation and Other Global Warming Prevention Measures

In fiscal 2008 the amount of carbon dioxide (CO₂) that we emitted due to the use of energy in our production activities was 1,054,000 tons, a decrease of 4.4% compared to the previous fiscal year. On the other hand, our CO₂ emissions index per unit of production was 82.4, a 10% increase over the previous fiscal year, having worsened in the same way as our energy per unit of production. In the 2009 fiscal year, focusing on measures to improve energy consumption efficiency, we will strive to reduce CO₂ emissions per unit of production by improving boiler operation, for example.

We also applied to participate in the trial phase of an emissions trading scheme for Japan that the government called companies for participation between October and December 2008. Since the problem of global warming has become a serious concern for humanity, we will continue our voluntary efforts to reduce emissions of greenhouse gases and fulfill our responsibilities as a corporate citizen.

4: CO₂ emissions per unit of production (CO₂ emissions (t) over production amount (t)) calculated as a value with the baseline year of fiscal 1990 as 100.
5: Covering the first commitment period of the Kyoto Protocol, this system in which participating companies set voluntary targets and make efforts to achieve them, including by trading emissions, had been investigated on an experimental basis by the government since the announcement of the Fukuda Vision in June 2008.
Example of Modal Shift for Transportation from Osaka to Tokyo

### Before implementation of modal shift

- **Settsu City, Osaka Prefecture** (Kaneka Osaka Plant)
- **563 km by Truck**
- **Users in Tokyo and the surrounding prefectures**

### After implementation of modal shift

- **Osaka Settsu City** (Kaneka Osaka Plant)
- **10 km**
- **Osaka Freight (terminal)**
- **600 km by Rail**
- **Tokyo (terminal)**
- **30 km**
- **Users in Tokyo and the surrounding prefectures**

**CO₂ Emissions from Energy Consumption and CO₂ Emissions Index per Unit of Production**

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions (Unit: thousand tons)</th>
<th>CO₂ Emissions Index (right-side scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>110.1</td>
<td>75.4</td>
</tr>
<tr>
<td>2004</td>
<td>110.0</td>
<td>74.9</td>
</tr>
<tr>
<td>2005</td>
<td>114.8</td>
<td>74.9</td>
</tr>
<tr>
<td>2006</td>
<td>110.2</td>
<td>74.9</td>
</tr>
<tr>
<td>2007</td>
<td>105.4</td>
<td>74.9</td>
</tr>
<tr>
<td>2008</td>
<td>101.4</td>
<td>74.9</td>
</tr>
</tbody>
</table>

**Energy Conservation Efforts in Our Distribution Activities**

For years we have been working to make distribution more efficient and to reduce its environmental impacts. Our efforts include modal shifts to change the types of transportation used, increased cargo load ratios and the use of larger vehicles. Since fiscal 2007, in order to achieve an “annual reduction of energy per unit of distribution of 1%” as required in the revised Law Concerning the Rational Use of Energy, we have investigated and advanced ways to further increase efficiency in distribution in cooperation with related departments. As a result, our energy per unit of distribution was 5.5% less compared to the 2007 fiscal year. As a result of the effort to increase efficiency in distribution as well as reduce amount of production, our CO₂ emissions decreased by 13.5% (4,800 tons) to 30,800 tons in fiscal 2007.

**Carbon Footprint**

In the 2009 fiscal year, the Ministry of Economy, Trade and Industry of Japan began advancing preparations for the implementation of a trial project in the marketplace for a carbon footprint system as an effort that unifies businesses and consumers for the prevention of global warming. In order to deal with global warming, which is a problem for the entire planet, it is important that consumers themselves are aware of the amount of CO₂ emissions caused by a product not only in its manufacture but also for its entire lifecycle, including transportation, use and disposal. With these types of undertakings, we are working in step with industry organizations to conduct efforts that fulfill our responsibilities for the realization of a low carbon society.

**Carbon footprint system:** In this system the amount of greenhouse gases emitted by a product or service throughout its entire lifecycle (from the procurement of raw materials to use, disposal and recycling) is calculated as an equivalent amount of CO₂ and indicated for the product or service.

**Energy Conservation Efforts in Our Distribution Activities**

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**Amount of CO₂ emissions in distribution and the energy index per unit of production**

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions (Unit: thousand tons)</th>
<th>Energy Index per Unit of Production (right-side scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>39.2</td>
<td>86.3</td>
</tr>
<tr>
<td>2007</td>
<td>39.6</td>
<td>86.3</td>
</tr>
<tr>
<td>2008</td>
<td>39.9</td>
<td>86.3</td>
</tr>
</tbody>
</table>

**CO₂ Emissions from Energy Consumption and CO₂ Emissions Index per Unit of Production**

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions (Unit: thousand tons)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
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</tr>
<tr>
<td>2004</td>
<td>110.0</td>
<td>74.9</td>
</tr>
<tr>
<td>2005</td>
<td>114.8</td>
<td>74.9</td>
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<tr>
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<td>74.9</td>
</tr>
<tr>
<td>2008</td>
<td>101.4</td>
<td>74.9</td>
</tr>
</tbody>
</table>

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Prevention of Air and Water Pollution

At Kaneka’s 4 plants, we reduced environmental impacts on air and water in fiscal 2008 compared to the previous fiscal year. We will endeavor to not allow environmental impacts to increase in the future, and we will maintain compliance with all legal and regulatory values as well as values agreed upon with local governments and other organizations.

Meanwhile, we are also in the process of improving air and water quality at our group companies in Japan. As we utilize our environmental management systems, we will continue to strengthen our efforts to reduce environmental impacts.
We are advancing efforts to reduce the amounts of industrial waste, promote the recovery of resources from these wastes and reduce final landfill disposal amounts. In the 2008 fiscal year, we reduced the amount of waste that we generated by 11% compared to the previous fiscal year to 70,000 tons. Moreover, we reduced the amount of final landfill disposal to 70 tons, which is a 99.4% reduction compared to the 1996 fiscal year. As a result, we achieved zero waste emissions (final landfill disposal of less than 0.5% of the total amount of waste generated) at all Kaneka plants for the third year in a row. We will sustain our efforts to maintain this record of zero waste emissions. In addition, we have added specific requirements for the investigation of waste processing technologies from the research and development stages to our RD Management Rules; thus we will focus on reducing the amount of new wastes generated.

We reduced the total amount of final landfill disposal from our domestic group companies by 76% compared to the previous fiscal year to 517 tons. We will continue promoting the reduction of final landfill disposal amounts by making the most of our environmental management systems.

Changes in the Amount of Waste Taken to Final Landfill Sites

Amounts of Final Landfill Disposal for Industrial Waste

Zero waste emissions achieved at all Kaneka plants for the third year in a row

Proper Disposal of Industrial Waste

Regular visits made to contractors for confirmation

In order to confirm that the waste Kaneka consigns to contractors is processed suitably, we visit these contractors regularly. In the 2008 fiscal year, we inspected 47 companies using checklists. We use a Waste Information Management System software in order to abide by laws and regulations by managing waste data and waste handling among us and the contractors that collect, transport and process wastes. In addition, we implemented and began the use of an electronic manifest system at our Takasago Plant.

Promotion of Recycling

The research and development efforts of waste processing technologies inside and outside Kaneka

We are undertaking unified efforts as a corporate group to promote the creation of a society that recycles resources. As we work proactively to reduce the generation of waste, we have also established a Responsible Care Technical Group in order to promote the recycling of plastic waste. This group investigates processing technologies for wastes from the research and development stage. For the recycling of plastic wastes generated by the production processes of our customers and our group companies, the group develops processing technologies and introduces facilities that are suitable for this processing.

Breakdown of Industrial Waste and its Disposal by Kaneka’s 4 Plants (FY2008 results)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of waste generated (thousand tons)</th>
<th>Amount of waste recycled (thousand tons)</th>
<th>Weight reduction (incineration)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>71</td>
<td>56</td>
<td>22,081 tons (31.7%)</td>
</tr>
<tr>
<td>2004</td>
<td>114</td>
<td>61</td>
<td>22,081 tons (31.7%)</td>
</tr>
<tr>
<td>2005</td>
<td>135</td>
<td>71</td>
<td>22,081 tons (31.7%)</td>
</tr>
<tr>
<td>2006</td>
<td>106</td>
<td>53</td>
<td>22,081 tons (31.7%)</td>
</tr>
<tr>
<td>2007</td>
<td>78</td>
<td>47</td>
<td>22,081 tons (31.7%)</td>
</tr>
<tr>
<td>2008</td>
<td>70</td>
<td>41</td>
<td>22,081 tons (31.7%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Final landfill disposals (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>71</td>
</tr>
<tr>
<td>2004</td>
<td>61</td>
</tr>
<tr>
<td>2005</td>
<td>71</td>
</tr>
<tr>
<td>2006</td>
<td>53</td>
</tr>
<tr>
<td>2007</td>
<td>47</td>
</tr>
<tr>
<td>2008</td>
<td>41</td>
</tr>
</tbody>
</table>

Internal

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of waste generation (thousand tons)</th>
<th>Amount of internal landfill disposals (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>36</td>
<td>4</td>
</tr>
<tr>
<td>2004</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td>2005</td>
<td>71</td>
<td>5</td>
</tr>
<tr>
<td>2006</td>
<td>47</td>
<td>5</td>
</tr>
<tr>
<td>2007</td>
<td>70</td>
<td>5</td>
</tr>
<tr>
<td>2008</td>
<td>41</td>
<td>5</td>
</tr>
</tbody>
</table>

External

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of waste recycled (thousand tons)</th>
<th>Amount outsourced (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>36</td>
<td>47,452 tons (68.3%)</td>
</tr>
<tr>
<td>2004</td>
<td>61</td>
<td>47,452 tons (68.3%)</td>
</tr>
<tr>
<td>2005</td>
<td>71</td>
<td>47,452 tons (68.3%)</td>
</tr>
<tr>
<td>2006</td>
<td>53</td>
<td>47,452 tons (68.3%)</td>
</tr>
<tr>
<td>2007</td>
<td>47</td>
<td>47,452 tons (68.3%)</td>
</tr>
<tr>
<td>2008</td>
<td>41</td>
<td>47,452 tons (68.3%)</td>
</tr>
</tbody>
</table>

Final landfill disposals (thousand tons)
Environmental Accounting

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

The totals for fiscal 2008 are as follows.

