

CSR REPORT 2012

PDF Version



kaneka

Paradigms shift.

This happens because resolving social issues has become impossible under today's norms.

Thus, we can surely hope to change society for the better.

Changing to a sustainable lifestyle where people take better care of themselves, show consideration to others, and share amongst themselves is pivotal to resolving social issues. People who adopt such lifestyles also want companies to practice sustainability.

Kaneka, Our science makes wishes come true.

Kaneka has long utilized science to deliver products and technologies that make life more comfortable, and many of our pioneering efforts have offered new lifestyle choices to society.

Kaneka will continue to contribute to new lifestyles through its products and technologies in its quest to engender hope for humankind—today and for many tomorrows to come.

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 challenge the environmental issues of our planet and contribute 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."**

Kaneka,
Our science makes
Wishes come true.



Editorial Policy

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

We have issued PDF and digest versions since 2011.

The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts.



This edition explains how Kaneka's business activities relate to CSR, and features information of particular interest to stakeholders, most notably the Kaneka Group's relationships with society, the environment, and employees.

The PDF edition discloses all of our CSR information. 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 38 Group production subsidiaries.

The following icons indicate the scope of activities. A section displaying all icons indicates that activities encompass the entire Group.

Kaneka		KANEKA
Domestic		DOMESTICS
Overseas		OVERSEAS

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. Information is also available in both languages.

Third-Party Verification and Opinions

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

Report Period

This issue covers fiscal 2011 (April 1, 2011 to March 31, 2012) with some additional information outside this period.

Date of Publication

September 2012

Publication of the Previous Report

September 2011

Next Report

September 2013

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 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.

We will Turn Our Ears towards Our Stakeholders and Promote Productive CSR Activities



We will Turn Our Ears towards Our Stakeholders and Promote Productive CSR Activities

Facing an Increasingly Chaotic Economic Environment

In fiscal 2011, businesses were faced with the tasks of coping with power shortages and reviewing BCPs (business continuity plans) due to the Great East Japan Earthquake and accident at the Fukushima Daiichi Nuclear Power Station. As if to add insult to injury, the yen appreciated sharply, and the cost of raw materials stayed high. Additionally, there were natural disasters in various other countries and regions like the flooding in Thailand, and with the American economy stagnating, the fiscal crisis in Europe was re-kindled. It was truly a tumultuous year.

In the midst of these changes in the environment, revenue in the manufacturing business, which had been the engine for economic growth up to this point, has been coming under pressure. Many Japanese businesses have been accelerating their global expansion, and the hollowing out of industry has resulted in a vicious cycle of reduced domestic demand and accelerated deflation. At the same time, technological innovation and the creation of new markets have been occurring at an astonishing pace, bringing about changes in the industrial structure.

Meanwhile, Kaneka formulated the long-term vision; Declaration of Kaneka United for the future, which goes through fiscal 2020, and has been working on ACT2012, the first medium-term plan. However, due to the above-mentioned environmental changes, we have fallen behind on the initial schedule.

Sticking with Innovation

The Declaration of Kaneka United for the future designates Environment and Energy, Health Care, Information and Communications, and Food Production Support as important strategic domains for priority investment of management resources. In the Environment and Energy domain, there is more demand than ever for photovoltaic modules as renewable sources of energy. The photovoltaic module business will take advantage of our technology for supplying peripheral materials and software, and the expandable plastics and products business can contribute to energy savings by utilizing

the light weight and heat insulation features. In this way, the business structure to which we aspire will truly contribute to the needs and development of society, and we will continue to stick with these important strategic domains in the New ACT2014 medium-term plan.

At the same time, new and old industry maps are being switched out on a global scale, and it is no exaggeration to say that industrial reform is underway. We will re-examine the characteristics of the business and engage in various innovations, while being prepared to change the corporate culture. R&D divisions will emphasize speedy results and carry through with focused project themes. On the production side, we will improve the cost competitiveness of our products and raise the cost performance of the entire value chain to achieve greater customer satisfaction. Moreover, we will further strengthen our global expansion efforts under the direction of the regional headquarters established in April this year. We will also nurture our global human resources and promote true globalization in which corporate activities can be community based.

In order to bring about these innovations, each employee must break away from the way things used to be done and thoroughly reassess their own jobs while promoting more advanced and efficient operations. We will support each employee as they actively take on challenges and create a new corporate culture by changing their mindsets.

Emphasizing CSR Activities and Stakeholder Feedback

The New ACT2014 medium-term plan states that continued emphasis will be placed on CSR activities as one of the priority management measures. In particular, this entails continued innovation of equipment and changing of mindsets in order to ensure safety, which is the foundation of the Kaneka Group's competitiveness, as well as further improving corporate value through the implementation of environmental management measures. We will continue the CSR field audits of our own manufacturing plants and of those group companies which started last year and meticulously promote checks and action. The

safety of our plant operations is paramount for earning the trust of not only our customers but also the members of the surrounding communities. All employees understand this and will step up safety efforts.

CSR Report 2011 was published last year, and we launched efforts to listen to evaluations of and opinions about our CSR activities from our stakeholders based on that report. The first of these efforts was a questionnaire survey conducted by a survey company. There were 462 respondents, and they answered that the most interesting articles in the report were, in descending order, "Measures to Prevent Global Warming and Conserve Energy," "Reducing Waste and Preventing Pollution," "Biodiversity Initiatives," "Cutting Chemical Emissions" and "Safety Initiatives." This was congruent with the priority items of the medium-term plan, namely ensuring of safety and implementation of environmental management measures.

The second of these efforts was the new "Stakeholder Dialogue" held jointly with the local authorities where our plants are located (Takasago City and Settsu City). We received feedback from those in attendance that although there was communication with the company and local authorities, they would like to know what the plants are manufacturing and what kind of cooperation they can expect from the company in the event of an emergency.

The Kaneka Group will put further emphasis on communication with stakeholders and enhance our CSR activities based on the feedback we receive.

Thank you for reading this report, I would be happy to receive any suggestions or comments you may have regarding our initiatives.



Kimikazu Sugawara

*President
Kaneka Corporation*

Responding to the Great East Japan Earthquake

Placing Top Priority on Maintaining Close Communications between Task Forces and Sites

We responded swiftly to the Great East Japan Earthquake by setting up three special units overseen by the vice president—the Kaneka Task Force, Kashima Plant Task Force, and Expandable Plastics and Products Task Force. Each of these units prioritized the optimization of communication to ensure action based on trust with people at various sites. The Kashima Plant Task Force, located in the disaster zone, quickly confirmed the whereabouts and safety of employees and their families and safely shut down chemical production facilities. The Expandable Plastics and Products Division was our hardest hit business, and its task force set about assessing damage at Group companies in the Tohoku region and confirming employee safety. The division also liaised with the Kaneka Task Force in securing and shipping the necessary supplies to sites. We will continue to strengthen coordination with sites to enhance our emergency responsiveness.

Relocating Production and Swiftly Restoring Operations to Maintain Business Continuity

Before sustaining damage from the quake, the Kashima Plant manufactured materials for blood bags. Demand was high for such supplies following the disaster, making it an urgent priority to restore operations to assist with the recovery. The plant addressed this situation by first confirming the extent of facilities damage and formulating the best and quickest repair methods. At the same time, it solicited facilities engineers from Kaneka's operations in western Japan to assist with a swift restoration. The plant temporarily shifted as much production as possible to counterpart operations in western Japan to ensure unbroken supplies to customers. Such companywide collaboration enabled the Kashima Plant to partially restore opera-

tions around three weeks after the disaster, with everything back on line within 45 days. Even if Japan requests a 15% cut in electricity consumption during the peak summer season, we now have a framework for the plant to enable it to reach its objectives that involves relocating production to other plants, shifting working hours, or using on-site generators.

Rebuilding Companywide Systems as Contingencies for Regional Disasters

We are rebuilding groupwide Business Continuity Plans and conducting companywide drills as contingencies for disasters in the Tokai, Tonankai, and Nankai regions. We produced a manual for all Group companies based on the perspectives of crisis management for plants and business continuity for divisions. By conducting site-level drills and with strong top management encouragement, we began conducting companywide drills to identify issues to improve systems companywide from fiscal 2012.

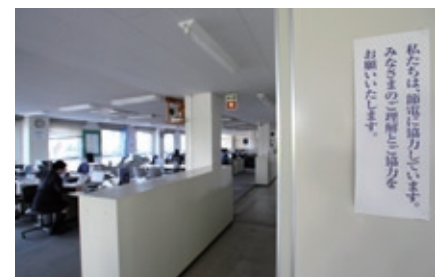
To ensure that we consistently fulfill our social responsibilities when risks emerge, we have ranked priority products as a disaster contingency and have worked to resolve supply chain issues, including by ensuring that we can secure products from overseas plants. We will prepare to resolve such issues in fiscal 2012.

Reducing Power Consumption Voluntarily

Since the Great East Japan Earthquake, the Kaneka Group has deployed a voluntary program to balance its power availability and consumption. Initiatives include shutting off lights, maintaining appropriate air conditioning settings, installing green curtains of bitter gourds and other vegetation on building walls, and displaying posters to encourage our employees to conserve energy.



Green curtain of bitter gourds



Lights out

Helping Business Partners Assisting with Restoration Efforts

It would have been impossible to ship assistance supplies to Kaneka Group sites in disaster-affected areas without the support of vendors. Immediately after the earthquake, drivers from Gotsu Co., Ltd., Takasago Tsun Co., Ltd. and Fukuoka Unyu Co., Ltd. braved frequently shattered road and information networks to deliver food and water to Miyagi Jushi Co., Ltd. and the Kashima Plant, contributing significantly to the restoration of operations. These companies received formal letters of appreciation for their outstanding professionalism from Masatoshi Hatori, Kaneka's executive vice president.

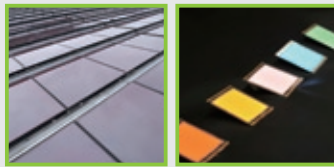


Masahiro Hotta, president of Takasago Tsun Co., Ltd. receiving a letter of appreciation from Kaneka

Leveraging Our Science to Contribute to the World— Creating a Sustainable Future through Our Operations

As a comprehensive chemicals producer, the Kaneka Group manufactures chemicals, functional plastics, expandable plastics and products, food products, medical supplies and devices, electronic materials, photovoltaic modules, and synthetic fibers. Our technologies and products enrich people’s lives the world over, contributing to a sustainable future. Kaneka will continue leveraging its science to make wishes come true.

Environment and Energy



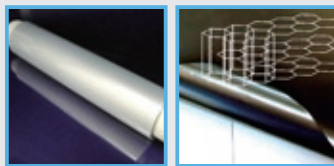
Photovoltaic Modules for Megasolar Power Plants

July 2012 saw Japan introduce a system of fixed prices for renewable energy to help drive progress under a megasolar power plant initiative. As operators are setting up many of these plants in coastal areas, Kaneka is developing glass encapsulated modules whose material and structural features make these devices infinitely more resistant to salt damage than conventional counterparts.

OLED (Organic Light Emitting Diode) Lighting

OLED Lighting is set to transform illumination. One feature is a surface illuminant that delivers warm, soft colors and emits light uniformly. The lightweight and the lineup of 5 colors will also expand the possibility of the design for lighting. We are making the proposal which makes living environment comfortable with our OLED Lighting.

Information and Communications



ITO-Conductive Film for Touch Panels

OLED Lighting is set to transform illumination. One feature is a surface illuminant that delivers warm, soft colors and emits light uniformly. The lightweight and the lineup of 5 colors will also expand the possibility of the design for lighting. We are making the proposal which makes living environment comfortable with our OLED Lighting.

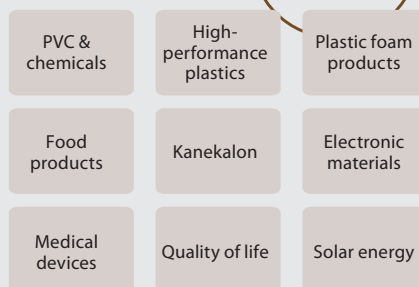
Graphite Sheet for Mobile Devices

As mobile devices become more powerful and thinner, it is also becoming increasingly important to more efficiently disperse the resulting heat. Kaneka drew on its polymer design and high-temperature sintering techniques to develop a graphite sheet boasting the world’s highest thermal conductivity. The outstanding thinness and processing ease of this material can provide internal support for advanced electronic equipment.

Important Strategic Domains

Humankind faces numerous social problems, the most pressing of which involve the environment, food, and medicine and health. The Kaneka Group will continue to fulfill its responsibilities as a comprehensive chemicals manufacturer with worldwide operations by concentrating its resources on the strategic domains of the Environment and Energy, Information and Communications, Health Care, and Food Production Support.

Existing Business Units



Structural reform - Business creation - M & A

Important Strategic Domains



Food Production Support



Biopolymers

Our prime biopolymers are completely vegetable derived. We employ proprietary technology incorporating microorganisms to create these plastics, which are drawing much attention for their ability to quickly degrade into carbon dioxide and water regardless of the presence of air, minimizing environmental impact. One application for our biopolymers is agricultural films. The films can be ploughed into the soil after use, saving labor and supporting food production.

Margarine that Tastes Like Butter

We used proprietary fermentation technology to create a margarine that is very close in taste to butter. Conventional margarines in bread making typically lose the flavor and fragrance of butter after baking. Our offering resolves such issues and has supported Japan’s bread and confectionary industry extensively in the face of chronic shortages of butter and soaring raw materials prices since the Great East Japan Earthquake.

Health Care



Tissue Regeneration and Cell Therapy

Biomaster, Inc. operates Cellport Clinic Yokohama, which the Japanese government has authorized to provide advanced cosmetic surgery. Biomaster became part of the Kaneka Group in 2011. The clinic uses patients’ adipose tissue-derived stem cells in reconstruction after breast cancer surgery and in treating facial dystrophic disease. Kaneka aims to accelerate technological and product development relating to adipose tissue-derived stem cells to ensure even safer and more efficacious tissue regeneration and cell therapy.

Ubiquinol (Reduced Form of Coenzyme Q10)

Coenzyme Q10 plays a vital role in giving us energy and can contribute greatly to healthy living. Experts have recently confirmed the benefits of Ubiquinol in type 2 diabetes and in improving oral environment in periodontal disease. Other benefits include suppressing age-associated hearing loss and wrinkle formation by exposure to ultraviolet rays.

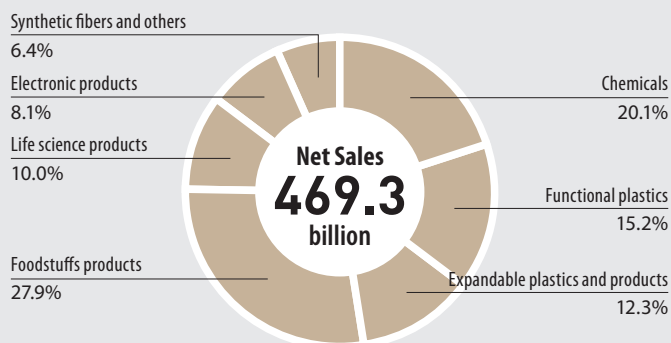
Leveraging Our Science to Contribute to the World— Creating a Sustainable Future through Our Operations

Kaneka Group Profile

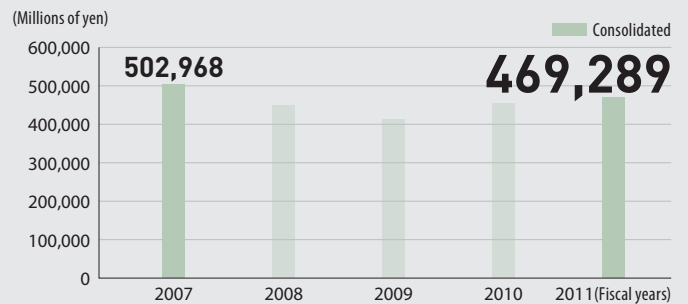
Corporate Profile

Name	Kaneka Corporation	
Head Office	Osaka Head Office 3-2-4, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Phone: +81-6-6226-5050 Facsimile: +81-6-6226-5037	
	Tokyo Head Office 1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan Phone: +81-3-5574-8000 Facsimile: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	¥33,046 million yen (as of March 31, 2012)	
Domestic Facilities	Sales Office	Nagoya
	Plants	Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Frontier Biochemical & Medical Research Laboratories Process Technology Laboratories Photovoltaic and Thin Film Device Research Laboratories Molding & Processing Development Center	
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, and others.	
Kaneka Group	102 subsidiaries (including 40 domestic and 25 overseas consolidated subsidiaries)	

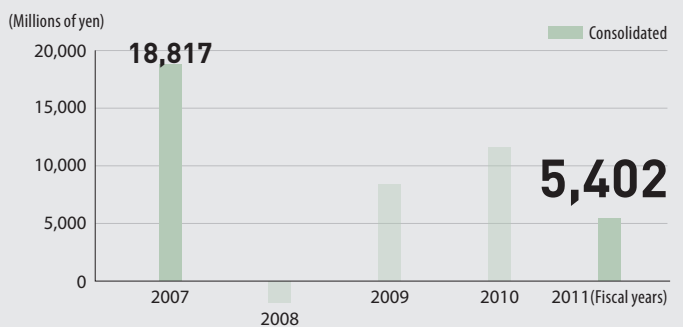
Consolidated Sales by Business Segment (Fiscal 2011)



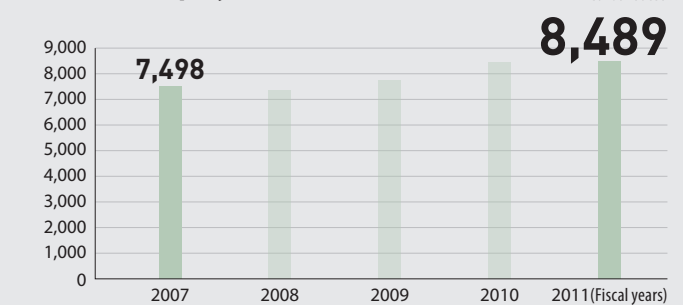
Net Sales



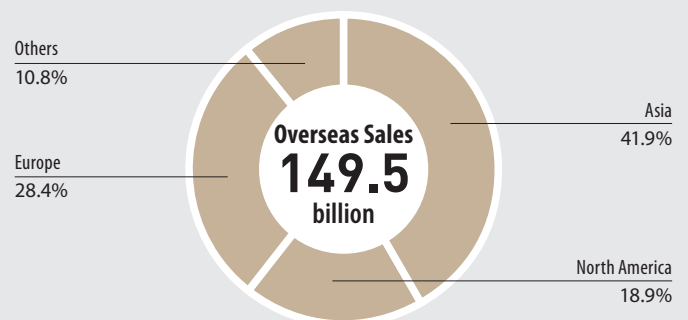
Net Income



Number of Employees



Consolidated Overseas Sales by Area (Fiscal 2011)



Special Feature 1 Kaneka and Society



Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare

Catheter verification test

In recent years, interventions therapies have attracted attention in patient care as being less stressful than orthodox surgery. Such treatment entails an intravascular insertion of catheters in affected areas such as the heart or brain.

Kaneka provides various products used extensively by medical institutions, including balloon catheters and thrombus-aspiration catheters.

The perfusion balloon catheter is particularly noteworthy. This report explores the often overlooked social significance of catheters.

Community Policy and Vision

Chemical approaches are vital to 21st-century life sciences. Kaneka contributes to global medical services development in intravascular catheters (see note 1), tissue regeneration and cell therapy, and blood purification. Its efforts draw heavily on polymer and biotechnology resources.

Note 1: Intravascular catheters are fine tubes inserted into blood vessels of the heart, brain, or extremities to help treat disease.

Special Feature 1
Kaneka and Society

Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare

There are Needs at the Clinical Site, so Why Doesn't Anybody Meet Them?

Akihiko Iguchi, general manager of the Medical Devices Division and a managing executive officer, says that, "Perfusion balloon catheters suddenly withdrew from clinical sites because a new device emerged, prompting the manufacturer to end production. Even though the catheters weren't used frequently they were still vital in emergencies. This made me wonder why nobody would bother making something when the need exists in clinical settings. At the time, Kaneka did not have a perfusion balloon catheter business. However, I concluded that if we did not make these devices we would have no reason to exist as a manufacturer that supports the frontline of medicine."

Kaneka entered the catheter field in 1993. At the time, Japanese medical institutions generally sourced catheters from Europe or the United States. Kaneka's offerings eventually won acceptance among many institutions because the Company strove to accommodate clinical frontline needs. Kaneka is proud of its record as a manufacturer that has heeded the opinions of medical professionals to support clinical sites with offerings employing silicon and the other fruits of its polymer processing technology.

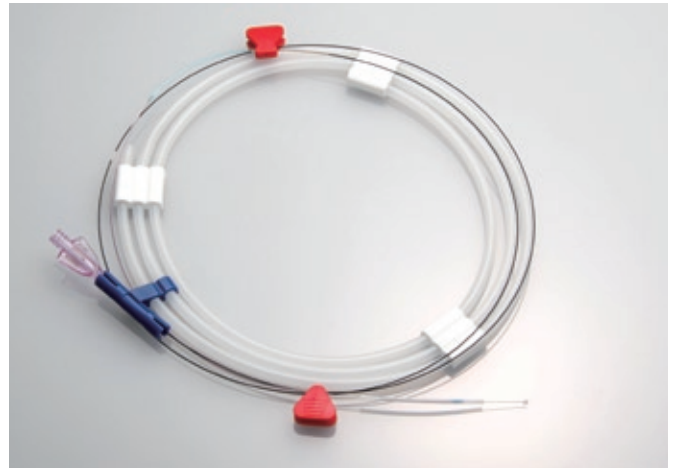
Dr. Yoshisato Shibata, director of the Heart Disease Center at the Miyazaki Medical Association Hospital, says that, "When perfusion balloon catheters became difficult to obtain, we faced a clinical crisis. However, Kaneka came to the rescue, clearly without regard to profits in this case, and we were extremely grateful. Of course, we concluded that Kaneka was performing well overall because otherwise it would have shied away from investing in these catheters. Anyway, I was so impressed I visited Kaneka's manufacturing site in the hope of seeing the Company produce products that were better than those available from overseas. The visit demonstrated to me just how passionate Kaneka's people are about manufacturing. I was also impressed by how the Company's sales representatives understood our clinical requirements and conveyed them to the production side."



Akihiko Iguchi
Managing Executive Officer
General Manager
Medical Devices Division

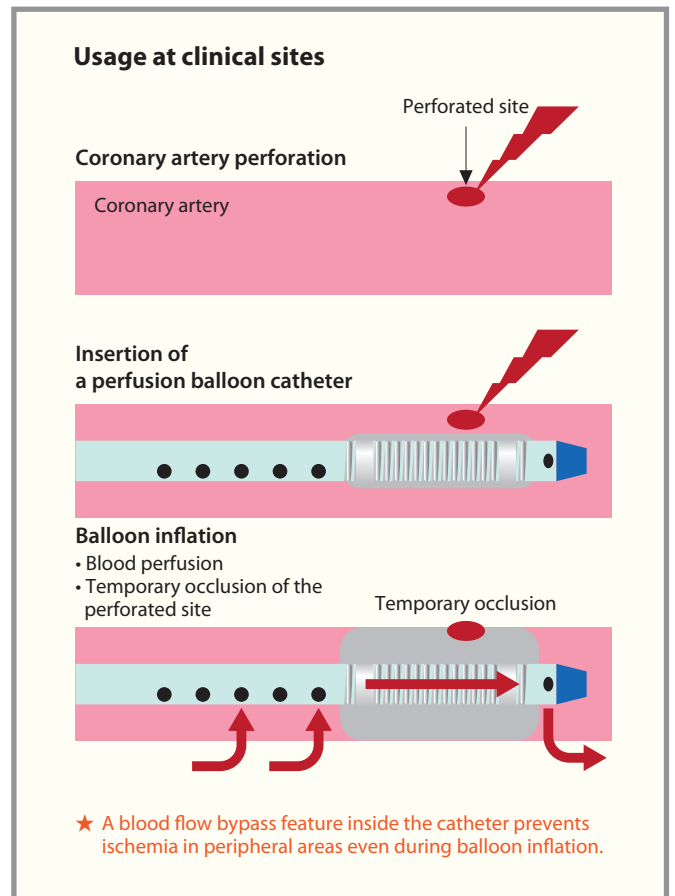


Yoshisato Shibata, M.D.
Director of the Heart Disease Center
Miyazaki Medical Association Hospital



What is a Perfusion Balloon Catheter?

