

# CSR REPORT 2011

Digest Version



**kaneka**

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**kaneka**

# Kaneka, Our science makes Wishes come true.

Humankind is at a turning point. As people begin to focus more on the importance of life, people are uncovering the numerous relationships that underpin it. They are eschewing materials in favor of emotional satisfaction, and are now exploring the ways in which we should relate to the environment.

This paradigm shift makes it vital to leverage new thinking to build the future.

Kaneka seeks to create completely new things as part of its long-term vision to build a more impressive and productive future. We have accordingly been supplying diverse products and technologies that enhance daily living in keeping with our position as a Dreamology Company.

Now is the time to put Dreamology to the test as Kaneka harnesses the power of chemistry to open the door to the future.

## Corporate Philosophy

**With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values.**

**We are also committed to challenging the environmental issues of our planet and contributing to upgrading the quality of life.**

## Kaneka's Corporate Ideals

**Toward an Even More Impressive and Productive Future**

Hold in your hands the future you have always dreamed of.

We are a highly perceptive and collaborative value-creating group or, as we like to say, a "Dreamology Company."



## Editorial Policy

The Kaneka Group has issued its Responsible Care Report since 1999, renaming it the CSR Report from the 2010 edition onward to include more socially responsible content.

We are issuing digest and PDF editions from 2011. The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts. The PDF edition discloses all of our CSR information. You can download a copy at the following URL: <http://www.kaneka.co.jp/kaneka-e/csr/index.html>



This edition explains how Kaneka's business activities relate to CSR, and features information of particular interest to stakeholders, most notably our customer, environmental, and social initiatives.

In addition, there are sections specifically for stakeholders including the provision of Check & Act columns, an overview of activities for the year under review, and our Plan-Do-Check-Act (PDCA) goals for highlighted issues in the coming term.

## Organizations Covered in this Report

This report covers Kaneka Corporation and its domestic and overseas consolidated subsidiaries. The data on Responsible Care activities encompass the parent and all 35 Group production subsidiaries and are detailed in the PDF version.

In this report, "the Company" or "Kaneka" refers specifically to Kaneka Corporation. The "Group" or "Kaneka Group" encompasses Kaneka and its consolidated subsidiaries. References to "Group company/companies" do not include Kaneka Corporation.

## Language Versions

This report is available in Japanese and English. The PDF version is also available in both languages.

## Third-Party Verification and Opinions

The Japan Responsible Care Council has verified the environmental data in this report. Professor Toshihiro Kanai, Dean of the Graduate School of Administration of Kobe University, has provided a third-party opinion of the overall content.

## Report Period

This issue covers fiscal 2010 (April 1, 2010 to March 31, 2011) with some additional information outside this period.

## Date of Publication

September 2011

## Publication of the Previous Report

August 2010

## Next Report

September 2012

## Reference Guidelines

The Global Reporting Initiative's Sustainability Reporting Guidelines 2006 and The Environmental Reporting Guidelines (2007 version) issued by the Ministry of the Environment of Japan.

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## About the Front and Back Covers

A childlike curiosity is fundamental to realizing Kaneka's long-term vision of building a more impressive and productive future. The three colored balls ●●● indicate that we are always there for the young, and graphically complement the special features in this report.

As in previous years, the back cover spotlights advanced technologies and products that stem from Kaneka's approach. This year's report focuses on the dynamic manufacturing process for Kanecaron, which we discuss in one of the special features.



# A Time for Innovation and Growth Founded on CSR Activities



## Great East Japan Earthquake

The Great East Japan Earthquake on March 11 was a calamity of unprecedented scale for Japan, the larger society, and the Kaneka Group. We extend our deepest condolences to the victims and our heartfelt sympathy to the people in the affected areas.

We set up an Earthquake Disaster Task Force early the following week through which our employees worked in unity to collect information on and restore safety to our customers, damaged production facilities, its employees, and their families. The Kaneka Group has also given our utmost cooperation and support by donating money and goods.

As a result, our Kashima Plant, which had been forced to shut down, gradually resumed operations at the end of March and was fully functioning by mid April. As a manufacturer, it is our duty to restore business to normal as quickly as possible and produce and deliver the products needed by our customers. Although some anxiety remains as to limits in power supply, the Group will combine our efforts and strive to fulfill our mission.

## Medium-Term Management Plan “ACT2012” —Execution and Realization

Fiscal 2010 was the year that our 25th medium-term management plan “ACT2012” came into effect, based on the long-term management vision we introduced in 2009, “Declaration of Kaneka United” for the future.

It was also the year that our CSR Committee and its four sub-committees, which we set up in 2009, launched “check & act” activities, and full-fledged CSR initiatives started at the Kaneka Group.

During this time, the economies of developed countries have recovered somewhat from the Lehman shock, though its scars have yet to be fully healed. As for the economies of emerging countries, China and India showed strong growth of some 10% in 2010 and are maintaining that growth rate in 2011. The global economy is expected to continue on a bipolar pace of recovery.

Kaneka has implemented various measures toward innovation and growth, the keywords of our long-term vision, in the areas of reinforcing expansion in Asia, promoting alliances, and accelerating the new businesses, development division.

Namely, we have established a sales subsidiary in India, established Kaneka Trading (Shanghai) Co., Ltd., in China, and entered the biopharmaceutical-related and organic LED lighting businesses. In this way, we position our medium-term plan ACT2012 as a strategy through which we will achieve stable growth by executing and realizing our long-term vision Declaration of Kaneka United for the future.

## Establishing a Corporate Culture of Innovation and Challenge

Two factors are key for Kaneka to be a highly evaluated company that wins the trust of people from diverse cultures and customs around the world: the development of new businesses in our four important strategic domains—Environment and Energy, Health Care, Information and Communications, and Food Production Support—and the capacity to manufacture, at low costs, products that by far exceed our customers’ expectations. To this end, it is important that all employees, not only in research divisions but also production and sales divisions, including corporate staff, innovate themselves toward R&D-oriented work styles. We will implement as planned the new personnel system we introduced in April last year, and establish a corporate culture in which each employee embraces self-innovation and meets new challenges.

To move forward with the Group’s business expansion, we must also make innovations toward an efficient management system. We have set up Business Process Innovation Department and started to implement concrete steps such as developing management processes that encourage forward-thinking organizational action, preparing a management administration infrastructure, and streamlining business operations. We will carry on with these initiatives as planned.

## Positioning “Safety” as a Top Priority

Kaneka has implemented various safety measures under last year’s Top Commitment to management that is thoroughly focused on “Safety First.” We conducted plant safety inspections by top-level managers each month, promoted risk management and the 3S safety fundamentals (seiri, seiton, and seiso, which can be loosely translated as tidying, organizing, and cleaning), and implemented compliance checks by the CSR Inspection Committee at our main plants and Group companies. While we were able to prevent accidents and disasters of a serious nature, we could not eliminate them altogether. Both management and employees will reflect on our actions and re-examine whether we have overlooked dangerous equipment or ourselves acted in unsafe ways. Each team will make a united effort to put an end to this situation in which accidents and disasters occur despite our endeavors, and we will work to make safe plants that we can be proud of in our communities.

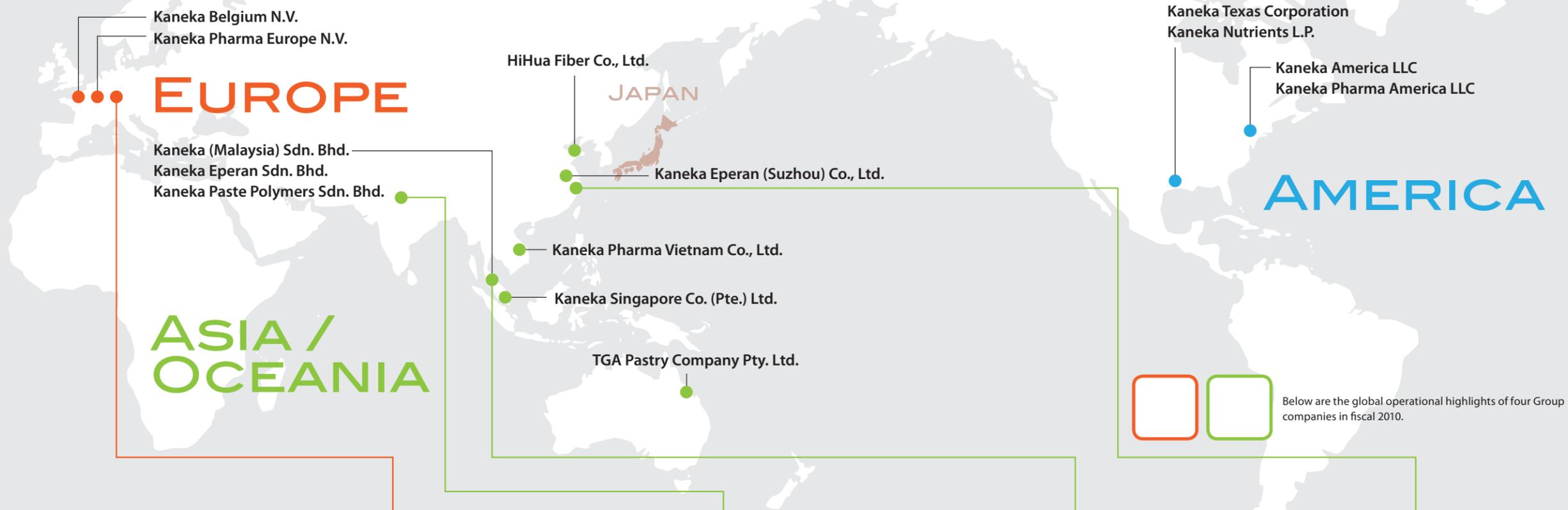
In closing, the Kaneka Group will continue to place importance on communicating with our stakeholders. Thank you for reading this report, and I would be happy to receive any suggestions or comments you may have regarding our CSR initiatives.

**Kimikazu Sugawara**

*President  
Kaneka Corporation*

# Meeting the Expectations of the Global Community

The Kaneka Group manufactures chemicals, functional plastics, expandable plastics and products, foodstuffs products, medical supplies and devices, electronic materials, photovoltaic modules, and synthetic fibers. Our products are used for everything from apparel to food, housing, and pharmaceuticals. We reorganized our operations to concentrate resources on our four important strategic domains of focus, namely Environment and Energy, Health Care, Food Production Support, and Information and Communications (see the diagram at the bottom of the opposite page). We aim to harness these areas to become a global entity that helps address social issues, lifting our international sales ratio to 50% by fiscal 2015 and 70% by fiscal 2020.



## Contributing to Social Sustainability

The Kaneka Group operates globally to generate sustainable growth and contribute to society. Overseas, we are engaging in our important strategic domains of the Environment and Energy, Health Care, Information and Communications, and Food Production Support. In emerging markets, we are also pursuing dramatic expansion in traditional areas such as chemicals, functional plastics, and synthetic fibers. We are broadening existing business operations overseas while drawing on alliances to enter into biopharmaceuticals and other new business areas, as well as setting up units in India and other emerging nations to reinforce our international presence. We plan to create a structure that overseas and localizes our operations in Asia, Europe, and the United States and contributes to regional progress.

**Eurogentec S.A.**  
Location: Liege, Belgium



In 2010, we concluded a capital partnership with Eurogentec and made it a consolidated subsidiary. The company has operated for more than 20 years with a focus on biotechnology. Its principal business activities are the manufacture and sale of proteins, nucleic acids, and peptides for pharmaceuticals and diagnostic reagents.

**Kaneka India Pvt.Ltd.**  
Location: New Delhi, India



We established this subsidiary in 2010 to conduct market research and marketing in India. We intend to make this company a corporate base for businesses such as PVCs, high-performance plastics, plastic foam products, and pharmaceutical intermediates.

**Kaneka Innovative Fibers Sdn. Bhd.**  
Location: Pahang, Malaysia



We created this subsidiary in 2010 to manufacture Kanekalon synthetic fiber and other products.

**Kaneka Trading (Shanghai) Co.,Ltd.**  
Location: Shanghai, People's Republic of China



We set up this company in 1998 as a technical services laboratory, renaming it in 2010. Its operations include exporting and importing our products and selling them in China, purchasing and marketing raw materials, conducting market research, and engaging in consulting.

**Tetsuro Hara**  
Member of the Board and Senior Managing Executive Officer

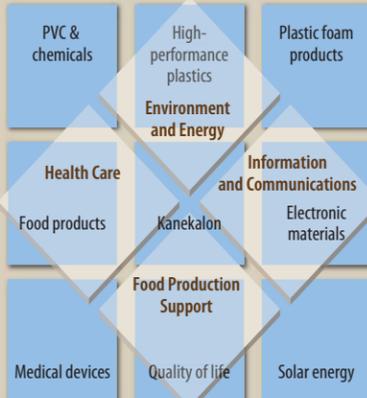


## Localizing Human Resources is Essential to Become a Truly Global Enterprise

Expanding overseas enables us to cultivate new markets while creating employment and contributing to regional sustainability and economic and cultural progress. We need to fully localize our subsidiaries and affiliates and have local people run them if the Kaneka Group is to win recognition as a truly global enterprise. We are already progressing with globalization at our European and American Group companies. We will entice Asian people studying around the world and rotate Group employees globally to cultivate human resources in Asia to drive the Group forward.

Approximately 1,600 of the Group's 8,400 employees work overseas. We aim for international operations to generate around 70% of our targeted ¥1 trillion in net sales by 2020. We will expand our worldwide operations accordingly, and recognize that we must urgently hire and train local people and localize management.