Results of Environmental Accounting for FY2008

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

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

Environmental Conservation Effects (Physical Quantity Units)

<table>
<thead>
<tr>
<th>Classifications</th>
<th>Measures</th>
<th>Items</th>
<th>FY2007</th>
<th>FY2008</th>
<th>Difference</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollution prevention</td>
<td>Reduction of hazardous air and water pollutants</td>
<td>SOx emission</td>
<td>tons</td>
<td>65.5</td>
<td>64.3</td>
<td>△ 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOx emission</td>
<td>tons</td>
<td>725.0</td>
<td>699.3</td>
<td>△ 26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>COD</td>
<td>tons</td>
<td>322.3</td>
<td>240.1</td>
<td>△ 82</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PRTR chemical emission</td>
<td>tons</td>
<td>135.9</td>
<td>76.6</td>
<td>△ 59</td>
</tr>
<tr>
<td>Global environmental conservation</td>
<td>Reduction of greenhouse gas emission</td>
<td>CO2 emission</td>
<td>tons</td>
<td>1,102,000</td>
<td>1,054,000</td>
<td>△ 50,000</td>
</tr>
<tr>
<td></td>
<td>Energy conservation</td>
<td>Amount converted based on crude oil</td>
<td>kL</td>
<td>486,000</td>
<td>441,000</td>
<td>△ 50,000</td>
</tr>
<tr>
<td>Resource circulation</td>
<td>Reduction of final landfill</td>
<td>Amount landfilled</td>
<td>tons</td>
<td>83</td>
<td>70</td>
<td>△ 3</td>
</tr>
<tr>
<td></td>
<td>External recycling</td>
<td>Amount recycled</td>
<td>tons</td>
<td>47,477</td>
<td>40,753</td>
<td>△ 6,724</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>tons</td>
<td>6,724</td>
<td>6,708</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: These totals are only for Kaneka Corporation.

Comments About Our Fiscal 2008 Results

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

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

Economic Effects Associated with Environmental Conservation Measures (Monetary Units)

<table>
<thead>
<tr>
<th>Measures</th>
<th>FY2007</th>
<th>FY2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kaneka Corporation</td>
<td>Domestic basis</td>
</tr>
<tr>
<td>Revenue by recycling</td>
<td>115</td>
<td>202</td>
</tr>
<tr>
<td>Cost reduction by resource conservation and improvement in unit per volume</td>
<td>553</td>
<td>722</td>
</tr>
<tr>
<td>Waste disposal cost reduction by recycling</td>
<td>12</td>
<td>67</td>
</tr>
<tr>
<td>Cost reduction by energy conservation</td>
<td>347</td>
<td>427</td>
</tr>
<tr>
<td>Total</td>
<td>1,027</td>
<td>1,419</td>
</tr>
</tbody>
</table>

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

Trend in Environment-Related Investment

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

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

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

Breakdown of Environment-Related Investments (FY2008)
Environmental Efficiency Indexes

Kaneka’s Environmental Efficiency

We are striving at Kaneka to make the environmental impacts generated by our production activities as small as possible. The results of our efforts have been evaluated using the JEPIX\(^1\) method to determine the total environmental impacts as an Environmental Impact Point (EIP) score.

From the perspective of realizing a sustainable society, we are also evaluating our environmental efficiency\(^2\) using EIP. In fiscal 2008, we were able to lower our EIP by reducing the amounts of emissions of harmful pollutants into the atmosphere and nitrogen into the ocean. We were able to improve our environmental efficiency even as we were swept up in the global economic recession and our sales declined.

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

Kaneka’s Environmental Impact Points (EIP)

Environmental Rating

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

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

1. Greatly reducing the amount of chemical emissions under a voluntary plan to reduce emissions of volatile organic compounds (VOC), and achieving zero waste emissions at all plants for two consecutive years
2. Efforts for the effective use of used products, as exemplified by the recycling of Kanelite Foam, an extruded polystyrene foam that is used in building insulation materials and other products, and waste materials from polyvinyl chloride protective cable tubing
3. Reduction of CO\(_2\) emissions in the private sector through products that are considerate of the environment, including resin sashes that contribute to increasing energy conservation and making buildings last longer

We are applying this loan to research and development expenses, including for hybrid photovoltaic modules. These modules, which layer amorphous silicon and thin film crystal silicon, use small amounts of natural resources and greatly improve the efficiency of converting solar energy to electricity.
Kaneka promotes product safety and quality assurance activities to ensure the safety and quality of products and services, while keeping in mind the aim to secure the satisfaction and trust of consumers and clients.

Efforts for Product Safety

Kaneka conducts risk assessments for products and their raw materials, by-products and wastes at every stage from development to manufacturing to ensure the safety of our products.

In fiscal 2008, we revised our Product Safety Management Rules and sought to further assure the safety of our products by augmenting our abilities to comply with laws and regulations and clarifying the roles of the staff divisions that handle product safety and our Product Safety Committee. In addition, expanding the application of these rules to the entire Kaneka Group, we enhanced our systems for undertaking product safety efforts.

Product Safety Committee

At Kaneka, members of our staff who have various specialized areas of expertise conduct multifaceted inspections to determine whether there are any points of concern related to product safety for new products as well as for existing products that have, for example, had changes in their applications. Then, as necessary, we hold meetings of the Product Safety Committee, gather the opinions of outside experts, and conduct other high-level inspections to ensure safety. We primarily conduct inspections for new products in the fields of medical equipment and functional food products, but we are currently expanding our inspection coverage to include products that we make in every field. Moreover, we regularly confirm that the decisions made in examinations previously conducted are being implemented thoroughly by regular interviews, inspections and other checks.

Chemical Substance Management

In order to ensure that our customers appropriately handle our products, we provide information about them, including Material Safety Data Sheets (MSDS), technical documents and catalogs.

Based on the revised Industrial Safety and Health Law in Japan that went into effect on December 1, 2006, we have completed all corresponding legal compliance related to the expansion of substances that are subject to labeling, MSDS provision and other measures for all the products that the Kaneka Group handles. We are also advancing our transition to formats that comply with GHS.\(^1\)

In response to the European REACH regulations,\(^2\) we have completed preliminary registration for products that are exported to Europe and products that are produced by Kaneka Belgium, and we are continuing preparations for registration. Moreover, for substances registered by raw material supply makers, we are beginning to exchange the information necessary for registration.

We are sharing information throughout the Kaneka Group about revisions to the Chemical Substance Control Law and to the PRTR Law in Japan as well as about trends in legal amendment related to chemical substance management in other Asian countries and undertaking appropriate responses to them.

1: GHS (Globally Harmonized System of Classification and Labeling of Chemicals): In this system adapted by the United Nations in July 2003, the hazards of chemical products are classified according to fixed standards, and are indicated using pictograms to make them easy to understand. These results are reflected in labeling and MSDS to help serve to prevent accidents and secure human health and the environment.

2: REACH (Registration, Evaluation, Authorizaton and Restriction of Chemicals) regulations: In this new system of chemical substance regulations for Europe, which came into effect on June 1, 2007, chemical substances that are manufactured in or imported into the European Union in quantities of one ton or more annually, regardless of whether they are new or not, must be registered and sharing safety information about them throughout the supply chain is required.

Quality Assurance Activities and Quality Risk Management

Quality Assurance

In order to provide a stable supply of products that appropriately meet customer quality demands, we have established a Quality Assurance Committee in our business divisions, chaired by the head of the division, and a Quality Control Committee at each plant, chaired by the head of the plant. The Quality Assurance Committee decides policies related to quality assurance, such as customer satisfaction, while the Quality Control Committees convene to promote systematic quality control activities specific to each plant and their thorough implementation. Furthermore, a Quality Assurance Promoters Conference for the entire company is held regularly to promote information sharing among business divisions and plants.

For our main products, we have acquired either ISO 9001, the international standard for quality management systems, or ISO 13485 certification, the international standard that includes additional requirements for medical equipment.

Besides, for medical equipment and other products related to medical treatment, we have established a system to respond with certainty to the legal regulations and legal revisions of each country.

Meeting of the Product Safety Committee

Shiga Prefecture autonomous sanitation management certification system (S-HACCP) certificate
Audits and Inspections

For food related products, in addition to complying with the Japan’s Food Sanitation Law and other relevant laws and regulations, we receive regular audits from several external organizations based on ISO 9001, AIB food safety guidance and auditing system, HACCP, and other standards. Also, in organizations based on ISO 9001, AIB food safety guidance, we receive regular audits from several external organizations.