This balloon-tipped catheter is used to treat coronary artery disease. A catheter that maintains blood perfusion during balloon inflation is called a "perfusion balloon catheter," as regular balloon catheters isolate vascular flow during inflation. Perfusion balloon catheters are emergency tools. Physicians use them if coronary arteries rupture during surgery, removing them once the intravascular environment becomes stable.



Special Feature 1

Kaneka and Society

Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare

Dr. Yoshisato Shibata, seen here performing catheter surgery, backed the product evaluation procedures that Kaneka needed to secure approval



How Many People Waited? Academic Societies also Supported Approval

Kaneka responded to the needs of medical sites by engaging in research and development. Shogo Miki, director of the Technology Management Department in the Medical Devices Division, says that, “Kaneka already had a track record in balloon catheters. Perfusion balloon catheters are structurally more complex, but we knew we could leverage our technology to develop a more sophisticated device. As an engineer, I naturally wanted to meet such a challenge. Unfortunately, our mission to deliver the catheter as quickly as possible did not permit us to develop a more advanced product, since adding new functions would have meant making medical practitioners and their patients wait even longer because of the extended approval time. Of course, we did add some improvements, like making the catheter finer and easier to use.”

Makoto Yagi, general manager of the Sales Department at Kaneka Medix Corporation, says that, “When there were no more perfusion balloon catheters available, the feeling I got from medical sites was that only a Japanese manufacture could replace what had been lost. Since Kaneka’s catheter business itself emerged from a desire to contribute to Japanese medical treatment, the Company acted quickly. We sales representatives often visit hospitals to see patients and families. We keenly sensed the need to deliver the product as soon as possible. Academic societies felt the same way and backed our efforts to gain device approval. It was extraordinary for such societies to push for the approval of a single product of a single company. It eventually took four years from development to win approval for



Shogo Miki
Director
Technology Management
Department
Medical Devices Division



Makoto Yagi
General Manager
Sales Department
Kaneka Medix Corporation

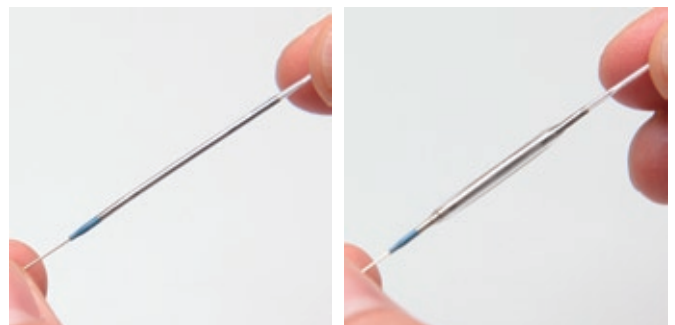
medical institutions to use the device.” So this was how the perfusion balloon catheter returned to the frontline of medicine.

Keeping Pledges to Doctors

What led Kaneka’s people to relentlessly pursue their project for four years? Mr. Iguchi says that, “Enthusiasm can easily wane, but we had to keep our pledge to doctors. A sense of honor drove us forward. It wasn’t about making money. At the same time, the Company decided to reinvest funds rather than simply saving them. I think this event increased the feeling of anticipation among people that if Kaneka gets involved, things get done.”

Dr. Shibata says that, “Kaneka gained huge recognition because of its achievements in this case. I would like the Company to maintain a similar stance.”

Kaneka is committed to listening to customers, bonding with them through pledges, and meeting the expectations of society. It is against this backdrop that Biomaster Inc. became a Kaneka subsidiary in September 2011, the goal being to accelerate Kaneka’s R&D in regenerative and cell medicines.



Perfusion balloon catheter before (left) and after (right) inflation

Special Feature 1
Kaneka and Society

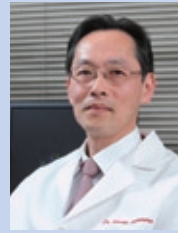
Our Mission is to Listen to Medical Professionals and Support Ongoing Advances in Healthcare



Dr. Shibata visited a production site underscored by our rigorous quality control management whose products are delivered to medical institutions

“With the addition of Biomaster and Cellport Clinic Yokohama, which Biomaster operates, we believe that we have secured the speed that we need for development in regenerative and cell medicines that rival or exceed global standards,” said Mr. Iguchi. Kaneka’s challenges based on polymer processing and biotechnology have thus expanded.

Stakeholder Message



Masato Nakamura, M.D.
Professor of the Division of Cardiovascular Medicine
Director of the Catheterization Laboratory
Faculty of Medicine, Toho University

Kaneka’s Products are Accepted Worldwide. In Our Role as a Japanese Manufacturer, We Must Create World Firsts.

Perfusion balloon catheters are essential for treating medical complications. However only one patient a year needs such a device. To me, this underscores Kaneka’s commitment because such a product clearly makes little business sense. Furthermore, because it produced its device in Japan, Kaneka was able to make the product and usability superior to that of overseas counterparts.

One internationally known Kaneka offering is its line of thrombus aspiration catheters. They are not world firsts, but they have consistently become better than rival offerings because Kaneka listens to medical professionals and pursues ongoing improvements. It is naturally more challenging to create something entirely new, and not everyone can do that. I hope Kaneka, as a Japanese manufacturer, can eschew convention and pioneer a device.

The Kaneka Group’s Involvement in Medicine Tissue Regeneration and Cell Therapy Businesses



We Want the World to Employ Our Breast Reconstruction Expertise

Shoko Murase, Ph.D.
President and Chief Executive Officer
Biomaster, Inc.



Cell treatment is conducted at a cell processing center in a sterile and clean environment

Biomaster Inc. grew out a venture originating in a university in 2002. The company engaged in R&D for adipose-derived stem cells (see note 1) with the Department of Plastic Surgery of the University of Tokyo School of Medicine. As a result, we developed cell-assisted lipotransfer (CAL). This is a technique for separating adipose-derived stem cells from fat, obtained by liposuction of the stomach or thighs, and injecting the stem cells remixed with fat into the breasts or face. This method uses a patient’s own cells, so it is very safe and suitable for treating various deformities since the soft tissues regenerate. One advantage is that there is almost no scarring because no major incisions are necessary.

We own Cellport Clinic Yokohama, which uses CAL in breast reconstructions after cancer surgery and to treat facial degenerative disorders. The number of breast cancer patients is increasing worldwide. In Japan 50 to 60 thousand people develop breast can-

cer every year, with around 2,500 undergoing post-surgical breast reconstruction. While providing new regenerative treatments using a patient’s own cells, we also recommend breast reconstruction. Through R&D and clinical collaboration, we are endeavoring to improve treatment techniques and deliver optimal medical services.

Since regenerative and cell treatment is a new field, we consider it important to spread the news among medical practitioners and patients as therapy alternatives. We are working to expand awareness of CAL by talking with people at the forefront of medicine and through public relations activities. At the same time, we wish to contribute to medical progress by applying Cellport Clinic Yokohama’s expertise to Kaneka’s regenerative medical research.

Note 1: Adipose derived stem cells can create adipose cells and blood vessels.

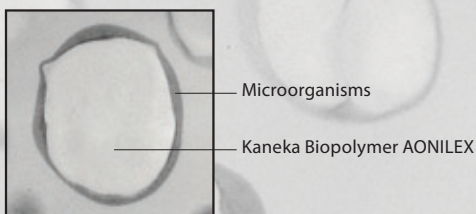
Special Feature 2 Kaneka and the Environment

Kaneka's Proposals for Social Sustainability Include the Use of Naturally Derived Plastics that Ultimately Return to Nature

Ecologically friendly plastics from non-fossil sources have attracted considerable attention in recent years. One such product is biomass plastic, whose raw materials include recyclable vegetation, which can help reduce carbon dioxide emissions. Another is biodegradable plastic, which decomposes naturally after use.

Kaneka Biopolymer AONILEX is both a biomass and biodegradable plastic.

This report explores the huge potential of naturally derived plastics that ultimately return to nature.



Kaneka Biopolymer AONILEX is produced by microorganisms

Environmental Policy and Vision

Biotechnologies and polymer technologies underpin Kaneka's synthetic fibers, polyvinyl chloride, caustic soda, margarine, and coenzyme Q10 offerings. Today these new biodegradable plastics made from vegetable fats and oils are attracting attention in Japan and especially in Europe. We produce 1,000 metric tons annually of these plastics at a pilot facility and intend to boost annual capacity to a commercially viable 10,000 metric tons.

Special Feature 2
Kaneka and the Environment

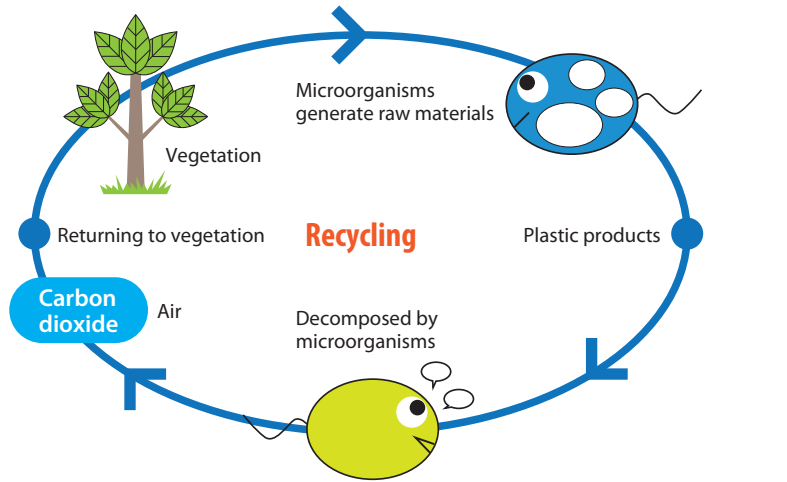
Kaneka's Proposals for Social Sustainability Include the Use of Naturally Derived Plastics that Ultimately Return to Nature



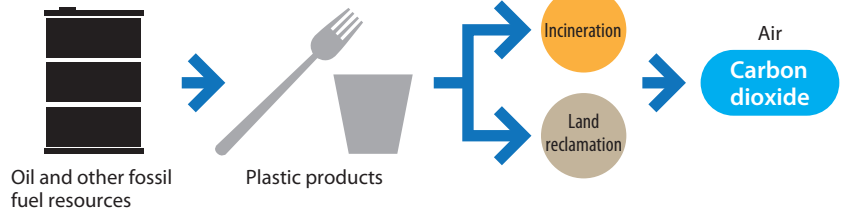
The right microorganisms were discovered at this pilot facility at the Takasago Plant

Lifecycle comparison between Kaneka Biopolymer AONILEX and regular plastic

Kaneka Biopolymer AONILEX



Regular plastics



Reducing Greenhouse Gas Emissions and Facilitating Recycling Kaneka Biopolymer AONILEX

More and more countries are adopting new ways to deal with plastics. Belgium has begun to tax supermarket plastic bags derived from fossil fuels while Italy has mandated the use of biodegradable materials in supermarket bags. As social mechanisms change, lifestyles are evolving. Countries in Europe and elsewhere have to reduce carbon dioxide emissions, improve recycling, and cut waste. One solution to this issue is Kaneka Biopolymer AONILEX, which offers both biomass and biodegradable features.

Kazuhiko Yamada, general manager of the Green Productivity (GP) Business Development Division, says that, "Before plastics, all materials were natural, like wood, paper, and leather. Kaneka Biopolymer AONILEX is as recyclable as those traditional materials. The name is derived from "Aoni," for moss green, which is a traditional Japanese color. The name also implies the notions of learning from traditional materials and reflecting on modern civilization."



Kazuhiko Yamada
General Manager
GP Business Development Division

Microorganisms Discovered in Soil at Bio Factory

So how did Kaneka Biopolymer AONILEX come about?

Mr. Yamada says that, "To produce plastics from vegetable fats and oils, you need specific microorganisms, which we discovered at the Takasago Plant. I've studied various soils in the bio field, and it was somewhat fateful that the microorganisms we wanted were right there in our facility the entire time."

Even so, it took another 20 years to create a viable plastic.

Keiji Matsumoto, director of the Future Technology Group in the GP Business Development Division, says that, "We needed 20 years to increase the productivity of the microorganisms. The ones we discovered were ideal for creating soft plastics for diverse applications, but we had to enhance production efficiency to drive costs down. It was hard to popularize new materials based solely on environmental advantages. For example, the material had to be available even for plastic parts factories in small towns. If this was not possible, we couldn't meaningfully help lower environmental impact throughout society."



Keiji Matsumoto
Director
Future Technology Group
GP Business Development Division

Special Feature 2
Kaneka and the Environment

Kaneka's Proposals for Social Sustainability Include the Use of Naturally Derived Plastics that Ultimately Return to Nature

Doing More for the Environment by Enhancing Performance and Increasing Usage Locations

Although Kaneka Biopolymer AONILEX has a lot of potential, we still need to address certain issues before we can commercialize it.

Yasuhiro Miki, manager of the Strategic Planning & Administration Group in the GP Business Development Division, says that, "Research into nonfossil-based plastics has only just begun. Currently we use vegetable fats and oils as raw materials, but we need to shift to alternatives that do not affect the food supply chain from the perspective of global sustainability. We also need to improve biodegradability precision. It is true that plastics made from plants are more biodegradable than those made from petrochemicals because of the corrosive action of the microorganisms. However, we need to address specific customer needs, as the decomposition times required for agricultural multi-film and food containers differ."

Kaneka Biopolymer AONILEX is attracting more attention in Europe than in Japan due to greater interest in biodegradable plastics. Noriyuki Suzuki, manager of the Processing Technology Group in the GP Business Development Project, says that, "This product is more supple and softer than other biomass plastics, so the Europeans are recommending its use in supermarket bags. Also, it is common in Europe to make compost by burying raw garbage. The raw waste is placed in biodegradable plastic bags so the bags need to decompose at the same rate as the waste. We can modify blending ratios to adjust the speed of decomposition, which has also contributed to interest in Kaneka Biopolymer AONILEX. In fact, we've had inquiries from totally unexpected markets."

Mr. Yamada says that, "First of all, we will formally launch the product and then pursue performance and usability improvements to ensure more people use it in more places. Kaneka's strength lies in its bio, polymer, and environmental technologies."

New materials not only create new markets, but they can also change society and create better futures.



Yasuhiro Miki
Manager
Strategic Planning &
Administration Group
GP Business Development
Division



Noriyuki Suzuki
Manager
Processing Technology
Group
GP Business Development
Project



Testing the usage of agricultural multi-film. After five months on the ground (left), the film has decomposed sufficiently to allow a farmer to plough it into the soil (right)



"Milano Salone" is an international design event held every year in Italy. Noma experience studio, which is active in Italy and Japan, exhibited a bag incorporating Kaneka Biopolymer AONILEX

Stakeholder Message



Yoshiharu Doi, Prof. Dr.
Director of RIKEN Research Cluster
for Innovation RIKEN

Crystallizing Bio and Plastics Technologies to Create New Markets

Plastics were invented only a century ago. Science created plastics in the course of trying to replicate natural materials like paper and silk. Over time, fossil fuels have replaced coal as the prime raw material. In the 21st century, we are endeavoring to make plastics from plants. The future of humankind will depend heavily on our ability to manage limited natural resources. The biodegradability of plastic will thus be essential. I am confident that Kaneka Biopolymer AONILEX will create new markets.

We began joint research with Kaneka in 1990. I am very grateful to the Company for putting up with us for so long. Kaneka already had bio and plastics technologies, the twin foundations for creating something amazing. I therefore expect Kaneka to come up with a product that can compete with conventional plastics in terms of both cost and quality.

Special Feature 3 Kaneka and its Employees

Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



Kaneka Belgium people

We established a Belgian subsidiary in 1970 as our first overseas production site. We set up subsidiaries in the United States in 1982 and in Asia in 1995. Under the Declaration of Kaneka United, which we announced in 2009 as our vision for the future, we aim to lift overseas revenues to 70% of net sales by 2020. We have therefore created several alliances with European companies in recent years while setting up operations in India, Taiwan, Korea, and China. In April 2012, we established subsidiaries in China and the United States to oversee operations in Asia and the Americas, respectively. In this report, we spotlight the activities of Kaneka Belgium and its employees.

Employee Relations Policy and Vision

Our Basic CSR Policy states that, "We will respect the personalities and individuality of all our employees to support and encourage the development and utilization of their abilities." Our Group companies around the world leverage local talent in contributing to social progress as good corporate citizens.

Special Feature 3
Kaneka and its Employees

Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



Masaaki Kimura
President of Kaneka Belgium



Stany Van Haver
Senior Manager for Production at the High Performance Polymers Division of Kaneka Belgium



Luc Peeters
the R&D Manager for Liquid Polymers in Kaneka Belgium's High Performance Polymers Division



Pierre Van Ravestyn
General Manager of Kaneka Belgium's Eperan Division

Key to Globalization "Speed" and "Cost, Where the Employees with Local Perspectives Play an Important Role

In expanding offshore, we not only cultivate new markets but also contribute to regional economic and cultural progress. Kaneka believes that it is essential to truly localize its subsidiaries to solidify its reputation as a global entity.

We were one of the first Japanese chemical companies to set up European operations when we created Kaneka Belgium in 1970. We made what was then such a massive investment comparable to our capitalization to manufacture and supply Kane Ace, our impact modifier for polyvinyl chloride. That was because we expected the continental mineral water bottle market to expand. Demand later dwindled for Kane Ace as bottle makers switched to other container materials, but the trust we built locally with that product and our technologies positioned us to develop construction materials applications for Kane Ace. Kaneka Belgium began manufacturing Eperan polyolefin foam in 1985 and started producing modified silicone polymer in 1997, thereafter increasing capacity.

In 2011, Kaneka and Kaneka Belgium acquired the acrylic modifier and sol businesses of Evonik Röhm GmbH, a leading German chemical manufacturer. This purchase fostered our ongoing development by giving us access to promising technologies and better access to local markets while enabling us to expand operations and strengthen our competitive advantage in Europe. In January 2012, Kaneka Belgium launched a new business development unit to begin full-fledged efforts to cultivate bioplastic and organic light emitting diode lighting materials businesses in Europe.

Masaaki Kimura, president of Kaneka Belgium, said, "Today's customers are no longer prepared to pay top prices for quality. They want the best products fast and at the lowest possible prices. Our local employees will therefore play greater roles for us in the years ahead."

Like most Japanese entities, Kaneka traditionally dispatched people from its home market to spearhead overseas expansions. Globalization has transformed the playing field, however, and it is becoming increas-



Kaneka Belgium plant buildings

ingly important to identify local needs accurately and match them speedily. For example, upgrading the quality of life is a part of Kaneka's corporate philosophy. Yet, the definition of a good quality of life differs from country to country, and then it is local employees who play an important role for our globalization, with knowledge on their own culture and people.

Mr. Kimura says that, "The employees of Kaneka Belgium are diligent and have a strong sense of responsibility. Since the establishment of this subsidiary, the perspectives of these people have been the engines of our corporate progress. My roles are to create a climate that makes it easier for these employees to step up their activity and to help push ahead with localization. I would like to make Kaneka Belgium even more dynamic by tapping the enthusiasm and energy of these people."

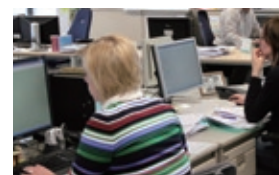
Leveraging Core Japanese Technologies to Comply with Tough European Environmental Regulations

Europe's environmental requirements are the toughest in the world. Kaneka Belgium thus accords a lot of attention to complying with ISO 14001, Registration, Evaluation, Authorisation and Restriction of Chemicals, better known as REACH, and other European Union regulations. Kaneka Belgium's manufacturing units have responded to the carbon dioxide emissions benchmarks of the government of Flanders by improving operating conditions and processes, thereby enhancing energy efficiency by more than 10%.

For example, the High Performance Polymers Division of Kaneka Belgium learned that a new plant in Germany was generating lower amount of production waste, and successfully applied expertise from those processes. Stany Van Haver, senior manager for production at that division, says that, "The new approach has been a win-win-win for us. We've slashed waste, made processes easier for operators, and we've ultimately boosted production efficiency."

Kaneka Belgium is making tremendous progress in developing environmentally friendly offerings. One example is its modified silicone polymer, which is used in construction sealants. Unlike the offerings of other companies, finished product based on this polymer does not contain solvents, thus is valued for reducing the environmental impact and benefiting worker health, such as avoiding painter's disease. In Japan, this polymer is mainly used for sealants for buildings. Kaneka's Japanese researchers worked closely together with counterparts at Kaneka Belgium to position the polymer for adhesive applications, as parquet adhesives, and providing solutions for safe indoor air requirements.

Luc Peeters, the R&D manager for liquid polymers in Kaneka Belgium's High Performance Polymers Division, notes that, "This ap-



Kaneka Belgium office



Jules Van der Auwera
Senior Manager for Safety, Health, Environment, and Quality at Kaneka Belgium



Luc Duts
Manager for Human Resources at Kaneka Belgium



Vanessa De Doncker
of Human Resources at Kaneka Belgium

proach exemplifies our efforts to draw on core technologies from Japan in developing products that match the needs of the European market.”

Our Eperan polyolefin foam is light and easy to mold. Eperan also offers outstanding impact resistance, so numerous automotive components employ this material to enhance safety and reduce weight, contributing to lower carbon dioxide emissions. Eperan is also recyclable, so manufacturers increasingly use returnable containers made of this material to ship mirrors, electronic components, and other delicate parts. Kaneka Belgium is developing Eperan-based materials to function as insulative construction parts in heating, ventilation, and air conditioning systems designed for low till passive energy housings. Says Pierre Van Ravestyn, general manager of Kaneka Belgium’s Eperan Division, “Eperan is a key offering for Kaneka’s strategically important Environmental and Energy field. As markets grow, we want to improve our ability to serve social needs.”

Communicating Effectively to Maintain Employee Safety

As of June, 2012, Kaneka Belgium had experienced no occupational accidents leading to lost work times for eight straight years. This record is particularly impressive in Europe’s highly advanced chemicals industry. Such an attainment attests to the Kaneka Group’s dedication to safety initiatives to serve the interests of its employees and the communities in which it operates. Jules Van der Auwera, senior manager for Safety, Health, Environment, and Quality at Kaneka Belgium, says that the company has been able to maintain safety so consistently because it has engaged in a cycle of ensuring good information and communication to which all employees have relentlessly committed themselves.

The Kaneka Group checks occupational accident reports every day so it can quickly confirm whether other locations or practices are similarly hazardous. The Group then shares this information with employees, who exchange their views on it. Such ongoing interactions in many process aspects have ultimately motivated employees and maintained safety. Unfortunately, there were three occupational accidents but not resulting in work time losses at Kaneka Belgium in fiscal 2011, and we have improved processes to prevent recurrences.