**Existing Business Units and Important Strategic Domains**



PVC & chemicals, High-performance plastics, Plastic foam products, Environment and Energy, Health Care, Information and Communications, Food products, Kanekalon, Electronic materials, Food Production Support, Medical devices, Quality of life, Solar energy

We aim to expand our important strategic domains by drawing on existing business units.

# Dedicated to the Pursuit of Health and Happiness



## CUSTOMER POLICY & VISION

People today want the life sciences to tackle numerous challenges. One specific challenge is enhancing people's quality of life in aging societies, an issue that is ultimately one of human dignity. Kaneka has developed various products that combine its fermentation and high molecular technologies. We will continue to supply everything from health foods to cosmetics and food ingredients to enhance people's quality of life.



Trust, Safety, and High Quality: Kaneka's supplement incorporates select ingredients to deliver Ubiquinol

We all want to feel young and healthy, especially as we age. Coenzyme Q10 plays a vital role in giving us energy. Kaneka created a reduced form of this Coenzyme to activate cells with its technology, and is sharing this value with the world to contribute to healthy living everywhere.

## Human Happiness is not about Living Longer, but Rather Living One's Life to the Fullest

Kazunori Hosoe of the Scientific Affairs & Intellectual Property Group of the QOL Division, says that, "Many people are likely to think that anti-aging is simply about prolonging life, but a healthy life should be the true focus. Those caring for aged parents would readily understand this, and I also want to maintain good health as I age. For these reasons, I want more people to learn about this supplement."

The Coenzyme Q10 (Q10) was discovered in the United States in 1957. It has since emerged that this substance plays a vital role in producing energy and maintaining youthfulness.



**Kazunori Hosoe, Ph.D.**  
Scientific Affairs & Intellectual Property Group  
QOL Division

The great strength, immunity, and energy that people enjoy when they are young gradually decline with age. Q10 was adopted as a supplement to stimulate cells in around 1990 in the United States. This substance became available in Japan as a supplement in 2001. Before then, it was only dispensed on prescription for supporting the function of the heart, an organ that consumes a great deal of energy.

Kaneka began fully fledged research

into Q10 in 1974. We commercialized our substance in 1977 after harnessing years of expertise in fermentation technologies, avoiding the conventional bacterial culture approach to manufacturing Q10. Kaneka's purification process provides high purity and optimum safety.

## Are Oxidized or Reduced Forms Better? How We Broke the Mold

The body's natural stores of Q10 decline with age, but this substance naturally exists in the body, as well as in foods such as sardines, pork, soy beans, and beef. However, one would have to consume prohibitively large amounts of these products in order to obtain meaningful quantities of Q10. To date, the Q10 (Ubiquinone) found in supplements has differed from that found in the natural world, and was what we call "oxidized." One generally thinks of oxidization in terms of rust resulting from exposure to air. In order to reduce this Ubiquinone to properly use it, the body had to consume a great deal of energy.

Kenji Fujii of the Scientific Affairs & Intellectual Property Group of the QOL Division



**Kenji Fujii, Ph.D.**  
Scientific Affairs & Intellectual Property Group  
QOL Division



Numerous theses and newspaper articles have highlighted the efficacy of Coenzyme Q10 in preventing aging and alleviating fatigue



In Japan and the United States, the world leader in supplement usage, more than 100 plants are using Kaneka's Ubiquinol



Kaneka is strengthening its compliance with pharmaceuticals standards and its own rigorous voluntary standards to maintain world-class production and quality management practices



With the switch from Ubiquinone (left) to Ubiquinol (right), the substance begins acting on the body from the outset



# Coenzyme Q10

sion says that, "Actually, everyone supposed that the oxidized and reduced versions of Q10 were equally efficacious. However, we believe that taking the reduced form of Q10 is very natural for us, because we human beings are a part of nature world."

The Ubiquinol that Kaneka was the first in the world to develop won approval as a supplement in the United States in 2006 and in Japan and Europe in 2007. Only Kaneka has the capability to currently manufacture it.

Thus, if there is no need to consume energy to absorb Q10, older people with declining energy stores can benefit directly from the substance's inherent efficacy. We conducted joint research with Tokyo Women's Medical University, which oversees a care facility for the elderly. The report on this study noted that after taking 100 mg daily of Ubiquinol, many chronically lackluster patients felt energetic when walking around. Such people improved mentally, with Q10 preventing them from weakening physically. In turn, the effect lightened the workload of helpers. We conducted another study with the University of Toyama that confirmed the efficacy of Q10 in preventing influenza.



**Naoki Fukutomi, M.Sc.**  
Quality Assurance Group  
QOL Division

## An Easy-to-Take Supplement with Safety Guaranteed

Naoki Fukutomi of the Quality Assurance Group of the QOL Division says that, "Anyone can purchase Ubiquinol at a drugstore. Unlike pharmaceuticals, you do not need medical supervision to take supplements, and because the product is so readily available, we have subjected it to rigorous safety testing. In fact, Kaneka's corporate culture is all about product safety."

Our approach has remained the same since the times of oxidized Q10 (Ubiquinone), with Kaneka voluntarily undertaking tests and devoting dozens of years to going beyond what is required by checking theses and newspaper articles. Roughly one paper per day is published on Q10 that attests to its efficacy and safety.

## You Cannot Contribute to the World if Better Products are Unknown

In spring of this year, Kaneka began running corporate television commercials highlighting Ubiquinol. We distributed posters in pharmacies and drugstore chains as part of our efforts to raise awareness of this product.

Demand is switching from Ubiquinone to Ubiquinol in the United States, where supplements have long been part of the culture.

Richard W. Weis, Executive Director for Sales & Marketing at Kaneka Nutrients L.P., says that, "Medical insurance is very expensive in the United States, so preventive medicine there is very advanced. Ubiquinol has caught the attention of baby boomers, those born between 1946 and 1959. People in that generation are particularly interested in their quality of life—they want to maintain their health and independence, be able to enjoy a very active lifestyle. In keeping with our role as a materials manufacturer, we launched a website to educate the general public and sponsor the advertising of final product makers and supplement shops to increase consumer awareness and knowledge of Ubiquinol. In this way we are proactively driving widespread demand for Q10."



**Richard W. Weis**  
Executive Director,  
Sales & Marketing  
Kaneka Nutrients L.P.

As a materials manufacturer, Kaneka seeks not only to make good products but also to disseminate the right information to create demand for better goods. In pursuing the potential of chemicals, we wish to contribute to the enrichment of society.

## Stakeholder Message

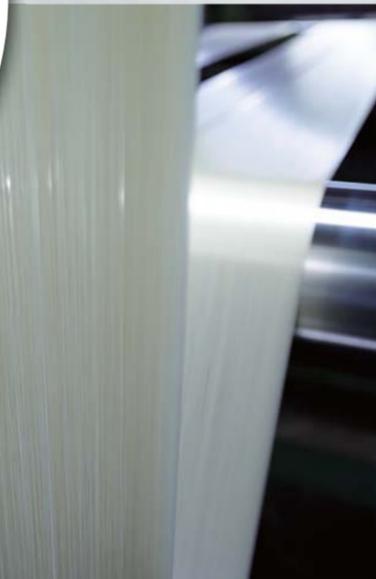


**Professor Gian Paolo Littarru**  
Department of Biochemistry, Biology & Genetics  
Marche Polytechnic University  
Chairman of International Coenzyme Q10 Association

I had the pleasure of meeting Kaneka's representatives many years ago. Besides being the main producers of Coenzyme Q10, they have always been research-oriented and realized the importance of constant communication between industry and the academic world. They were among the first supporting members and founders of the International Coenzyme Q10 Association (ICQA), of which I have had the honour of being chairman from the beginning. The ICQA is a research foundation which includes among its main goals the diffusion of an objective, scientifically supported message about CoQ10 and its potential impact on health and disease. Kaneka expects from the ICQA the same rigorous approach which I personally witnessed when visiting its production, quality control and research facilities. Their participation has always been fundamental also in terms of their constant encouragement to involve other serious companies in this endeavour. The constant expansion of this molecule in the past 35 years is based on solid research data, diffusion of the right message and high standards of production.

**ENVIRONMENTAL  
POLICY & VISION**

Kaneka is participating in a biodiversity partnership launched in response to the 10th Ordinary Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) held in Nagoya in October 2010. Through our Earth Environment Subcommittee, we have committed ourselves to addressing biodiversity in a planned manner through adoption of a new activity policy that is in keeping with our mission as an environmental management enterprise. All Kaneka business units began fully deploying biodiversity initiatives in fiscal 2011.



# Biodiversity Safeguarding Diverse Species

Many people love fur because of its warmth and fashionable appeal. However there are also grave downsides to fur. In 2010, the International Union for Conservation of Nature announced in its Red List of Threatened Species that approximately 1,000 of the world's 5,500 species of mammals are endangered. We would like more people to enjoy fur and will draw on Kaneka's innovations in chemistry to create attractive apparel materials.

Pictured is the manufacturing process for Kanecaron, which has the look and feel of human and animal hair



Manufacturing process

We have improved the hair retention of faux fur to match that of real fur



**Hideo Noguchi**  
Technical Development Group  
Technology Management Department  
Kanecaron Division



**Yukihiro Kamimura**  
Marketing Group I  
Kanecaron Division

## Innovate by Learning from Nature

Hideo Noguchi of the Kanecaron Division says, "We have pursued the mysterious texture and color only possible with natural fur. Some of our customers have been amazed at our results, saying our product is as glossy as the real thing; they are stunned to learn that our fur is factory made."

Kaneka commercialized Kanecaron Lustrous Fur in January 2011. This product is the fruit of ongoing research into the structure of fox, mink, and rabbit furs. We have gone one step further by attaining richer colors and enabling more diverse fabric applications. We have dramatically reduced shedding of hair, one of the challenges with faux furs, and greatly enhanced our dye technology to broaden applications to extend beyond apparel to include soft toys, sofas, bed and car seat covers. One of the great advantages of faux fur is that it exceeds the boundaries of nature to the extent that one day there may indeed be a pink chinchilla coat made with Kanecaron.

## Enjoying Fur's Charms without Harming Nature

Faux fur is attracting considerable attention from the standpoint of protecting biodiversity and animals. This is because too many leopards, tigers, cheetahs, and other beautiful creatures have been overhunted for their fur and now face extinction. There are also ethical issues with the farming of animals like foxes and raccoon for fur. More and more famous fashion brands are declaring that they will never again use real fur in their product, so the use of faux fur is growing. People around the world increasingly want to enjoy the charms of nature without causing it harm.

Yukihiro Kamimura of the Kanecaron Division says, "I would love for more men and women to enjoy faux fur fashion. This winter I tried wearing a Kanecaron Lustrous coat, my first foray into faux fur. I loved its luxuriousness and playfulness and received quite positive responses from the people around me."

# Winning Community Trust by Ensuring Safety

We operate our plants with a close connection with the local communities. Many of our employees live locally.

It is a top priority for us to protect the safety of our employees and build trusting ties with communities. Learning from a fatal accident at the Kashima Plant in June 2009, the Kaneka Group set about building community trust in our plants by deploying extensive safety and security measures, complying rigorously with regulations, and conducting CSR inspections in its determination to never again witness such a serious mishap.



## COMMUNITY POLICY & VISION

One of the Kaneka Group's basic CSR policies is to uphold safety as the top-priority concern of management. As a global corporation, we strive to win community trust by working toward creating healthy and safe workplaces at all plants, including those of Group companies.



We grow vegetation on the rooftop of our Kanecaron plant

Kanecaron is a pile material like authentic fur, so it offers tremendous potential for use in everything from fashion to household items

**Tetsuya Kato**  
Marketing Group I  
Kanecaron Division

### Moving beyond Our Position as a Materials Manufacturer to Help Create a Sustainable Society

Kaneka has been building closer relationships with fashion designers and textiles producers to generate demand for Kanecaron Lustrous fur.

Mr. Noguchi notes that, "In communicating with fashion designers, we found it difficult to translate what they were saying to our people in-house. They would talk about a fur texture being more gentle, whereas our engineers would talk in terms of the number of hairs per square meter. It took some time to develop a shared sensitivity."

Tetsuya Kato of the Kanecaron Division says that, "For textile manufacturers, we've provided materials and expertise for creating fabrics. For example, we've shown them the ratios of materials they need to recreate the texture and look of fox fur. But we've now gone beyond our position as a materials producer, notably by developing key fabric manufacturing equipment to enhance the value of faux fur."

When Kaneka realized that one of its missions was to help conserve species, it was able to break down the barriers between its different businesses and enter new domains. We are committed to becoming a leader in making attractive products using our own materials.



### Stakeholder Message

#### Ms. Kurara Chibana

Celebrity, model, and reporter  
(Advertising spokesperson for Kaneka)

I've had many opportunities to model apparel made of various materials.