Comprehensive Inspection

ISO 9001 Certified Division/Group Company

<table>
<thead>
<tr>
<th>Division/Company</th>
<th>Major Product</th>
<th>Registry Org./Regist No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performance Polymers Division</td>
<td>Modifier (Kane Ace) MS Polymer, Sty</td>
<td>LRQA/927477</td>
</tr>
<tr>
<td>Electrical &amp; Electronic Materials Division</td>
<td>Apical, Elmec</td>
<td>LRQA/903576</td>
</tr>
<tr>
<td>Expandable Plastic Products Division</td>
<td>Eperan, Eperan PP Kaneppe</td>
<td>JQA/A1292</td>
</tr>
<tr>
<td>PVC &amp; Chemicals Division</td>
<td>Caustic soda, hydrochloric acid, sodium hypochlorite, chlorine, Vinyl chloride, monomers, Vinyl chloride plastics, Heat-resistant vinyl plastics</td>
<td>JQA/1263</td>
</tr>
<tr>
<td>Foods Division</td>
<td>Margarine, Yeast</td>
<td>JQA/QMA10274</td>
</tr>
<tr>
<td>New Business Development</td>
<td>Highly heat-resistant and light-resistant transparent plastics</td>
<td>DNW/0016S-2006-AQ-KOB-RvAAB</td>
</tr>
<tr>
<td>Solar Energy Division</td>
<td>Photovoltaic modules</td>
<td>JQA/QMA13200</td>
</tr>
<tr>
<td>Tochigi Kaneka Corporation</td>
<td>Magnet roller, Vinyl pipe</td>
<td>LRQA/958035</td>
</tr>
<tr>
<td>Showa Kaseikogyo Co., Ltd.</td>
<td>Plastic compound</td>
<td>ASRO/6556</td>
</tr>
<tr>
<td>Sanwa Kaseikogyo Co., Ltd.</td>
<td>Eperan, Eperan PP</td>
<td>JMA-QA/729</td>
</tr>
<tr>
<td>Kanto Styrene Co., Ltd.</td>
<td>Styrene foam products</td>
<td>JACO/QCOJU0233</td>
</tr>
<tr>
<td>Kita Mail Jushi Kogyo Co., Ltd.</td>
<td>Styrene foam products</td>
<td>JACO/QCOJU02021</td>
</tr>
<tr>
<td>Tatsuta Chemical Co., Ltd.</td>
<td>Plastic film, Plastic sheet</td>
<td>BVQI/111289</td>
</tr>
<tr>
<td>Hokkaido Kaneppe Co., Ltd.</td>
<td>Kaneppe</td>
<td>LRQA/002793</td>
</tr>
<tr>
<td>Kaneka Sun Spice Co., Ltd.</td>
<td>Spices, Processed foods</td>
<td>JQA/QMA11351</td>
</tr>
<tr>
<td>Osaka Synthetic Chemical</td>
<td>Pharmaceutical intermediates, Industrial organic chemicals</td>
<td>JQA/QMA444</td>
</tr>
<tr>
<td>Laboratories, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiyo Yusho Co., Ltd.</td>
<td>Margarine, shortening</td>
<td>JACO/QCOJU00593</td>
</tr>
<tr>
<td>Kaneka Belgium N.V.</td>
<td>MBS, Eperan, Eperan PP, MS Polymer</td>
<td>AIB VIN/COTTE/91 028c</td>
</tr>
<tr>
<td>Kaneka Texas Corp.</td>
<td>Apical MBS</td>
<td>ABS QE/ABE33959</td>
</tr>
<tr>
<td>Kaneka (Malaysia) Sdn. Bhd.</td>
<td>MBS</td>
<td>SIRIM GASSAR232</td>
</tr>
<tr>
<td>Kaneka Paste Polymers Sdn. Bhd.</td>
<td>Vinyl chloride paste resin</td>
<td>SIRIM GASSAR609</td>
</tr>
<tr>
<td>Kaneka Eperan (Suzhou) Co., Ltd.</td>
<td>Eperan PP</td>
<td>UL Inc./A17670</td>
</tr>
<tr>
<td>KSS Viet Nam</td>
<td>Preparation of spices, herbs and dried vegetables</td>
<td>BS/AIP0069</td>
</tr>
</tbody>
</table>

ISO 13485 Certified Division/Group Company

<table>
<thead>
<tr>
<th>Division/Company</th>
<th>Major Product</th>
<th>Registry Org./Regist No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Equipment Division</td>
<td>Lixele, Liposorber, Catheters</td>
<td>TÜVÖN 08 09 24736 014</td>
</tr>
<tr>
<td>Kaneka Media Co., Ltd.</td>
<td>Silacon, ED coil Catheters</td>
<td>TÜVÖN 08 09 24736 014</td>
</tr>
</tbody>
</table>

3: AIB food safety guidance and auditing system: This educational guidance and auditing system is based on the International Integrated Quality System of the American Institute of Baking (AIB). This standard is applied to food product safety and hygiene management in plants. The purpose of their application is to analyze and completely eliminate sources of danger that exist in the environments of every workplace, including the property around plants, and in every step in the manufacturing process from receiving raw materials to the shipping of products.

4: HACCP: Hazard Analysis and Critical Control Points is a technological management method for analyzing microbiological, chemical and physical hazards in food product manufacturing processes. This method also focuses on critical control points in the manufacturing process and adopts necessary preventative measures to prevent dangers in food products.

Management of Change

As one effort to reduce quality risks, we began enhancing our management of change based on a validation approach and created systems and began their application in some plants in fiscal 2007. Based on the results of the application of these systems, we summarized their essence in guidelines for management of change and have been able to create a structure to expand their application to the entire Kaneka Group.

We plan to conduct meetings to explain these guidelines at individual group companies separately and to spread their application throughout the group, which will contribute to strengthening our management of change.

5: Management of change: efforts to predict risks related to change and prepare suitable countermeasures to prevent risks from developing into trouble

6: Validation: verification and documentation of whether a manufacturing site is realizing the results expected from its structural facilities, procedures, manufacturing processes and other methods for managing manufacturing and quality control.
Environmental Protection Efforts

Environmentally-Conscious, Safety-Conscious and Health-Conscious Products and Technologies

Our corporate philosophy is “Using innovative technologies, we strive to create a broad spectrum of life-enhancing products and services that work in harmony with people, society and the environment.”

In this section, we introduce a few examples of the “environmentally-conscious, safety-conscious and health-conscious products and technologies” that we have developed and are delivering to people around the world.

Kanevinyl (polyvinyl chloride)

Plastic that is easy on the global environment

About 60% of the raw material used in polyvinyl chloride resin is salt, making this resin’s reliance on petroleum resources relatively low compared to other plastics. This resin also has excellent stability and durability, so it lasts for a long time when used in products, and is also easy to recycle. The photograph on the right shows assembled bricks that are made from recycled polyvinyl chloride resin. With these features, polyvinyl chloride resin can be said to be a material that is easy on the global environment. In addition to being widely used in building materials and ordinary goods, the popularity of using polyvinyl chloride products for green products and similar items is increasing again. The Japanese Ministry of the Environment’s decision to use polyvinyl chloride resin sashes for the multi-paned glass windows in its offices is a result of their understanding the merits of this material.

Hyperchlor

Contributing to a safer tap water supply

Hyperchlor is a chemical product (sodium hypochlorite) that is used to sterilize tap water. Based on the drinking water quality guidelines of the World Health Organization (WHO), the Ministry of Health, Labour and Welfare of Japan, seeking to assure a safer public drinking water supply, revised standards in 2008 to further reduce bromic acid and chloric acid in this chemical.

By improving our manufacturing and storage methods, we succeeded in greatly reducing these substances and began the sales of Hyperchlor which meets the new standards. We are proud that many public water bureaus are now using this product, serving to satisfy people’s demand for the provision of safer tap water.

Kaneka KP08 (Lactic acid bacteria derived from plants)

Lactic acid bacteria derived from plants that contribute to healthy lives

Kaneka KP08 (Kaneka’s Lactobacillus brevis) is one of lactic acid bacteria derived from plants that has been isolated in sugukizuke, which is a type of pickle that originates in Kyoto and has been eaten by Japanese for centuries. In order to stay healthy, maintaining a good intestinal environment is crucial, and this requires increasing the beneficial bacteria and decreasing the harmful bacteria in the intestines. It is commonly known that by consuming living lactic acid bacteria, beneficial bacteria in the intestines can easily be increased while the propagation of harmful bacteria is suppressed. Kaneka KP08 features the ability to survive even in harsh environments, and its capability of surviving in the intestines is particularly strong. Kaneka KP08 has been prepared as a immaculate white powder containing this living Lactobacillus brevis.
Kaneka PHBH (provisional), which is a biopolyester-type biodegradable polymer that we have developed, is a polymer that is not derived from petroleum, but rather is produced by microorganisms using oil from plants. With excellent biodegradability, this material breaks down in a relatively short amount of time in the natural environment in anaerobic, aerobic and compost conditions. Moreover, it has soft and heat-resistant characteristics that are similar to polyethylene and polypropylene. For this reason, we expect that it will be used in a variety of applications, including in materials for packaging and materials for applications in forestry, agriculture and fisheries, as well as in automotive parts, textiles, paints and paper product coatings.

Our hybrid photovoltaic modules, which are thin and have a conversion efficiency that is of the highest level in the world, layer conventional amorphous solar cells with thin film crystal. While maintaining the high resource conservation that is a feature of amorphous solar cells, we have improved the output per unit of area by over 30%, making hybrid photovoltaic modules a product that contributes to the prevention of global warming even more than previous types of solar modules. Moreover, we are seeking to realize products that are good for people and the earth by clearing international standards related to safety and having all our photovoltaic modules meet the strict environmental standards that have been established in Europe. These include the RoHS directives, which regulate dangerous substances contained in electrical and electronic equipment and prohibit the use of some substances, and the REACH European chemical regulations.

Making use of their outstanding flexibility, rigidity and heat resistance characteristics, our Eperan (polyethylene foam made with the bead method) and Eperan PP (polypropylene foam made with the bead method) are utilized in returnable containers for precision equipment and liquid crystal glass panels. Thus, they serve to reduce weight and conserve resources. In addition, Eperan PP is used in automobiles, including as a core material for bumpers and seats and in trunk toolboxes, contributing to making them lighter and thus reducing emissions of greenhouse gases. Furthermore, used products that are collected are put through a process of pulverization, volume reduction and repelletization, so that some can be mixed into raw material for its recycle. We are also considering the environment during production, and increasing the use of equipment that has a low environmental impact because it does not use hydrocarbon gas in foaming.