Using Open Door Days to Convey the Importance of Chemicals in Daily Life to the Community

In 2011, Kaneka Belgium held an open door day for its plants as part of a worldwide UNESCO program to commemorate that organization’s International Year of Chemistry, the slogan for which was, “Chemistry: our life, our future.” The plants spotlighted their products and environmental initiatives for more than 500 members of employee families and local residents over two days. Attractions included exhibits of product applications at a glance and small group tours. Luc Duts, manager for Human Resources, says that, “All the participants got an

Special Feature 3
Kaneka and its Employees

Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences

Kaneka Belgium’s Social Contribution Efforts

Kaneka Belgium engages in local events and in charity and student initiatives as part of its social contribution program.

Every year, the company sponsors the Westerlo Folk Festival and a 48-hour festival in Oevel, and also manages a child cancer fund.

In 2004, Kaneka Belgium pledged to donate a photovoltaic power system to Province of Antwerp as part of celebrations of the company’s 30th year of operations. The system was delivered in 2009. The company donated a fountain built in front of Westerlo’s city hall and funded community hall renovations.

The company is supplying Eperan and modified silicone polymer for a project that aims to build eco-friendly race cars. It is also assisting Group T International University College Leuven by providing technical guidance on modified silicone polymer.

Reflecting its very solid ties with Belgium, Kaneka Belgium has been honored to receive the *Commandeur de l’Ordre de la Couronne* (Order of the Crown) award several times from the King of Belgium. This is the nation’s highest civilian award for distinguished service.



Kaneka Belgium is assisting on a race car project Group T



Kaneka Belgium donated photovoltaic systems to the Province of Antwerp in 2009

excellent feel of how chemical products are so important in daily life.” Vanessa De Doncker, also of Human Resources, says that, “It was great that everyone learned just how much we factor the environment into everything we do.”

Many participants said that the open days deepened their understanding of Kaneka Belgium and added they would like more such events in the years ahead. Such interest reflected well on the enthusiasm of Kaneka Belgium employees for their work and their commitment to local communities.



More than 500 local residents and employee family members took part in Kaneka Belgium’s open day

Special Feature 3
Kaneka and its Employees

Globalizing Our Operations and Contributing to Social Progress by Building Solid Presences



• Consolidated Subsidiaries

Kaneka Malaysia



Kaneka Malaysia signed the GEMA crisis management accord with local

Kaneka North America LLC



Opening ceremony in April 2012 to commemorate the merger of Kaneka Texas Corporation and Kaneka Nutrients L.P.

Deepening Ties Beyond National Boundaries

On April 1, 2012, Kaneka Texas Corporation and Kaneka Nutrients L.P. merged to form Kaneka North America LLC. The new entity was the fruit of an initiative that local employees started in November 2009. Called Project Kizuna (English for “ties”), this effort sought to integrate common operations while creating a greater sense of solidarity among employees. On April 20, all Kaneka North America employees accordingly took part in an opening ceremony that Kaneka’s president attended.

Kaneka Innovative Fibers Sdn. Bhd. of Malaysia started operations at its synthetic fiber plant around eight months after that subsidiary’s establishment in 2010. The facility was swift to reach its near-term goals of stabilizing production and securing ISO quality certification. The key drivers for these achievements were the strong relationships between employees, regardless of their nationalities. These people are collaborating intensively on plans to upgrade facilities that employ a new spinning technology that draws on successes to date. The employees of this facility will keep harnessing their solidarity to meet new challenges.

The globalization process that we began in Europe four decades ago has continued to progress. Since 2010, we have allocated more than half of Group investments to overseas initiatives to upgrade plant facilities and form new alliances. While making progress in those regards, Kaneka is also positioning itself to tackle the challenges of doing business regionally. In 2012, the company therefore established Kaneka Asia Co., Ltd., and Kaneka Americas Holding, Inc., as regional hubs to accelerate global business development.

In globalizing its business, Kaneka will accord even more attention in the years ahead to cultivating local leaders and employees who understand top management’s commitment to delivering outstanding products and services while remaining an excellent corporate citizen.

Stakeholder Message



Filip Verrezen
Oevel District Representative

Guy Van Hirtum
Mayor of Westerlo

Contributing to Local Employment and the Community

Kaneka Belgium has benefited Westerlo tremendously, not least as a major local job creator since its establishment in 1970. The company has sponsored numerous events and engaged in charitable initiatives. One particularly memorable contribution was the incredibly popular Sky Watch attraction that the company sponsored at a 48-hour festival in Oevel in 2011.

We greatly appreciate these and the other ways in which Kaneka Belgium has cared for Westerlo, notably by donating a photovoltaic power system to the Westerlo Safety Center and arranging for past presidents to visit City Hall. We look forward to solidifying our relationship with the company.

Europe is experiencing very tough economic times, but we are confident that it will grow and progress in the years ahead, with Westerlo doing its best to assist that process.

The Kaneka Group's Approach to CSR

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

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.

Stakeholders Structure

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

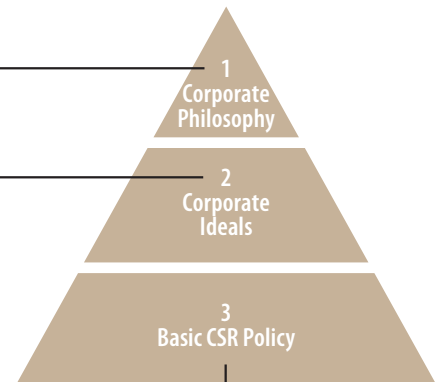
They recognize the value of our corporate brand and own our shares. We offer appropriate returns and disclose timely information so we can increase overall trust in the Group.

Management Philosophy Structure “Declaration of Kaneka United”

With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrading the quality of life.

Toward an Even More Impressive and Productive Future
Hold in your hands the future you have always dreamed of. We are a highly perceptive and collaborative value-creating group or, as we like to say, a “Dreamology Company.” (See note)“

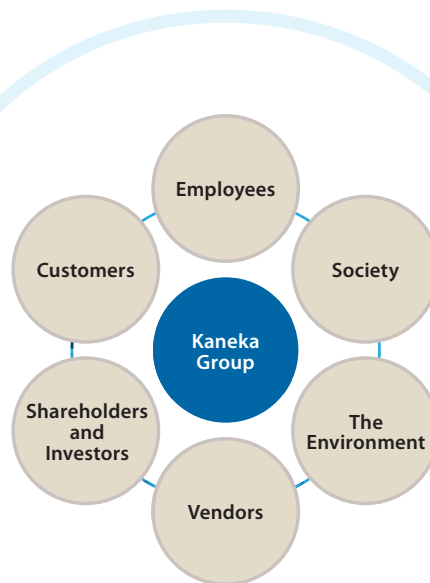
Note: “Dreamology” is an expression coined from ‘dream’ and ‘ology’ (science). Our “Dreamology Company” is a “highly perceptive and collaborative value-creating group.”



Basic CSR Policy

The Kaneka Group will fulfill our corporate social responsibility through the materialization of our corporate philosophy with the earnest and forward-looking efforts of each employee.

1. We will strive to fully understand the cultural backgrounds, manners and customs of the countries and regions where we do business as a means of actively contributing to local societies and communities.
2. We will abide by all relevant laws and regulations and, in undertaking our business activities, conduct ourselves in a fair manner based on free competition.
3. We will place high priority on communicating with all our stockholders and stakeholders, and will disclose all pertinent information.
4. We will respect the personalities and individuality of all our employees to support and encourage the development and utilization of their abilities.
5. We will uphold safety as the top-priority concern of management as we dedicate our best efforts to securing a sound and safe workplace environment, offering safe products, and working to protect the global environment.



Society

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

The Environment

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

Vendors

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

Corporate Governance and Compliance

Our corporate governance stance aims to boost enterprise value based on a corporate philosophy that draws on people and technology growing together into creative fusion so we can break fresh ground for the future and tie in to explore New Values.

Corporate Governance Structure

We maintain a Board of Directors and a Board of Auditors. Following deliberations on important operational matters for the Group via the Management Conference, of which the president is a member, the Board of Directors makes resolutions on implementation.

Led by the chairman, the Board of Directors meets at least once a month to discuss and determine implementation for important matters relating to compliance with laws, regulations, and corporate statutes. Also at these gatherings, directors report on their progress in fulfilling their duties, the goal being to ensure that their actions are legal and appropriate. 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.

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,

the Management Conference, which decides on implementation regarding important matters, and divisional managers, to ensure that implementation is progressing properly.

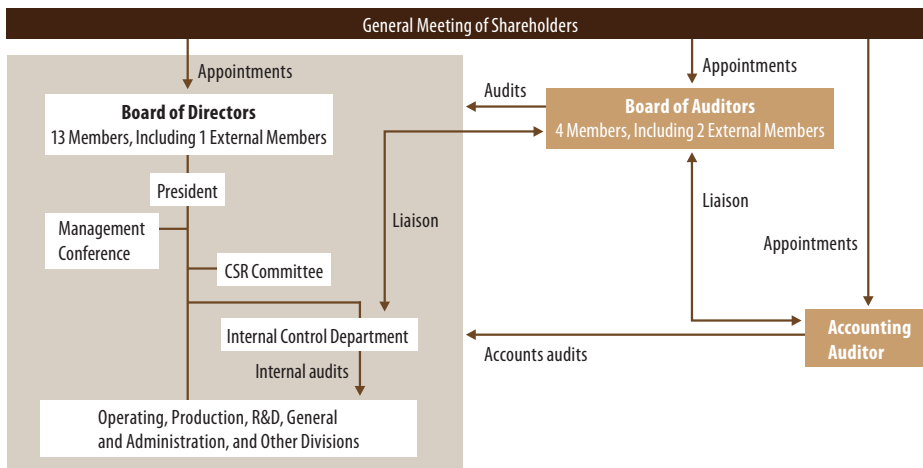
We segregate the implementation and overseeing of operations to strengthen these roles and ensure that we can respond swiftly and flexibly to changes in the business climate. Executive officers appointed by the Board of Directors and division managers have extensive authority over daily operations. Directors 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, which the president directly oversees, independently monitors the operations of each division.

We established the CSR Committee, which the president chairs, to ensure that we adhere to laws and ordinances, fulfill our explanatory obligations to stakeholders, and engage in activities that contribute to sustainable social progress.

We also 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.

Corporate Governance Structure



Corporate Governance and Compliance

Compliance

We have made compliance a top management priority for all Group directors and employees, and undertake the following efforts.

One step in that direction was to put a guide book on our intranet that explains our Ethical Code of Conduct, laws and ordinances, and regulations, which all Group executives employees must also adhere to. We additionally ensure understanding of compliance by conducting training and meetings within the Group and through the activities of compliance committees at Group companies.

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.

We maintain internal compliance consultation desks and also offer consulting through external law firms to answer questions and to swiftly address and resolve issues. In 2011, we set up compliance consultation desk for Chinese Group company employees.



The Compliance Guidebook that employees can access on our intranet



Compliance training

Structure for Ensuring that Directors and Employees Comply with Laws, Regulations, and Corporate Statutes when Conducting Business

- (1) We established the CSR Committee, which the president chairs, to reinforce corporate social responsibility initiatives. The committee will reorganize our Responsible Care activities structure and coordinate our compliance and other CSR endeavors.
- (2) The corporate ethics and legal compliance responsibilities of the Compliance Subcommittee, which falls under the CSR Committee, include overseeing and tracking companywide plans, verifying compliance, and setting up and running consulting and reporting contact desks.
- (3) Administrative departments (see note 1 below) prepare compliance-based rules, develop and implement training programs, plan and promote self-assessments and other activities, and audit compliance.
- (4) Several other organizations formulate plans to address companywide challenges. They are the Plant Management Committee and the CSR Committee's Earth Environment Subcommittee, the Central Subcommittee on Environment, Safety & Human Health, and the Product Safety Subcommittee.
- (5) We never associate with criminals. We resolutely reject any illegal or improper demands, with internal sections coordinating our actions. We accordingly reinforce in-house systems, regularly gather and manage information, and coordinate with the police and other relevant external agencies and organizations.
- (6) We ensure the reliability of our financial reports by maintaining and enhancing internal controls, and by having the Internal Control Department monitor the relevant processes.

Note 1: Administrative departments supervise specific parent and Group business functions, and include the Personnel, General Affairs, Finance and Accounting Departments, Corporate Technology Administration Department, and Responsible Care Department.



CSR Implementation

We established the CSR Committee, which the president chairs. This body liaises with the Safety & Human Health Subcommittee, the Earth Environment Subcommittee, Product Safety Subcommittee, and Compliance Subcommittee.

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.

In March 2011, the Administration Office CSR Committee functioned as our Great East Japan Earthquake Headquarters Secretariat to formulate emergency measures and assist quake-affected areas.

CSR Inspections



Members of the CSR Inspection Committee inspect our four parent plants every year and all domestic and overseas Group companies every two years to confirm compliance practices and improve occupational safety and health. Inspections in fiscal 2011 focused on ensuring that top management instructions and information reached intended targets, reinforcing risk assessments and risk management, and checking adherence to the 3S's, and daily compliance management. The inspections covered the four parent plants, 14 sites of 11 domestic Group companies, and three sites of three overseas Group companies. The committee will continue to inspect facilities to help enhance safety and quality standards.

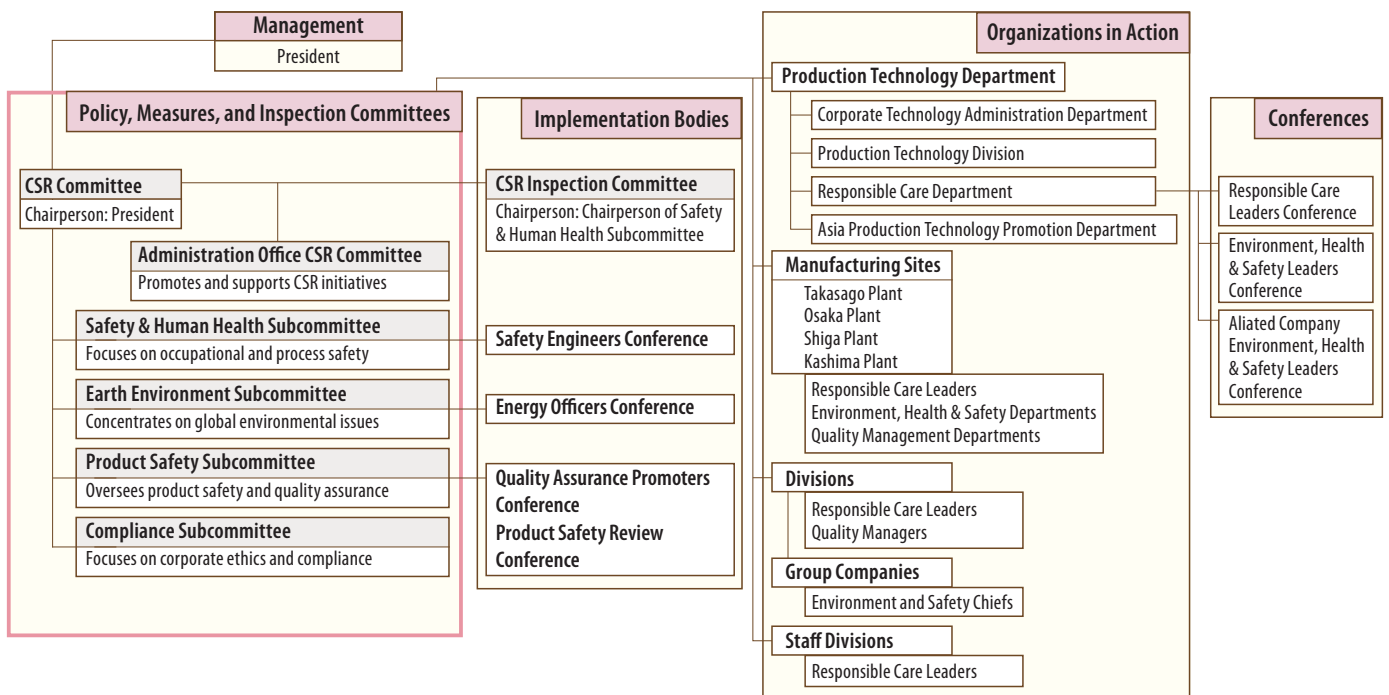
CSR Education



In fiscal 2010, we continued to train people in different professional areas based on our CSR handbook. In fiscal 2011, we held two courses for new employees and one course each for executives, middle and lower managers, and mid-career recruits.

We explain our CSR activities at gatherings of Kaneka Group company presidents and in training for employees three years after they join. New initiatives have included holding CSR seminars for all employees at the four parent plants since fiscal 2011. By ensuring that each employee remains aware of CSR initiatives in the course of business, we aim to contribute to communities and otherwise fulfill our corporate social responsibilities.

CSR Structure



Responsible Care and Management



We created basic policies for Responsible Care and safety.

We use a Plan-Do-Check-Act (PDCA) cycle in our Responsible Care efforts.

Group Management



Kaneka shares and acts on Responsible Care (see note 1) concepts and strategies with Group companies.

In fiscal 2010, we upgraded safety inspections conducted since fiscal 2005 into what we now term CSR inspections. They encompass environmental protection, occupational safety, product safety aspects of quality assurance, and compliance at all Group companies.

Our Environmental Safety and Health Management Rules, Quality Assurance Rules, and Product Safety Management Rules detail Group company obligations and encourage employee vigilance 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 1 : 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 (the council was completely integrated within the Japan Chemical Industry Association in 2012).

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.

Basic Policies for Responsible Care

- 1 Protect the natural ecosystem and reduce environmental impact**
 Focusing on the impact of corporate activities on the global environment and the ecosystem, we endeavor to reduce environmental impact and promote resource conservation and energy saving throughout the lifecycle of products.
- 2 Offer safe products and information**
 We endeavor to offer products that are safe to distribute and use, and to provide adequate information on the products such as instructions on how to use and handle products correctly.
- 3 Develop products and technologies in consideration of the environment and safety**
 Upon the development of new products, we give consideration to the environment and safety throughout the lifecycle of the products to the greatest extent possible, and endeavor to develop products and technologies with low environmental impact.
- 4 Reduce waste and promote the recycling of plastics**
 We reduce waste associated with manufacturing and its processes. We actively develop technologies for the adequate disposal or recycling of plastic waste concerning our products in cooperation with relevant industries, and endeavor to dispose of and recycle waste in a proper manner.
- 5 Enhance process safety, disaster-prevention, and occupational safety and health**
 Safety and disaster prevention constitute the foundations of the local community's trust, and occupational health and safety are issues that need to be fulfilled by chemical companies. We persistently strive to make improvements in these areas.
- 6 Win public confidence**
 From the management to every employee, all our members shall act in compliance with laws, regulations, standards, etc. relating to environment and safety both at home and abroad. Our approach to Responsible Care as such shall be publicized accurately to the public, in hope of rightfully gaining public recognition and confidence.

Responsible Care and Management



Responsible Care Organization



We began undertaking Responsible Care initiatives in 1995.

In September 2008, we declared our support for the Responsible Care Global Charter announced that we would undertake Responsible Care initiatives worldwide.

We act in keeping with a basic Responsible Care organization that covers the following six areas: environmental protection, process safety and disaster prevention, occupational safety and health, chemical and product safety, distribution safety, and communication with society.

Kaneka's president chairs the CSR Committee, which directly oversees four sub-committees. These bodies deliberate and determine Group policies and measures, and examine related activities.

The Production Technology Division's Responsible Care Department, the Corporate Technology Administration Department, and the Production Technology Division disseminate activity conference-based policies and measures throughout the Group. The Responsible Care Leaders Conference acts companywide. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference share information and discuss issues.

The Affiliated Company Environment, Health & Safety Leaders Conference shares Group company policies and goals and undertakes groupwide Responsible Care efforts.

Audits and Inspections



Kaneka undertakes ongoing internal audits covering Responsible Care, environmental safety, ISO 14001 and 9001, occupational safety and health management systems, and CSR inspections. Members of the CSR Inspection Committee assess progress and compliance in areas such as environmental safety and quality assurance.

In fiscal 2011, inspections covered the four parent plants and 17 plants of 14 domestic and overseas subsidiaries. The inspections covered whether top management instructions or information reached intended targets, reinforcing risk assessments and risk management, checking adherence to the 3S's, and daily compliance management. Top management began its own inspections of these manufacturing sites in January 2010.

Responsible Care Education



Kaneka regularly educates all employees about Responsible Care by holding courses that are specific to each employee's workplace, rank, and position. A good example is our environmental management training programs for employees in their third year or for new executives. Participants draw on educational materials in relation to our initiatives in areas such as environmental protection, process safety and disaster prevention, occupational safety and health, and chemical and product safety, and apply this knowledge. We also provide Responsible Care education through the Affiliated Company Environment, Health & Safety Leaders Conference and the Affiliated Company Manufacturing Leaders Conference.

Report Coverage

(Scope of Responsible Care Activities Data as of March 31, 2012)

This report covers Kaneka and 38 Group manufacturing companies.

KANEKA

Takasago Plant
Osaka Plant
Shiga Plant
Kashima Plant

KANEKA Group (Domestic) (27)

Hokkaido Kaneka Co., Ltd.
Sanwa Kaseikogyo Co., Ltd.
Hokkaido Kanep pearl Co., Ltd.
Kyushu Kanelite Co., Ltd.
Tatsuta Chemical Co., Ltd.
Showa Kaseikogyo Co., Ltd.
Monbetsu Kasei Co., Ltd.
Shibetsu Kasei Co., Ltd.
Koto Co., Ltd.
Tsukasa Co., Ltd.
Miyagi Jushi Co., Ltd.
Kanto Styrene Co., Ltd.
Kitaura Jushi Kogyo Co., Ltd.
Cosmo Kasei Co., Ltd.
Toyo Styrol Co., Ltd.
Hanepack Co., Ltd.
Kochi Styrol Co., Ltd.
Kaneka Food Co., Ltd.
Tokyo Kaneka Food Co., Ltd.
Kaneka Sun Spice Co., Ltd.
Taiyo Yushi Co., Ltd.
Nagashima Shokuhin Co., Ltd.
Kaneka Medix Corporation
Osaka Synthetic Chemical Laboratories, Inc.
Kaneka Solartech Co., Ltd.
Tochigi Kaneka Corporation
Sanvic Inc.

KANEKA Group (Overseas) (11)


















Kaneka Belgium N.V.
Kaneka Texas Corp.
Kaneka Nutrients L.P.
Kaneka (Malaysia) Sdn. Bhd.
Kaneka Eperan Sdn. Bhd.
Kaneka Paste Polymers Sdn. Bhd.
Kaneka Innovative Fibers Sdn.Bhd.
Kaneka Singapore Co. (Pte) Ltd.
Kaneka Eperan (Suzhou) Co.,Ltd.
HiHua Fiber Co.,Ltd.
Kaneka Pharma Vietnam Co.,Ltd.

Responsible Care Activities

Our Responsible Care activity targets and results for fiscal 2011 and our targets for fiscal 2012 are as follows.