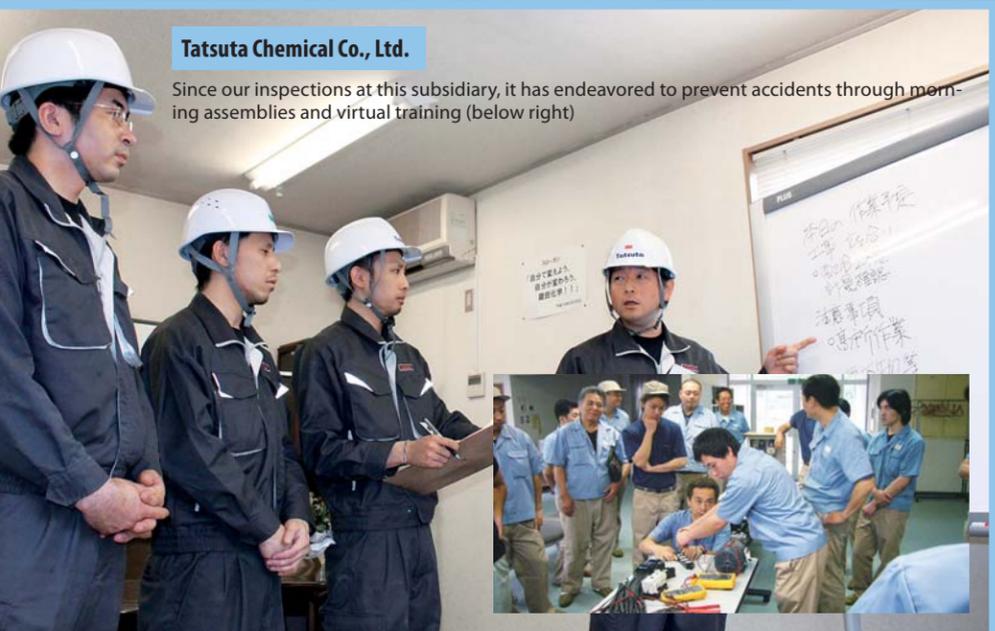
I've paid particular attention to faux fur amid a current boom in the popularity of fur. Faux fur is fashionable because of its rich patterns and colors and for its excellent affordability. Faux fur is used in a range of applications from coats to accessories and boots. I've heard that an increasing number of famous fashion brands are using faux fur to safeguard animals and the environment. Faux fur looks for the 2010/2011 autumn and winter collections of upmarket fashion brands remain very fresh in my mind. I'd like to see people who have yet to experience faux fur to try it casually to enhance their enjoyment of fashion.

Kaneka's Lustrous fur is lovely. It's so soft and gorgeous. I would like Kaneka to create new paradigms for fashion by developing other new materials.



**Takasago Plant**

After confirming basic plant policies, we inspect workplaces to make improvements and provide guidance



**Tatsuta Chemical Co., Ltd.**

Since our inspections at this subsidiary, it has endeavored to prevent accidents through morning assemblies and virtual training (below right)



**“No More Serious Accidents, Ever”  
—Kaneka’s President**

A company’s mission should be to consistently practice its corporate philosophy and fulfill its corporate responsibilities to employees and communities, thereby building trust with its stakeholders. A company cannot survive or prosper within society if it cannot stabilize plant operations and eliminate accidents.

Immediately following a fatality from an explosion and fire at our Kashima Plant in June 2009, our president delivered an ultimatum saying, “No more serious accidents, ever.” Even before then, the Kaneka Group had been improving facilities and heightening awareness among employees to fulfill our goal of “Safety First.” Today, we are undertaking new initiatives worldwide that reinforce safety, security, and compliance to accommodate greater social demands. One example of this approach is our plant CSR inspections.

Shigeru Kamemoto, chairman of our CSR Inspection Committee, a managing executive officer, and board member, says that, “The big difference today is that we place even greater importance on building community trust. The CSR Committee conducts CSR inspections and is chaired by the president, but on-site employees do the bulk of the work for the inspections. In response to monthly plant visits from top management, site managers and operators own the initiative processes. By 2020, Kaneka Group seeks to develop such businesses as the environment and energy and health care. Safe plant operations

form the foundation of this business vision.”

**Creating Plants that We are Proud to Show to Local People**

In order to ensure the safety of our plants, we revisited the adage that manufacturing sites are dangerous. We reviewed our 3S (see note) fundamentals and identified both visible and inherent risks to enable us to extensively improve facilities, formulate new rules, and ensure compliance.

One Group company at which we conducted the CSR inspections is Tatsuta Chemical Co., Ltd., which processes film sheets. Our inspections revealed that the company needed to implement measures to prevent entanglements in film rolling equipment. Tatsuta Chemical thereafter introduced several safety initiatives, including Hiyari Hatto (identifying, reporting, and eliminating worker dangers) and KYT (Kiken/Danger) (Yochi/Prediction) (Training) in its daily operations. It also highlighted all dangerous aspects of its workplace. In addition, the company put more effort into conducting morning meetings before the start of work to confirm the health of all employees, not just those in hazardous areas, to enhance their safety awareness. At the same time, it created various safety training programs. Participants noted that they received useful instruction, such as experiencing what it might feel like to be caught in machinery. These initiatives have enabled Tatsuta Chemical to maintain a zero-accident record.

Increasing safety awareness has motivated our plants’

desire to proudly showcase themselves to outsiders.

Kaneka’s plants have long conducted tours for local elementary school students, while some provide tours for local residents. Overseas, we are opening more plants for resident visits. We are also reaching out to communities through volunteer cleanups around plants and summer festivals managed by employees. The event at the Takasago Plant has become a major date on the community calendar, with around 5,000 residents attending each year.

**Raising People’s Appreciation of Kaneka’s Involvement in the Community**

Mr. Kamemoto says, “I want employees to be able to build trusting relationships with other people. They should go beyond just doing their jobs to help others and seek help themselves when they are in trouble. If everyone does this, we will all be able to take joint ownership of corporate issues to enable our plants to win the true trust of the community.

Each Kaneka plant has endeavored to maintain and enhance its credibility by disclosing as much information as possible and acting promptly, even after accidents. We want our plants to make the community happy to have Kaneka as a true



**Shigeru Kamemoto**  
CSR Inspection Committee Chairperson  
Member of the Board and  
Managing Executive Officer

member by making active contributions based on safe operations.

**Note:** Seiri, Seiton and Seiso, which can be loosely translated as “tidying, organizing and cleaning”.



**Stakeholder Message**

**Mr. Yukihiro Nobori**  
Mayor of Takasago City

I have found Kaneka to be a trustworthy corporation. Many companies operate in Takasago, but Kaneka’s plant is one of the oldest, having been in operation since 1949. The plant has contributed much to the community over the years by creating employment opportunities and otherwise acting to bring people together. I speak daily with the plant head on a range of subjects. Some Kaneka employees are council members, illustrating the deep trust that we have for the company.

Naturally I want local plants to be free from accidents. But if problems occur, it is important for operators to be prepared to resolve issues with us to ensure the safety of the community. Kaneka promptly reports issues to us, and we value their openness. Kaneka is also helping to improve our community by assisting in formulating our city’s energy-saving vision and through its participation in local festivals. Kaneka’s corporate culture is becoming part of our city’s culture. I want to work with companies like Kaneka to promote local development and make our area even more attractive for residents.

# CSR Approach of the Kaneka Group

• CSR Approach of the Kaneka Group

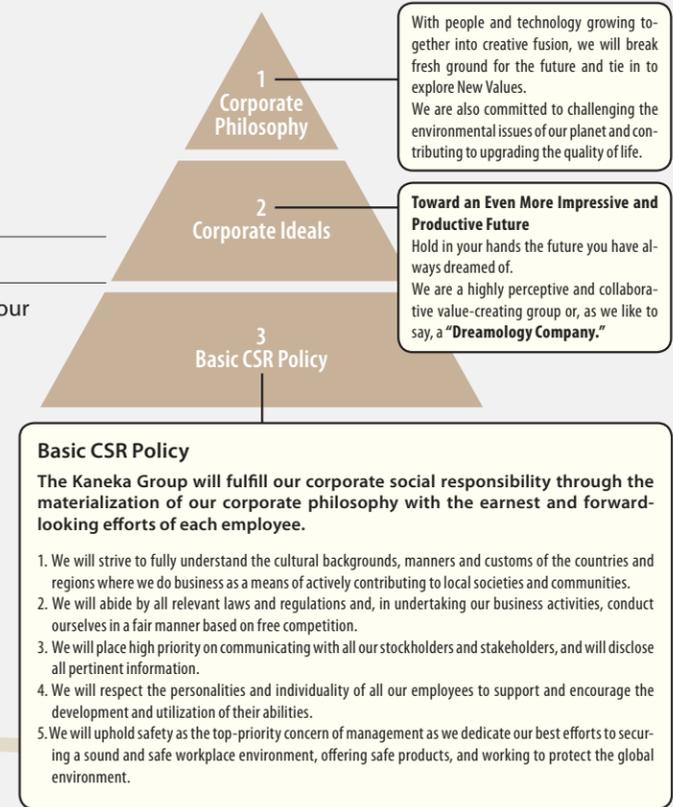
## CSR Positioning

In keeping with “Declaration of Kaneka United”, our Basic CSR Policy forms the foundation of employee action in order to realize our Corporate Philosophy.

## Management Philosophy

1. Expresses our raison d’être and our social mission
2. Describes our key values
3. Provides an action agenda for each employee for materialization of our Corporate Philosophy

## Management Philosophy Structure “Declaration of Kaneka United”



## Stakeholders

Our key stakeholders are our employees, society, customers, the environment, shareholders and investors, and vendors. In order for us to improve our enterprise value, Group CSR efforts aim to increase the satisfaction of our stakeholders through business activities.



## Employees

Our employees include the people who work for the Kaneka Group, as well as their families. We offer employees appropriate treatment, remuneration, self-fulfillment, and safe working environments.

## Customers

Our customers are the people who purchase Kaneka Group products. We provide them with quality products and services, ensure product safety, and disclose information.

## Shareholders and Investors

They recognize the value of our corporate brand and own our shares. We offer appropriate returns and disclose timely information so we can increase overall trust in the Group.

## Society

Includes citizens and consumers. We can increase our enterprise value by fulfilling our social responsibilities. We consider factors such as plant operational safety from the perspectives of social contributions, welfare, and community engagement.

## The Environment

By this we mean the global environment. We fulfill our social responsibilities by considering the environment in our business activities, including raw materials procurement, manufacturing, and transportation.

## Vendors

Raw materials suppliers and contractors. We build mutually beneficial relationships with vendors, ensuring that transactions are fair and that we offer equal opportunities to do business.

• CSR Approach of the Kaneka Group

## CSR Structure

We established the CSR Committee in March 2009 to enable more systematic resolution of CSR issues.

The Committee formulates and updates our Basic CSR Policy to fulfill our social responsibilities while producing comprehensive strategies for our CSR initiatives and assessing the progress of our efforts.

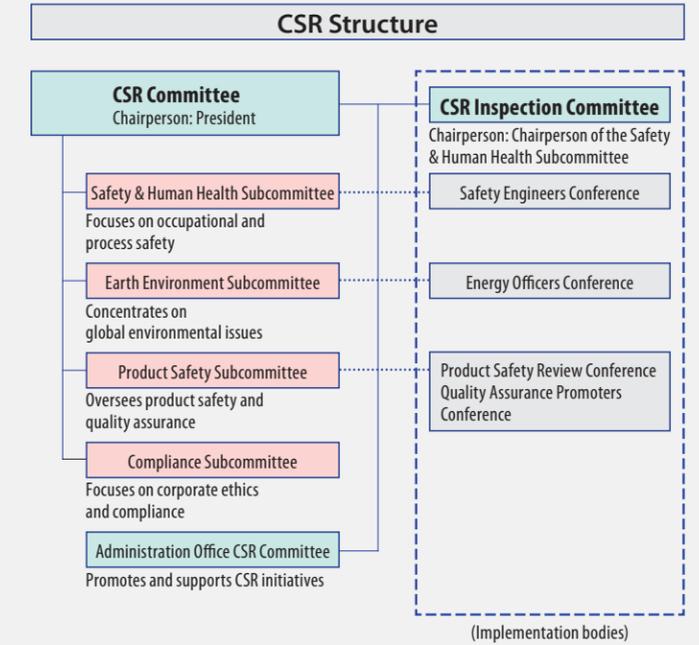
In April 2010, we established the CSR Inspection Committee to assess and improve CSR endeavors. Also during the year, the Earth Environment Subcommittee focused on specific biodiversity issues and efforts. In March 2011, the CSR Committee functioned as our Great East Japan Earthquake Headquarters Secretariat to formulate emergency measures and assist quake-affected areas.

## CSR Inspections

We conduct CSR inspections for all domestic and overseas group companies every two years to improve occupational safety and health. In fiscal 2010, inspections focused on inherent safety initiatives in risk assessments, basic compliance—particularly in terms of the 3S’s, and daily adherence to applicable laws. We conducted 29 inspections at our four parent plants, 16 sites of 15 domestic Group companies, and 9 sites of 9 overseas Group companies. We will continue to inspect operations to prevent accidents and disasters.

## CSR Education

We conduct CSR training across all job levels based on our CSR handbook. In fiscal 2010, we held four such courses for new employees and one course each for executives, middle and lower managers, and mid-career recruitments. We also hold courses for new employees one year after they enter the Company to build awareness of all stakeholders and learn the specifics of CSR.