“Kaneparl Soil Block” is a large foam block made from Kaneparl, expandable polystyrene. Not only light with a density of about 1/100 that of soil, “Kaneparl Soil Block” also has sufficient strength to bear the load on roads as civil engineering materials. Because of its lightness and strength, “Kaneparl Soil Block” has various applications. For example, “Kaneparl Soil Block” is used to improve weak ground for roads, to prevent landslides as well as to protect tunnels from falling rocks. Also, “Kaneparl Soil Block” is used as an embedded material for railway station platforms, artificial hills in parks or bases of buildings. “Kaneparl Soil Block” is not conspicuous, but is effective for constructing stable bases in a short amount of time.
Interaction with Local Communities

All four Kaneka plants make efforts every year to interact with their local communities, including offering plant tours, holding summer festivals with the participation of community residents, and cleaning the neighborhoods around the plant, as well as opening playgrounds, pools and other amenities to local communities.

Support for the Next Generation

Settsu Citizen Environmental Festival
Every time that the Citizen Environmental Festival is held by Settsu City, our Osaka Plant has a booth where we introduce our environmental protection activities and other efforts. In fiscal 2008, we had displays on green energy from photovoltaic power generation and the recycling of polystyrene foam. Many citizens, including elementary and middle school students visited our booth.

Community Dialogue Meeting
We actively participate in the community dialogue meetings sponsored by the Japan Responsible Care Council. These meetings, which bring companies together with local citizens and government representatives, were held in Hyogo, Osaka and Kashima, which are regions where we have plants, in fiscal 2008.

Manufacturing Fair
At the Kansai Polytechnic Center in Settsu City, local businesses and students held a Manufacturing Fair. Through hands-on experiences with making things and game areas, we conveyed the joy of making things to local citizens and children. The solar-powered toys and see-through solar cells that we showed attracted the attention of local citizens, who examined them with great interest.

Chemistry Makes Our Dreams Come True
We cooperate in the Chemistry Makes Our Dreams Come True campaign sponsored by the Japan Chemical Industry Association and other organizations. On February 17, 2008, we invited 84 third-grade elementary school students to our Takasago Plant, and had them learn about the joys of chemistry firsthand by experiencing making erasers, cake and artificial salmon roe, for example. The children enjoyed this very much, and made comments such as “It was interesting” and “I want to come again.”

Try-yaru Week
Try-yaru Week is an original activity conducted by Hyogo Prefecture in which second-year junior high school students leave school for one week to learn through experience in a workplace, interact with the community, and participate in volunteer activities. As one educational opportunity for them to learn about society, we hosted 10 second-year students from a nearby junior high school from November 10–14, 2008, so that they could experience working in a chemistry plant. Their activities included experiments to cultivate microorganisms, firefighting practice, and work related to collection, delivery and retail.
Internships for Technical College Students
In fiscal 2008, each of our plants provided internship opportunities to technical college students. Through interaction with our employees in workplaces and dormitories, we believe that they were able to experience life at work firsthand. Moreover, the interns’ enthusiasm for learning also impressed our employees.

Environmental Classes
At our Takasago Plant, as one part of our efforts for the community, we cooperated in the environmental classes of local industrial high schools. The goals of these environmental classes were for them to learn about the efforts that businesses make for the environment and for them to gain knowledge about technologies that serve the local and global environments. Seven students who have an interest in the environment formed an “environmental education research group,” and spent four days on-site learning firsthand about the efforts for the environment of the Takasago Plant.

Otsu City Junior High School Student Challenge Week
We participated in the Junior High School Student Challenge Week, which is a workplace experience study program implemented by Shiga Prefecture. At our Shiga Plant, we accepted two second-year junior high school students for three days. Despite the short period, we believe that it was a good opportunity for them to think about work.

Environmental Education Classroom Visits
Photovoltaic power generation is one technology that is useful as a measure against global warming because CO₂, which is a global warming gas, is not emitted during power generation.

As one aspect of our contributions to local communities, we send instructors to teach about the environment to upper grade elementary school classes in the communities where we have plants and our group companies have facilities. The theme of these classroom visits is “global warming and photovoltaic power generation,” and their goals are to convey the features of our thin-film silicon photovoltaic cells and increase awareness about the environment. In fiscal 2008, we held these classes at 16 schools for about 1,400 students total in Hyogo, Osaka, Shiga, Ibaraki, Tochigi and Hokkaido prefectures.

In these classes, we used photographs that make the status of global warming clear to raise their understanding of it. We also used models to teach them the principles of power generation related to coal, wind, thermal and photovoltaic cells in an enjoyable manner. Finally, we made them understand that households also generate a great amount of carbon dioxide and that even children can do things themselves to reduce carbon dioxide emissions. Teachers evaluated our lessons favorably, one saying, “It was an overview of environmental education and they could understand it clearly.”

Takasago Children’s Class
The Takasago Children’s Class, which is sponsored by the Takasago Municipal Board of Education, seeks to increase children’s interest in and intellectual curiosity about chemistry by having them learn through experience about the mysteries and wonders of chemistry. For three days starting on August 18, we invited 20 students from elementary schools in Takasago City to have hands-on experiences through experiments with Kanekalon spinning and solar cells.
Awards

- The Fiscal 2008 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology—Japan, Development Category
  Kaneka received the Fiscal 2008 Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology—Japan (Science and Technology Award Development Category) in cooperation with Professor Sakayu Shimizu and Associate Professor Michihiko Kataoka of the Kyoto University Graduate School of Agriculture, as well as Daichii Fine Chemical Co., Ltd. The award was for an effective production method for chiral compounds, which are used as raw materials in pharmaceutical ingredients and vitamins, for example. This method uses stereoselectivity, one of the truly outstanding features of microorganism enzymes.

- Utilizing such method, production of various high quality chiral alcohol compounds becomes possible under mild conditions in water without need for high temperature or high pressure. Moreover, in addition to the economic merits, another feature is that it has few environmental impacts because it conserves energy and reduces waste.

- 40th Japan Chemical Industry Association Technology Award Grand Prize
  For our research and development related to optically active pyrrolidinols and the expansion of business through their industrial application, we received the Fiscal 2007 (40th) Japan Chemical Industry Association Technology Award (Grand Prize). As an intermediate for pharmaceutical products, there is great demand for optically active pyrrolidinols, so we were highly evaluated for developing a revolutionary new technology and expanding this business area.

- Kinki Chemical Society 60th Chemical Technology Award
  For our development of new silicon-based thermosetting resins, which are highly resistant to heat and light, we received the Kinki Chemical Society 60th Chemical Technology Award.
  Our work based on our unique silicon technologies was highly evaluated for successfully developing and making products of a material that supports very bright light emitting diodes (LED), which are the subject of high expectations for use in illumination, mobile phones and other popular devices, as well as in next-generation lighting.

- 2008 Nikkei Sangyo Shinbun Award, Nikkei Award for Excellent Products and Services Grand Prize
  Concebeurre, which is a new margarine product that we manufacture and sell for bakery and confectionery industries, was granted the Nikkei Award for Excellent Products and Services Grand Prize of the 2008 Nikkei Sangyo Shinbun Award. This margarine contains a flavoring agent, which we developed independently, to provide natural aroma and rich aftertaste of real butter. A natural buttery taste can be realized by controlling the amount of a flavoring agent in Concebeurre.

Our plants and group companies have received numerous other awards.
Developing and Utilizing Human Resources and Creating Comfortable Work Environments

Kaneka believes that it is important to give opportunities to capable employees and provide remuneration based on results in order to inspire activity from the strong orientation to achieving results. This is because we believe that people are our greatest business resources and that the company cannot grow if they do not grow.

Personnel System Overview

Kaneka operates a personnel system that is oriented toward results and abilities. The two criteria that our system is based on are level of ability and size of role.

Based on these, we implement programs for personnel treatment, wages, retirement bonuses and other human resource concerns.

Educational Structure

<table>
<thead>
<tr>
<th>Promotion examinations and programs for different employee levels</th>
<th>Speciality and practical ability development programs</th>
<th>Global human resource cultivation program</th>
<th>Career &amp; development support programs</th>
<th>Self-development support programs</th>
</tr>
</thead>
</table>
| \begin{itemize} 
  \item Training for newly appointed manager 
  \item Overseas trainee system 
  \item My Plan 60 
  \item Global training system 
\end{itemize} | \begin{itemize} 
  \item Fundamental training 
  \item Intensive English training 
  \item Invention dojo 
\end{itemize} | \begin{itemize} 
  \item Global human resource cultivation system 
\end{itemize} | \begin{itemize} 
  \item My Plan 40 
  \item My Plan 50 
\end{itemize} | \begin{itemize} 
  \itemmy library 
  \item Correspondence course 
\end{itemize} |

Target management system

<table>
<thead>
<tr>
<th>Work duty criterion</th>
<th>Ability criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set targets for individuals</td>
<td>Clarify work duties requirements (set by superiors)</td>
</tr>
<tr>
<td>Period performance evaluation</td>
<td>Clarify abilities that need to be exercised</td>
</tr>
<tr>
<td>Work duties, salary, bonuses, employee promotion examination, ability salary, human resource cultivation</td>
<td></td>
</tr>
</tbody>
</table>

Human Resource Cultivation

Kaneka believes that the three elements shown in the diagram at right are necessary in order to allow people to grow and that we can stimulate human development by suitably combining them.

Specifically, Kaneka prepares various educational programs and materials that employees can choose from to satisfy their motivation for self-development, such as educational training (both for employees in general and for experts), a voluntary career development support system (incentives for qualification acquisition, correspondence courses, and a video library), etc.