Key Targets, Results, and Evaluations of Our Responsible Care Initiatives (1)

 Significantly outperformed
  Achieved/nearly achieved
 Underperformed
  Significantly underperformed

Item		Fiscal 2011	Fiscal 2011 Results	Evaluations
Environmental Protection	Reduction of Chemical Discharges	Lower the VOC emissions target to 2,000 metric tons (63% less than the fiscal 2000 baseline).	At 2,263 metric tons, we failed to meet our target for the year of 2,000 metric tons.	
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Set zero emissions targets for domestic Group companies (for representing a final landfill disposal rate of below 0.5%).	The final landfill rate for the four parent plants was 0.008%, for the sixth straight year of zero emissions. At 6.3%, the rate for domestic Group companies was not much below the 6.5% of a year earlier, reflecting the impact of the Great East Japan Earthquake.	
		Continue to comply with laws and regulations. Expand the use of electronic manifests. Streamline site inspections of waste disposal companies.	We checked compliance among waste contractors. We increased the usage rate for electronic manifests (to 80% at our Takasago Plant and 95% at our Osaka Plant).	
	Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce carbon dioxide emissions intensity for fiscal 2008 through 2011 by 20 from the fiscal 1990 level.	We lowered our energy intensity (see note 1 below) 0.3% from a year earlier, while the five-year average (see note 2 below) rose 0.1%. Both results were less than targeted. We reached our carbon dioxide emissions intensity target for fiscal 2008 through 2011, at 25.8% below the fiscal 1990 level.	
		Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures (see note 1 below).	We cut our energy intensity by 10% from a year earlier, resulting in an average 3.8% annual reduction over six year since fiscal 2006.	
Process Safety and Disaster Prevention		Implement measures to reduce key risks (explosions, fire, and other major disasters) and increase accident responsiveness.	Despite ongoing plant safety initiatives, we failed to reduce the number of incidents. There were nine process accidents resulting in fire or smoke emissions. We need to address and overcome facilities and operating structure factors.	
Occupational Safety and Health	Occupational Safety	Step up support to Group companies and check and follow up on safety levels through CSR inspections.	CSR inspections confirmed that site safety initiatives involving all personnel had taken root and that these efforts had helped reduce the number of accidents.	
	Management Systems	Train internal inspectors to ensure ongoing risk assessment of major hazards and to properly monitor systems.	Through CSR inspections and internal safety audits, we are spiraling up risk assessment reviews and activities. We have cultivated more than 30 officers at our four parent plants to bolster our internal inspection monitoring.	
	Occupational Health	Deploy measures to maintain mental health and combat lifestyle diseases and implement measures to prevent the spread of infectious diseases.	Caring for people with mental health problems: We conducted training 14 times for an aggregate 238 people. Combating lifestyle diseases: We issued specific guidance to 77 people. Measures to prevent the spread of infectious diseases: We notified a health center of one incident of suspected food poisoning that involved three people with symptoms and six without, preventing secondary infections by ordering those with symptoms to take time off work and requesting those without symptoms to do the same.	
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.	The Osaka plant revised contact details on Yellow Cards to reflect organizational changes. We coordinated with transportation companies to check the Yellow Cards of drivers. We conducted legal compliance surveys and voluntary inspections for mobile tanks.	
		Continue holding emergency response drills for transportation.	We collaborated with transportation companies in implementing emergency response drills at the Kashima plant and in conducting transportation emergency drills and engaging in KYT (a Japanese acronym for Kiken, or danger, Yochi, or prediction, and Training) initiatives at the Takasago plant.	
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 launched a quality risk assessment working group and shared risk management issues and formulated guidelines.	
	Chemical Substance Management	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.	We issued import volume manufacturing notices on time in keeping with the Chemical Substances Control Law. We collected and shared timely information on changes in domestic and overseas laws. We also produced a basic procurement policy.	
	Product Safety	Prepare inspection rules and information-gathering frameworks, choose new advisor candidates, and broaden the scope of inspections while reinforcing product safety inspections.	We revised Product Safety in section standards in line with circumstances and contracted with a new adviser in line with our business expansion in the medical field.	
Communication with Society		Publish a CSR report and post it on our website. Engage in dialogue with stakeholders.	We published a CSR report presenting results based on our basic CSR policy (and posted it on our website). We conducted dialogues with stakeholders.	
		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.	
Management Inspections and Audits		Implement management inspections and audits. These activities covered our four parent plants, 14 plants of 11 domestic Group companies, and three plants of three overseas Group companies.	We implemented management inspections and audits. Covered our four parent plants, 14 plants of 11 domestic Group companies, and three plants of three overseas Group companies.	

Note 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.

Note 2: The five-year average is the average for fiscal 2007 through 2011.

Responsible Care Activities

Key Targets, Results, and Evaluations of Our Responsible Care Initiatives (2)

Item		Fiscal 2012	Long-Term
Environmental Protection	Reduction of Chemical Discharges	Lower the VOC emissions target to 1,900 metric tons (65% less than the fiscal 2000 baseline).	Continue to cut VOC emissions in line with domestic trends.
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Joint with domestic Kaneka Group companies to achieve zero emissions.	Keep the final landfill rate to below 0.2% for all parent plants. Domestic Group companies to achieve zero emissions.
		We will confirm compliance among waste disposal companies. We are employing electronic manifests at the Shiga and Kashima plants, and will start having all plants use them.	We will continue to confirm compliance among waste disposal companies. We will have all business sites employ electronic manifests.
	Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce carbon dioxide emissions intensity for fiscal 2008 through 2012 by 20 from the fiscal 1990 level.	Reduce energy intensity by at least 1% annually (see note 1 below). 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 at least 1% annually by planning and promoting energy efficiency measures (see note 1 below).		Reduce the energy intensity for logistics by around 1% annually by coordinating with the relevant departments to plan and promote efficiency measures (see note 1 below).	
Process Safety and Disaster Prevention		Improve safety technologies and safety management standards and minimize process risks to eliminate accidents and disasters.	Reduce risks, primarily through risk assessments, undertaking ongoing efforts to minimize risks.
Occupational Safety and Health	Occupational Safety	Foster a safety awareness in every corner of the organization, reinforcing measures in light of human behavior to increase site safety.	Continue to reinforce the safety activities of Group companies.
	Management Systems	Reflect top management thinking in safety activities, engaging in initiatives to boost safety levels.	Continue to improve occupational health and safety based on occupational safety and health management systems.
	Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	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.	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.	Continue holding emergency response drills for transportation.
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Formulate quality risk management guidelines, leveraging them to drive risk management for the Kaneka Group and establish and reinforce the foundations of examination and assurance systems that accommodate an expanding business scope.	Position product safety and quality assurance risks as the key focus of management.
	Chemical Substance Management	Respond properly to domestic legal revisions relating to the Globally Harmonized System of Classification and Labeling of Chemicals and gather and share information on revised laws, especially in Asia and the United States.	Identify trends in regulatory revisions in Japan and abroad and improve chemical substances management.
	Product Safety	Revise product safety management rules and choose new advisors from candidates, strengthening information gathering and the scope of examinations to reinforce product safety management assessments.	Enhance advisor capabilities in line with the Group's expanding business scope and bolster product safety inspections.
Communication with Society		Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	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.	Continue to issue site reports for all Kaneka plants.
Management Inspections and Audits		Implement management inspections and audits. These activities cover our four parent plants, 23 plants of 20 domestic Group companies, and six plants of six overseas Group companies.	Continue to implement management inspections and audits.

Note 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.

Highlight

Preventing Global Warming

Helping Cut Carbon Dioxide Emissions throughout Product Lifecycles

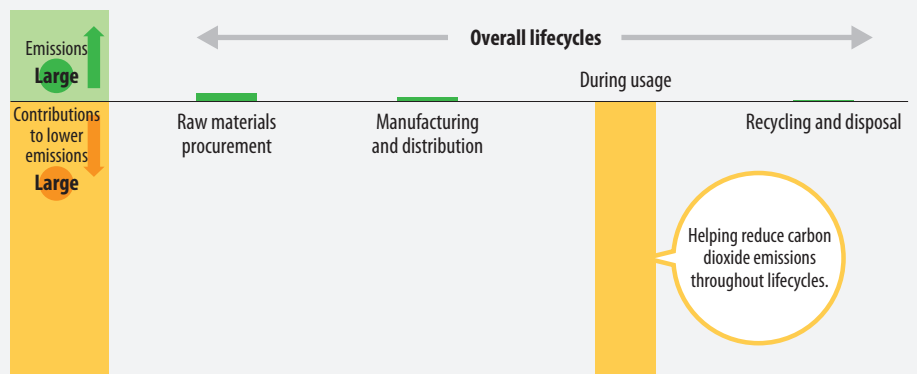
Assessments Using Carbon Lifecycle Analysis Methodologies

These analyses total carbon dioxide emissions from raw materials procurement through manufacture, distribution, usage, and disposal, and evaluate emission volumes throughout lifecycles. A schematic diagram shows evaluation results for potential emissions reductions from our key construction insulation materials and solar panels (see notes 1 and 2), underscoring their tremendous contributions to lowering global warming. We clearly show the emissions reductions impacts of our products, including those we develop, to further contribute to decreasing global warming.

Note 1: Results of evaluating construction insulation materials: These materials make it possible to lower electricity consumption from air conditioners and other appliances.

Note 2: Results of evaluating solar panels: Using these panels can lower electricity purchases from power companies.

Schematic Diagram of Evaluation Results of Construction Insulation Materials and Solar Panels (see note 3)



Note 3: Kaneka data



Using Kanelite Foam as insulation helps cut electricity consumption from air conditioning.



Form Plastics Section is making concerted efforts to serve a diverse range of customer needs by producing Kanelite Foam and other offerings.

Employee Feedback Contributing to CFC-Free Insulation to Benefit Society and the Planet

Toshihiro Shirokawa
Form Plastics Section
Osaka Plant



Kanelite Foam insulation is an expandable polystyrene material that enhances the thermal efficiency of resources and contributes to comfortable living. This product does not use any chlorofluorocarbons or substances subject to the Pollutant Release and Transfer Register Law. Form Plastics Section, which makes Kanelite Foam, caters for diverse customer needs by manufacturing an extensive range of product grades while engaging in initiatives to lower losses and conserve energy, in order to help reduce daily carbon dioxide emissions from manufacturing processes.



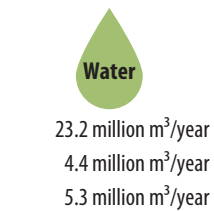
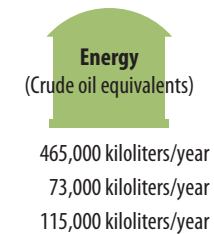
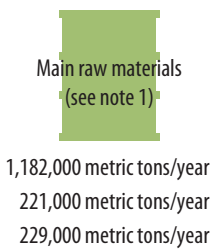
Materials Balance in Production Activities

Below is a summary of the Kaneka Group's energy and resource inputs and outputs and products from its manufacturing activities.



INPUT

Energy and Resources



Domestic Group Companies
27

Overseas Group Companies
11

Legend (from top)

Kaneka
Domestic Group companies
Overseas Group companies

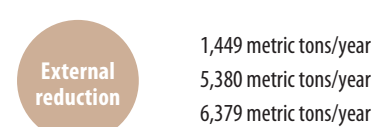
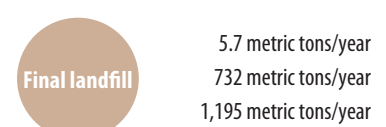
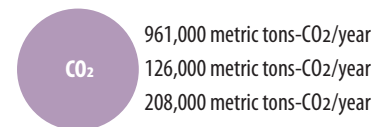
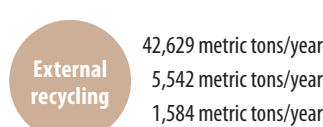
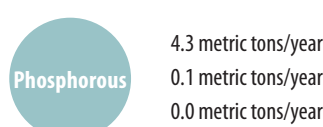
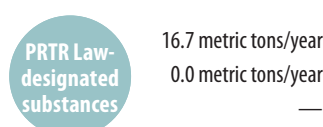
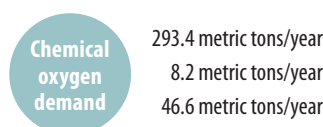
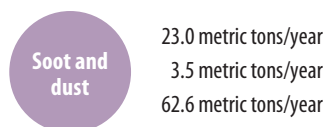
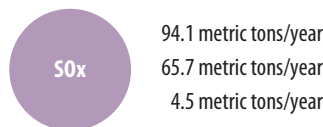
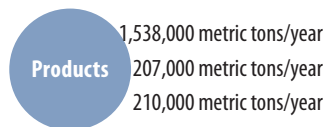
Note 1: Includes only raw materials that can be calculated in or converted to metric tons.

Note 2: Includes only those products that can be calculated in or converted to metric tons.

OUTPUT

Discharges, Recycling, and Products

- Products (see note 2)
- Into water systems
- Into the atmosphere
- As waste



Environmental Accounting



We calculate the costs (investments and expenditure) and impacts (quantitative and financial) of environmental measures for parent and domestic Group companies on a consolidated basis.

Results of Environmental Accounting for Fiscal 2011



Nonconsolidated research and development costs increased around ¥1.24 billion, while pollution prevention and resource recirculation costs rose a combined ¥160 million. Net environmental conservation costs were thus up ¥1.55 billion.

Net benefits from conservation rose about ¥40 million, reflecting an increase of around ¥320 million from lower expenditure on disposal costs owing to recycling and a decrease of about ¥440 million in expenditure through energy conservation.

We base these calculations on the Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment of Japan and on other reference materials (partly modifying them to reflect our environmental accounting policies).

Environmental Accounting Costs (see note 1)

Millions of yen

Cost Classifications	Main Efforts	Fiscal 2011	
		Investments	Expenditure
Business Area		656	5,388
Pollution Prevention	Air and water pollution prevention		3,352
Environmental Conservation	Global warming prevention and energy saving		–
Resource Circulation	Waste processing, recycling, and reduction		2,036
Upstream and Downstream	Product recycling, collection, and processing	0	382
Management Activities	Environmental education for employees and environmental impact monitoring and measurement	0	431
Research and Development	Research and development of products contributing to environmental conservation	–	5,001
Social Activities	Greening, beautification, and disclosure of environmental information	0	72
Environmental Damage	Payment of sulfur oxide emission charges	0	14
Total		656	11,288

Note 1: The totals figures for fiscal 2009 cover Kaneka and 25 domestic Group companies. Fiscal 2010 totals cover Kaneka and 26 domestic Group companies but do not include R&D and conservation costs.

Quantitative Impact of Environmental Conservation Efforts (see note 2)

Category	Initiatives	Items	Units	Fiscal 2011
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Metric tons	94.1
		NOx emissions	Metric tons	707.3
		Chemical oxygen demand	Metric tons	293.4
		PRTR Law-designated chemical emissions	Metric tons	81.0
Environment	Lower greenhouse gas emissions	CO ₂ emissions	Thousands of metric tons	96.1
	Use less energy	Crude oil equivalents	Thousands of kiloliters	46.5
Resource Recycling	Reduce final landfill	Final landfill	Metric tons	6
	Increase external recycling	Amounts recycled	Metric tons	42,629

Note 2: Totals for Kaneka only.

Economic Impacts of Environmental Measures

Millions of yen

Measures	Fiscal 2011
Revenue from Recycling	211
Cost Reductions by Resource Conservation and Energy Index Units	504
Waste Disposal Cost Reductions by Recycling	391
Cost Reductions by Energy Conservation	90
Total	1,196

Environmental Accounting

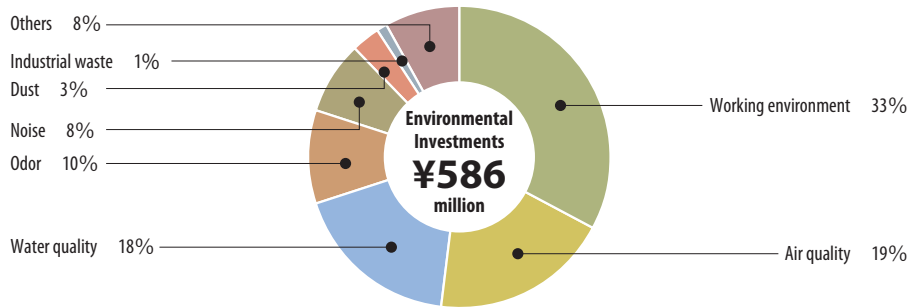
K KANEKA
 D DOMESTICS
 O OVERSEAS

Environmental Investments

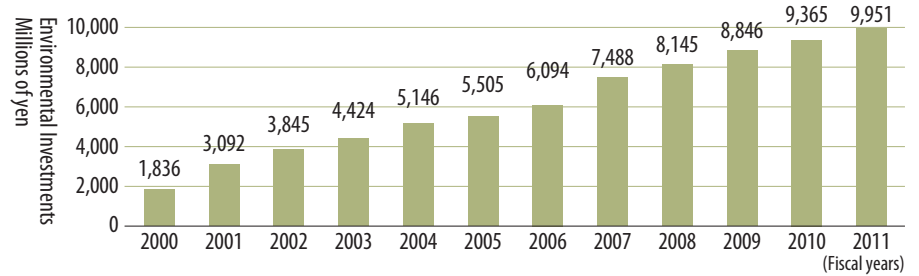
K D O

We invest in the environment on an ongoing basis. In fiscal 2011, working environment initiatives accounted for around 33% of environmental investments, while allocations to reduce carbon dioxide emissions, improve water emissions, and enhance water and air quality each represented around 20% of the total. Environmental investments totaled about ¥9.9 billion in the 12 years since fiscal 2000. Air quality investments represented 46% of the total, followed by allocations for water quality at 22%, and working environments at 13%. We will continue our efforts to maintain and improve the environment.

Environmental Investments in Fiscal 2011



Cumulative Environmental Investments



Measures to Prevent Global Warming



Kaneka is acting to prevent global warming through initiatives to conserve energy and cut carbon dioxide emissions intensities.

We have made steady progress under our energy management rules while implementing our proprietary energy-conserving facilities investment promotion scheme to invest in related facilities.

We employ carbon lifecycle analyses to quantifiably identify and assess carbon dioxide emissions and reductions in all product processes, from raw materials procurement to production, distribution, and usage.

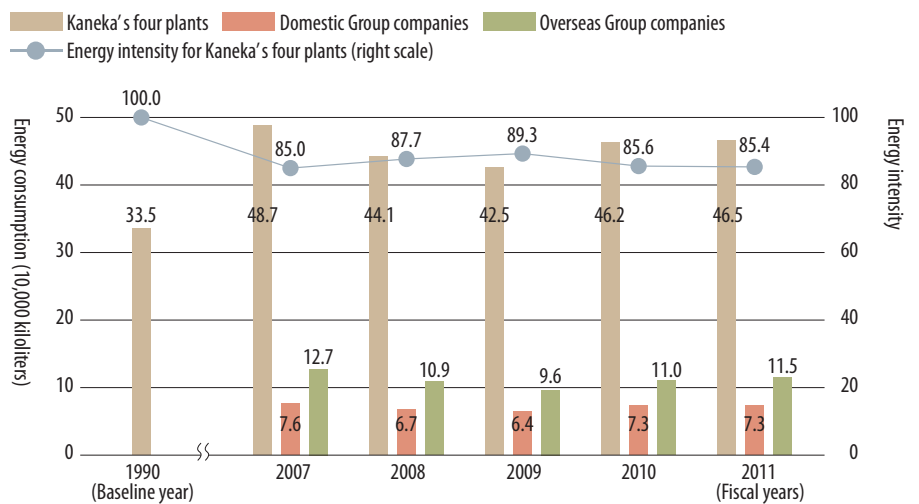
Energy Conservation Efforts



Kaneka strives to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). The energy of our four parent plants in fiscal 2011 was less than planned, at 85.4, down 0.3% from a year earlier. The five-year average was up 0.1%, which was also less than targeted. Energy consumption rose 0.6%, to 465,000 kiloliters.

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 base-line year of fiscal 1990.

Energy Consumption (Crude Oil Equivalents) and Energy Intensity (see note 2)



Note 2: Calculated in line with a voluntary action plan formulated by the Japan Chemical Industry Association. We retrospectively revised the basis for energy intensity calculations.

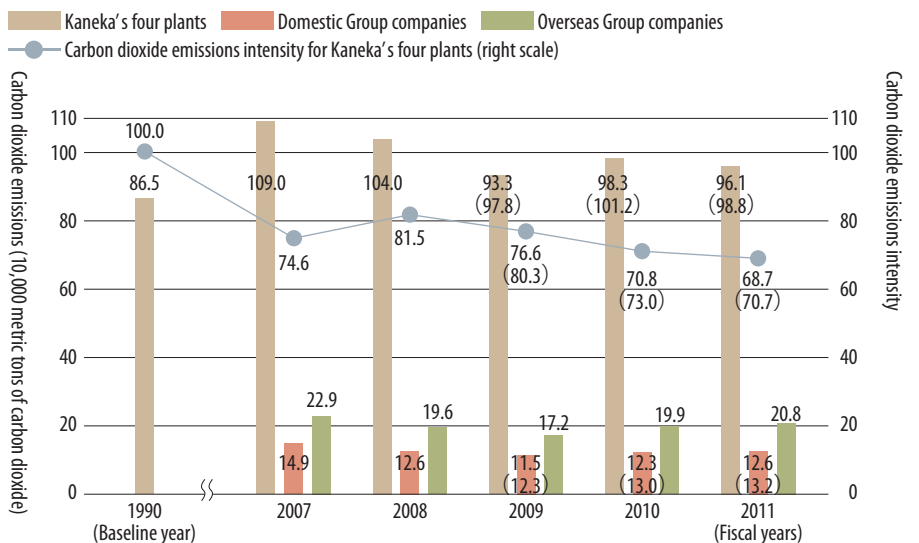
Initiatives to Cut Carbon Dioxide Emissions



In fiscal 2011, our carbon dioxide emissions intensity from the energy consumed during production decreased 3.0%, to 68.7. We emitted 961,000 metric tons of carbon dioxide from these activities, down 2.2% from a year earlier. Although activity volume (see note 3) was up 0.8%, we suppressed increases in carbon dioxide emissions by cutting our carbon dioxide emissions intensity.

Note 3: 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

Investments in Energy-Conserving Facilities



In fiscal 2009, Kaneka furthered its ongoing initiatives to reduce its energy and carbon dioxide emissions intensities by starting to

invest in energy conservation facilities under a government promotional system. We have invested ¥200 million annually each in small and medium-sized initiatives with relatively long-term returns on investment. We have used this system to push ahead with specific initiatives from among energy conservation efforts.

Results of Internal Capital Investment Program to Drive Energy Conservation

	Fiscal 2009	Fiscal 2010	Fiscal 2011
Investments	¥200 million	¥200 million	¥200 million
Number	20	30	30
Carbon Dioxide Reductions	5,093 metric tons of carbon dioxide annually	4,106 metric tons of carbon dioxide annually	2,027 metric tons of carbon dioxide annually

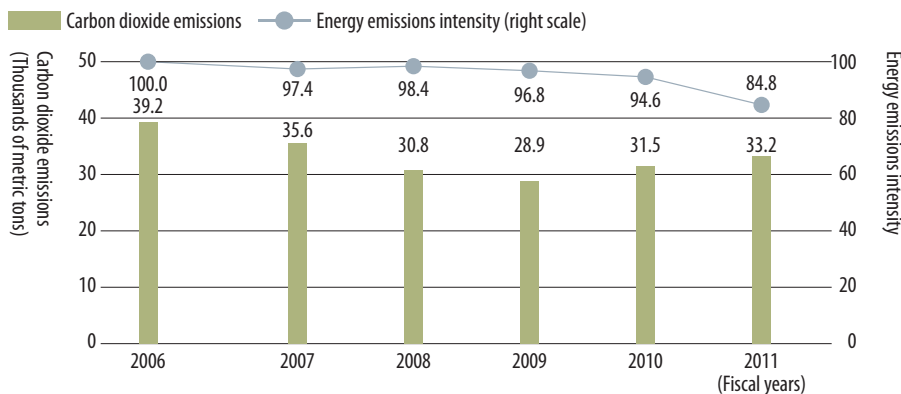
Enhancing Energy Intensities by Increasing Domestic Transportation by Ship



We endeavor each year to cut our energy intensity by 1% annually as mandated under the revised Law Concerning the Rational Use of Energy for specified shippers. We employ modal shifts and increase cargo load ratios as a central part of identifying prospective new reductions at our plants. With col-

laboration from sales units, we have pushed forward with priority reduction efforts, streamlining logistics and lowering environmental impact. In fiscal 2011, we lowered shipment tonnage, increasing the ratio of domestic transportation by sea and extending transportation distances. We thereby slashed energy intensity by 10% from a year earlier, exceeding our target. By extending transportation distances and employing domestic ships and other low-intensity modes of transport, our carbon dioxide emissions rose 5% to 33,200 metric tons.