CSR education as part of training for new executives



We provide stakeholder-specific training for new employees

# Corporate Governance and Compliance

- Corporate Governance Structure
- Compliance

## Improving Corporate Value

### Corporate Governance Structure

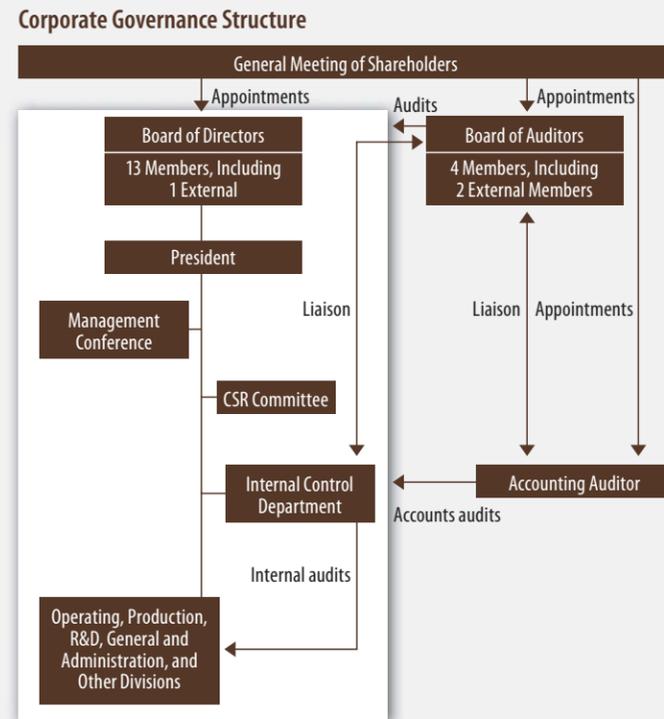
We maintain a Board of Directors and a Board of Auditors, and established an executive officer system to more flexibly address changes in the business climate. We created the CSR Committee to step up efforts to meet our corporate responsibilities.

The management conference deliberates on important operational matters for the Group, with the Board of Directors making resolutions on implementation. The Board of Directors meets at least once a month to decide important issues and oversee implementation of operations. We have limited the number of directors to 13, of whom one is external to strengthen board oversight. Directors serve for a period of one year to ensure clarification of their management responsibilities.

Executive officers and division managers have extensive authority over daily operations. Directors are responsible for multiple divisions to ensure overall coordination. Divisional managers meet monthly and each one reports directly on their progress to the Board of Directors and the Board of Auditors. The Internal Control Department independently monitors the operations of each division.

The Board of Auditors comprises four members, two of whom are external. It coordinates with the Accounts Auditor and the Internal Control Department. Auditors regularly exchange opinions with directors and attend meetings of the Board of Directors and divisional managers to oversee implementation progress.

We segregate the implementation and overseeing of operations to ensure business mobility and flexibility. We adopted the structure shown below to ensure transparent and rational decision making that employs external perspectives while improving the objectivity and neutrality of management oversight.



### Compliance

We have made compliance a top management priority. We therefore posted our Compliance Guidebook on our intranet. This document contains our Ethical Code of Conduct for all Group executives and employees and provides simple explanations of laws, ordinances, and regulations. We explained our stance in training and meetings to ensure understanding and adherence to compliance within the Group. We regularly train sales, purchasing, and business development managers on the requirements of the Antimonopoly Act, and require each of them to submit a written oath of compliance. In 2010, we distributed the Antimonopoly Act Don't Card in Japanese and the COMPETITION COMPLIANCE CARD in English for those engaging in similar work to that of overseas affiliates. We maintain internal compliance consultation desks and also offer consulting through external law firms so we can swiftly respond to and resolve compliance issues.

# Responsible Care and Management

- Group Management
- Basic Policies for Responsible Care
- Responsible Care Organization
- Audits and Inspections
- Responsible Care Education

## Handling Chemical Substances Responsibility

### Responsible Care and Group Management

We began undertaking Responsible Care (see note) initiatives in 1995. We act in accordance with basic Responsible Care organization covering six areas. We share and act on Responsible Care concepts and policies with Group companies. We implement CSR inspections that encompass compliance under our six Responsible Care policies. We have also deployed efforts to obtain environmental management systems certification. We created Environmental Safety and Health Management rules that detail Group company obligations and encourage employee initiatives in these areas. The rules aim to reduce environmental impact and occupational accidents while increasing our responsiveness to natural disasters, product-related accidents, and other crises.

**Note:** Responsible Care is a voluntary chemical industry initiative to improve social confidence by protecting the environment, safety, and health at every stage from development through to production, use, and disposal of chemical substances. Kaneka has acted under this principle as a member of the Japan Responsible Care Council since the body's inception in 1995.

### Responsible Care Organization



### Basic Policies for Responsible Care

In keeping with our Corporate Philosophy, we strive to contribute to sustainable development and otherwise benefit society by protecting resources and reducing our environmental impact.

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

# Responsible Care Activities

Our Responsible Care activity targets and results for fiscal 2010 and our targets for fiscal 2011 are presented below.

- Report Coverage
- Key Targets, Results, and Evaluations of Our Responsible Care Initiatives

**Evaluations:**

- 😊 Significantly outperformed
- 😄 Achieved/nearly achieved
- 😞 Underperformed
- 😞 Significantly underperformed

**Key Targets, Results, and Evaluation of Our Responsible Care Initiatives**

Item	Fiscal 2010 Targets	Fiscal 2010 Results		Evaluation	Fiscal 2011 Targets	Long-Term Targets	
Environmental Protection	Reduction of Chemical Discharges	Lower the volatile organic compounds (VOC) emissions target to 2,500 metric tons (48% less than the fiscal 2000 baseline of 2,829 metric tons).	Reached the initial target (2,829 metric tons in fiscal 2010) and the annual target of 2,500 metric tons.		😊	Lower the VOC emissions target to 2,000 metric tons (63% less than the fiscal 2000 baseline)	By fiscal 2012, cut VOC emissions by 65% below the fiscal 2000 level to 1,900 metric tons in 2012.
	Reduction of Industrial Waste	Keep the final landfill disposal rate to below 0.2% for all parent plants. Domestic Group companies to establish zero waste emissions targets (for a final landfill disposal rate of below 0.5%).	We maintained zero waste emissions at all parent plants for the fifth consecutive year, with a final landfill disposal rate of 0.03%. We surveyed progress at domestic Group companies and ranked issues for attaining zero emissions.		😊	Keep the final landfill rate to below 0.2% for all parent plants. Set zero emissions targets for domestic Group companies.	Keep the final landfill rate to below 0.2% for all parent plants. Domestic Group companies to achieve zero emissions.
		Continue to comply with laws and regulations. Increase use of electronic manifests. Streamline site inspections of waste disposal companies.	We confirmed the compliance of waste disposal companies through site inspections and via our intranet. We began preparations to extend the use of electronic manifests to the Osaka Plant.		😄	Continue to comply with laws and regulations. Expand the use of electronic manifests. Streamline site inspections of waste disposal companies.	Continue to comply with laws and regulations. Use electronic manifests.
	Prevention of Global Warming	Reduce average annual energy intensity by at least 1% (see note 1).	Energy intensity decreased 4.1%, with the five-year average declining 0.5% (see note 2).		😞	Reduce energy intensity by at least 1% annually. Reduce carbon dioxide emissions intensity for fiscal 2008 through 2011 by 20% from the fiscal 1990 level.	Reduce energy intensity by at least 1% annually. Reduce carbon dioxide emissions intensity for fiscal 2008 through 2012 by 20% from the fiscal 1990 level.
Reduce the average energy intensity for logistics by around 1% annually by planning and promoting energy efficiency measures.		We reduced energy intensity by 2.3% from the previous year, with the five-year average declining 1.3% (see note 2).		😊	Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures.	Reduce the energy intensity for logistics by around 1% annually by coordinating with the relevant departments to plan and promote efficiency measures.	
Process Safety and Disaster Prevention	Carry out strength and risk assessments and implement measures to prevent the risk of explosions, fire, and other major disasters while improving accident responsiveness.	We identified key risks (explosions, fire, and other major disasters) at each Group plant and implemented measures to increase inherent safety and otherwise reduce risks.		😞	Implement measures to reduce key risks (explosions, fire, and other major disasters) and increase accident responsiveness.	Reduce risks, primarily through risk assessments, as part of ongoing efforts to eliminate risks.	
Occupational Safety and Health	Occupational Safety	Undertake CSR inspections and other activities as part of ongoing efforts to confirm the status of auditing within Group companies and encourage them to hold Affiliated Company Environment, Health & Safety Leaders Conferences and Manufacturing Leaders Conferences.	We provided support to Group companies by helping them to heighten safety awareness by providing education and guidance and confirmed the progress of internally driven safety activities through CSR inspections.		😞	Step up support to Group companies and check and follow up on safety levels through CSR inspections.	Continue to reinforce the safety activities of Group companies.
	Management Systems	Train internal inspectors to ensure ongoing risk assessment of major hazards and to properly monitor systems.	We obtained updated certifications for occupational safety and health management systems at our four parent plants (with the Kashima Plant reacquiring certification) and conducted risk assessment of key sources of hazards.		😊	Train internal inspectors to ensure ongoing risk assessment of major hazards and to properly monitor systems.	Continue to improve occupational health and safety based on occupational safety and health management systems.
	Occupational Health	Promote policies to maintain employee mental health and properly implement measures to prevent the spread of infection resulting from new strains of influenza, food poisoning, or other cause.	We conducted 12 mental health-training classes for managers, regular employees, and affiliated companies. We appointed a clinical psychologist in western Japan and strengthened measures to improve mental health.		😊	Deploy measures to maintain mental health and combat lifestyle diseases and implement measures to prevent the spread of infectious diseases.	Continue to improve employee mental health and workplace environments.
Distribution Safety	Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	We created five new Yellow Cards and checked that Group and transportation Company drivers carried their cards. We implemented legal compliance and voluntary inspections of mobile tanks.		😊	Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks, thereby enhancing safety.	
	Continue holding emergency response drills for transportation.	We collaborated with transportation companies in implementing emergency response drills, Hiyari Hatto initiatives, and hazard-prediction drills.		😊	Continue holding emergency response drills for transportation.	Continue holding emergency response drills for transportation.	
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Specify the major quality risks for each business site and create management techniques to reduce these risks to tolerable levels.	We had parent business and manufacturing units undertake self-assessment activities related to major risks, and are following up based on the results.		😊	Specify the major quality risks for each business site and create management techniques to reduce these risks to tolerable levels.	Position product safety and quality assurance risks as the key focus of management.
	Chemical Substance Management	Comply with the revised Chemical Substances Control Law and register substances under REACH. Gather and share information on revised domestic and foreign laws.	We registered substances under REACH by the deadline of November 30, 2010 and complied with Europe's Regulation on Classification, Labeling, and Packaging. We responded to and internally shared information on the revised Chemical Substances Control Law and responded to revisions in laws in China and Taiwan.		😊	Respond to the second implementation stage of the revised Chemical Substances Control Law. Gather and share information on revised domestic and overseas laws and respond appropriately.	Identify trends in regulatory revisions in Japan and abroad and improve chemical substances management.
	Product Safety	Establish product safety inspection rules and information-gathering frameworks, and broaden the scope of assessment while reinforcing product safety inspections.	We formulated product safety inspection standards, broadened the scope of information gathering on new product safety from the development stage, and designated responses for issues with existing products.		😊	Prepare inspection rules and information-gathering frameworks, choose new advisor candidates, and broaden the scope of inspections while reinforcing product safety inspections.	Enhance advisor capabilities in line with the Group's expanding business scope and bolster product safety inspections.
Communication with Society	Publish a CSR report and post it on our website.	We published a CSR report presenting results based on our basic CSR policy (and posted it on our website).		😊	Publish a CSR report and post it on our website. Engage in dialogue with stakeholders.	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.	
	Issue site reports for all Kaneka plants and post them on our website.	We issued site reports for all Kaneka plants and posted them on our website.		😊	Issue site reports for all Kaneka plants and post them on our website.	Continue to issue site reports for all Kaneka plants.	
	Participate in regional Responsible Care dialogues.	We participated in and announced a Responsible Care dialogue in Osaka.		😊	Prepare for participation in regional Responsible Care dialogues in fiscal 2012.	Continue to participate in regional Responsible Care dialogues.	
Management Audits and Inspections	Implement audits and inspections of our four parent plants, 16 plants of 15 domestic group companies, and 9 plants of 9 overseas Group companies.	We implemented CSR inspections at our four parent plants and 16 plants of 15 domestic group companies. We also inspected 9 plants of 9 overseas Group companies. We conducted special inspections of Pharmaceutical Manufacturing Department.		😊	Implement audits and inspections of our four parent plants, 14 plants of 11 domestic group companies, and 3 plants of 3 overseas Group companies.	Continue to implement audits and inspections.	

**Notes 1:**Energy intensity is a numeral value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990.

**Notes 2:**The five-year average is the average for fiscal 2006 through 2010.

# Measures to Prevent Global Warming and Conserve Energy

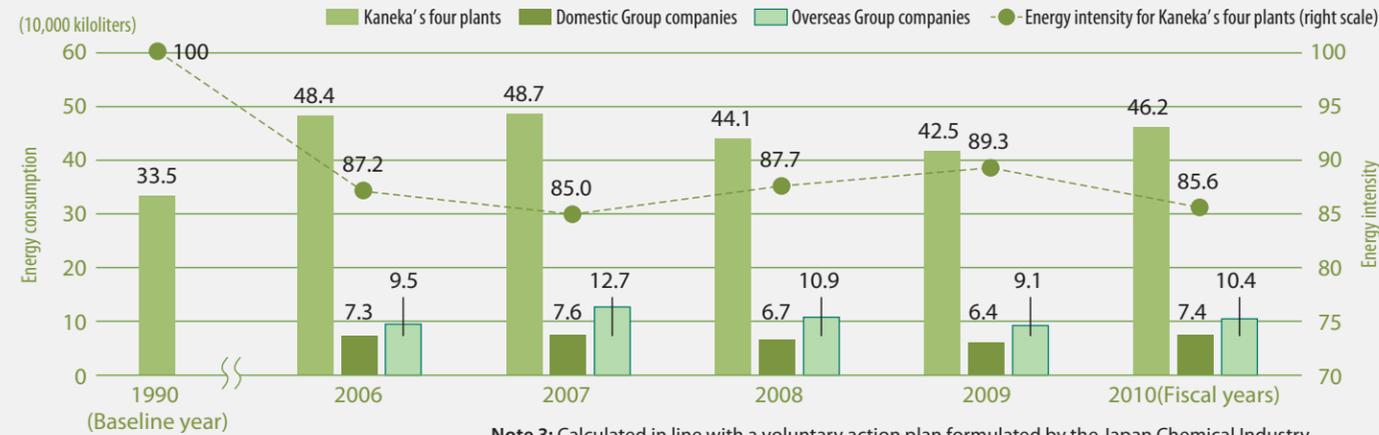
## Measures to Prevent Global Warming

Kaneka is acting to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). Our energy intensity declined 4.1% in fiscal 2009 to 85.6%. The five-year average was down 0.5%. Neither figure matched our targets.