Global human resource cultivation

At Kaneka, we are striving to strengthen our global business development further. We introduced a Global Employee Registration System in fiscal 2009 with the goal of enhancing our systems for developing and managing our global human resources—the employees who endeavor for Kaneka overseas. 306 employees volunteered or were recommended for registration. In addition, for the purpose of preparing personnel for postings abroad in the future, we are also implementing an Overseas Trainee System to provide employees who volunteer themselves opportunities to work in a foreign country at a young age.

Motivating Individual Career Formation and Life Design

- Support Programs for Career and Life Development
  Kaneka is implementing two training programs—My Plan 40 for employees in their early 40s and My Plan 50 for employees in their early 50s—and providing information to employees in these age groups about our employee welfare system and supporting the participants in designing their own career and life plans.

  As one part of this program, we have also established a Refreshment Holiday System for all employees in their early 40s and 50s.

  For employees approaching retirement, we implement My Plan 60 and offer information about retirement bonuses, pensions and related issues, as well as providing motivation for taking on this new stage in life. In fiscal 2008, 185 people participated in the courses.

- Technology Promotion Scholarship Fund
  In order to increase work expertise, we support employees who actively seek chances to learn. In addition to giving employees who meet qualification standards opportunities to, for example, study abroad or visit businesses and research organizations overseas, we also award outstanding research results every year.

  In fiscal 2008, three researchers studied at universities in North America using this system.
Developing and Utilizing Human Resources and Creating Comfortable Work Environments

Enhancing Systems That Support Raising Children and Caring for Family Members

So That Employees Can Balance Work and Family Life

- **Childcare**
  
  As well as childcare support systems established by law, we have incorporated a system that allows the use of a combination of our “shorter working hours system,” “flextime work system,” and “no overtime system”.

  Starting in the 2009 fiscal year, we have expanded the coverage of reduced work time allowances from “employees who are raising children up to the age of three” to “employees who are raising children until they enter the third grade of elementary school.” Furthermore, our childcare leave has been extended “until children become two and half years old.”

  Moreover, by allowing the use of up to five days in an accumulated special paid leave system, we have introduced a system that makes taking time off and leaves of absences for childcare easy.

  In fiscal 2008, ten employees used our reduced work time system, and twelve used our childcare leave system (including one man). We will continue to actively create work environments that allow employees to balance work with raising children. We are currently applying for the Kurumin certification mark, which can be used by companies that support employee families.

1. **Paternity leave**
   - The father of a child can take two days of leave within 14 days of the birth.
2. **Maternity leave**
   - Leave can be taken for 6 weeks before birth (14 weeks for multiple pregnancies, including holidays).
   - Ordinarily a mother cannot return to work for 8 weeks after birth, but she may return after 6 weeks with a doctor’s approval (if she desires). (Leave both before and after birth is unpaid)
3. **Time off and leaves for childcare**
   - After completing prescribed procedures, employees can take time off or a leave for a fixed period of time in order to take care of children up to the age of two and half years old (unpaid).
4. **Time off to care for sick or injured children**
   - When an employee must take care of a child that they are raising who has not yet started elementary school because the child is injured or sick, they may take up to 5 days off per year after completing prescribed procedures (paid).

- **Family Care**
  
  Kaneka’s family care leave system exceeds legal requirements, making possible “a total of one year” of leave, along with providing a “family care relief allowance” for six months during that leave.

  Employees who do not opt for family care leave can also use our flex work and other systems for adaptable work hours.

Flexible and Autonomous Ways of Working

In the past, we incorporated systems for flextime, staggered working hours and variable labor times, for example, and promoted their use. In order to transform ideas about how to work into a concept that is not bound by time, however, we have also adopted a “discretionary work system.” We have completed one year with this system that has the goal of enabling employees to apply their independence and creative abilities even more, and 233 employees were using it as of March 31, 2009.

Flexible and autonomous ways of working

- **Daytime work 59%**
- **Work system utilization rates**
- **Flextime 17%**
- **Discretionary work system 6%**
- **Staggered working hours 3%**
- **Variable labor time 0%**
- **Late and early shift work 15%**

- **Hiring of Handicapped Persons**
  
  As one of the social responsibilities that we must fulfill as a corporation, not only have we sought to achieve the legally required 1.8% employment rate, we have also been making efforts at Kaneka to create workplace environments where handicapped employees can work easily. We are improving our workplace environments by making them barrier free, for example, so that they reflect the opinions and desires of the handicapped, and we are otherwise making efforts that go beyond mere legal compliance.

  As a result of our efforts, since the end of fiscal 2006, we have achieved the legal employment rate of 1.8%.

  We will continue to make even further efforts to increase the employment rate of the handicapped as well as help them to develop their capabilities and adapt themselves to workplace environments by, for example, having the person in charge be qualified as a “Vocational Life Consultant for the Disabled” at each plant that employs five or more handicapped persons.

Handicapped employment rate

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>1.50</td>
<td>1.55</td>
<td>1.37</td>
<td>1.83</td>
<td>1.81</td>
<td>1.89</td>
</tr>
</tbody>
</table>

Legally required employment rate (1.8%)

- **Reemployment System**
  
  In response to the Revised Law Concerning Stabilization of Employment of Older Persons and also to ensure the maintenance of a core of skillful human resources, Kaneka incorporated a Senior Reemployment System and a Senior Appointment System beginning in fiscal 2006. Using these systems, we can realize the transmission of the technological expertise of veteran company employees, while allowing them to work in various ways according to their individual life plans through the use of arrangements that allow full-time and part-time work.

  In fiscal 2008, 86 employees retired at retirement age. We rehired 72 of these employees in various capacities, and they are continuing to utilize their high levels of skill and expertise that they cultivated through years in the workplace.

<table>
<thead>
<tr>
<th>Year</th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of retirees</td>
<td>60</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td>Number reemployed</td>
<td>53</td>
<td>74</td>
<td>72</td>
</tr>
</tbody>
</table>
At Kaneka, we believe in respect for people, recognize the diverse values of individuals and value unique personalities and characteristics. Starting from compliance with laws and regulations, we do not conduct any discriminatory practices. Moreover, we do not tolerate child labor or forced labor. We respect the human rights of every individual, and we do not accept the conduct of any act that infringes on a person’s dignity, including discriminatory words or actions based on gender, age, nationality, race, ethnicity, belief, religion, social standing, disability or any other characteristic. Moreover, we do not tolerate violent behavior, sexual harassment, power harassment, bullying or any similar conduct.

Fundamental Approach

At Kaneka, we believe in respect for people, recognize the diverse values of individuals and value unique personalities and characteristics. Starting from compliance with laws and regulations, we do not conduct any discriminatory practices. Moreover, we do not tolerate child labor or forced labor. We respect the human rights of every individual, and we do not accept the conduct of any act that infringes on a person’s dignity, including discriminatory words or actions based on gender, age, nationality, race, ethnicity, belief, religion, social standing, disability or any other characteristic. Moreover, we do not tolerate violent behavior, sexual harassment, power harassment, bullying or any similar conduct.

Human Rights Education

We believe that “respect for human rights” is the most fundamental thing that Kaneka and Kaneka employees must observe. We establish this point in our Basic Policies for Corporate Activities, our Ethical Code of Conduct, our Rules of Employment, our Compliance Guidebook, and we seek to spread awareness of the importance of human rights through trainings for new employees and newly promoted employees and at other times.

Education for Managers

During training for employees promoted to managerial positions, we establish a curriculum to make them aware of their roles as managers. We invite specialists and conduct human rights education, as well as cultivating a counseling mindset through role-playing, for example.

In addition, we also send employees to external human rights training meetings and conferences sponsored by local governments and other organizations.

Measures to Prevent Sexual Harassment and Power Harassment

In order to maintain workplace environments that are free from sexual harassment and power harassment, we are working to prevent its occurrence and to respond rapidly when it does. We are promoting thorough awareness of these issues through, for example, our Rules of Employment and Compliance Guidebook. In addition, we have established consultation desks at every business place, and we have adopted a system for the submission of reports to the consultants over the web.

Protection of Personal Information

Even though we have been very careful in the management of the personal information of customers and employees at Kaneka in the past, in fiscal 2006, we created an Information Security Guidebook with detailed case studies explained schematically and distributed it to the employees of Kaneka Group companies.

In addition, we are continuously advancing efforts to raise the levels of our individual information protection and information security by, for example, implementing the same information security education given during trainings for new company employees and promoted employees also for mid-career hires.
Aiming for Zero Process Accidents

Affirming that “safe and stable operation is the foundation of a manufacturing business,” we have been making efforts to achieve the goal of “zero process accidents” for many years at Kaneka. Despite this, two accidents involving fires occurred in fiscal 2008 (one each at our Takasago Plant and Kashima Plant). Neither accident hurt any person, the damage to our facilities was light, and the surrounding communities suffered no harm. In response to these accidents, along with taking measures immediately to prevent recurrence, we are making efforts throughout the group to prevent the occurrence of similar accidents.

At the Kaneka Group, motivated by the explosion and fire accident that occurred at our Takasago Plant in fiscal 2006, we are continuously conducting risk assessments of dangers that could cause explosions, fires and other serious accidents and disasters. To prevent accidents caused by the chemical substances that we handle in manufacturing and research, we are undertaking “explosion and fire risk assessments” and actively making various reforms, including the installation of equipment that suppresses the buildup of static electricity, which can cause ignition, in facilities that handle and manufacture flammable gases, resins and other materials.

In addition, we are also actively sharing lessons from examples of accidents and other incidents that have occurred at other companies as we endeavor to prevent accidents and disasters.

Enhancing Crisis Management Systems

At Kaneka Corporation and in the Kaneka Group, in preparation for the occurrence of emergencies, we have readied response measures for crises that demand immediate and rapid action. In addition, to fulfill our corporate social responsibilities and realize the continuation of our business, we have created a Crisis Management Manual and posted it on our intranet.