Carbon Dioxide Emissions and Energy Intensity from Logistics (see note 1)



Note 1: Fiscal 2006 is the baseline year for logistics energy intensity.

CHECK & ACT

In fiscal 2011, we commissioned third-party verification of achievements from our main plants that participated in a government-promoted emissions trading scheme in fiscal 2010. The government notified us that we had reached the objectives. Fiscal 2012 is the final year of the first phase of emissions reductions under the Kyoto Protocol. We will endeavor to cut our energy emissions intensity by at least 1% annually while lowering our carbon dioxide emissions intensity to an average over fiscal 2008 through 2012 of less than 80% of the 1990 level.

Environmental Management Systems and Environmental Efficiency Indices



The Kaneka Group maintains environmental systems based on the ISO 14001 and Eco-Action 21 standards. We use the Japan Environmental Policy Index to rate the environmental impact of our business in terms of Environmental Impact Points.

Environmental Management Systems



The Kaneka Group maintains environmental systems based on the ISO 14001

and Eco-Action 21 standards to prevent or swiftly address environmental problems.

Parent and Group Company Certification under ISO 14001

Business Sites and Group Companies	Registration Date	Registration No.
Shiga Plant	March 23, 1998	JCQA-E-0015
Osaka Plant	April 5, 1999	JCQA-E-0053
Kashima Plant	April 5, 1999	JCQA-E-0054
Takasago Plant	January 11, 2000	JCQA-E-0105
Tochigi Kaneka Co., Ltd.	April 23, 2001	JCQA-E-0256
Osaka Synthetic Chemical Laboratories, Inc.	January 28, 2002	JCQA-E-0343
Tatsuta Chemical Co., Ltd.	April 19, 2004	JCQA-E-0553
Showa Kaiseikogyo Co., Ltd.	January 10, 2008	E0062
Kaneka Solartech Corporation	June 24, 2011	JQA-EM6704
Sanvic Inc.	September 15, 2011	JMAQA-E841
Kaneka Belgium N.V.	October 3, 1997	97EMS002b
Kaneka (Malaysia) Sdn. Bhd.	January 12, 2007	K021300001
Kaneka Paste Polymers Sdn. Bhd.	February 15, 2008	ER0570
Kaneka Eperan Sdn. Bhd.	February 15, 2008	ER0571

Eco-Action 21 Certification

Group Company	Certification and Registration Date	Registration No.
Kyushu Kanelite Co., Ltd.	June 15, 2007	0001637
Hokkaido Kaneppearl Co., Ltd.	September 3, 2007	0001805
Kaneka Medix Corporation	September 28, 2007	0001893
Hokkaido Kaneka Co., Ltd.	October 2, 2007	0001905
Miyagi Jushi Co., Ltd.	May 14, 2008	0002472
Koto Co., Ltd.	May 26, 2008	0002501
Monbetsu Kasei Co., Ltd.	September 8, 2008	0002897
Shibetsu Kasei Co., Ltd.	November 11, 2008	0003066
Nagashima Shokuhin Co., Ltd.	November 18, 2008	0003093
Sanwa Kaseikogyo Co., Ltd.	January 16, 2009	0003247
Tsukasa Co., Ltd.	February 2, 2009	0003274
Cosmo Kasei Co., Ltd.	February 23, 2009	0003340
Tokyo Kaneka Food Co., Ltd.	March 31, 2009	0003473
Taiyo Yushi Co., Ltd.	March 31, 2009	0003575
Kaneka Food Co., Ltd.	April 2, 2009	0003491
Shiga Plant of Kaneka Sun Spice Co., Ltd.	April 22, 2009	0003556
Ibaraki Plant of Kaneka Sun Spice Co., Ltd.	April 22, 2009	0003566
Saga Plant of Hanepack Co., Ltd.	July 31, 2009	0003949
Kanto Styrene Co., Ltd.	August 11, 2009	0004035
Ibaraki Plant of Kitaura Jushi Kogyo Co., Ltd.	October 15, 2009	0004259
Toyo Styrol Co., Ltd.	February 9, 2011	0006600

Environmental Compliance



The Kaneka Group conducts regular internal ISO 14001 and Responsible Care audits of compliance with environmental laws and regulations and agreements with local governments and other bodies. Such initiatives aim to lower environmental risks and comply with environmental legislation.

Environmental Management Systems and Environmental Efficiency Indices

K KANEKA
 D DOMESTICS
 O OVERSEAS

Environmental Efficiency

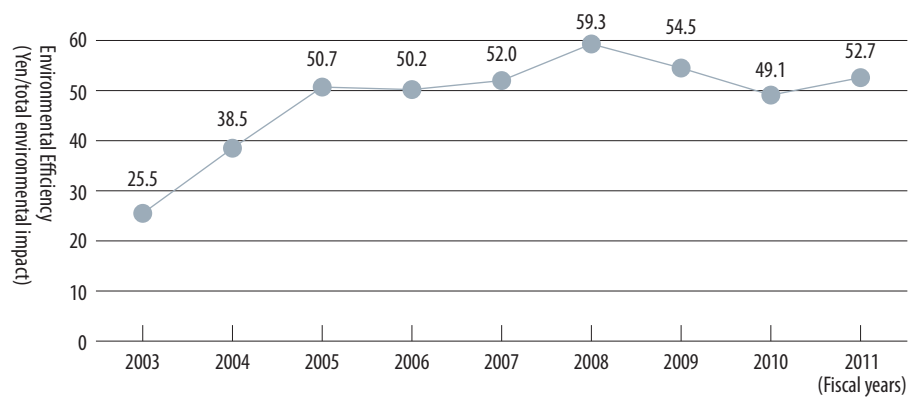
K D O

We use the Japan Environmental Policy Index (see note 1) to rate the impact of our production activities in terms of Environmental Impact Points (EIP). We also use these points to assess environmental efficiency.

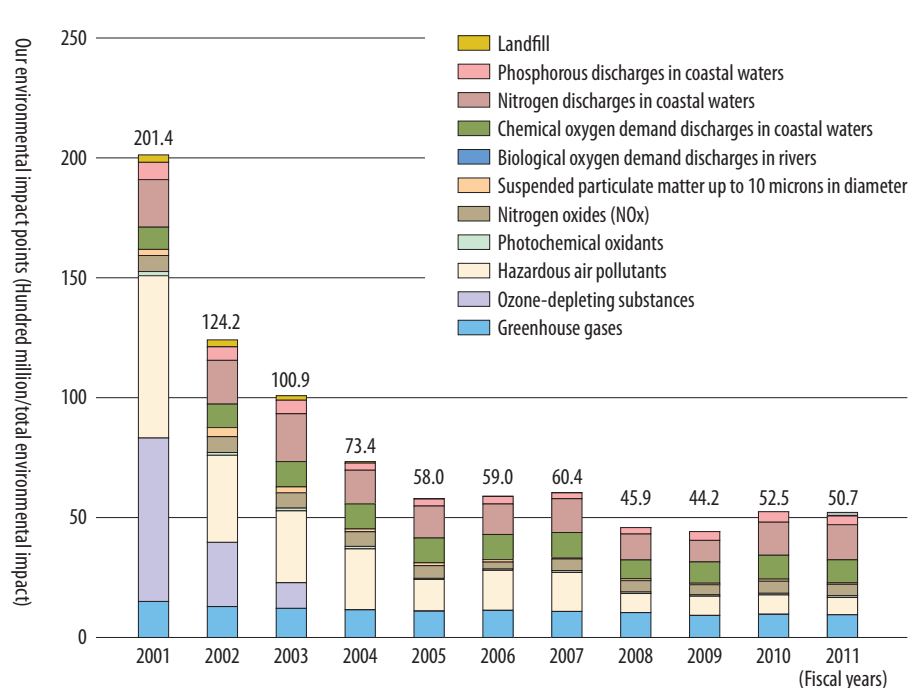
In fiscal 2011, both our carbon dioxide emissions and Environmental Impact Points decreased, with partial improvements in environmental efficiency. We will continue our efforts to enhance such efficiency.

Note 1: The Japan Environmental Policy Index calculates the eco-factor coefficient for each environmentally hazardous substance. The coefficient is based on the ratio of targeted annual emissions under Japan's national environmental policy to actual results. The eco-factor is then multiplied by each environmental impact to score Environmental Impact Points. The Japan Environmental Policy Index Project calculates and publicly discloses these eco-factors. The Japanese-language website is www.jepix.org

Environmental Efficiency



Environmental Impact Points



CHECK & ACT

We lowered both our carbon dioxide emissions and Environmental Impact Points in fiscal 2011.

We will continue to conserve energy to lower emissions and will upgrade facilities that recover hazardous air pollutants, thus lowering our Environmental Impact Points and enhancing our environmental efficiency.

Reducing Waste and Preventing Pollution



As part of our 3R (reuse, reduce, and recycle) initiatives, we cut industrial waste disposal and recycled resources, achieving zero emissions at all four domestic plants for the sixth consecutive year.

We are adhering rigorously to legal requirements and compacts with local governments and other bodies to prevent pollution.

Cutting Industrial Waste and Landfill



In fiscal 2011, Kaneka reduced final disposal by 66% to 5.7 metric tons. We thereby achieved zero emissions at all four domestic plants for the sixth consecutive year (see note 1 below).

During the year, domestic Group companies stepped up waste separation and recycling while reviewing waste contractors. Final disposal was down 1% to 732 metric tons. This figure was below the planned target, partly because of the impact of the Great East Japan Earthquake. We will continue our efforts to cut disposals.

Note 1: Zero emissions are defined as a final landfill disposal rate of less than 0.5%.

Properly Disposing of Industrial Waste



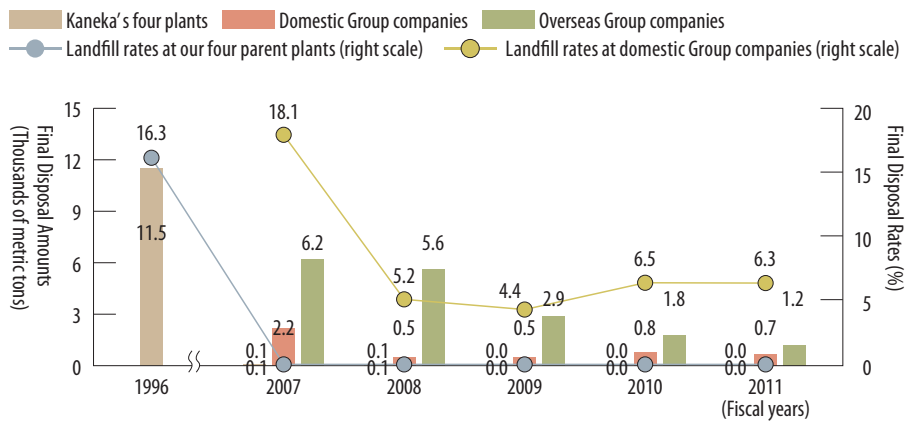
We regularly inspect contractors based on checklists to ensure that they properly process the waste we consign to them.

Recycling Waste

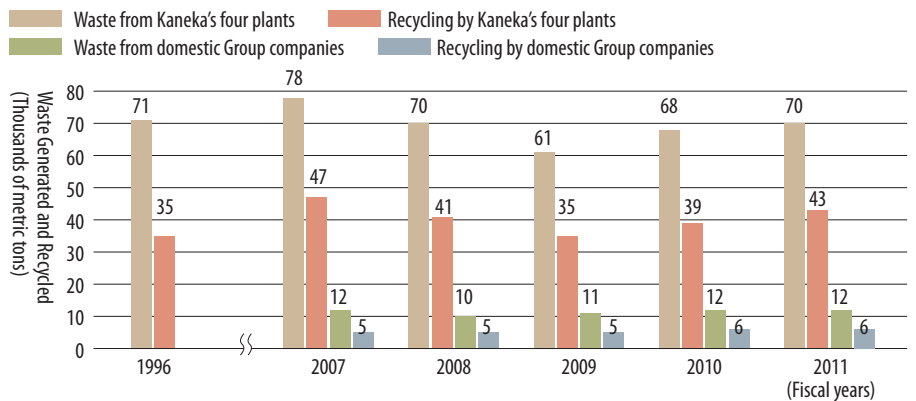


We stepped up companywide efforts in fiscal 2011 to reduce waste in recognition that such endeavors help conserve resources, lower costs, and cut carbon dioxide emissions. The Technical Group that we set up within the Responsible Care Department develops materials recycling technologies for waste from parent and Group companies and works on establishing recycling technologies from the product development stage.

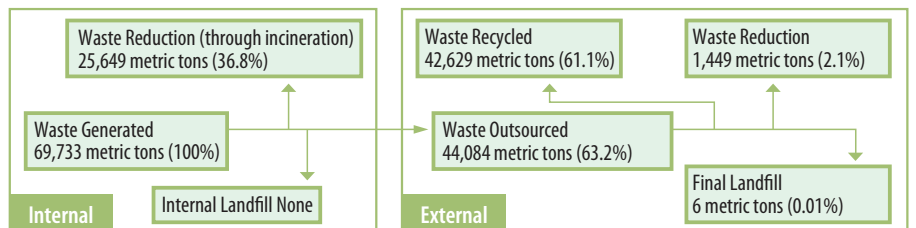
Final Disposal Amounts and Landfill Rates



Waste Generated and Recycled



Industrial Waste and Disposal Methods at Kaneka's Four Plants in Fiscal 2011



Reducing Waste and Preventing Pollution

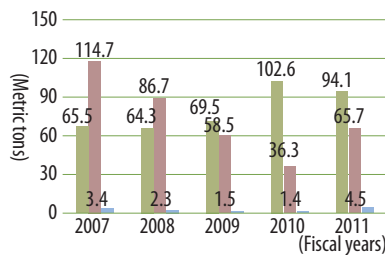
K KANEKA
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O OVERSEAS

Preventing Air and Water Pollution

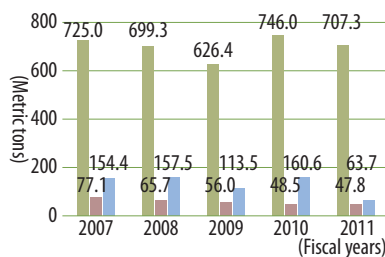
K **D** **O**

With some exceptions, the four parent plants reduced their air and water impact in fiscal 2011. Domestic Group companies impacts increased during the year, reflecting factors such as mergers and acquisitions. We will continue our efforts under our environmental management systems to reduce environmental impact.

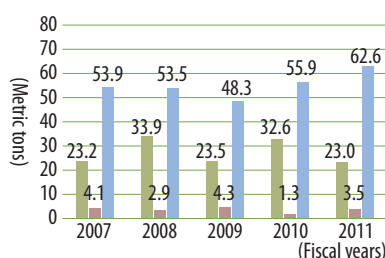
Sulfur Oxide Emissions



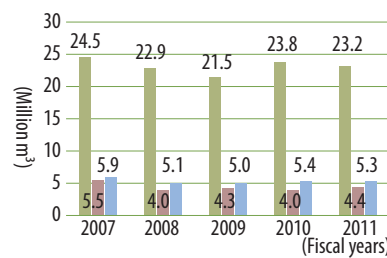
Nitrogen Oxide Emissions



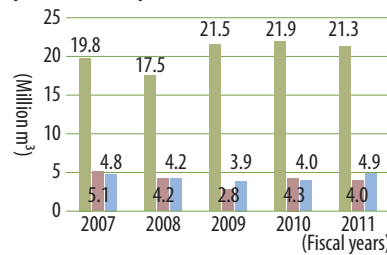
Soot and Dust Emissions



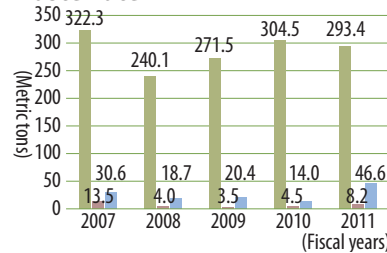
Water Consumption



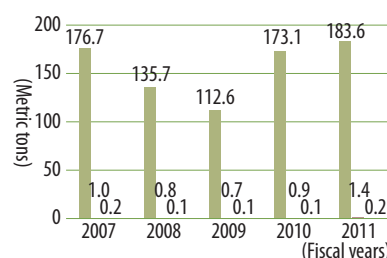
Wastewater Discharges (see note 1)



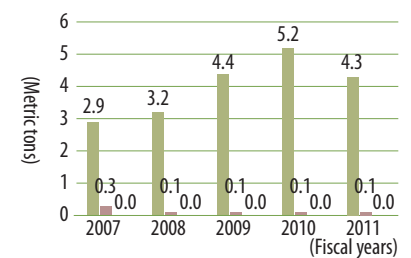
Chemical Oxygen Demand in Wastewater



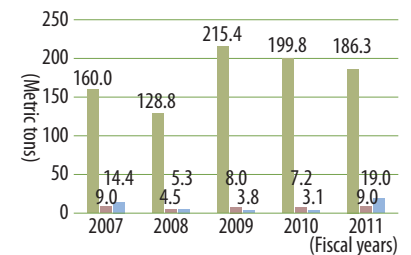
Nitrogen in Wastewater



Phosphorous in Wastewater



Suspended Solids in Wastewater



Kaneka's four plants
Domestic Group companies
Overseas Group companies

Note 1: We have recalculated wastewater discharges for previous years to reflect revision to the scope of data.

CHECK & ACT

We recycled 61.1% of waste in fiscal 2011, a rise of 3.7 percentage points over the previous year's figure of 57.4%. We will continue to recycle waste internally and through our contractors in fiscal 2012.

We will continue to comply with laws and ordinances relating to the impact of our operations on air and water. Priorities in the year under review were to strengthen monitoring to prevent leaks into the sea and build emergency pits.

Cutting Chemical Emissions



We are endeavoring to reduce discharges of volatile organic compounds and voluntarily cut emissions of six harmful atmospheric pollutants that are subject to the Pollutant Release and Transfer Register Law.

Voluntarily Reducing Volatile Organic Compound Discharges



Volatile organic compounds (see note 1) are known causes of photochemical smog. From fiscal 2006, we collaborated with the Japan Chemical Industry Association in formulating a voluntary plan through fiscal 2010 to reduce discharges of these compounds. We have continued to lower discharges since fiscal 2010. In fiscal 2011, our discharges were down 0.8% from a year earlier to 2,263 metric tons. We will continue striving to cut discharges, notably by using alternative raw materials and upgrading facilities.

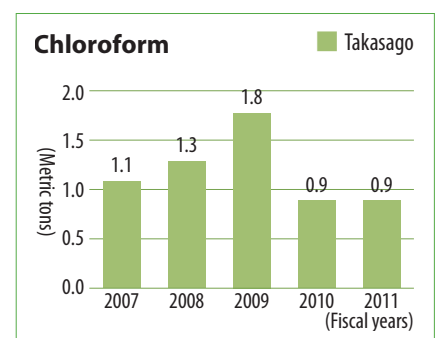
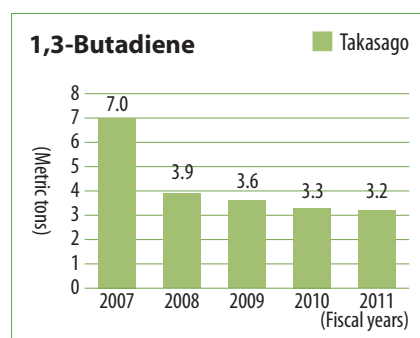
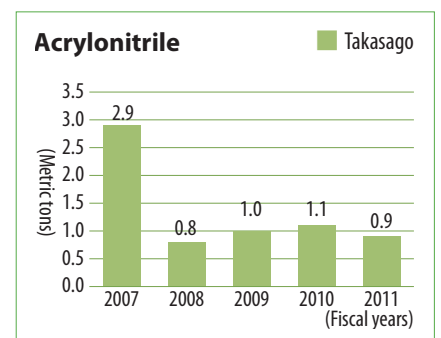
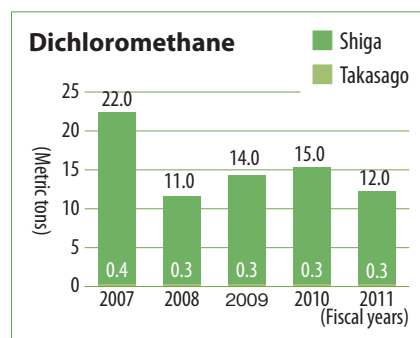
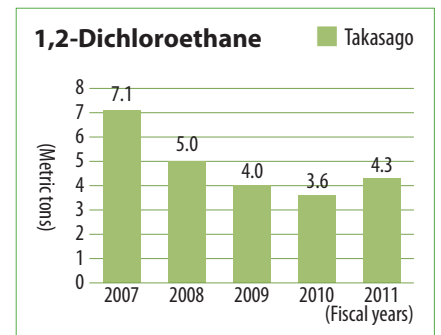
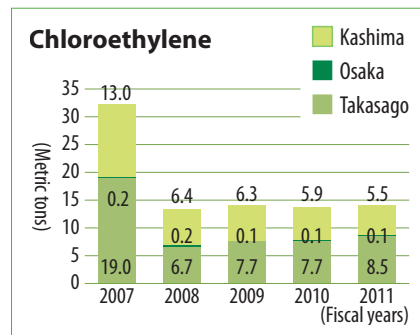
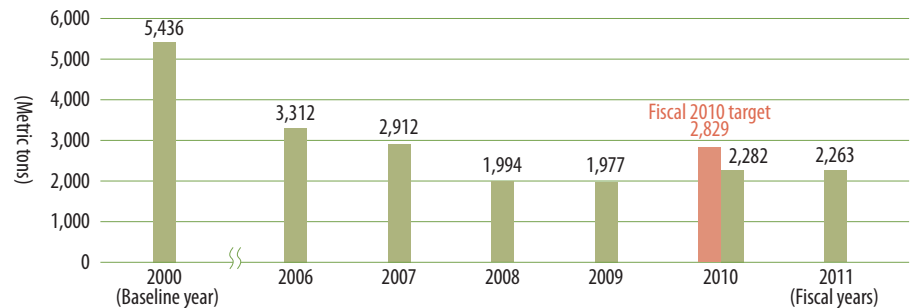
Note 1: Volatile organic compounds readily disperse into the atmosphere and end up as suspended particulate matter or create photochemical oxidants.

Harmful Atmospheric Pollutants



Fiscal 2011 emissions under a plan to voluntarily reduce discharges of six substances, graphed below, decreased 5.8%, to 35.7 metric tons. The prime factor was lower discharges of dichloromethane. We will keep pushing ahead with efforts to improve recovery ratios and lower discharges.