# Preventing Global Warming

**Note 1:** Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990.

### Energy Consumption (Crude Oil Equivalents) and Energy Intensity (see note 3)

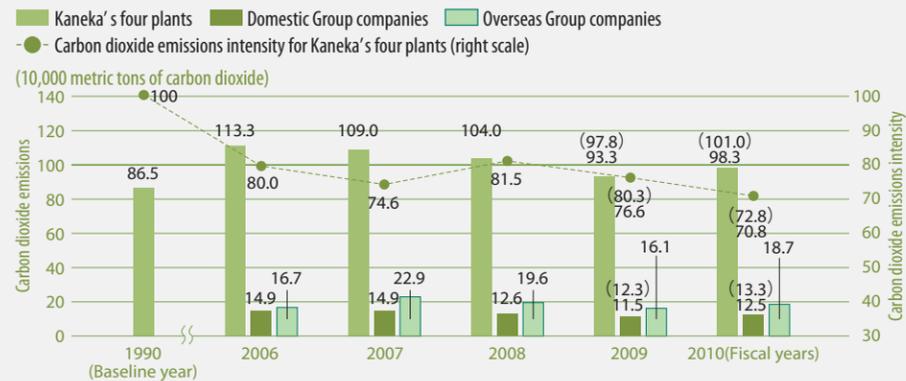


**Note 3:** Calculated in line with a voluntary action plan formulated by the Japan Chemical Industry Association. We retrospectively revised the basis for energy intensity calculations.

In fiscal 2010, our carbon dioxide emissions intensity from the energy consumed during production decreased 7.5% to 70.8%. At the same time, we emitted 983,000 metric tons of carbon dioxide from these activities, a rise of 5.3%. Despite a 13.9% increase in activity volume (see note 2), we were able to suppress increases in carbon dioxide emissions by cutting our carbon dioxide emissions intensity.

**Note 2:** Activity volume is a benchmark for production volume.

### Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity (see note 4)



**Note 4:** Calculated in keeping with the Act on Promotion of Global Warming Countermeasures, although it does not match published figures because of boundary differences. Since fiscal 2009, we have adopted adjusted figures for the carbon dioxide emissions intensity of purchased electricity. The figures in parentheses represent the actual intensities. We retrospectively revised the basis for energy intensity calculations.

# Measures to Prevent Global Warming and Conserve Energy

## Takasago Plant Participates in Government System as Part of Efforts to Reduce Carbon Dioxide Emissions Intensity

The Japanese government launched the Domestic Emissions Trading System on a trial basis in October 2008. Under this system, participating companies voluntarily set emissions reduction targets to pursue through internal efforts and by employing market mechanisms.

In December 2008, Kaneka applied to have its key Takasago Plant join the system based on its carbon dioxide emissions intensity targets for fiscal 2010. In using this system, we drew on the plant's diverse energy sources to cut emissions intensity.

The plant undertook initiatives through its Energy Conservation Committee, investing in energy conservation facilities under a government promotional system and identified energy conservation issues under the guidance of a consultant. The goal was to lower the fiscal 2010 carbon dioxide emissions intensity to 75.5% of the fiscal 1990 level. Although an audit was still ongoing as of July 2011, we estimate that the reduction was equivalent to 72.0% of the fiscal 1990 level, which is below the target. We aim to draw on this experience to lower companywide carbon dioxide emissions intensity.



### OPINION Cutting Carbon Dioxide Emissions by 7,000 Metric Tons Annually

**Takahiro Toda**  
Energy Department  
Takasago Plant



The Energy Department installed economizers on its boilers to conserve energy. An economizer uses exhaust gas heat to heat water. Since installation, we have been able to capture and repurpose heat of 60° C that would otherwise go to waste, reducing our carbon dioxide emissions by 7,000 metric tons annually. The operating requirements of the Takasago Plant are diverse, as it makes around 2,500 different products, so there was a lot of trial and error involved in getting our energy supply settings just right. We will draw on internal and external collaboration and our expertise as we continue striving to conserve energy.



Pictured left are images from a results gathering on energy conservation initiatives. Some of our operations have come up with at least 1,000 ideas. In fiscal 2010, the Takasago Plant implemented more than 500 of these, forming the basis of its energy conservation activities

### Investments in Energy-Conserving Facilities

Years Investments Decided	Fiscal 2008	Fiscal 2009
Details	Investments in energy-conserving facilities	Facilities investments under the government energy conservation promotion scheme
Facilities	Including installing economizers on boilers	Including improving the capacity of boiler air fans
Number	2	9
Investments	¥310 million	¥150 million
Carbon Dioxide Reductions (see note)	30,000 metric tons of carbon dioxide/year	8,000 metric tons of carbon dioxide/year

**Note:** Carbon dioxide reductions are annual emissions cuts in cases where the carbon dioxide emissions intensity reductions are year-round.

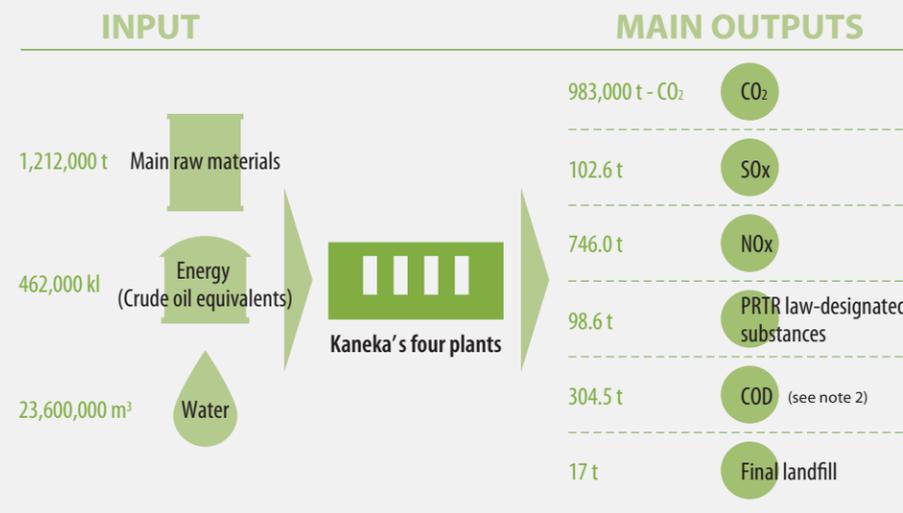
# Materials Balance in Production Activities

- Materials Balance in Production Activities
- Results of Environmental Accounting for Fiscal 2010
- Environmental Investments
- Cutting Industrial Waste and Landfill
- Preventing Air and Water Pollution

Every year, Kaneka's production processes consume 1,212,000 metric tons of main raw materials (see note 1), 1,462,000 kiloliters of energy (crude oil equivalents), and 23.6 million cubic meters of water. We are striving to reduce emissions by pursuing environmental efficiency targets. Here, we present key figures for Kaneka.

Notes 1: Includes only raw materials that can be calculated in or converted to metric tons.  
Notes 2: COD: Chemical Oxygen Demand

Annual Materials Flows from Business Activities



# Efforts to Reduce Environmental Impact

## Reducing Waste and Preventing Pollution

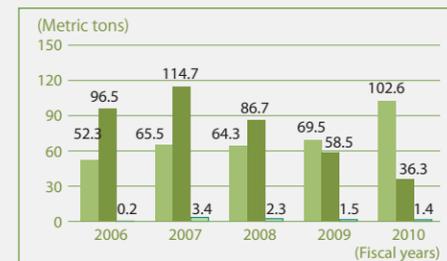
In fiscal 2010, Kaneka reduced final disposal by 10% to 17 metric tons. We thereby achieved zero emissions at all four domestic plants for the fifth consecutive year (see note 3). The final disposals of domestic Group companies increased 68% to 789 metric tons. There were rises in some air and water categories of environmental impact at the Takasago Plant because of expansion of facilities. We will continue our efforts to reduce environmental impact.

Final Disposal Amounts

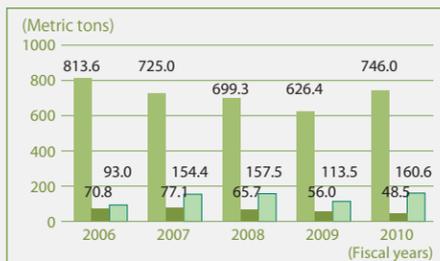


Note 3: Zero emissions are defined as a final landfill disposal rate of less than 0.5%.

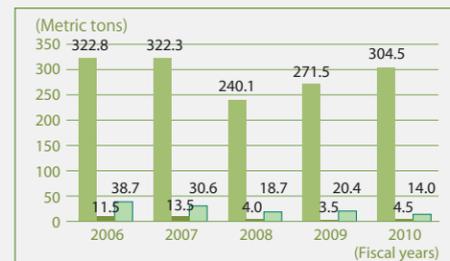
Sulfur Oxide Emissions



Nitrogen Oxide Emissions



Chemical Oxygen Demand in Emissions

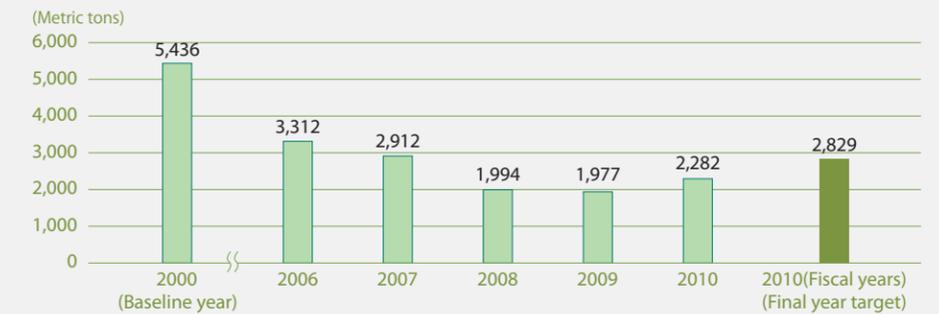


# Cutting Chemical Emissions

- Environmental Management Systems
- Environmental Efficiency
- Plans to Voluntarily Reduce Volatile Organic Compound Discharges
- Harmful Atmospheric Pollutants
- Substances Subject to the Pollutant Release and Transfer Register Law

At 2,282 metric tons, our discharges of volatile organic compounds were 58% lower than in the baseline year of 2000. This result was significantly better than our targeted 48% reduction to 2,829 metric tons by fiscal 2010. Total discharges of six harmful atmospheric pollutants that we plan to voluntarily reduce were down 2% in the year under review and were lower than the fiscal 1999 baseline by 95%.

Voluntary Plan to Cut Volatile Organic Compound Discharges



Emissions of Harmful Atmospheric Pollutants



## Environmental Efficiency Indices

We use the Japan Environmental Policy Index (see note 1) to rate the impact of our production activities in terms of Environmental Impact Points. We also use these points to assess environmental efficiency (see note 2). In fiscal 2010, our environmental efficiency deteriorated because our points increased owing to the impact on coastal waters of higher production.

Notes 1: The Japan Environmental Policy Index calculates the eco-factor coefficient for environmentally hazardous substances. The coefficient is based on the ratio of targeted annual emissions to actual results. The eco-factor is then multiplied by each environmental impact to score Environmental Impact Points.

Environmental Efficiency and Environmental Impact Points



Note 2: Kaneka uses environmental efficiency as the benchmark for its efforts to sustainably minimize environmental impact and maximize value. The formula is sales (in yen) divided by the total environmental impact.

## Product Safety and Quality Assurance

- Product Safety Activities
- Quality Assurance and Risk Management

### Product Safety Activities

We formulated Product Safety Management Rules and are endeavoring to ensure the safety of the products we supply from the research and development stage through to the manufacturing stage in terms of raw materials, byproducts, and waste materials. The Product Safety Review Conference meets to discuss new offerings with potential safety issues, gathering opinions from outside experts and conducting high-level inspections. We adhere rigorously to regulations in managing chemical substances. We also provide labels based on the Globally Harmonized System of Classification and Labeling of Chemicals, Material Safety Data Sheets, technical materials, catalogs, and other chemical substances information.



### Quality Assurance and Risk Management

We established the Product Safety Subcommittee to oversee and enhance the effectiveness of the Quality Assurance Promoters Conference, divisional quality assurance committees, and site quality management committees. We have obtained ISO certifications for core offerings, and are strengthening product management while implementing action to minimize quality risks. We comply with Japan's Food Sanitation Law and other food-related legislation. We also undergo regular audits from several external organizations based on ISO 9001, the American Institute of Baking (see note 1), the Hazard Analysis and Critical Control Point system (see note 2), and other requirements. In September 2010, the Takasago Plant's Pharmaceuticals Manufacturing Department received certification under the ISO 22000 standard for food safety management for its Coenzyme Q10.