In our Crisis Management Manual, we establish a primary reporting network and clarify the responsibilities and jurisdictions of the concerned divisions and our head offices in the case of an emergency. In this manual, we also include items necessary for immediate response systems, for example, and preparations during ordinary circumstances, as well as regulations about interactions with government, mass media, neighboring residents, customers and other outside entities. At present, in order to share information about the conditions of an accident site more accurately throughout the company, we are working to build a system for transmitting video taken by mobile phones to our head offices in real time.
Safety Education for Transportation Contractors

We have established an annual plan for safety education for the companies that are responsible for the transportation of products that are subject to the Japan’s High Pressure Gas Safety Law, the Poisonous and Deleterious Substance Control Law and the Fire Services Act, as well as other products that could cause serious damage if an accident occurred during transportation. We implement related training for vehicle crews so that they can prevent accidents and respond rapidly should one occur. In addition, we reconfirm that the work procedures and security maintenance for safe transportation are being observed.

Yellow Cards

We require vehicles that transport chemical substances to carry Yellow Cards that describe response measures and reporting details if accidents should occur. Kaneka and transportation contractor cooperate to confirm vehicles are carrying them as required.

Emergency Response Training for Potential Disasters during Transportation

Once a disaster occurs during transportation, not only knowledge but also the ability to take correct and appropriate action is required. Kaneka always keeps disaster prevention equipment on-hand and make preparations for disasters.

We regularly conduct emergency response training jointly with contracted transportation companies to improve our practical response capabilities. Also, our Takasago Plant participates in the emergency mobilization training that the Regional High Pressure Gas Disaster Prevention Council of Hyogo Prefecture conducts as part of a mutual support system for transportation disasters.
Striving to Eliminate Accidents

“Zero Accident” Principles
- All people, you and me, are indispensable; we ensure everyone is working safe.
- Safety is everyone’s responsibility; we do not miss sparing time to seek safety.
- There is no trick to safety; we always value a fundamental approach to it.
- Be aware of potential danger; we endeavor to eliminate safety risks.
- Where there is carelessness, there is a possibility of an accident; we do not allow every little chance of negligence.

Seeking to achieve “zero occupational accidents,” Kaneka has been promoting occupational safety and health activities that show due consideration for the characteristics of each individual workplace. However, accidents involving our employees occurred in 2008, including one that caused lost time and two that caused no lost time. Accidents involving the employees of cooperating companies also occurred, including two that caused lost time and one that caused no lost time. These accidents took various forms, including getting caught and pulled into equipment, cuts and falls. For each of these accidents, we have undertaken thorough countermeasures to prevent their recurrence and also to prevent the occurrence of similar accidents. Moreover, we are strengthening our systematic efforts for risk assessment with the intention to “Create safety in advance,” and we will continue to seek to achieve a record of zero occupational accidents.

Enhancing Our Occupational Safety and Health Management Systems

In fiscal 2006, we began efforts for occupational safety and health using an occupational health and safety management system (OSHMS). In fiscal 2007, every one of our plants acquired OSHMS certification that is accredited by the Japan Industrial Safety & Health Association (JISHA). In fiscal 2008, in order to strengthen the operation of our OSHMS, we trained more people to increase the number of system auditors and focused on increasing their abilities. In addition, we also provided support for risk assessments to cooperating companies, for example, by offering guidance and advice and giving suggestions during safety patrols by plant heads. We will continue striving to strengthen our risk assessment efforts and system auditing functions with our OSHMS as a pillar for these and other efforts.

Comprehensive Inspections

In order to improve the level of occupational safety and health in the Kaneka Group, we implement Comprehensive Inspections every other year for all group companies in Japan and abroad. The inspection items that we are emphasizing in fiscal 2008 with the goal of eliminating serious accidents and disasters are the establishment of risk management and assessment, compliance, and thorough implementation of the 3S safety fundamentals (seiri, seiton and seiso, which can be loosely translated as “tiding, organizing and cleaning”). In addition to inspections at Kaneka’s four plants, we implemented inspections at 17 business places of 15 domestic group companies and 8 business places of 8 overseas group companies. Serious efforts were being made related to the emphasized inspection items at every company.

No. of Kaneka Employee Accidents With/Without Lost Time

No. of Contractor Employee Accidents With/Without Lost Time

Lost Time Frequency Rate\(^1\) and Accident Severity Rate\(^2\) of Kaneka and Group Company Employee

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Entire Kaneka Group</th>
<th>Kaneka Corporation</th>
<th>Group Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
<td>0.68</td>
<td>0.58</td>
<td>0.91</td>
</tr>
<tr>
<td>Severity rate</td>
<td>0.27</td>
<td>0.02</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Lost Time Frequency Rate and Accident Severity Rate of Contractor Employee

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Entire Kaneka Group</th>
<th>Kaneka Corporation</th>
<th>Group Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
<td>0.17</td>
<td>0.89</td>
<td>0.00</td>
</tr>
<tr>
<td>Severity rate</td>
<td>0.00</td>
<td>0.03</td>
<td>0.00</td>
</tr>
</tbody>
</table>

1: Frequency Rate: No. of affected workers + Total No. of working hours \(\times\) 1,000,000
2: Severity Rate: No. of days lost + Total No. of working hours \(\times\) 1,000
Efforts for Risk Assessment

At our Osaka Plant, we are making our equipment safer, following the Guidelines for the Comprehensive Safety Standards of Machinery issued by the Ministry of Health, Labour and Welfare of Japan. We are working to make our equipment safer by deepening the understanding of the workers who are actually responsible for their use, for example, through confirming JIS requirements.

At our Shiga Plant, we are focusing on “getting caught and pulled into equipment” and “the work of handling organic solvents.” We are establishing working groups for each particular issue to reduce risks, particularly through the continuous identification of latent risks and essential safety enhancement.

Safety and Hygiene Efforts at Osaka Synthetic Chemical Laboratories, Inc.

Osaka Synthetic Chemical Laboratories, Inc., which is a Kaneka Group company in Japan, uses a great variety of chemical substances and solvents to make numerous medical supplies, intermediates and specialty chemicals in small amounts. Having experienced drug disasters (occupational accidents) and warehouse fires in the past, all our employees are working together on efforts to further improve environmental safety and hygiene. In our risk assessment activities, in order to prevent predictable troubles, our research and technology divisions work in coordination with the plants to conduct multiple investigations. Based on their results, we create rules about preproduction education for new types of products and reflect these in the instructional documentation.

Among our tangible actions, we have installed fixed oxygen concentration meters, plant wastewater pH meters and gas concentration meters, and taken other measures in workplace environments. Among our intangible efforts, we are endeavoring to maintain stable production through hands-on experiences and education about taking care of facilities, as well as receiving guidance from Kaneka’s Corporate Technology Administration Department. By conducting efforts to vitalize work duties and systems (SSKP*) 52 times, we have been increasing our bottom-up improvement efforts, and we are striving to continue a record of zero occupational accidents.

Hands-on Learning with the Goal of Improving Sensitivity to Danger

In order to enhance hands-on learning at our Osaka Plant, along with training instructors, we have added equipment that allows dust explosion experiments and simulated experiences of static electricity and being pulled into a conveyor, for example, in our hands-on learning laboratory. At our Shiga Plant, in order to assure day-to-day safety, we are implementing hands-on learning using training equipment that conforms to the conditions of each workplace in order to increase employee sensitivity to danger. At the same time, we are using an analytical method (TPI-SWD*) to improve safety that focuses on the behavioral characteristics of individuals. This can increase sensitivity, which can suppress risk-taking behaviors and create new habits.

Mental Health

From the perspective of mental health, we recognize that self-care (stress awareness by employees) and line-care (improvement of workplace environments by managing supervisors) are important for the protection of employee health, lifestyles and lives. For these purposes, we are making efforts focused on education and training as well as counseling.

In fiscal 2008, for the purpose of promoting self-care, we conducted trainings 8 times for about 290 employees so that each of them could gain fundamental knowledge about mental health and stress control skills. For line-care, we conducted trainings 15 times for about 440 people on how to respond to employees whose mental health deteriorates. In addition, we also conducted trainings for newly appointed executives and managers at the times of their promotions.
Miyagi Jushi Co., Ltd. was founded in 1988 and is located in Kashimadai, Osaki City, near Matsushima, which has one of Japan’s three most famous scenic views, Shiogama, Ishinomaki and Kesennuma, which are prominent fishing ports in Japan, and are nearby. We primarily manufacture containers for the fresh fish that is brought in from the Sanriku Coast as well as processed fish products.

Our company produces food product containers, and the quality demanded by our customers increases every year. Based on our belief that, “Quality is created in the manufacturing process,” we have been revising work standards and reviewing inspection standards for every part of the manufacturing process from the perspective of food safety. We are advancing improvements with the goal of having no complaints or claims.

For environmental protection, we acquired Eco-Action 21 certification in May 2008. We recognize that actions for the environment are important tasks, and we are advancing our efforts for business activities that are considerate of the environment. These include actively increasing the conservation of energy, the reduction of defective products and the promotion of recycling.

Led by our safety and hygiene committee, we are advancing efforts for occupational safety with the goal of zero accidents. These include emphasizing risk assessment activities, safety patrols, hazard prediction trainings and improvements based on near-miss. In addition, we ask industrial physicians and the municipal health department to give health lectures that help each employee improve and manage their health. In cooperation with the local fire department, we hold training on first aid and life-saving annually, and most of our employees have obtained a certificate of completion. As a result of these efforts, we had achieved 1,000 consecutive days without accident or disaster by February 2009.

To promote process safety and disaster prevention, in cooperation with the fire department, we conducted firefighting training that included water spraying and fire extinguisher handling as well as practice reporting by actually dialing 119 and contacting emergency services. We are selected as a representative every time a firefighting skill meet is held in the Osaki area, and we have always received excellent results.