Voluntary Plan to Cut Volatile Organic Compound Discharges



Cutting Chemical Emissions



Substances Subject to the Pollutant Release and Transfer Register Law



Kaneka strives to reduce emissions of chemical substances that are subject to the Pollutant Release and Transfer Register

Law. In fiscal 2011, discharges decreased 1.0%, to 97.7 metric tons. We will continue endeavoring to cut emissions.

CHECK & ACT

We aim to lower discharges by focusing on upgrading facilities for chemical substances that are subject to the Pollutant Release and Transfer Register Law.

Fiscal 2011 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law (see note 1)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Transfers	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	<Fiscal 2010>	Total	
Large Discharges of 10 Substances	94 Chloroethylene	14,110	130	0	0	14,240	<13,940>	100	
	186 Dichloromethane	12,330	0	0	0	12,330	<15,320>	440,000	
	392 Normal hexane	10,180	0	0	0	10,180	<8,080>	464,421	
	232 N,N-dimethylformamide	8,000	870	0	0	8,870	<6,490>	585,000	
	275 Sodium dodecyl sulfate	0	8,400	0	0	8,400	<8,300>	0	
	300 Toluene	7,074	79	0	0	7,153	<1,241>	175,403	
	240 Styrene	4,905	38	0	0	4,943	<8,340>	5,549	
	157 1,2-dichloroethane	4,300	0	0	0	4,300	<3,600>	0	
	420 Methyl methacrylate	4,245	2	0	0	4,247	<4,462>	19	
	134 Vinyl acetate	3,290	0	0	0	3,290	<5,100>	1,300	
Total Apart from the 10 Substances Above		12,560	7,140	0	0	19,700	<23,720>	25,999	
Grand Total for All Substances		80,994	16,659	0	0	97,653	<98,593>	1,697,791	

Note 1: Kaneka handles 62 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

Fiscal 2011 Domestic Group Company Discharges and Transfers of Chemical Substances Subject to the Pollutant Release and Transfer Register Law (see note 2)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Transfers	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	<Fiscal 2010>	Total	
Large Discharges of 10 Substances	232 N,N-dimethylformamide	41,200	0	0	0	41,200	<40,000>	41,600	
	300 Toluene	28,610	0	0	0	28,610	<27,900>	208,000	
	186 Dichloromethane	8,520	0	0	0	8,520	<3,800>	136,600	
	80 Xylene	4,900	0	0	0	4,900	<8,000>	0	
	392 Normal hexane	1,890	0	0	0	1,890	<2,000>	45,000	
	53 Ethylbenzene	1,800	0	0	0	1,800	<1,900>	0	
	104 Chlorodifluoromethane	1,080	0	0	0	1,080	<—>	1,080	
	127 Chloroform	500	0	0	0	500	<400>	7,100	
	355 Bis(2-ethylhexyl) phthalate	64	0	0	0	64	<61>	726	
	460 Tritolyl phosphate	0	0	0	0	0	<0>	3	
Total Apart from the 10 Substances Above		0	0	0	0	0	<32>	136,510	
Grand Total for All Substances		88,564	0	0	0	88,564	<84,093>	576,619	

Note 2: Kaneka's domestic Group companies handle 24 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

Highlight

Cultivating 37,000 Green Consumers

Winning Green Purchasing Award

Kaneka Group Customer-Oriented Initiatives of Taiyo Yushi Corporation

Taiyo Yushi Corporation has manufactured soap since its establishment in 1947. This subsidiary leverages proprietary environmental design processes to develop and supply products that do not contain synthesized surfactants or additives. Since 2000, the company has conducted 100 classes annually for a total of 37,000 attendees as part of its ongoing efforts to cultivate green consumers (see note 1). In recognition of these efforts, in 2011 Taiyo Yushi received a prize in the small and medium-sized enterprise category of the 13th annual Green Purchasing Award (see note 2). These prizes are awarded to a single organization in each category for outstanding contributions to green purchasing.

With such encouragement, the company will continue exploring ways to serve society through its soap business.

Note 1: Green consumers: Those who choose eco-friendly products whenever possible.

Note 2: Green Purchasing Award: The Green Purchasing Network began offering prizes under this award in 1998 to encourage broad recognition of advances in green purchasing and encourage the spread of such practices.



Prize ceremony at the National Green Purchasing Forum 2011 held on October 28, 2011

Above right: Pax Naturon shampoo

More than 60 facilities in the famed Shirakawa-Go (one of world heritages) tourist area and hot spring operators provide this brand of shampoo to safeguard nature.



Classes to encourage more consumers to use natural soap.

Employee Feedback

Enhancing the Environmental Awareness of Customers

Osamu Hasegawa

Director in Charge of Consumer Classes
Taiyo Yushi Corporation



We have conducted classes for people, schools, and cooperatives on how natural soap does not harm the environment. We get participants to take part in simple experiments in soap making to cultivate understanding and create enjoyment for a broad range of people. We show that the soap is edible, engendering understanding of its role in preventing pollution, and people have rated the classes very highly. We will continue to foster more green consumers.

Product Safety and Quality Assurance



We established the Product Safety Subcommittee under the CSR Committee to formulate basic policies and goals for product safety and quality assurance, as well as coordinate our companywide quality assurance structure. The Product Safety Review Conference and the Quality Assurance Promoters Conference form part of the support structure of the company.

Product Safety Activities



Product defects or legal violations could endanger customer lives or property and erode social trust in our offerings. In order to prevent such occurrences, we formulated the Product Safety Management Rules. These rules require compliance at every stage, from product development and design through to manufacture and sales. At the same time, we endeavor to ensure product safety on a groupwide basis.

Product Safety Review Conference



The Product Safety Review Conference meets before the launch of new products or applications to discuss potential threats to life, health, or property from such products and applications, or from products whose production processes have dramatically changed. The conference gathers opinions from outside experts and has recently evaluated more products and services in new fields in keeping with the expansion of our business domains.

Chemical Substance Management



Kaneka complies strictly with domestic and overseas regulations governing the substances in its products. We provide labels and displays based on the Globally Harmonized System of Classification and Labeling of Chemicals, Material Safety Data Sheets, technical materials, catalogs, and other chemical substances information. We have begun performing activities under the Japan Initiative of Product Stewardship, promoted by the Japan Chemical Industry Association. We will respond as necessary to increasingly stringent legal requirements in Japan and abroad.

Quality Assurance and Risk Management



In keeping with the annual policies of the Product Safety Subcommittee, which is part of the CSR Committee, the subcommittee's implementation body, the Quality Assurance Promoters Conference, drives companywide quality assurance activities. There was one major quality complaint (see note 1) in fiscal 2011, and we produced guidelines to reinforce quality management. In fiscal 2012, we will leverage these guidelines to evaluate all risks and thereby steadily reduce risk levels.

Note 1: Major quality complaints are as defined under internal standards.

Audits and Inspections



The Kaneka Group conducts internal audits on quality and CSR inspections, and shares the resulting knowledge with the relevant bodies. We pay particular attention to preventing mishaps involving food, medical equipment, and pharmaceutical products by complying with Japan's Food Sanitation Law, the Pharmaceutical Affairs Law, and other relevant legislation. We also undergo regular audits from several external organizations. These audits are based on ISO 9001, ISO 13485, ISO 22000, the American Institute of Baking (see note 2), and the Hazard Analysis and Critical Control Point system (see note 3).

Note 2: We maintain an educational guidance and auditing system based on the International Integrated Quality System of the American Institute of Baking. We established the system to maintain food product safety (GMP) and hygiene management at plants.

Note 3: 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.

CHECK & ACT

We will reinforce risk assessments based on reviews by the Product Safety Subcommittee to ensure thorough risk assessment. We will also educate employees about our requirements to prevent significant product complaints and quality problems.

Product Safety and Quality Assurance



ISO 9001 Certification of Kaneka and Group Companies

Division or Group Company	Major Products	Registry Organization and Registry Number
High Performance Polymers Division	modifier resins (Kane Ace and Kaneka Telalloy)	LRQA / 0927477
	Weather-resistant methyl methacrylate film (Sunduren)	LRQA / 4004220
	Modified silicone polymer (Kaneka MS Polymer), polymer-based adhesive (Silyl)	LRQA / 0927505
Electrical & Electronic Materials Division	Ultra-heat-resistant polyimide films (Apical, Pixeo), optical film (Elmech), bonded magnets (Kaneka Flux), multi-layered insulation materials, and PVC pipes for underground electric cables	LRQA / YKA0935762
Expandable Plastic Products Division	Bead technique-based polyolefins (Eperan, Eperan PP)	JCQA / JCQA-1292
	Bead technique-based expandable polystyrene (Kanepearl)	JCQA / JCQA-1407
Hokkaido Kaneka Co., Ltd. Kyushu Kanelite Co., Ltd.	Extruded polystyrene foam board (Kanelite Super E)	JCQA / JCQA-0673
PVC & Chemicals Division	Caustic soda, hydrochloric acid, sodium hypochlorite, chlorine, vinyl chloride monomers, polyvinyl chloride, polyvinyl chloride paste, heat-resistant polyvinyl chloride, and OXY chlorination catalyst	JCQA / JCQA-1263
Foods Division Kaneka Food Co., Ltd. Tokyo Kaneka Food Co., Ltd. Nagashima Shokuhin Co., Ltd.	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, fermented milk products, frozen dough, cooking fillings, yeasts, yeast foods, and yeast cultures	JQA / JQA-QMA10274
New Business Development Department	Highly heat-resistant and light-resistant transparent plastics	DNV / 01635-2006-AQ-KOB-RvA/JAB
Solar Energy Division Kaneka Solartech Co., Ltd.	Photovoltaic modules	JQA / JQA-QMA13200
Tochigi Kaneka Corporation	Bonded magnets (Kaneka Flux), multilayer insulation materials, PVC pipes for underground electric cables, and Graphinity (super thermal-conductive graphite sheets)	LRQA / YKA0958035
Vienex Corporation	Electronic products	JSA / JSAQ2593
Showa Kaseikogyo Co., Ltd.	Plastic compounds	ASR / Q0556
Sanwa Kaseikogyo Co., Ltd.	Bead technique-based polyolefins (Eperan, Eperan PP)	JMAQA / JMAQA-729
Kanto Styrene Co., Ltd.	Styrene foam products	JACO / QC03J0233
Tatsuta Chemical Co., Ltd.	Plastic film, plastic sheet	Bureau Veritas Certification / Q2364840
Hokkaido Kanepearl Co., Ltd.	Polystyrene foam products for engineering and construction	LRQA / 4002793
Kaneka Sun Spice Co., Ltd.	Spices, secondary processed foods	JQA / JQA-QMA11351
Osaka Synthetic Chemical Laboratories, Inc.	Pharmaceutical intermediates, industrial organic chemicals	JCQA / JCQA-0444
Taiyo Yushi Co., Ltd.	Margarine, shortening	JACO / QC08J0096
Sanvic Inc.	Synthetic resin sheets and films	JMAQA / JMAQA-1824
Kaneka Belgium N.V.	Polyvinyl chloride modifier (Kane Ace), bead technique-based polyolefins (Eperan, Eperan PP), modified silicone polymer (Kaneka MS Polymer)	AIB-VINCOTTE / BE-91 028f
Kaneka Texas Corp.	Ultra-heat-resistant polyimide films (Apical)	ABS QE / ABS33959
	Performance modifiers (Kane Ace and Kaneka Telalloy), heat-resistant vinyl chloride resins, and modified silicone polymers (Kaneka MS Polymer)	BSI / FM72722
Kaneka (Malaysia) Sdn. Bhd.	Performance modifiers (Kane Ace)	SIRIM QAS / AR2321
Kaneka Eperan Sdn. Bhd.	Bead technique-based polyolefins (Eperan, Eperan PP)	SIRIM QAS / AR2598
Kaneka Paste Polymers Sdn. Bhd.	Vinyl chloride paste resin	SIRIM QAS / AR2609
Kaneka Eperan (Suzhou) Co., Ltd.	Bead technique-based polypropylene (Eperan PP)	UL DQS Inc. / 439438 QM08

ISO 13485 (see note 1) Certification of Kaneka and Group Companies

Division or Group Company	Main products	Registry Organization and Registry Number
Medical Equipment Division Kaneka Medix Corporation	Lixelle, Liposorber, catheters Silascon, ED coil	TÜV SÜD / Q1N 11 04 24736 023
Kaneka Pharma Vietnam Co., Ltd.	Catheters (parts)	

Note 1: ISO 13485 is an international standard covering the comprehensive management system requirements for the design and manufacture of medical equipment.

ISO 22000 (see note 2) Certification of Kaneka

Production Unit	Main Products	Registry Organization and Registry Number
Takasago Plant Pharmaceutical Manufacturing Department	Coenzyme Q10	SGS / GB10 / 81403

Note 2: ISO 22000 is an international standard for food safety management systems.

Highlight

Maintaining Partnerships for More than 30 Years with Local Partner Companies

Africa's Market for Hair Extension Products

Following Up with Business Partners through a Market-Oriented Structure

Kanekalon synthetic fiber resembles the texture of human hair. Demand for this product in hair extension applications is growing, particularly for wigs like that. Kaneka has collaborated with local partner companies for more than 30 years to manufacture hair extension products in Africa, offering a diverse lineup and maintaining a follow-up structure that tracks development through final products in consumption areas. We currently do business with 30 companies in 15 countries. Since 2010, we have sponsored an annual event in Nigeria for local consumers and media personnel to improve brand recognition. We will continue working with partners to serve market needs.



Proposing various hairstyles in African markets (models at a Kaneka-sponsored show)



The Kaneka-sponsored Nights of 1000 Braids event in Nigeria. We aim to help business partners cultivate their operations.

Employee Feedback Responding to Local Needs

Hideaki Nakamura
Kanekalon Division



Women in Nigeria and other areas of sub-Saharan Africa usually decorate their heads with colorful fabrics or hair extensions. We believe that demand will diversify and there will be a need to constantly develop new fibers and recommend hairstyles that suit the new fibers. We will continue to inform consumers in various ways, including through hairstyle shows, and collaborate with business partners to provide products that satisfy customers.



Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities

We have built a transparent procurement framework in line with our commitment to fair, equitable and environmentally friendly business practices, thereby strengthening our communication with business partners.

Formulating Our Basic Procurement Policy in Keeping with Our Basic CSR Policy



The Kaneka Group engages in procurement activities that are fair and equitable as well as environmentally friendly. In fiscal 2011, we formulated the Basic Procurement Policy in keeping with our basic CSR policy. In the new policy, we declared our commitment both to green procurement and engaging in rational transactions that enhance corporate value for us and our business partners. We have undertaken green procurement for some of our businesses over the years. Beginning in fiscal 2012, we will gradually expand the scope of such activities and increase their implementation throughout the Kaneka Group.

Policy

Basic Procurement Policy	
1.	We will engage in procurement activities that enhance the corporate value of both Kaneka and our business partners.
2.	We will endeavor to reduce environmental damage by engaging in green procurement.
3.	We will provide opportunities for business partners to make fair and rational transactions in consideration of quality, price, supply stability, technical development capabilities, environmental protection, and safety.
4.	We will abide strictly by the relevant domestic and foreign laws and regulations.

CHECK & ACT

In fiscal 2011, we formulated the Basic Procurement Policy, which is in keeping with our basic CSR policy. This new policy aims to ensure even fairer and more equitable procurement and ensure mutual progress for Kaneka and its business partners. The policy also seeks to broaden and bolster green purchasing.



Dividend Policy and Disclosure

Kaneka is committed to providing timely and proper disclosure to shareholders and investors to help them gain an accurate understanding of the Group while building a relationship of trust and meeting their expectations.

Shareholder Composition and Dividend Policy



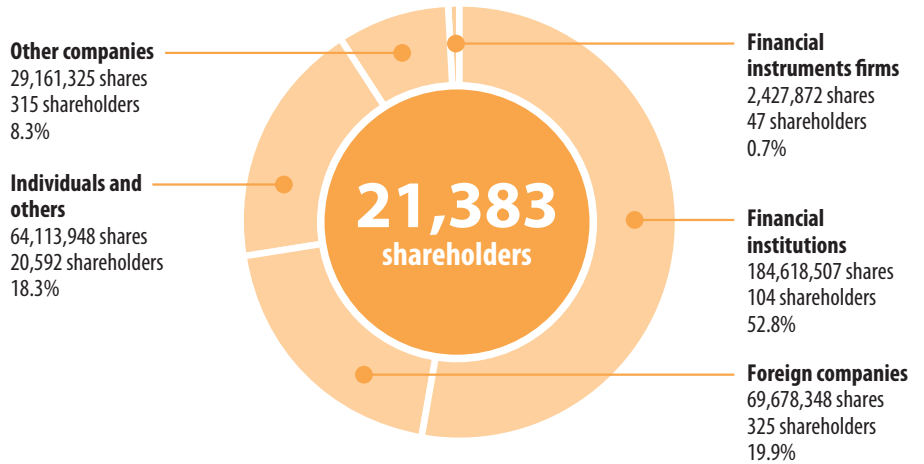
At March 31, 2012, Kaneka had 350 million shares issued and outstanding and 21,383 shareholders. Domestic financial institutions accounted for 52.8% of the total, with foreign companies owning 19.9%, individuals representing 18.3%, and other companies and financial instruments firms constituting the balance. One of our top management priorities is to return profits to shareholders and boost earnings while strengthening our corporate foundations. Our basic policy on profit sharing is to consistently target a 30% consolidated payout ratio that comprehensively factors in annual operating results, medium- and long-term trends in earnings, investment plans, and our financial position. We are also committed to stock repurchases. The payout ratio for the year ended March 31, 2012 was 100.3%.

Shareholder Reporting



We issue semiannual business reports to our shareholders, making this information publicly available through our website. In fiscal 2010, we redesigned the covers, included top management interviews, and incorporated explanations to make it easier to understand our financial position. We also revised our investor relations information in line with our website renewal.

Shareholder Composition



Disclosure and Investor Relations



We are dedicated to providing the timely and proper disclosure of corporate information that our investors need.

Our investor relations officials explain our performances in teleconferences following the announcements of quarterly and annual results. The president separately holds briefings on our medium-term management plan and other initiatives. Our website presents our financial results, annual report, and other investor information.

CHECK & ACT

In fiscal 2012, we will continue to build on our fiscal 2011 efforts to ensure proper disclosure to shareholders and investors.

Highlight

The Kaneka Group Conducts Stakeholder Dialogues to Seek a Broad Range of Opinions on Its CSR Activities.

Business Sites Engaging with Municipal Governments

In November 2011, we conducted our first and second dialogues with external stakeholders to learn more about their evaluation and opinions, and to seek direct feedback about our CSR activities and confirm the direction of our efforts.

Stakeholder dialogues are about sharing differing opinions on common issues, deepening mutual understanding in the process.

For the two dialogues in 2011, people from our business sites spoke with representatives from local municipalities from various perspectives about our CSR Report 2011, published in July 2011.

Dates and Locations

First stakeholder dialogue

November 11, 2011 at Takasago City Hall in Hyogo Prefecture

Second stakeholder dialogue

November 29, 2011 at Settsu City Hall, Osaka

Topics

First: The Kaneka Group's corporate stance in television commercials to boost awareness and in CSR activities in the course of business

Second: Kaneka's disclosure and environmental initiatives to enhance social trust

The Kaneka Group will continue conducting stakeholder dialogues about CSR issues.



First stakeholder dialogue (in Takasago, Hyogo Prefecture)

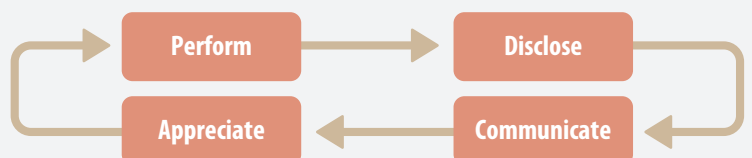


Second stakeholder dialogue (in Settsu, Osaka)

Kaneka's stance on building trust through stakeholder dialogues

Model for building trust (through a type of PDCA cycle)

We aim to reinforce trust through this PDCA cycle.



Highlight
Stakeholder Dialogues

First Stakeholder Dialogue

November 11, 2011, at Takasago City Hall in Hyogo Prefecture

Participating officials from the Takasago municipal government



Makoto Onishi
 Director of the Education Department



Hiroyuki Kaneko
 Director of the Town Planning Department



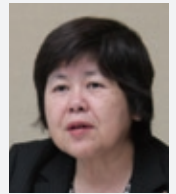
Masaharu Takahashi
 Director of the Planning and General Affairs Department



Masato Nakamura
 Director of the Social and Environmental Affairs Department



Yasumasa Hashimoto
 Director of the Health Affairs Department



Masako Miki
 Director of the Welfare Department

First topic

The Kaneka Group's corporate stance in television commercials to boost awareness and in CSR activities in the course of business

Opinions of Takasago Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> • Kaneka's employees are making a concerted effort to undertake CSR activities based on the Company's corporate philosophy. Kaneka further demonstrates its commitment to social responsibility by disclosing negative information. 	<ul style="list-style-type: none"> • We will continue to undertake CSR activities in the course of business, fulfilling our corporate responsibilities by increasing the satisfaction of stakeholders.
<ul style="list-style-type: none"> • I was surprised the first time I saw a TV commercial about Kaneka making wishes come true with science. I think the commercial has merit for enhancing Kaneka's corporate image. I'd also like to note that coenzyme Q10 has become popular among consumers. • Although Kaneka is a local company it's hard to know where its products are used. I guess the TV commercials cover various "wishes." 	<ul style="list-style-type: none"> • We're essentially a materials enterprise, so it can be hard for consumers to understand the types of products we offer. We've produced television commercials to improve awareness of Kaneka and reinforce our brand. We intend to progress beyond commercials featuring coenzyme Q10 and solar panels and create a series that further deepens awareness of Kaneka.
<ul style="list-style-type: none"> • Kaneka's support efforts following the Great East Japan Earthquake conveyed its commitment to CSR. I'd like to know what sort of disaster response structure the Company deployed after the disaster. I'd also like to know what its future supply plans are. 	<ul style="list-style-type: none"> • Immediately after the Great East Japan Earthquake, we set up task forces under the direction of Kaneka's vice president to donate money and relief supplies. We will continue performing our support efforts to the best of our ability.

Second topic

Kaneka's disclosure and environmental initiatives to enhance social trust

Opinions of Takasago Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> • I believe Kaneka to be a very transparent business in terms of occupational health and safety and disaster prevention because of the way it has disclosed information on and addressed plant accidents. 	<ul style="list-style-type: none"> • We would like stakeholders to view us as a good corporate citizen, so we will continue to engage in business activities very openly.
<ul style="list-style-type: none"> • It's wonderful that Kaneka holds a summer festival here every August. The 2011 event featured a Tohoku region support booth selling goods at very affordable prices. The booth enabled locals to assist disaster-affected areas indirectly through a corporate-citizenry initiative. Perhaps Kaneka should publicize its effort more among locals. 	<ul style="list-style-type: none"> • Numerous local residents and other members of the public take part in our festival, which attracts around 5,000 visitors a year. We hope to keep holding this event, and will look into conducting various other local public relations initiatives.
<ul style="list-style-type: none"> • Kaneka conducts comprehensive disaster drills as part of its safety and disaster prevention efforts. I think Kaneka should provide a tour for local residents outlining its specific initiatives in this regard. 	<ul style="list-style-type: none"> • We'd like to explore new endeavors.