**Note 1:** We maintain an educational guidance and auditing system based on the International Integrated Quality System of the American Institute of Baking. This standard applies to the maintenance of food product safety and hygiene management at plants.

**Note 2:** The Hazard Analysis and Critical Control Point (HACCP) system is an international management system for food safety, and encompasses national, local government, and sector certifications.

## Building a Structure for Double and Triple Checks

### OPINION

#### Matching the Quality Demands of Our Customers

**Naoki Egawa**  
General Certified Public Measurer  
Quality Assurance Team  
Shiga Plant



The Shiga Plant makes electronic materials. Our team conducts quality assurance for raw materials, product inspections, and in response to product complaints. We have greatly reduced the number of complaints by working with manufacturing personnel to strengthen quality risk management and otherwise implement improvements. At the moment, I am focusing on the management of environmentally hazardous substances. As quality demands increase from the standpoint of ROHS directives and other environmental requirements, we will continue striving to improve quality to the satisfaction of our customers without compromising the overseeing of products, including the supply chain.

## Ensuring that Suppliers Fulfill their Environmental and Social Responsibilities

- Basic Policy on Supplies Procurement
- Participating in K2010, the World's Largest Trade Fair for Plastics and Rubber

### Basic Policy on Supplies Procurement

The Kaneka Group engages in fair and equitable supplies procurement based on our corporate philosophy. In 2010, we updated our Supplies Procurement Management Rules and produced and revised procurement standards documentation while spreading in-house awareness of our procurement requirements, including CSR policy. We plan to build a procurement network that encompasses Group companies while at the same time building solid relationships with business partners so we can procure better products more efficiently.

### Supplies Procurement Management Rules

#### Basic Policy

We will procure supplies in keeping with the following basic policy to realize our corporate philosophy.

1. We will provide fair and equitable business opportunities and base transactions comprehensively and rationally on elements such as quality, price, supply stability, technical development capabilities, environmental protection, and safety.
2. We will abide strictly by laws and ordinances, safeguarding the confidential information of our business partners and not infringing on the intellectual property rights of third parties.
3. In keeping with our basic CSR policy, we will engage in supplies procurement that enhances the corporate value of both Kaneka and our business partners.

## Building Fair and Equitable Relationships

### Participating in K2010, the World's Largest Trade Fair for Plastics and Rubber

From October 27 through November 3, 2010, Kaneka exhibited its wares at K2010 in Dusseldorf, Germany. This international trade fair for plastics and rubber is the largest of its type, and is held every three years. Because of the event's location in Europe, where environmental consciousness is particularly high, our booth focused thematically on products and technologies that can help protect the environment. We showcased numerous offerings, including our AONILEX biopolymer, photovoltaic modules, KANE ACE MX, a toughener that can contribute to the weight reduction of automobiles and aircraft, EPERAN, and thermal solution materials for IT equipment. More than 3,000 companies from 57 countries participated in the fair, attracting more than 220,000 visitors and underscoring tremendous interest in chemicals.

The Kaneka booth welcomed visitors from Europe, as well as Asia, the Middle East, Africa, and Latin America. People were very interested in our new environmental technologies, and our biodegradable plastics display area was especially popular.



### OPINION

#### K2010: Looking towards the Future

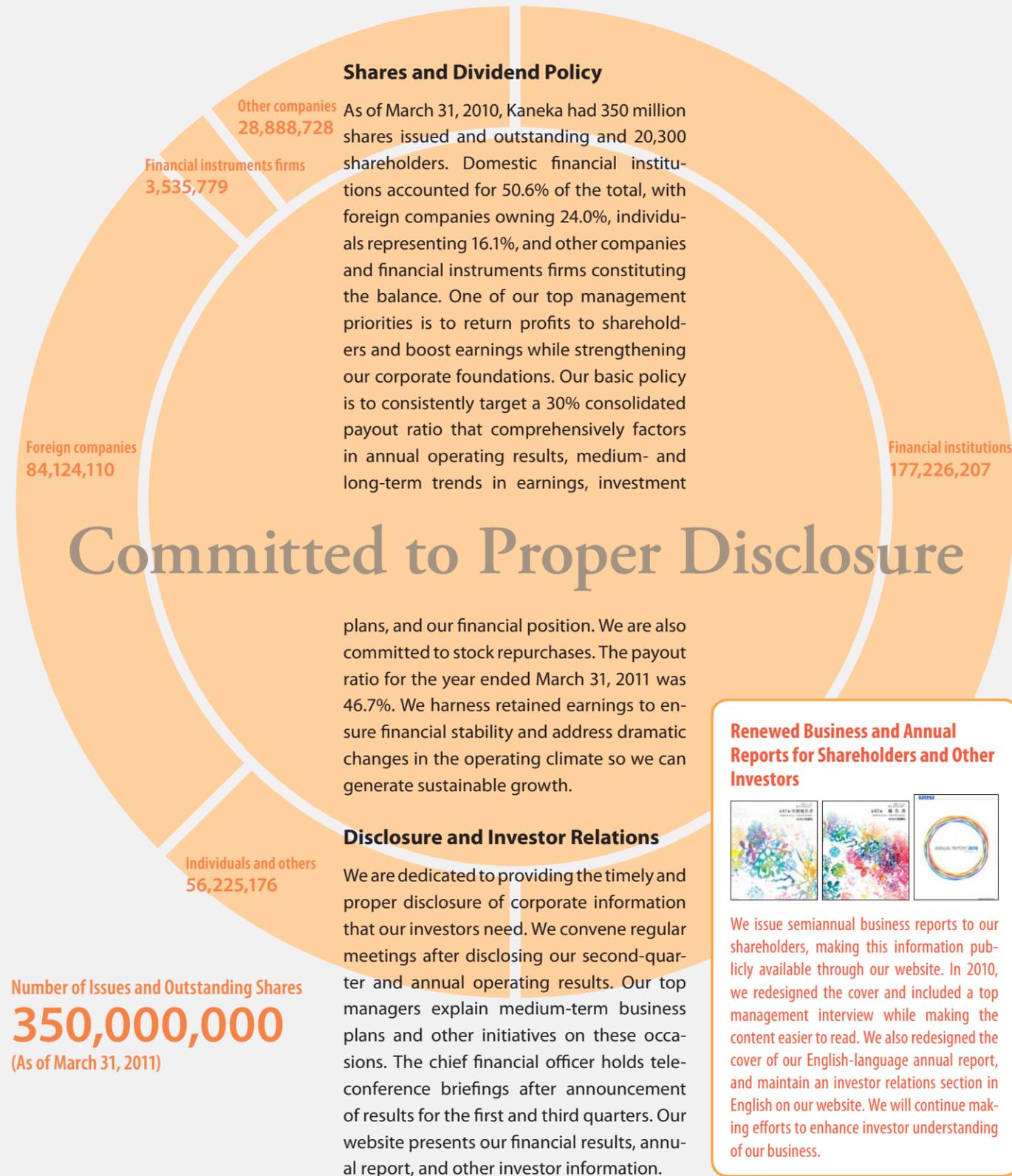
**Luc Point**  
Business Manager  
EPERAN Department  
Kaneka Belgium N.V.



Time flies during this type of exhibition. The last day surely came too quickly, considering the number of positive contacts that we have established. All exhibitors are working with their new potential customers or development partners they met at the trade fair, and they already look forward to coming back with more innovations during the next edition in 2013. Who knows what the trend for environmentally friendly products will be three years from now?

# Dividend Policy and Disclosure

- Shares and Shareholder Composition
- Disclosure and Investor Relations



# Kaneka's Community and Social Contribution Initiatives

- Assisting Victims of the Great East Japan Earthquake
- Key Social Contributions

The Kaneka Group engages in highly transparent corporate activities to deepen stakeholder understanding of its operations as a good corporate citizen and build strong ties with society.



## Fulfilling Our Responsibilities as a Corporate Citizen

### International Contributions

- Kaneka: We were the only Japanese company to donate photovoltaic modules to a new United Nations Environmental Plan office in Nairobi, Kenya. We provided modules with a total capacity of 154 kilowatts. — Photo 1
- Taiyo Yushi Co., Ltd.: We joined with Shapla Neer, an international nongovernment organization, to assist with efforts to improve the quality of soap in Bangladesh and Nepal. — Photo 2
- Kaneka Belgium N.V.: We contributed to the Waterloo Festival and helped preserve local structures of cultural and historical importance and contributed to environmental protection.
- Kaneka Malaysia Sdn. Bhd.: We conducted a plant tour for teachers and students from the University of Malaysia, Pahang. We also participated in a national disaster drill with the Gebeng disaster team, fire department, and other government institutions.
- Tokyo head office and Shiga Plant: We participate in TABLE FOR TWO initiatives, through which employees donate ¥20 for each item they choose from a special canteen menu, with the proceeds going to provide meals at schools in Africa. — Photo 3

### Awards

- Kaneka: SOLTILEX, our thin-film hybrid photovoltaic module used as cosmetic roof tiling, won a Good Design Award for its outstanding appearance in 2010.
- Kaneka Solartech Co., Ltd.: This subsidiary won a grand award from the Hyogo Prefecture Liaison Conference for Air Environment Conservation for outstanding contributions to protecting the atmosphere.
- Kaneka: Our labor union received the Hyogo Prefectural Citizens' Voluntary Activities Award from the prefectural governor in recognition of their engagement for more than five consecutive years in potato digging activities with local children.
- Kaneka Texas Corp. and Kaneka Nutrients L.P.: These companies won a 2010 industry award for contributions to the local economy, leadership in nonprofit organization activities, and their philanthropic efforts. Also received was an outstanding service prize in the safety category from the Texas Chemical Council.

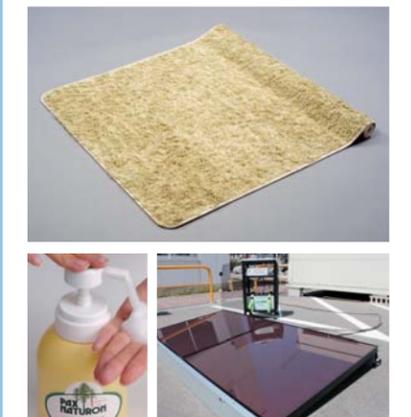
### Fostering Youth

- Takasago Plant and Takasago Service Center Co., Ltd.: These business units held an exhibition and plant tour for third-year students of Takasago Elementary School as part of the Chemistry Makes Our Dreams Come True campaign.
- All Kaneka plants, Showa Kaseikogyo Co., Ltd., Kaneka Sun Spice Corporation, and Nagashima Shokuhin Co., Ltd.: They accepted internships from local junior and senior high school students.
- All Kaneka plants, Sanwa Kasei Kogyo Co., Ltd., and Tokyo Kaneka Foods Corporation: They provided experiential learning at their plants for local elementary and junior and senior high school students.
- All Kaneka plants, Tatsuta Chemical, Tochigi Kaneka Co., Ltd., and Kaneka Solartech Corporation: They visited elementary and junior and senior high schools to conduct classes on global warming and photovoltaic modules. — Photo 4

### Regional Contributions

- All Kaneka plants, Kanto Styrene Co., Ltd., Tokai Kaneka Shokuhin Corporation, and Hanepack Co., Ltd.: They participated in local events, such as festivals, ball-game tournaments, and sports festivals, providing free drinks and parking on their premises.
- All Kaneka plants, Kaneka Medix Corporation, Tsukasa Co., Ltd., Kaneka Foods Corporation, and Toyo Styrol Co., Ltd.: They participated in local cleaning activities.
- Kaneka Pharma Vietnam Co., Ltd.: It contributed to a fund to provide relief for victims of heavy floods in central Vietnam.
- HiHua Fiber Co., Ltd.: This subsidiary donated RMB 10,000 to a fund for victims of an earthquake in Qinghai Province.

### Assisting Victims of the Great East Japan Earthquake



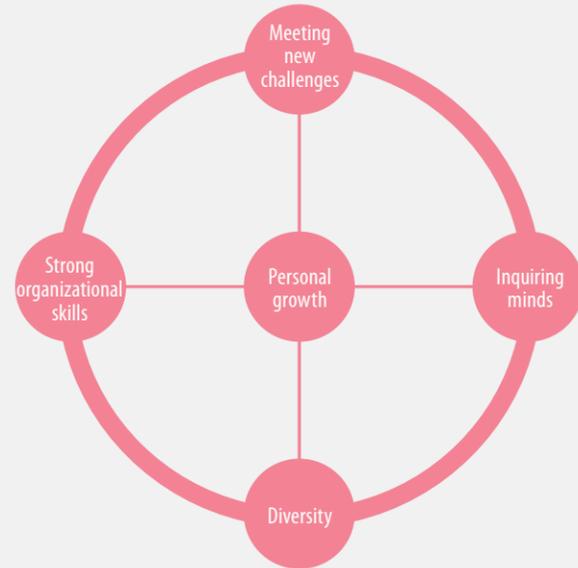
Kaneka extends its deepest sympathies to victims of the Great East Japan Earthquake. The Company donated ¥30 million to assist earthquake victims and aid restoration efforts. In collaboration with our labor union, Group employees raised an additional ¥18.65 million in donations, of which ¥7 million went to the Foundation for International Development/Relief. Kaneka distributed 250 carpets made of Kanekalon acrylic synthetic fiber, as well as Kanelite foam insulating material, to provide some relief from the cold for people staying in the refugee centers. We also provided 100 emergency solar generating system units to areas where swift restoration of electricity seemed unlikely. Subsidiary Taiyo Yushi Co., Ltd. sent 650 cases of soap and shampoo.