We will keep striving to arrange a workplace environment that prioritizes the assurance of safety and hygiene, and we will seek to maintain a workplace that is free from accidents and disasters.

Kitaura Jushi Kogyo Co., Ltd. produces molded polystyrene foam goods at two bases—one in Fukaya City, Saitama Prefecture (Saitama Plant) and the other in Namegata City, Ibaraki Prefecture (Ibaraki Plant). Established in 1963, we had a new start when we became a 100% Kaneka-owned subsidiary in 2001. At our Saitama Plant, we produce molded containers for fish and vegetables and block products for use in building, casting and embankments. At the Ibaraki Plant, we mainly produce molded containers for fish and vegetables.

For quality management at our Saitama Plant, we are advancing improvements to our preliminary foam molds and enhancing our metal dies. As a result, we have realized a 40% reduction in complaints and claims. Moreover, our blocks for casting had many problems in the past. With technical services from Kaneka Corporation in fiscal 2008, though, we clarified the extent of control over production conditions and improved our daily reports, resulting in great stabilization.

For the environment, we began preparations to acquire Eco-Action 21 certification in April 2008, and our Saitama Plant has since been certified and registered. We also achieved a reduction of more than 10% in the amount of CO₂ that we emit. We are also improving our reuse of resources and working to reduce garbage. This includes increasing our water recirculation rate and our recycling rate by thorough separation of wastes.

For occupational safety and health, all employees participate in 5S efforts, which include neatness, orderliness, cleanliness, cleanmess, and discipline. We also recite a safety slogan during the morning meeting, undertake safety patrols and corrective measures, and implement disaster prevention training, employee education, risk assessments and other efforts. In this way, our Ibaraki Plant has continued without accident for eight consecutive years.

We will continue operation that is free from accident and disaster, and, as a plant that molds food product containers, we will continue efforts that emphasize raising the level of hygiene and conducting risk assessments in conformity with food safety HACCP (to prevent iron powder, hair, insects, mold, dirty oil and other foreign matter from being included in products).
With sincerity as our principle, we advance and contribute to the creation of a healthy society by always working to develop and improve technologies and providing outstanding products.

With this corporate concept, at Taiyo Yushi Co., Ltd., using natural oils and fats as primary raw materials, we consistently manufacture and sell oils and fats for food processing as well as soap products. Since our beginning in 1919 as Tokyo Sakuyu Co., Ltd., we have a history of extracting and processing coconut oil (copra) and we have been providing our customers with products that use a variety of vegetable oils, particularly those from southern climates (including coconut oil, palm oil and palm kernel oil), as bases.

In our oils and fats for food processing businesses, we specialize in products for commercial use, including raw materials for all types of food product companies. While responding to our customers accurately and rapidly and providing products that meet their needs, we are focusing on raising the level of food safety and reliability. We have introduced and established various systems for this purpose, including HACCP and ISO 9001.

In the household products field, we are committed to providing soap that is good for people and the environment. We do not use any synthetic surfactants or additives, but instead use traditional soap components as raw materials for the products that we manufacture and sell, which include facial soap, shampoo and toothpaste products, as well as foundation cosmetics. We are creating systems that include our contractors for production and quality control in accordance with the Pharmaceutical Affairs Law. Moreover, through study groups and lectures about the features of soap products and their impacts on the environment and effects on people, we are endeavoring to contribute to the protection of the natural environment.

We have acquired Eco-Action 21 certification, and we are advancing efforts to protect the environment, including reducing CO₂ beginning with energy conservation, and reducing wastes.

Furthermore, to increase occupational safety and health, led by our safety and hygiene committee, we are advancing reforms for all hazardous spots and tasks through risk assessments, and we are striving to create safe workplaces. In addition, through disaster prevention trainings that we hold annually, we are increasing awareness about disaster prevention.

Toyo Styrol Co., Ltd. began in January 1958 in the Itabashi district of Tokyo with the production of wooden boxes for holding candles. In March 1960 we moved our production base to Yokkaichi City, Mie Prefecture, and changed our product line to molded polystyrene foam goods. Later, we became a part of the Kaneka Group.

Regarding occupational safety and health, based on our belief that “Safety does not exist and danger is always present,” we are advancing efforts with the goal of continuously eliminating sources of danger and preventing accidents. Specifically, we are striving to reform tangible and intangible faults through risk assessments of dangers such as heat stroke, fire, oxygen deprivation, and being caught by or pulled into equipment. We are also implementing monthly occupational safety and health meetings and safety patrols, as well as annual evacuation and firefighting training for hypothetical plant fires in order to raise awareness about safety.

In our efforts for the environment, we are undertaking activities with the purpose of acquiring Eco-Action 21 certification.

To promote quality, we are emphasizing measures to prevent the inclusion of foreign matter. We are sharing information with employees, raising awareness to prevent incidents and their recurrence, and further strengthening the execution of countermeasures.
Kyushu Kanelite Co., Ltd. began operation in southern Fukuoka Prefecture in 1997 as a production base to make Kaneka Corporation’s Kanelite Foam (extruded polystyrene foam boards) for the Kyushu and Yamaguchi regions. We received JIS certification in the following year, and acquired ISO 9001 certification in 2000.

The Kanelite Super E that we make is a product that utilizes technology that Kaneka was the first in the world to develop for foaming agents that do not use fluorocarbons and that eliminate halogen. This fluorocarbon-free foaming agent technology received the Technical Development Award of the Chemical Society of Japan, the Minister’s Prize of the Ministry of Economy, Trade and Industry and the Minister’s Prize of the Ministry of the Environment in 2003.

For quality and production management, we treat stabilizing productivity as a serious issue, replacing dies, extruder screws and other equipment, for example, as we seek to increase yield in productivity and stabilize quality. In fiscal 2008, we once again achieved a record of not receiving any complaints or claims.

To promote occupational safety and health, we regularly hold meetings of our environmental safety and hygiene committee, our Eco-Action 21 committee, and our safety cooperation committee. We also focus on risk assessment, improvements based on near-miss, and safety patrol activities, following the slogan, “Life is irreplaceable!” We vigorously promoted safety activities, using occupational accidents from fiscal 2007 as instructional examples, and we achieved a record completely free from accidents including even minor accidents.

Among our efforts for the environment, in 2007, we were the first of Kaneka’s group companies to receive Eco-Action 21 certification. In the two-year period of 2007–2008, we achieved great reductions in the amounts of CO2 that we emitted and water that we used per unit of production. Moreover, we achieved zero waste emissions of industrial wastes by conducting thorough waste separation and other efforts. We are also turning off lights during lunch breaks, keeping air-conditioning at moderate temperatures and making other steady efforts for the environment.

Hanepack Co., Ltd. began operation in 1991 in Shibushi City, Kagoshima Prefecture as Hanepack Toyo Co., Ltd., the Kyushu regional production base for Hane Corporation, which is a molded polystyrene foam goods sales company.

In 1995, we moved our headquarters to our current location in Kanzaki City, Saga Prefecture, and changed our name to Hanepack Co., Ltd. In 2006, we began operation of our Nagasaki Plant, and we are now conducting business with a three-plant structure that includes our plants in Saga and Kagoshima. Uses of our product, including containers for fish and agricultural products, take advantage of its outstanding features of lightness, insulation and easy processing.

We are making efforts for safety and have set the achievement of zero accidents as a companywide target. Among our concrete activities for safety and hygiene, we regularly hold safety and hygiene committee meetings and safety patrols. We are focused particularly on risk assessments, hazard prediction trainings and improvements based on near-miss.

Among our efforts for the environment, in 2007, we were the first of Kaneka’s group companies to receive Eco-Action 21 certification. In the two-year period of 2007–2008, we achieved great reductions in the amounts of CO2 that we emitted and water that we used per unit of production. Moreover, we achieved zero waste emissions of industrial wastes by conducting thorough waste separation and other efforts. We are also turning off lights during lunch breaks, keeping air-conditioning at moderate temperatures and making other steady efforts for the environment.

We are also advancing efforts for the environment as we seek to receive Eco-Action 21 certification. In particular, we recognize that the reduction of carbon dioxide emissions, which is one of the Eco-Action goals, is a crucial area. Our entire company is working together to improve our emissions per unit of production. This is an effort that we are also conducting because it contributes to cutting costs.

In order to respond to customer demands for quality, which increase day after day, we are strengthening coordination with sales companies, holding regular quality management committee meetings, and making management absolutely clear visually, for example. We are seeking to improve quality with the participation of every employee.

We will continue to advance efforts that are focused on safety, the environment and quality.
Cosmo Kasei Co., Ltd. is located in the south of Mie Prefecture between the Kumano Sea, which the Japan Current flows through, and Odaigahara, a mountain that boasts one of the highest rainfalls in the world with 5,000 millimeters annually. We are also near the Kumano Kodo, an ancient pilgrimage route that has been designated a world heritage.

We were established and began operation in 1986 as the manufacturing division of Hane Corporation, which sells EPS containers for marine and agricultural products as well as processed food products. We continue operations following the slogan, “Based on the assurance of quality, hygiene and safety, we make competitive products that never lose to other companies.”

To promote occupational safety and health, we hold fire and disaster prevention trainings that emphasize risk assessment and hazard prediction in the spring and fall. We also conduct plant safety patrols every other month. As a result, we have not had an accident or disaster since our foundation.

We received Eco-Action 21 certification and were registered in 2008. Among our efforts for environmental protection, we are promoting the reduction of CO2, the effective use of both the water supply and groundwater, and the reduction and recycling of wastes. All employees carry “Eco-Action 21 pledge cards” at all times and have the mindsets of stakeholders as they undertake environmental efforts such as these.