Highlight

Stakeholder Dialogues

Second Stakeholder Dialogue

November 29, 2011 at Settsu City Hall, Osaka

Participating officials from the Settsu municipal government



Kazuo Yoshida
Deputy Director of the Urban Development Department



Kazunori Yamamoto
Assistant Director of the Mayor's Office



Hisakazu Iguchi
Director of the Social and Environmental Affairs Department



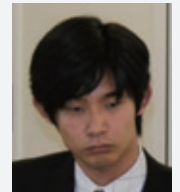
Makoto Kumano
Deputy Chief of the Fire Department



Masaharu Doi
Counselor of the Social and Environmental Affairs Department and Director of the Environmental Policy Section



Yasuyuki Suzuki
Counselor of the Social and Environmental Affairs Department and Director of the Industrial Promotion Section



Hiroto Kamiji
Official in the Industrial Promotion Section

First topic

The Kaneka Group's corporate stance in television commercials to boost awareness and in CSR activities in the course of business

Opinions of Settsu Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> I was aware that Kaneka operates in the chemicals field but I did not know until reading the CSR report just how diverse its operating scope is. One naturally expects a company to act in terms of safety, quality, and the environment. From reading the report, I learned about Kaneka's initiatives and responsible stance. 	<ul style="list-style-type: none"> This is effectively the second year of our CSR activities. We aim to fulfill our corporate social responsibilities by enhancing the contents of our CSR reports and increasing the satisfaction of stakeholders.
<ul style="list-style-type: none"> The CSR report showed me that CSR activities are not just about boosting corporate value but also relate to leveraging advanced technologies to lower environmental impact, and to strengthening check systems to enhance safety. I'd like the Company to continue such efforts. 	<ul style="list-style-type: none"> We will implement initiatives to prevent global warming and conserve energy while cutting chemical substance emissions and otherwise lowering environmental impact. Our top priority as a corporation is to maintain safety, and we will engage in various safety efforts and comply with laws and ordinances to become a plant that is a trusted part of the community.

Second topic

Kaneka's disclosure and environmental initiatives to enhance social trust

Opinions of Settsu Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> Kaneka donates solar panels to local government bodies and otherwise contributes to a low-carbon society. The Company helps formulate plans for local governments and takes part in deliberations for initiatives. We laud the Kaneka for its efforts and for supporting local events and contributing to society in a range of ways. 	<ul style="list-style-type: none"> We will push ahead with measures to lower environmental impact by combating global warming and conserving energy. We aim to contribute to the community and otherwise fulfill our corporate social responsibilities by pursuing CSR in the course of business.
<ul style="list-style-type: none"> Settsu positions itself as a city of collaboration. Accordingly, local enterprises have a significant role to play in Settsu realizing its vision. Kaneka has won top marks from the local community for visiting schools to hold classes for the young, participating in a specialist fire brigade, and holding a summer festival. We hope the Company will enhance its local contribution efforts further and convey the notion that Kaneka is an integral part of Settsu. 	<ul style="list-style-type: none"> We hope to continue educating young people while holding summer festivals. One recent outreach initiative was to invite the heads of residents' associations on what proved a popular tour of the Osaka Plant to exchange views with us. We hope to continue engaging in such activities.
<ul style="list-style-type: none"> From the perspective of invigorating the region, we should consider corporate proposals and recommendations to government in the coming years. 	<ul style="list-style-type: none"> We consider feedback to be very valuable. Many of the products from the Osaka Plant are for the domestic market. We also aim to deepen relationships with government authorities.

Our Response to Stakeholder Opinions and Requests

From our first stakeholder dialogues we learned that we still have much to improve upon in terms of whether our existing CSR initiatives as a Group sufficiently reflect the perspectives of our stakeholders.

We believe that undertaking proactive CSR initiatives in the course of business and enhancing stakeholder satisfaction will enable us to boost corporate value and fulfill our social responsibilities as a business. We

will use the valuable feedback received today as the basis of discussions with the relevant business units and endeavor to enhance our ongoing CSR efforts.

Community Contributions of Domestic and Overseas Group Companies

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.

Awards

Kaneka	Receiving the Technology Award for 2010 from the Society of Polymer Science, Japan at their 60th annual meeting. 📷 ①
Kaneka	Yoshihisa Tawada, a Kaneka Senior Fellow and visiting professor at the Kaneka Fundamental Technology Research Alliance Laboratory, received a Special Award at the 21st International Photovoltaic Science and Engineering Conference.
Kaneka	Masaaki Kobana of the Environmental Group at the Takasago Plant received the Minister of Economy, Trade and Industry Award for high-pressure gas security. 📷 ②
Takasago Plant	The Kaneka Ideshio-kan received the Takasago Sightseeing Association's Scenery Award.
Kashima Plant	The plant received a business excellence award in a traffic accident prevention contest run by the Ibaraki Safe Driving Management Conference Corp. 📷 ③
Kanto Styrene Co., Ltd.	This company received a letter of appreciation from a social welfare organization for its long-term efforts to improve welfare for people with mental disabilities and for progress with facilities.
Kaneka Solartech Co., Ltd.	This company received the Director's Award from the Hyogo Prefecture Association for Safety of Hazardous Materials in recognition of its disaster prevention efforts and safe management of facilities as a business handling and using hazardous materials.
Taiyo Yushi Co., Ltd.	This subsidiary received the 13th Green Purchasing Award for manufacturing and selling environmentally friendly soaps and conducting environmental seminars.
Tochigi Kaneka Corporation	This company obtained a Golden Order of Merit from the Japanese Red Cross Society for more than 20 years of blood donations from employees.
Kaneka Sun Spice Co., Ltd.	This subsidiary received the Higashi Oumi Branch Chief Award from the Shiga Prefecture Food Hygiene Association for outstanding food hygiene initiatives.
Nagashima Shokuhin Co., Ltd.	This company received an award from the Kuwana Silver Human Resources Center for ongoing contributions to the employment of senior citizens. It also obtained a commendation from the Kuwana Labour Standards Association for proactive occupational health management.



The 60th annual gathering of the Society of Polymer Science, Japan



Awarded to an excellent manufacturing security manager



Award for traffic accident prevention activities



Internships (Nagashima Shokuhin Co., Ltd.)



Plant visit by third grade elementary school students (at Kyushu Kanelite Co., Ltd.)

Fostering Youth

Kaneka Group	A regular open day for students from the local neighborhood. Offered student internships and held "Trial Week" for junior high school students. 📷 ④
Takasago Plant	Held a class for third grade students from Takasago Elementary School as part of the Chemistry Makes Our Dreams Come True campaign.
Including all Kaneka plants, Kaneka Foods Corporation, Gene Frontier Corporation, Kyushu Kanelite Co., Ltd., Shiga Electronic Corporation, Shinka Shokuhin Co., Ltd., Hanepack Co., Ltd., Tokyo Kaneka Foods Corporation, and Kochi Styrol Co., Ltd.	Implemented factory visits and on-site learning for neighbors and local resident associations, local elementary, junior high, and high school students, special need school students, local residents, local chambers of commerce, and women's societies. 📷 ⑤
All Kaneka plants and Tatsuta Chemical Co., Ltd.	Held environmental classes on charcoal batteries and wind and solar power generation, visiting elementary, junior high, and high schools.
Tochigi Kaneka Corporation	Collaborated with Tochigi Prefecture to exhibit superimposed insulators at WakuWaku Grandy Science Land for the museum's special space science display event.
Kaneka Medix Corporation	Participated in meetings to discuss ways to stem a decline in the town's population and held a plant tour for the Kanagawa Occupational Health and Safety Association.

Community Contributions of Domestic and Overseas Group Companies

Regional Contributions

Takasago Plant and Takasago Service Center Co., Ltd.	Invited 300 nursery school toddlers as well as kindergarten and elementary school students in Takasago to a potato planting and harvesting event. Ran a store for the Takasago Lantern Festival and participated in a road rally with people from nine neighboring companies and the general public.
Takasago Plant and Osaka Plant	Held a summer festival as a social event for employees and local citizens. Raised donations and held a food fair to support people in areas affected by the Great East Japan Earthquake.
Shiga Plant	Participated in conservation activities for Konooka Biotope in spring, summer, and fall.
Kashima Plant, Osaka Plant, Koto Co., Ltd., and Kaneka Shokuhin Co., Ltd.	Donated money to festivals to revitalize local areas and participated in these events.
Kaneka Solartech Co., Ltd.	Installed and exhibited solar batteries and simulated roofs at the annual fall festival in Tajima, northern Hyogo Prefecture.
OLED Aomori Co., Ltd.	Produced a compact Nebuta float using organic light emitting diode lighting panels for the Aomori Nebuta Festival and participated in the festival.  ⑥
Osaka Synthetic Chemical Laboratories, Inc.	The Ako Shimizu Plant participated in Hyogo Prefecture's convention to eradicate organized crime and ensure regional safety.
Kaneka Foods Corporation	Participated in factory visits and ball game events held by a member organization of the Seishin Kogyo Group.
Tokai Kaneka Shokuhin Corporation	Participated in a six-hour relay marathon at Nagoya Dome and in a marathon in Kasuga.
Sanvic Inc.	Provided such products as plastic files and cutter mats at the Kiga Sekisho checkpoint festival at Hamamatsu.
Sanwa Kasei Kyogyo Co., Ltd.	Participated in quarterly traffic safety initiatives in Tochigi Prefecture. Also took part in a walk held by the Moka district of the Total Health Promotion Plan Tochigi Council and raised money.
Tsukasa Co., Ltd.	Held and participated in summer festivals and other events for local residents.
Kaneka Hoken Center, Co., Ltd. and Showa Kasei Kogyo Co., Ltd.	Donated money for earthquake relief and for scholarships for children who have lost parents to cancer.
Kaneka Belgium N.V.	Cosponsored events in Oevel, including a festival at the Castle of Westerlo. Launched an employee football team, holding friendly matches with other local teams.  ⑦
Eurogentec S.A.	Participates in a charity jogging event every year, donating the proceeds to a European society for degenerative disease. Anaspec Inc. collects donations of canned foods from employees twice annually for organizations serving people in need.
Kaneka Pharma Vietnam Co., Ltd.	Donated to a charity sponsored by an industrial complex and assisted with a bazaar.





Participated in the Aomori Nebuta Festival




Employee football team from Kaneka Belgium N.V.

Community Contributions of Domestic and Overseas Group Companies

Environmental Initiatives

Osaka Plant	Participated in an environmental fair in Settsu.
Including all Kaneka plants, Monbetsu Kasei Co., Ltd., Hokkaido Kaneka Co., Ltd., and Kaneka Solartech Co., Ltd.	Cleaning up areas around plants and participating in all clean-ups of surrounding roads, parks, and other areas.  ⑧
Kaneka Sun Spice Corporation	Sixty employees participated in an environmental conservation partnership initiative sponsored by Yuki City in Ibaraki Prefecture and assisted with environmental activities.
Kanto Styrene Co., Ltd.	Implemented energy-saving measures, such as setting up curtains of vegetation, providing insulation by pasting bubble sheets on windows, and more selectively using fluorescent lights.  ⑨
Eurogentec S.A.	Successfully applied to take part in an eco-zone project organized by the Wallonian government with a budget of 300,000 euros.

International Contributions

Takasago Plant, Osaka Plant, Shiga Plant, and Tokyo Head Office	Participated in Table for Two, donating ¥20 for designated menu items at cafeterias at four business sites to provide school lunches in Africa.
Taiyo Yushi Corporation	Collaborated in natural soap development, improvement, and import business projects in Bangladesh and Nepal. Invited local production groups to enhance their understanding of soap production techniques and manufacturing processes.  ⑩



Helping to clean up the surrounding roads (Kaneka Solartech Co., Ltd.)



Conserving energy with vegetation curtains



Nepali soap producers at a workshop

Highlight

Eliminating Accidents by Enhancing Worksite Safety

Appointing Safety Engineers

Training Safety Professionals

In response to an explosion and fire at the Kashima Plant in 2009, Kaneka launched companywide initiatives based on a strong commitment to earning community trust and protecting employees. Concern mounted among employees, who realized that it would be impossible to maintain safety without making changes to safety blackboxing and what seemed to be an eroding adherence to safety principles. These concerns led us to set up the safety engineer system, which we fully deployed in April 2011. These professionals scientifically assess worksite incidents from a broad range of perspectives and project risks. Their tasks include providing simple explanations of risks and training younger workers. They endeavor to create safety frameworks that encompass both employees and external people, notably construction and repair contractors.



Educating new employees in construction site-specific dangers that differ from usual environments



Safety engineer providing training to enhance plantwide safety awareness

Concept under the 26th Medium-Term Management Plan



Employee Feedback Worksite Insights of Safety Engineers

Masakazu Ito
Safety engineer at the Kashima Plant
(and Section Chief at Kanelite Foam Kashima from May 2012)



The biggest risk at a chemical plant is static ignition of chemical substances. Even though apparatuses were in place at each risk location to prevent static, the issue was whether this was really sufficient. To ensure more complete safety, we checked the frequency of static electricity hits over the period of a month to narrow down the issues with the existing setup and identify the most effective approach. At the same time, we focused on training employees on the importance of inspections and other matters. We help to improve the tangible and intangible aspects of safety.



Cultivating Human Resources and Creating Comfortable Work Environments

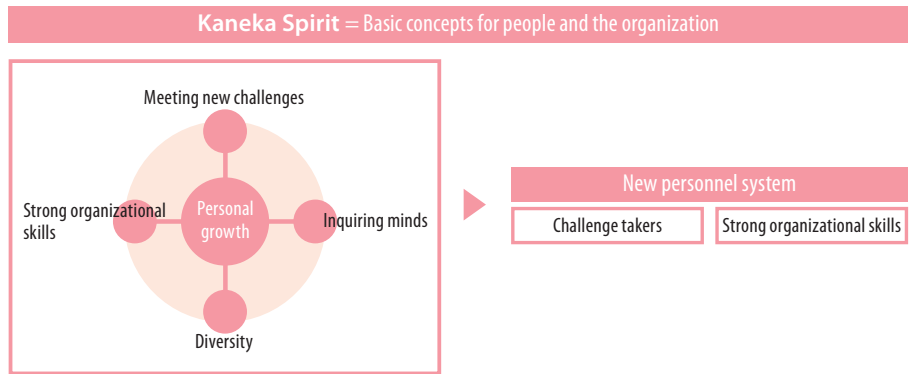
Kaneka respects human rights, diversity, and individuality. We comply with laws and regulations and eschew discriminatory practices.

Basic Concepts for People and the Organization



We established basic concepts for our people and organization in keeping with our corporate philosophy and the components of our long-term vision. We have made this approach central to organizing human resources, and reflected it in a new personnel system that we deployed in fiscal 2010 to cultivate personal growth.

Deploying the Kaneka Spirit as Part of Management Initiatives to Drive Innovation and Growth



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. In fiscal 2011, we stepped up efforts to foster internationally minded people and increase diversity while bolstering our programs to encourage people to pursue new challenges.

Career and Life Development and Self-Advancement Support Programs



We maintain programs to support career life development for employees in their 40s, 50s, and those nearing retirement.

We also assist employees wanting to better themselves by offering programs that enable them to take correspondence courses, acquire new qualifications, and study overseas on technology scholarships.

Cultivating Internationally Minded People



We are focusing on cultivating human resources to underpin our accelerating expansion based on our long-term vision. Almost three years have passed since we deployed the Global Employee Registration System, the centerpiece of our global employee development efforts, with the number of registered employees reaching 1,100. We also maintain the Overseas Trainee System and the Overseas Training System to provide more opportunities to gain experience working overseas, better understand other cultures, and improve linguistic skills.



Employees receiving training under the Global Employee Registration System



Cultivating Human Resources and Creating Comfortable Work Environments

Hiring Foreign Nationals



In fiscal 2011, we expanded channels for employing foreign nationals. Fully fledged efforts in this regard began in fiscal 2010. In fiscal 2012, we hired nine foreign nationals out of an intake of 89 university graduates (in fiscal 2011, we hired three new foreign graduates).

Senior Reemployment



In 2006 we introduced the Senior Reemployment system in response to the Revised Law Concerning Stabilization of Employment of Older Persons. We have since modified our system as required. We maintain work environments in which talented retired employees can serve according to their willingness and abilities.

Employing People with Disabilities



Kaneka's rate of hiring people with disabilities in fiscal 2011 was 1.67%. This was below the legally required rate of 1.8%. We will step up initiatives to increase our hiring of people with disabilities from next fiscal year and enhance work environments.

Providing Opportunities for Women



Kaneka hires and trains people regardless of gender to ensure their success. The number of female managers is increasing every year, and we proactively hire female graduates for management path positions to boost the number of women playing central roles in Kaneka's future (women accounted for 13% of management path graduates hired in fiscal 2012).

At the same time, we offer training programs for regional female employees, helping them to enhance their skills and increase motivation.



Applied training

Childcare and Family Care Leave Programs to Help Employees Balance Their Professional and Private Lives



In fiscal 2009, we received the Kurumin mark, which is awarded to companies that provide childcare support to employees. We established childcare and family care leave programs that exceed the regulatory requirements to help employees balance work-life commitments.



The Kurumin mark is for companies that provide childcare support to employees.

Flexible Working Systems



We introduced flextime, discretionary work, and variable working hour programs to provide flexible and self-driven systems for employees.



Cultivating Human Resources and Creating Comfortable Work Environments

Labor and Management Relationships



Labor and management representatives meet daily to discuss and exchange opinions concerning joint targets. Engagement is through gatherings such as management meetings, central labor and management conferences, and conferences of representatives. We reflect on the results of operations undertaken by a specialist labor management committee regarding the introduction of new work programs and review of personnel systems.

Human Rights Education



Respect for human rights is a fundamental requirement for Kaneka and its employees, as explicitly stated in our Rules of Employment and Ethical Code of Conduct. We spread awareness of the importance of human rights in many other ways, such as through training for new and promoted employees. We also have employees participate in local government-sponsored human rights seminars and conferences.

Labor and Management Joint Targets

Labor and Management Joint Targets

Labor and management mutually seek to develop business and achieve rewarding lives for union members while contributing to social progress.

Protecting Personal Information



We take the utmost care in managing the personal information of customers and employees. We are improving our capabilities through ongoing education based on the Information Security Guidebook produced by the Information Systems Department.

Preventing Sexual and Power Harassment



We endeavor to keep workplaces free from sexual and power harassment and are fully prepared to rapidly address any instances of such behavior. We highlight awareness of these issues through our Rules of Employment and Compliance Guidebook and other means. We maintain consultation desks at every business site, and have adopted a system for submitting reports to consultants over the Web.

CHECK & ACT

We are continuing to create environments that encourage the success of foreign nationals, women, and reemployed personnel at Kaneka. Although our rate of hiring of people with disabilities has not reached the legally required rate of 1.8%, we are continuing to recruit people and secure workplaces for people with disabilities.

We provide all employees with opportunities to review their careers by providing information on our required targets for each of their respective roles and designing their career paths so that they can pursue new challenges.

Employee Feedback Helped Boost Sales of KANEKA QH (see note 1) as a Female Expat in the United States, the World's Biggest Market for Supplements

Shoko Tsuji
Kaneka North America LLC



I came to the United States in 2011 with the desire to apply my sales experience in Japan to the global stage. I currently oversee sales analysis and planning in the sales division of Kaneka North America LLC for supplement markets in the United States and South America. This is my first overseas posting. Working in an environment of different languages and customs has truly been a series of amazements and discoveries. I aim to do my best while pursuing personal growth through daily trial and error, remaining open to diverse values and cultures.

Note 1: KANEKA QH: Reduced from coenzyme Q10



Occupational Safety and Health and Disaster Prevention (Occupational Safety and Health Efforts)

Kaneka strives to achieve zero occupational accidents by implementing various occupational safety and health measures at each business site that reflect personnel, facilities, raw materials, and organizational factors.

Occupational Safety and Health Efforts



There were 12 employee accidents in 2011. Of these, three resulted in work time losses.

The principle causes of these mishaps were failures to fulfill basic requirements in non-routine tasks, including not addressing problems that arose (not properly conducting basic operations, having inadequate rules in place, not fully observing rules, or ignoring rule). Another factor was a lack of risk management (failing to identify or underestimating risks). We will formulate measures to prevent recurrences and similar mishaps, undertaking initiatives for all employees as part of our efforts to enhance safety awareness.

Enhancing Our Occupational Safety and Health Management System



All of our plants acquired occupational safety and health management system (OSHMS) certification from the Japan Industrial Safety & Health Association in fiscal 2007. In fiscal 2010, we received and passed renewal inspections for all plants (with the Kashima Plant being recertified). We will continue to promote our occupational safety and health management system to reduce risks by mainly conducting risk assessments.

Hands-On Learning to Improve Sensitivity to Danger



Complementing equipment at the Takasago Plant, we installed similar equipment at the Osaka, Shiga and Kashima plants to provide hands-on experience. Responding to requests from employees at all parent plants and Group companies and at other companies, we systematically conduct hands-on experience training for gas and dust explosions, static electricity, and being caught in machinery to improve danger sensitivities.



Experiential training sessions

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%

CSR Inspections



Members of the CSR Inspection Committee inspect our four parent plants every year and all domestic and overseas Group companies every two years to confirm compliance practices and improve occupational safety and health. Inspections in fiscal 2011 focused on ensuring that top management instructions and information reached intended targets, reinforcing risk assessments and risk management, and checking adherence to the 3S's, and daily compliance management. The inspections covered the four parent plants, 14 sites of 11 domestic Group companies, and three sites of three overseas Group companies. The committee will continue to inspect facilities to help enhance safety and quality standards.

Mental Health Care



As well as prioritizing physical health, Kaneka places importance on the mental health of employees, endeavoring to more swiftly identify and prevent mental illness. In fiscal 2011, the Kaneka Group conducted 11 line-care training classes three self-care training classes. Six Kaneka sites conducted mental health counseling to support returns to work.



Employees attending a mental health seminar



Occupational Safety and Health and Disaster Prevention (Process Safety and Disaster Prevention Initiatives)

Targeting Zero Process Accidents



The Kaneka Group has long affirmed that safe and stable operations are a key priority by pursuing zero process accidents. Unfortunately, there were nine such incidents in fiscal 2011, seven of which occurred at parent plants, with the other two at Group companies. Although the accidents were minor, we are determined to clarify and resolve the causes of such mishaps to achieve zero process accidents, and are pushing forward groupwide to ensure safe and stable operations.

Disaster Prevention Drills



In fiscal 2011, we held comprehensive disaster drills at all Kaneka plants, as shown in the table on page 59. Group companies also regularly conduct such drills and train employees in fire extinguisher use.



Comprehensive disaster drill at the Takasago Plant



Basic Safety Policies

- ◆ Safety forms our management foundation, and is the basis of all corporate activities.
- ◆ Safety is the foundation of local and worldwide communities' confidence in Kaneka.
- ◆ Safety is based on our belief that "All accidents can be prevented."
- ◆ Safety is the responsibility of every employee in accordance with his/her duties.
- ◆ Safety must be maintained continuously.

Plant Safety Initiatives



In October 2010, we started phase three of plant safety initiatives that we launched in September 2009, covering all nine Kaneka divisions. These efforts entailed comparative assessments of safety levels at similar production sites, as well as clarifying and addressing the safety measures needed at each site. Internal specialists participated in the initiatives, focusing on risk assessment, to ensure underlying safety.