# Cultivating Human Resources and Creating Comfortable Work Environments

## Maintaining Systems to Support Personal Growth

In fiscal 2010, Kaneka deployed a new personnel system that places priority on seeking the right people in keeping with the four basic concepts of the Kaneka Spirit in our long-term vision for cultivating personal growth. We are also endeavoring to foster human resources to underpin our globalization based on the Kaneka United Declaration. A key component of our focus is our global employee registration system, through which we provide opportunities for advancement to those wishing to extend their professional horizons worldwide. As of the end of March 2011, more than 700 employees had registered with the system. In fiscal 2011, we hired three foreign nationals: two Chinese and one Vietnamese.

Kaneka Spirit = Basic Concepts for People and the Organization



- Basic Concepts for People and the Organization
- Maintaining Systems to Support Personal Growth
- Diversity Initiatives
- Helping Employees to Balance Work-Life Commitments
- Comprehensive Basic Initiatives

## OPINION Exchanging Personnel from Overseas Business Units

**Elizabeth A. Mercer**  
HR Manager  
Kaneka Texas Corporation



I feel very fortunate to have been able to visit Japan for a month. I got to see so many different things in Japan, including all four of Kaneka's plants and the head offices in Osaka and Tokyo. I was able to meet with all of the teams from the Human Resources Department, and to study Kaneka processes and procedures and also the Japanese laws that structure them. It was a very useful and enlightening visit. I feel we had very good discussions during my stay, and I feel closer to the vision of Kaneka United. I look forward to seeing our thoughts and ideas continue to come together in the future.

# Global Recruiting

## Helping Employees to Balance Work-Life Commitments

We established childcare and family care leave programs that exceed the regulatory requirements. In fiscal 2009, we received the Kurumin mark, which is awarded to companies that provide childcare support to employees. In fiscal 2010, 21 employees used our shorter working hours system and 26 took advantage of our childcare leave program. We have introduced flextime as well as staggered and variable working hour programs. We deployed our discretionary work system in 2007 to help employees demonstrate their independence and creativity. As of the end of March 2011, 346 employees were using this system.

Usage of Our Discretionary Work System



# Occupational Safety and Health and Disaster Prevention

- Occupational Safety and Health Efforts
- Process Safety and Disaster Prevention Initiatives
- Accidental Coastal Spillages at Takasago Plant

## Occupational Safety and Health Efforts

Kaneka strives to achieve zero occupational accidents by implementing various occupational safety and health measures that reflect specific workplace conditions at each business site. Unfortunately, there were eight employee accidents in 2010. Of these, one resulted in work time losses at our Company and three did not. The other four accidents occurred at affiliated companies, and resulted in work time losses. The principle causes of these mishaps were failures to meet basic task requirements (not properly conducting basic operations, or not fully observing rules or ignoring them) and a lack of risk management (failing to identify or underestimating risks). We will strengthen our Health and Safety Management System and CSR audits to formulate measures to prevent recurrences and similar mishaps. We will also implement hands-on learning to improve employee awareness of danger and deploy mental health initiatives for all employees as part of our efforts to enhance safety awareness.

# Targeting Zero Process Accidents

## Disaster Prevention Drills

In fiscal 2010, we held comprehensive disaster drills at all Kaneka plants, as shown in the table below. Group companies also regularly conduct such drills and train employees in fire extinguisher use.

Comprehensive Disaster Drills in Fiscal 2010

Plant	Date	Approximate Number of Participants
Takasago Plant	December 21, 2010	Around 1,200
Osaka Plant	May 24, 2011 (see note)	Around 500
Shiga Plant	January 14, 2011	Around 250
Kashima Plant	December 15, 2010	Around 200
		<b>Total Around 2,150</b>

**Note:** Postponed from March 17 to May 24 due to the Great East Japan Earthquake



Comprehensive disaster drill at the Takasago Plant

## Zero Accident Principles

- ◆ All people, you and me, are indispensable; we ensure everyone is working safely. **Pledge of safety**
- ◆ Safety is everyone's responsibility; we do not miss sparing the time to seek safety. **Participation in safety**
- ◆ There is no trick to safety; we always value a fundamental approach to it. **Adherence to safety basics**
- ◆ Be aware of potential danger; we endeavor to eliminate safety risks. **Safety in advance**
- ◆ Where there is carelessness, there is the possibility of an accident; we do not allow even a small chance of negligence. **99%, yet 0%**

## Hands-On Learning to Improve Sensitivity to Danger

The Takasago Plant's training center uses various equipment to provide hands-on learning for people within and outside the Company, and has contributed extensively to enhancing occupational safety. In fiscal 2010, the Osaka, Shiga, and Kashima plants installed equipment to provide hands-on experience with gas and dust explosions and of being caught in machinery. This move was part of efforts to ensure that all plants can offer similar levels of hands-on training.



## Accidental Coastal Spillages at Takasago Plant

Takasago Plant in Takasago, Hyogo Prefecture incurred two accidental coastal spillages designated as below the pH5 level under the Water Pollution Control Law. The spills occurred on July 18 and October 2, 2010 and stemmed from factors including piping corrosion and emergency response delays. We conducted overall inspections and replaced piping while employing measures such as automatic shutdowns of variable flow pumps and automatic line switching. We also reviewed our emergency response standards and retrained operators to prevent recurrences.

## Overseas Group Company Initiatives

Group companies practice CSR in Japan and abroad.  
While initiatives have a local focus, they all share the same objective of contributing to society through chemistry.

### Contributing to Further Progress and Improvement Eurogentec S.A.

Eurogentec was established in 1985 in Seraing, Belgium, and became part of the Kaneka Group in 2010. For most of its time, Eurogentec has manufactured and sold proteins, nucleic acids, and peptides for raw materials in medical and diagnostic pharmaceuticals.

The company harnesses good manufacturing practices for its pharmaceuticals and has ISO 13485 certification for its diagnostic agents, contributing significantly to developing advanced medicines. It collaborates with employees in implementing worker safety and health initiatives based on extensive risk analyses and training for new facilities. The company also holds safety education and training sessions 10 to 20 times annually. Management plans to expand community contributions, notably by offering plant tours for local high school and university students and by participating in jogging events to support a fund for intractable diseases.



### Setting Up New Showroom to Attract Visitors Kaneka Trading (Shanghai) Co., Ltd.

Underscoring its role in cultivating business in Asia as a Group company, Kaneka Trading (Shanghai) performed marketing functions in 2010, relocating its office to larger premises in central Shanghai in February 2011 to accelerate progress in the expanding Chinese market. The office features a showroom near the entrance. The larger office space and showroom makes it easier for Chinese business partners to visit the company and better understand the Kaneka Group and its products. Kaneka Trading plans to enhance customer services through its marketing role, building the Kaneka brand in the Chinese market and contributing to society with our products.



### Fostering a Healthier Society with Coenzyme Q10 Kaneka Nutrients L.P.

Kaneka Nutrients is located at Kaneka Texas Corporation in the Bay Port Industrial Complex of Houston. Kaneka Nutrients began manufacturing the yeast-fermented Coenzyme Q10 in 2006. Two years later, it began producing Kaneka QH (Ubiquinol), a reduced Coenzyme Q10, and is currently expanding its business. Coenzyme Q10 exists in all human cells. Its main roles are to produce energy and function as an antioxidant. To maintain product safety, Kaneka Nutrients employs quality assurance systems based on current good manufacturing practices for production, packaging, labeling, and storage for dietary supplements covered by the Food and Drug Administration (FDA 21 CFR Part 111). It ensures safe manufacturing and minimizes environmental impact. The company will continue to develop and manufacture products that support human health for communities around the world.



## Domestic Group Company Initiatives

### Delivering Superior Quality Products that Save Energy and Protect the Environment Hokkaido Kaneka Co., Ltd.

Hokkaido Kaneka was launched 38 years ago to manufacture Kanelite Foam, an extruded polystyrene foam based on resin processing technology. This product is used in housing construction. The company's corporate philosophy is to contribute to the community and create new value with proven technologies. Hokkaido Kaneka has done much to enhance its energy-saving products, obtaining certification under the ISO 9001 quality management standard in 2000. In 2002, the company was the first in its industry to eliminate the use of chlorofluorocarbon in its foams, and it stopped using halogen in 2005. In recognition of these efforts, the company received the Economy, Trade and Industry Minister's Award in the sixth Ozone Layer Protection and Global Warming Prevention Awards.

Hokkaido Kaneka created a system to recover and reuse resources from the marketplace, obtaining Hokkaido Recycled Product Accreditation in 2005. The company has slashed industrial waste from its plant, thereby contributing to recycling in its community. Several years ago, the company began offering environmental classes to local elementary school students using environmental products, highlighting the Kaneka Group's engagement with the community.



### Safeguarding the Environment while Ensuring Safety and Security Hokkaido Kanepearl Co., Ltd.

This subsidiary manufactures expanded polystyrene products, whose outstanding insulation, lightness, and shock absorption conserve energy and otherwise reduce environmental impact. Hokkaido Kanepearl obtained ISO 9001 certification in 2004 and received EcoAction 21 authorization in 2007. Its environmental initiatives have included switching from heavy oil to natural gas to fuel its boilers. The company has engaged closely with the community, notably by participating in the Stop! Global Warming campaign, providing plant tours, and taking part in cleanups in Eniwa, where it is located. Hokkaido Kanepearl plans to enhance its activities, particularly in terms of safety, security, and environmental protection.



### Manufacturing Multilayered Ultra Insulators that Protect Equipment in a Hostile Space Environment Tochigi Kaneka Corporation

Tochigi Kaneka is located in Mooka city. The company focuses on electronic materials and components. It developed multilayer insulators, manufacturing them for the Japan Aerospace Exploration Agency (JAXA). These insulators play an important role in space exploration. Tochigi Kaneka created these products by customizing Kaneka's polyimide film for use in space. The insulators can withstand extremes of 400° to -180° C, and offer satellites excellent protection against radiation and ultraviolet rays. Japan's KIBO experimental module for the International Space Station incorporates this insulation, as does the HII Transfer Vehicle that completed Japan's first unmanned mission to the International Space Station in July 2009. Only a handful of companies worldwide have the capability to manufacture these multilayer insulators. Tochigi Kaneka aims to refine its leading-edge technologies and develop an array of applications that are useful for society.



HII Transfer Vehicle  
Photo courtesy of JAXA/NASA

## Domestic Group Company Initiatives

### Providing Safe and Secure Services through Its Well-Maintained Distribution Center and System Construction Kaneka Shokuhin Corporation

This subsidiary has a track record spanning more than half a century for selling food ingredients such as commercial confectionery and bakery supplies, discovering new tastes with its customers in the process. The company has built a solid network with its customers, and now covers all aspects of food. It aims to become a total food assistant by providing fresh, tasty ingredients.

Kaneka Shokuhin provides safe and secure services to all customers through its well-maintained distribution center and systems construction. It engages extensively with the community, notably by donating file racks to the student newspapers of junior high schools in Osaka. The racks feature road safety slogans. The company collaborates with social welfare initiatives in Kyoto by helping to install panels. It also participates in community events. The company continues to donate money to the Japanese Red Cross Society, the United Nations Children's Fund, and Doctors Without Borders. It plans to involve itself in various other social contribution efforts in the years ahead.



### Providing Footwear that Prevents Diabetic Foot Lesions Kaneka Medix Corporation

This subsidiary develops, manufactures, and sells medical equipment. Its lineup includes blood purification systems and intravascular treatment catheters that contribute to health care. It also provides advanced, high-quality hardware and software products and information for patients. In 2010, Kaneka Medix established Foot Support Japan Inc. with Japan Foot Care Service, Inc., launching a business for shoes and insoles that prevent foot lesions, the incidence of which is surging among diabetic patients. Footwear to prevent diabetic foot lesions has been popular for years in many developed nations, but it is only just starting to become known in Japan.

In collaboration with well-known physicians, Foot Support Japan educates the public about this footwear. We will continue contributing to a healthier society by helping resolve the foot problems of as many diabetics as possible.



### Pursuing Comfort for Residents and Contributing to the Community SC Housing System Corporation

This company works collaboratively with building contractors around Japan to market Solar Circuit House. This wooden structure was developed to create comfortable living conditions throughout the nation's four seasons. The Solar Circuit construction method keeps homes cool in summer and warm in winter, saving energy to reduce environmental impact. The Ministry of Land, Infrastructure, Transport and Tourism recently adopted the company's approach and positioned it as a leader in long-term quality housing in the energy-saving category. The SC Housing System will contribute further to addressing environmental and energy issues and benefit communities by working more closely with local building contractors.