Our employees all endeavor together constantly to create workplaces that are lively, friendly, warm and safe. Our employees also fully understand the sales policies and strategies of the Hane Corporation (Mie Sales Office) sales company. Moreover, we have recently been expecting customers to incorporate sanitation management methods based on HACCP, for example. In addition to our foundation of ensuring quality, hygiene and safety with confidence, we are undertaking cost reduction measures that emphasize numerical results for various production management indicators in order to increase competitiveness.

Meanwhile, in seeking well-balanced plant management, we are also considering occupational safety and health and environmental protection.

Nagashimashokuhin Co., Ltd. is in the north of Kuwana City, Mie Prefecture, located on a delta between the mouths of the Kiso and Nagara Rivers. We produce the frozen pie and cookie dough that the Kaneka Group provides to confectionery, bread and processed food manufacturers. Established in 1968, we became a part of the Kaneka Group in 1993 and celebrated our 40th anniversary in 2008.

For product safety and quality assurance, we received ISO 9001 certification along with the food product divisions of Kaneka Corporation in 2004. Moreover, starting in the same year, we have received annual food safety audits from the American Institute of Baking. As a food product manufacturer, we are advancing the creation of products that earn the trust of our customers and the market with food that is safe and provides peace of mind.

We received Eco-Action 21 certification for environmental protection in November 2008. We began environmental plans for recycling industrial waste food products as animal feed in April 2008, and recycling waste plastic as a fuel supplement in April 2009.

Regarding occupational safety and health, we have not had a labor-related accident in six years. We are undertaking efforts to improve occupational safety and health, as well as the environment, by holding a food safety committee meeting every month and safety patrols that focus on 5S activities, including neatness, orderliness, cleanliness, cleanness, and discipline.

In 2008, we held disaster prevention and evacuation training with cooperation from the Kuwana Fire Department. We will continue to do this in the future and raise employee awareness about disaster prevention so that, with a foundation of safe and comfortable workplace environments, we can create products that are safe and provide peace of mind.
Organizational Scope of the Report
(Kaneka Corporation and all 34 group manufacturing companies)

KANEA CORPORATION
Osaka Head Office/Tokyo Head Office/
Nagoya Sales Office

- Takasago Plant
  Manufacturing of caustic soda,
  vinyl chloride monomer, PVC resins, EPS resins,
  MBS resins, modified silicone polymers,
  acrylic synthetic fibers,
  pharmaceutical bulk/intermediates,
  functional food ingredients, bakery yeast,
  margarine, shortening

- Osaka Plant
  Manufacturing of extruded polystyrene foam
  boards, molded items of expanded polyolefin
  by beads method, soft PVC compounds, PET
  resin for molding purposes, medical
  equipment (blood plasma and blood
  purification devices), heat resistant PVC resins

- Shiga Plant
  Manufacturing of ultra heat-resistant polyimide
  film, optical film

- Kashima Plant
  Manufacturing of PVC resins, EPS resins,
  extruded polystyrene foam boards,
  expanded polyolefin by beads method,
  end-reactive polyisobutylene oligomer

Domestic group companies (25 companies)

- Showa Kaseikogyo Co., Ltd. (Hanyu City, Saitama)
  Manufacturing and sales of PVC and polyolefin
  compounds

- Tatsuta Chemical Co., Ltd. (Yatsu-ku, Tokyo)
  Molding and sales of PVC and PP resin

- Hokkaido Kanapearl Co., Ltd. (Eniwa City, Hokkaido)
  Manufacturing and sales of plastic products

- Shibetsu Kasei Co., Ltd. (Shibetsu-gun, Hokkaido)
  Manufacturing of plastic products

- Monbetsu Kasei Co., Ltd. (Monbetsu City, Hokkaido)
  Manufacturing of plastic products

- Koto Co., Ltd. (Kayabe-gun, Hokkaido)
  Manufacturing of plastic products

- Tsukasa Co., Ltd. (Kamikita-gun, Aomori)
  Manufacturing of plastic products

- Miyagi Jushi Co., Ltd. (Osaki City, Miyagi)
  Manufacturing of plastic products

- Kitaura Jushi Kogyo Co., Ltd. (Fukaya City, Saitama)
  Manufacturing of plastic products

- Kantō Styrene Co., Ltd. (Oyama City, Tochigi)
  Manufacturing and sales of plastic products

- Toyō Styrol Co., Ltd. (Yokkaichi City, Mie)
  Manufacturing of plastic products

- Cosmo Kasei Co., Ltd. (Kitamuro-gun, Mie)
  Manufacturing of plastic products

- Hanpack Co., Ltd. (Kanzaki City, Saga)
  Manufacturing of plastic products

- Kyushu Kanelfitte Co., Ltd. (Chikugo City, Fukuoka)
  Manufacturing of plastic products

- Hokkaido Kaneka Co., Ltd. (Eniwa City, Hokkaido)
  Manufacturing of plastic products

- Tokyo Kaneka Food Co., Ltd. (Itabashi-ku, Saitama)
  Manufacturing of oil and fats

- Kaneka Food Co., Ltd. (Kobe City, Hyogo)
  Manufacturing of oil and fats

Overseas group companies (9 companies)

- Kaneka Belgium N.V.
  Manufacturing and sales of functional plastic,
  foam plastic products and modified silicone
  polymers; assembly and sales of solar cells

- Kaneka Texas Corp.
  Manufacturing and sales of functional plastic,
  materials for electronics, specialty PVC resins
  and modified silicone polymers

- Kaneka Nutrients L.P. (U.S.A.)
  Manufacturing and sales of raw materials for
  functional food products

- Kaneka Singapore Co., (Pte) Ltd.
  Manufacturing and sales of pharmaceutical
  intermediates

- Taiyo Yushi Co., Ltd. (Yokohama City, Kanagawa)
  Manufacturing and sales of oil and fats

- Nagashimashokuhin Co., Ltd. (Kawagoe-shi, Saitama)
  Manufacturing of foodstuffs and frozen dough

- Kaneka Sun Spice Co., Ltd. (Yodogawa-ku, Osaka)
  Manufacturing and sales of spices

- Tochigi Kaneka Corporation (Mooka-ku, Tochigi)
  Manufacturing of plastic products and materials
  for electronics

- Kaneka Medix Corporation (Kita-ku, Osaka)
  Manufacturing and sales of medical devices

- Kaneka Solar-tech Co., Ltd. (Yoyoga-ku, Hyogo)
  Manufacturing of solar cells

- Sanwa Kaseikogyo Co., Ltd. (Mooka-ku, Tochigi)
  Manufacturing of foam plastic products

- Osaka Synthetic Chemical Laboratories, Inc.
  (Nishinomiya City, Hyogo)
  Manufacturing and sales of raw materials for
  pharmaceuticals and pharmaceutical
  intermediates, and food additives

- Kaneka (Malaysia) Sdn. Bhd.
  Manufacturing and sales of functional plastics

- Kaneka Eperan Sdn. Bhd. (Malaysia)
  Manufacturing and sales of foam plastic products

- Kaneka Paste Polymers Sdn. Bhd. (Malaysia)
  Manufacturing and sales of specialty PVC resins

- Kaneka Eperan (Suzhou) Co., Ltd. (China)
  Manufacturing and sales of foam plastic products

- HiHua Fiber Co., Ltd. (China)
  Manufacturing and sales of vinyl chloride fibers
  and protein fibers
Third Party Verification (Responsible Care Verification)

Responsible Care Report 2009
Independent Verification—Opinions

June 9, 2009

Mr. Kimikazu Sugawara
President Kaneka Corporation

Chairman
Verification Advisory Committee
Akio Yamamoto

Chief Director
Responsible Care Verification Center
Saburo Nakata

— Purpose of verification —
The purpose of this verification is to express informed opinions as chemical industry specialists on the following matters concerning the “Responsible Care Report 2009” (hereafter called “the Report”) that was compiled by Kaneka Corporation.
1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values
2) The accuracy of non-quantitative information presented in the Report
3) The contents related to responsible care activities
4) The characteristics of the Report

— Verification procedure —

• For the corporate head office, we conducted investigations into the rationality of the calculation methods of values reported by each site (offices and plants), as well as the accuracy of other non-quantitative information. We conducted these investigations by questioning the people responsible for each business area and the people responsible for preparing the Report about the contents of the Report. We also received documents and explanations from them.

• For the Osaka Plant, we conducted investigations into the rationality of the calculation methods of values reported to the corporate head office and the accuracy of those values as well as the accuracy of other non-quantitative information. We conducted investigations of the site by questioning the people responsible for each business area and the people responsible for preparing the Report. We also received documents and explanations from them, as well as checked evidential materials.

• We applied sampling techniques in our investigations of the values and other information presented in the Report.

— Opinions —

1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values:
   • Rational methods were used to calculate and collect numerical values for both the corporate head office and the Osaka Plant.
   • As far as was investigated, performance values are accurately calculated and collected.

2) The accuracy of the information presented in the Report:
   • The information presented in the Report was confirmed to be accurate. At the stage of drafting the Report, a few comments were made concerning the suitability of some expressions and the readability of some sentences; however, these issues have been rectified in the final Report. As a result, no points remain to be rectified as of now.

3) The contents related to responsible care activities:
   • We evaluate highly that the organization has been reformed so that the RC Department is able to comprehensively manage global warming prevention efforts as well as all risk management related to production activities, not just occupational safety and health, environmental protection and product safety.
   • We evaluate highly that they are conducting comprehensive disaster prevention training in coordination with local governments at Kaneka’s 4 plants.
   • We evaluate highly that they are undertaking risk assessments that are ahead of the industry and are not only related to work, but also related to equipment, explosions and fires, and chemical substances.
   • We evaluate highly that the Osaka Plant has achieved nearly 10,000,000 total uninterrupted labor hours without an accident. We hope that they will continue to thoroughly implement 3S safety efforts.

4) The characteristics of the Report:
   • We evaluate highly that the efforts of overseas group companies are introduced in a manner that is easy to understand.
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