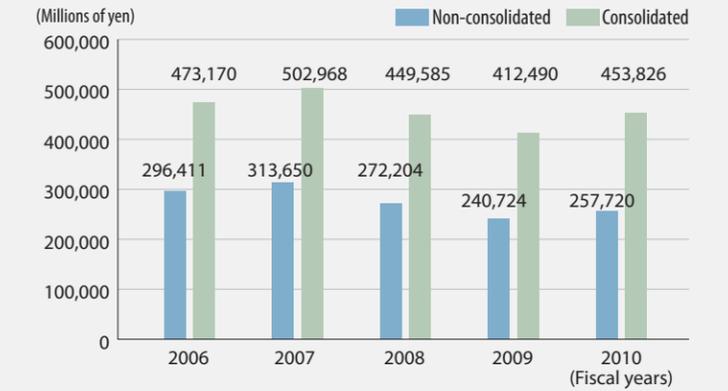


## Kaneka Group Profile

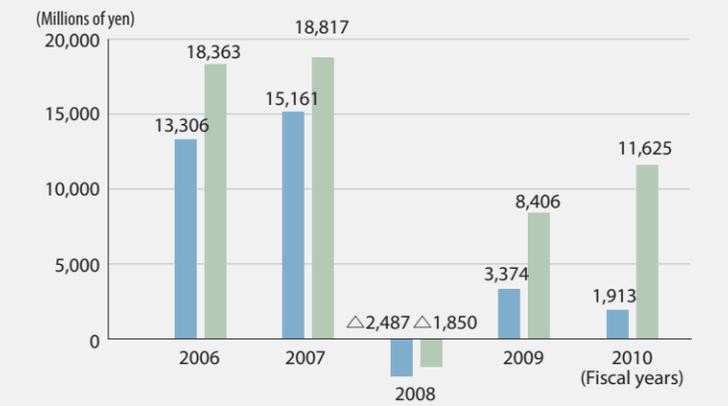
### Corporate Profile

Name	Kaneka Corporation	
Head Office	3-2-4, Nakanoshima, Kita-ku, Osaka 530-8288, Japan	
Osaka Head Office	Phone: +81-6-6226-5050 Facsimile: +81-6-6226-5037	
Tokyo Head Office	1-2-31, Akasaka, Minato-ku, Tokyo, 107-6025, Japan	
	Phone: +81-3-5574-8000 Facsimile: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	¥33,046 million (as of March 31, 2011)	
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	
Main Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, Australia, China, and others.	
Kaneka Group	99 subsidiaries (including 41 domestic and 25 overseas consolidated subsidiaries)	

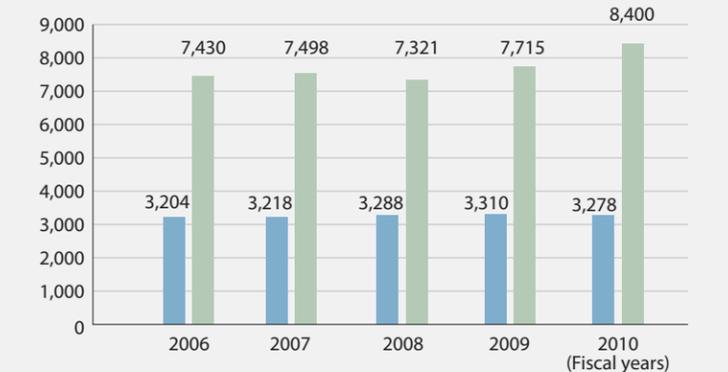
### Net Sales



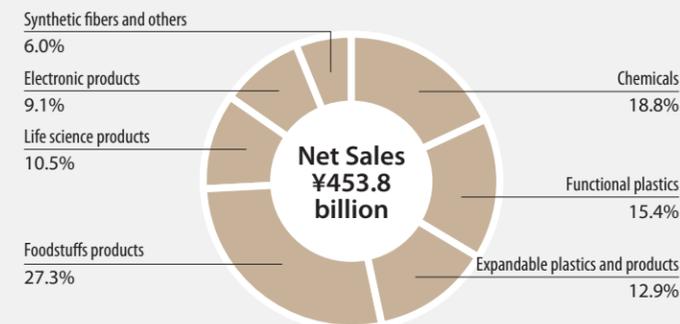
### Net Income



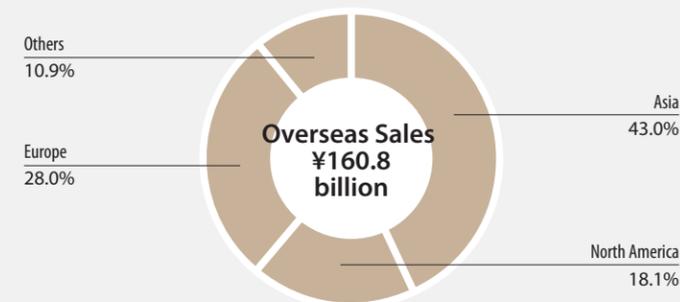
### Number of Employees



### Consolidated Sales by Business Segment (Fiscal 2010)



### Consolidated Overseas Sales by Area (Fiscal 2010)



# Third-Party Opinion

My Impressions from Reading CSR Report 2011

## Professor Toshihiro Kanai

Dean of the Graduate School of Administration at Kobe University

Professor Kanai graduated from Kyoto University with a degree in Education. After obtaining a Doctor of Business Administration at Kobe University, he obtained his Ph.D. in Management at the Massachusetts Institute of Technology. Professor Kanai's research focuses on organizational behavior theory, with an emphasis on leadership, motivation and career dynamics. He explores management that balances creativity and solidarity and researches networking among entrepreneurs and other inspired individuals.



### What Should Change or Remain the Same?

This is the second Corporate Social Responsibility Report that I have read for the Kaneka Group, and I compared it with last year's version. My impression was generally favorable, as the 2011 edition reflected the improvements that I suggested in 2010. There were some notable differences in the 2011 report, one concerning the Special Features. The environment was the subject of the first Special Feature in the 2010 edition, while the first one in 2011 was customers. I wondered what led Kaneka to make this switch.

There were various other changes in the 2011 report that I noticed only after comparing it with the previous version. First-time readers may not notice the differences, however, I think it would have been better if Kaneka had described what is new in the 2011 report and explained the reasons behind this.

Some things have not changed, most notably the Company's corporate philosophy and structure.

In producing an annual report, companies must decide what to change or maintain, and this can, in practice, be extraordinarily difficult. To illustrate the challenge, I quote from the opening of the Serenity Prayer from Reinhold Niebuhr, an American theologian who was influential in the 1930s and early 1940s:

“O God, Give us  
Serenity to accept what cannot be changed,  
Courage to change what should be changed,  
And wisdom to distinguish the one from the other.”

I believe that the ability to adhere to the enduring aspects of CSR makes companies organizationally stronger. I hope that

Kaneka will present its decision-making processes next year to further deepen its relationship with its stakeholders.

### A Report that Reflects Stakeholder Opinions

Influential economist Albert Otto Hirschman listed three types of human organizational response: “Exit,” “Voice,” and “Loyalty.” He positioned “Voice” as the key to organizational reform. When translating that into relationships with stakeholders, you will find numerous examples of voices, or opinions, from customers, shareholders, and employees that are useful for improving corporations.

It should be possible to reflect stakeholder opinions in a CSR report, making it a tool for engaging in dialogue with stakeholders. Such a report should not simply constitute reading material. I therefore believe there is a need for innovative ideas to make it easier for stakeholders to voice their opinions. Kaneka hit upon a new idea in making the printed edition of the 2011 report a digest while making the online edition the main version. It may also have been worthwhile to incorporate video and other Web-specific capabilities to move one step ahead. Another idea could be to offer pages that are for specific readerships. Wouldn't it be wonderful to have a section that parents and their children could discuss together? An example would be a column discussing the future of chemistry.

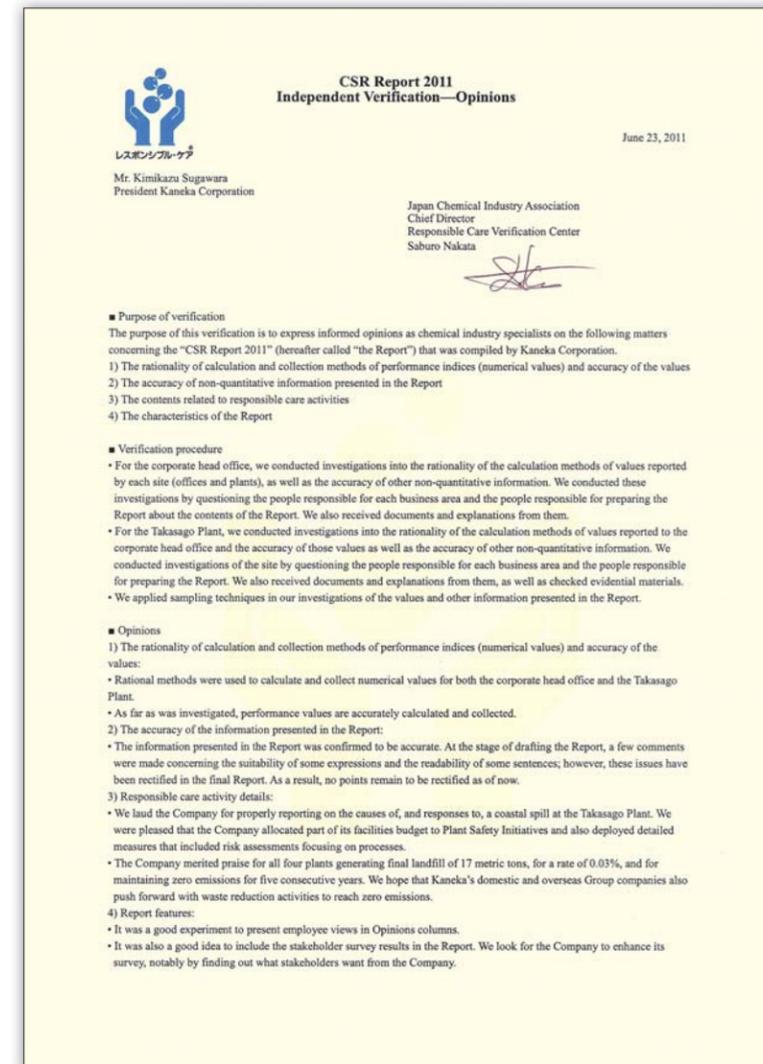
As with everything, the first year is always the one that reflects the greatest enthusiasm. But zeal can be as transient as fireworks. The second and subsequent years are the real test. I would like Kaneka to continue striving to fulfill its vision of being a *Dreamology Company*. I very much look forward to seeing what is new in next year's report.

### Suggestions and Improvements from the 2010 Report

Kaneka made the following improvements in response to Professor Kanai's suggestions regarding the 2010 version.

1. Showcasing employees → We presented employee opinions on many of the pages including the Special Features.
2. Pleasantly surprising stakeholders → We made the printed edition a digest and made the PDF edition the more detailed version.
3. Some of the information would have benefited from indices → Although we presented specific indices in the report, we need to do more, and will keep working on improvements.

## Third-Party Verification

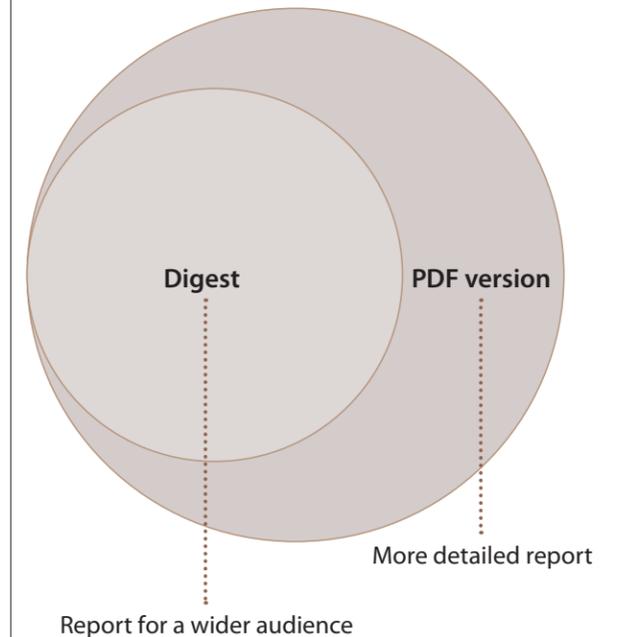


## See the PDF Version for Details

From the 2011 edition, Kaneka is publishing its CSR Report in digest and PDF versions.

The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts. The PDF edition discloses all of our CSR information. You can download a copy at the following URL:

<http://www.kaneka.co.jp/kaneka-e/csr/index.html>



### Editorial Afterword (Response to Third-Party Opinion)

The Great East Japan Earthquake struck while we were in the process of producing the 2011 edition of our CSR Report. Nobody can forget the scenes of this natural disaster that took so many lives.

We launched our the Great East Japan Earthquake Task Force immediately after the earthquake. The CSR Committee worked from headquarters to assist Group company employees in disaster areas to arrange donations and relief supplies for victims. When we published this report, Kaneka was in the midst of saving electricity to help reduce peak demand. We were also facing the challenge of how best to secure electric power to keep our business running. We all need to consider ways to change our lifestyles and society itself. We have to tackle numerous challenges as a corporation and individuals to contribute to society. We will formulate and undertake as many challenges as possible, and we look forward to reporting on the fruits of our efforts in the 2012 report.

I wonder what you think of the content and format of the 2011 report. We did our best to improve it in light of Professor Kanai's suggestions for the 2010 version and in response to reader responses to our questionnaire. Professor Kanai directed us to tackle the challenge of what should be new for readers and what we need to do to attract stakeholder opinions—both heavy responsibilities. We will consider ideas over the coming year and attempt to reflect Professor Kanai's suggestions in future reports. Finally, we would like to express our appreciation to you for taking the time to read this report.



Meeting between CSR Committee members and Professor Kanai

CSR Committee  
Kaneka Corporation