Collaborating with Transportation Contractors

Initiatives to Prevent Transportation Disasters



Based on annual plans, in fiscal 2011 we conducted initiatives to improve awareness standards for safe operations, collaborating with transportation contractors. These initiatives included safety operations case studies on vehicle accidents, including incidents at other companies, and risk prediction training. We implemented initiatives to prevent accidents from escalating by ensuring that employees follow procedures and report incidents swiftly, checking that crews carry Yellow Cards, conducting emergency reporting drills, and holding drills in predicting emergency procedures.

CHECK & ACT

As a result of intensive work health and safety initiatives in keeping with a commitment to making safety the top priority, we halved the number of occupational accidents in fiscal 2011 by reducing the number of high-risk accidents and improving safety consciousness. We will continue to create safe and secure work environments for everyone in the Kaneka Group.

Unfortunately, we had nine process accidents during the year, from eight in fiscal 2010. In fiscal 2012, we will step up measures to reduce risks groupwide from explosions, fires, and discharges in an effort to eliminate process accidents. At the same time, we will improve our accident responsiveness.

Personnel and Occupational Safety Data



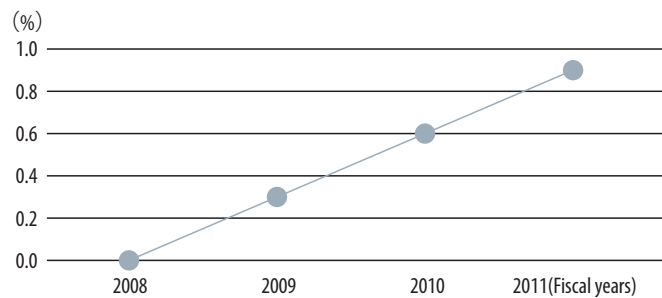
Global Employee Development Program

	Program	Number of Employees Registered in Fiscal 2011
Development Training	Global Employee Registration System	1,146
Overseas Experience	Overseas Trainee System	7
	Short-Term Overseas Trainee System	4
	Overseas Training System	13
Language Courses	English and Chinese	340
Personnel Exchanges	Overseas Group companies (local employees)	0

Percentage of Employees with Disabilities

Fiscal years	Percentage of employees with disabilities
2007	1.81%
2008	1.89%
2009	1.88%
2010	1.73%
2011	1.67%

Percentage of Managers who are Female (see note 1)



Note 1: Ratio of female managers to all manager

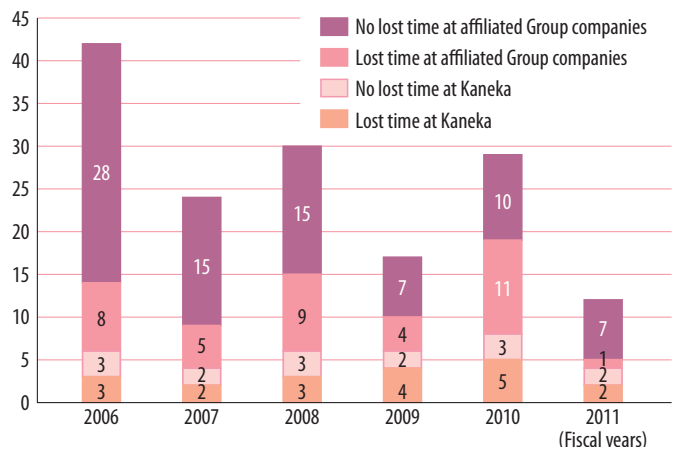
Number of Childcare Program Users

Fiscal 2011	Females	Males
Shorter working hours system	29	1
Childcare leave	22	0

OSHMS Certifications

Business Site	Location	Certification Date	Certification No.
Takasago Plant	Hyogo	March 10, 2008	08-28-13
Osaka Plant	Osaka	August 21, 2007	07-27-10
Shiga Plant	Shiga	January 15, 2008	08-25-6
Kashima Plant	Ibaraki	December 13, 2010	10-8-26

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



Accident Severity Rate and Accident Frequency Rate

Area	All Kaneka Group Companies		Parent Company		Group Companies	
	2010	2011	2010	2011	2010	2011
Calendar year	2010	2011	2010	2011	2010	2011
Frequency rate	0.94	0.17	0.57	0.23	1.34	0.11
Accident severity rate	0.02	0.01	0.02	0.01	0.02	0.00

Comprehensive Disaster Drills

Plant	Date	Approximate Number of Participants	Program Details
Takasago Plant	December 19, 2011	1,200	The plant held a drill to prevent effluent leaking from a pit into the sea following an earthquake. We participated in a joint drill with the Takasago Fire Headquarters based on the scenario of a fire stemming from a gas leak.
Osaka Plant	April 23, 2012	500	The plant conducted a joint drill with the Settsu Fire Headquarters that assumed that an earthquake caused hazardous materials to leak from piping, triggering a conflagration.
Shiga Plant	June 27, 2012	250	The plant conducted a fire engine crew drill based on an earthquake causing leaks and a fire at a hazardous materials warehouse. It also planned a drill in closing drains and emergency pit recovery.
Kashima Plant	November 30, 2011	130	The plant conducted a fire engine crew drill based on an earthquake causing hazardous materials to leak, leading to a fire.

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.

Earning High Regard for Environmental Contributions to Vietnamese Society

Kaneka Pharma Vietnam Co., Ltd.

Kaneka Pharma Vietnam, which was established in 2006 in Binh Duong on the outskirts of Ho Chi Minh City, makes intravascular catheters.

In 2008, this subsidiary obtained certification under ISO 13485, an international standard for designing and manufacturing medical devices. It also took on Vietnamese trainees who had completed a three-year educational course in Japan. This move created a mindset that embraced a Japanese-style manufacturing commitment to outstanding quality control, enabling the company to contribute to medical treatment in Vietnam by supplying products that patients can trust. In 2011, Kaneka Pharma Vietnam received an award under the Green Book program, which honors local enterprises for outstanding environmental achievements, attesting to the company's ecological contributions to the community. The company provides ongoing training for new and existing employees to raise awareness of occupational health and safety requirements, and has thus maintained a record of no accidents or disasters since its establishment. Kaneka Pharma Vietnam aims to contribute to a healthier society by prioritizing security, safety, quality, and the environment.



Exhibition

Aiming to Enhance Living Standards in an India Offering High Growth Potential

Kaneka India Pvt. Ltd.

Kaneka India was established in New Delhi in April 2010 as Kaneka's first marketing unit in India. This subsidiary provides promotional support for sales of existing products. It conducts market research to cultivate new business areas and explores and proposes new opportunities through local production, joint ventures, and mergers and acquisitions. Another role is to set up frontline units in the Middle Eastern and African markets.

Over the past two years, the number of people at Kaneka India has doubled to 10. Also during this time, the company has commenced chemicals and expandable plastics joint ventures with two local enterprises, and is currently working on several other business projects. In February 2012, the company became the first business in the Kaneka Group to exhibit at Plastindia, one of the world's leading trade shows, and showcased products from eight Kaneka businesses. This subsidiary will continue to expand its business in the years ahead, helping to build infrastructure and contribute to better living standards in a highly promising nation.

Basing Manufacturing in the United States and Contributing to Community Activities

Kaneka North America LLC

Kaneka Texas Corporation is located southeast of Houston in the Bayport Industrial District. Since it started manufacturing Kane Ace in 1984, it has steadily broadened production to encompass new brands, including Apical from 1990, Kaneka CPVC chlorinated polyvinyl chloride resin from 2008, and Kaneka MS Polymer from 2009.

Kaneka Texas collaborates with neighboring Kaneka Nutrients L.P. in engaging in community initiatives. These efforts include an ongoing involvement in an American Heart Association charity event. Many employees took part in the 2011 event, winning high praise from the community for raising the third highest amount of donations in a locality where many world-leading corporations operate. Kaneka Texas and Kaneka Nutrients merged as of April 1, 2012 to form Kaneka North America LLC. This new entity aims to contribute to society through U.S.-based manufacturing and community initiatives.



Domestic Group Company Initiatives

Popularizing Solar Batteries to Generate Clean Energy and Protect the Environment

Kaneka Solar Marketing Co., Ltd.

Kaneka Solar Marketing Co., Ltd. was established to market residential solar batteries in Japan. It focuses in popularizing these power sources through leading homebuilder and stores. Since 2012, it has expanded its scope of marketing to encompass both new and existing dwellings.

Kaneka Solartech believes that solar batteries can help to generate clean energy and reduce environmental impact. It engages in activities that promote the familiarization of these batteries among consumers. In fiscal 2011, it participated in a successful eco-point campaign trial with six prefectures in the Kinki region and Tokushima Prefecture to encourage citizens to join in local environmental initiatives. The company plans to take part in more joint projects with local governments in the years ahead.



Exhibition



Incorporated into tiles "VISOLA"



Contributing to the Market with Relentless R&D and Advanced Technology as a Manufacturer of Organic Synthetic Chemical Pharmaceuticals

Osaka Synthetic Chemical Laboratories, Inc.

Osaka Synthetic Chemical Laboratories, Inc. was established in 1961 to manufacture organic synthetic chemical pharmaceuticals. It joined the Kaneka Group in 2002. This company has harnessed advanced organic synthetic technologies through relentless R&D in diverse fields, including crude pharmaceutical materials, intermediates, medical synthetic reagents, and heavy chemicals, and has launched numerous products. In recent years, it has started developing crude materials for the generic drugs it has commercialized.

At its headquarters in Nishinomiya, Hyogo Prefecture, the company decided to prioritize its contribution to disaster prevention for the community in view of lessons learned from the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake. The company concluded an agreement with the Nishinomiya municipal government for designation as an evacuation building in the event of a tsunami. To prepare for the potential Tonankai and Nankai earthquakes, the company will develop close ties with the community to function as a local base in readiness for a disaster.

Marketing Ecological, Environmental, and Energy-Saving Products

Kaneka Foam Plastics Co., Ltd.

The products of Kaneka Foam Plastics Co., Ltd. are made from air-based materials. The chief component is air which represents 98% of the solid content in styrene foam products (from air expanding the material 50-fold). Just 2% is oil-derived material. This means that styrene foam saves considerable resources. As the chief components of styrene foam are carbon and hydrogen, no hazardous substances are emitted. Instead, it turns into carbon dioxide and water on complete burning, so the material has less impact on the environment.

In comparison with houses that lack insulation, a residence in Sapporo with expanded polystyrene thermal insulation construction material can reduce carbon dioxide emissions by 1,571 kilograms every year. There are also savings on heating and air conditioning energy and costs. This material is ideal for a low-carbon future. The company will continue contributing to society by supplying ecological, environmental, and energy-saving products to the market.



Expanded polystyrene thermal insulation construction material

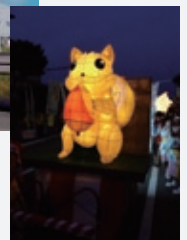
Domestic Group Company Initiatives

Conserving Energy and Enhancing Lifestyles with Organic Light Emitting Diode Lighting

OLED Aomori Co., Ltd.

OLED Aomori Co., Ltd. was established in Rokkasho-mura, Aomori in 2010, and newly joined the Kaneka Group. It develops and manufactures organic electroluminescent panels that allow replacement of incandescent lights. The company's panels were used as alternative lighting on floats at the Aomori Nebuta Festival in 2011.

The company is developing products that enhance lifestyles with new applications for electroluminescent panels, taking advantage of surface luminance, thinness, lightness, and design flexibility. It is also pursuing safer and more secure product development by promoting a guarantee system for peripheral electric instruments, an area in which Kaneka has less experience. With organic electroluminescent panels, OLED Aomori will contribute to saving energy and enriching lifestyles for people around the globe.



Also used as an apple pie filling

Contributing through Technological Collaboration

Shinka Shokuhin Co., Ltd.

Since its establishment as an exclusive manufacturer of bread improvers in the Hamacho district of Tokyo's Nihonbashi in 1959, Shinka Shokuhin Co., Ltd. has developed, manufactured, and sold ingredients for bread such as improvers, as well as processed fruits and fats and oils. The company became part of the Kaneka Group in June 2010. It aims to contribute to consumers through client bakers and confectioners by leveraging the Kaneka Group's synergy.

Shinka Shokuhin seeks to contribute through technological collaboration. It cultivates technologies and products that help boost the quality of clients' bread products. The company engages in ongoing efforts to improve food safety and security at production sites. It also endeavors to improve work and local environments and reduce waste. In recent years, the company has held plant tours for high school students and teachers and engaged in other community-based activities. The company will continue striving to maintain a positive reputation among customers and the community alike.

Protecting the Environment and Engaging with the Community

Kyushu Kanelite Co., Ltd.

Kyushu Kanelite Co., Ltd. began operations in 1997 to produce an extruded polystyrene board brand called Kanelite Foam for Kyushu, Okinawa, and Shikoku. Kanelite Foam is a thermal insulation material produced with pioneering non-chlorofluorocarbon technology. This product helps prevent global warming and is attracting considerable attention with the rising popularity of energy-saving housing.

In 2007, the company obtained Eco-Action 21 environmental certification as part of its strong commitment to protecting the environment. In the past five years, Kyushu Kanelite has reduced carbon dioxide emissions intensity by around 25%. We installed a 30-kilowatt solar power facility in 2010 and added another 20 kilowatts of capacity in 2011.

The company began conducting factory tours for students from local elementary schools two years ago and holds environmental classes. Kyushu Kanelite interacts extensively with the community, notably by participating in regular meetings with local government officials, including the mayor, and with representatives from other local companies.



Third-Party Verification



CSR Report 2012 Independent Verification—Opinions

June 27, 2012

Japan Chemical Industry Association
Chief Director
Responsible Care Verification Center
Junji Takase

Junji Takase

Purpose of report verification

Responsible care report verification is designed to express an opinion of the Responsible Care Verification Center as an expert representative of the chemical industry about the following items as presented in Kaneka Corporation's CSR Report 2012. The verification solely encompasses items relating to the environment, safety, and health.

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values
- 2) The accuracy of non-quantitative information presented in the Report
- 3) The contents related to responsible care activities
- 4) The characteristics of the Report

Verification procedure

- For the corporate head office, we conducted investigations into the rationality of the calculation methods of values reported by each site (offices and plants), as well as the accuracy of other non-quantitative information. We conducted these investigations by questioning the people responsible for each business area and the people responsible for preparing the Report about the contents of the Report. We also received documents and explanations from them.
- For the Kashima Plant, we conducted investigations into the rationality of the calculation methods of values reported to the corporate head office and the accuracy of those values as well as the accuracy of other non-quantitative information. We conducted investigations by questioning the people responsible for each business area and the people responsible for preparing the Report. We also received documents and explanations from them, as well as checked evidential materials.
- We applied sampling techniques in our investigations of the values and other information presented in the Report.

Opinions

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values:
 - Rational methods were used to calculate and collect numerical values for both the corporate head office and the Kashima Plant. The Microsoft Office SharePoint Server was used in collecting data efficiently to prevent inputting errors and other problems.
 - As far as was investigated, performance values are accurately calculated and collected.
- 2) The accuracy of non-quantitative information presented in the Report:
 - The information presented in the Report was confirmed to be accurate. At the stage of drafting the Report, issues were raised regarding the suitability of expressions and comprehensibility; however, these issues have been rectified in the final Report. As a result, no points remain to be rectified as of now.
- 3) The contents related to responsible care activities:
 - Kaneka merits praise for responding to massive damage from the Great East Japan Earthquake by ensuring the safety of parent and Group company employees and their families, safely suspending operations at manufacturing facilities, maintaining stable supplies, and swiftly restoring operations.
 - Kaneka receives high marks for thoroughly implementing responsible care initiatives, for which it has set specific objectives. The company has cut waste destined for landfill while attaining zero emissions, defined as final disposal volume representing 0.5% of total waste from all plants for six consecutive years.
 - Also praiseworthy were several successful efforts at the Kashima Plant. They included conserving energy and enhanced recycling by thoroughly separating waste, implementing safety initiatives to prevent logistics accidents, conducting classes at schools, and otherwise engaging with the community.
 - The Kashima Plant has zealously undertaken risk assessments for plant and occupational safety, and looks well placed to bear more fruit in these regards through bottom-up initiatives.
- 4) The characteristics of the Report:
 - The stakeholder dialogs and Kaneka's responses to their feedback are useful for deepening reader understanding about the Group.
 - Kaneka produced digest and detailed PDF versions of the report to accommodate different reader needs.

Third-Party Opinion

My Impressions from Reading CSR Report 2012

Professor Toshihiro Kanai

Dean of the Graduate School of Administration at Kobe University
 Professor Kanai graduated from Kyoto University with a BA. He completed his Ph.D. both at MIT (Massachusetts Institute of Technology) and Kobe University. Professor Kanai's research focuses on organizational behavior with an emphasis on leadership, motivation, and career dynamics.
 He explores management that simultaneously enhances both creativity and solidarity and researches networking among entrepreneurs and other inspired individuals.



Anticipating More Engagement with Stakeholders

This third issue of the CSR Report had a new approach, presenting feedback from stakeholders based on a questionnaire and other dialogue. I laud Kaneka's attitude to proactive stakeholder communication.

As I mentioned in the 2011 report, influential economist Albert Otto Hirschman listed three types of human organizational response: "Exit," "Voice," and "Loyalty." Of the three, "Voice" is the key to organizational advancement. Even if the feedback is harsh, it can be useful as long as it makes sense. I encourage efforts to collect feedback in a CSR report, which should function as a direct contact point between society and the company. One idea, for example, is to expand the stakeholder scope. Instead of just passing questionnaires around among employees, it might be worthwhile to distribute them to employees' families as well. It might also be worth considering certain demographic targets for the CSR report.

Highlighting CSR as the Bedrock of Management Strategy

As with many companies, there is very little mention of business in the CSR report, especially about profits and business strategy. I often find companies link their corporate visions or environmental efforts to CSR, however few discuss CSR as part of their management strategy. This could be because management is trying to be overly considerate to readers.

This report, for example, presented a special catheter in the feature story, titled Our Mission in Health Care. Not once were profits mentioned. Yet, the life sciences business as a whole is

generating earnings for Kaneka. Advances in medicine through catheter development can benefit everyone. The main purpose of CSR is to explore how a company helps resolve social issues in the course of doing business. Profit is proof of social virtue. I thought it would have been better for the Company to describe in business strategy terms how Kaneka's doctors and patients value its catheter and how this translates into additional market share.

I would like Kaneka to push forward with CSR as the bedrock of management. In doing so, I believe it would enable more feedback from stakeholders.

Engaging More Widely with Society and Embedding CSR Internally

Responsible Care activities occupy quite a few pages in the report in the form of environmental and safety initiatives. The term "responsible" is highly significant.

The point should be about who exactly is responsible. The report presents activities as the Company's, but individuals actually drive initiatives. I would like to see Kaneka cultivate a greater awareness internally of the fact that individuals play key roles in driving Kaneka's Responsible Care.

I believe that the Company's CSR activities will flourish even more if all employees act responsibly toward the environment and extend action to their families, especially their children, which should create a ripple effect across the wider community. In this regard, I recommend adding another two or three pages of content suitable for elementary school students to read.

I very much look forward to Kaneka's future endeavors as it continues engaging more widely with society and embedding CSR internally.

Suggestions and Improvements from the 2011 Report

Kaneka made the following improvements in response to Professor Kanai's suggestions regarding the 2011 version.

- | | |
|---|--|
| 1. Explore what to retain in the CSR report | → We increased feedback from employees and stakeholders, especially in the special features while introducing contributions to society through our principal occupation. |
| 2. It would be better to ensure that readers can understand what Kaneka has left unchanged in the report as described in 1. | → We made the report easier for readers to understand by providing more illustrations and data. |
| 3. Anticipate a report that offers stakeholder feedback. | → We produced a questionnaire and conducted stakeholder dialogues, and presented opinions in the report. |

Stakeholder Feedback

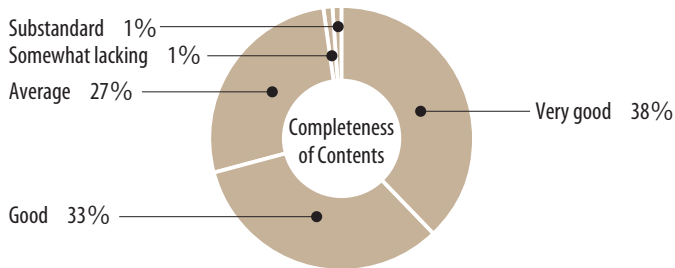
Below we present feedback from readers of the Kaneka Group CSR Report 2011.

Overview

Questionnaire implementation period	August 12 through September 12, 2011
Period analyzed	August 12 through September 12, 2011
Materials covered by questionnaire	Kaneka Group CSR Report 2011
Number of valid responses	462

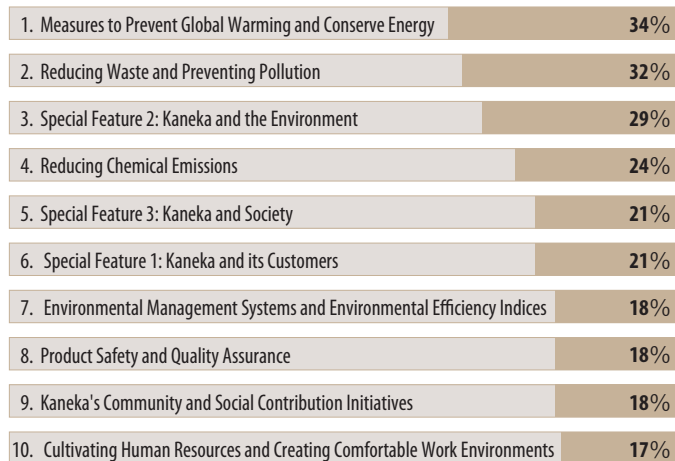
Q.1

What were your impressions of the Kaneka Group CSR Report 2011?



Q.2

What interested you most about the Kaneka Group CSR Report 2011? What articles impressed you the most (pick all that apply)?



Key Opinions

Q.3

What areas would you like to see improved or know more about?

- I want more information about the company itself.
- I would like more details about various activities.

Q.4

What did you think about the special features?

Special Feature 1

Kaneka and its Customers

—Dedicated to the Pursuit of Health and Happiness

- I concurred with the emphasis on health.
- I learned for the first time about Q10 in both oxidized and reduced forms.
- I wanted a more robust comparison of Q10 in both oxidized and reduced forms.

Special Feature 2

Kaneka and the Environment

—Safeguarding Diverse Species

- I laud fake fur from the perspectives of biodiversity and animal protection.
- I was concerned about the carbon dioxide emissions that come from the production processed, materials, and processes for fake fur.

Special Feature 3

Kaneka and Society

—Winning Community Trust by Ensuring Safety

- It was good that the company disclosed information on previous accidents and is engaging in safety initiatives.
- I considered it positive that the company values community trust.

Editorial Afterword

(Response to Third-Party Opinion)

Editorial Afterword (Response to Third-Party Opinion)

In the 2012 report, we presented new initiatives with stakeholder opinions in mind, such as evaluations and opinions on Kaneka's CSR activities from a survey and dialogues with people from the communities in which we operate.

We will draw on positive assessments of our initiatives while continuing to enhance stakeholder satisfaction.

We accept Professor Kanai's point of view that CSR is the bedrock of management strategy. All of us in the Kaneka Group should take note of this by contributing to society in the course of business, which is our *raison d'être* as an enterprise.

We will all continue to undertake various activities in society and embedding CSR internally, in order to help generate sustainability for Kaneka and society through CSR initiatives for which each employee is responsible.

Finally, we would like to express our appreciation to you for taking the time to read this report.

Administration Office
CSR Committee
Kaneka Corporation



Meeting between Administration Office CSR Committee members and Professor Kanai

Group Product Registered Trademarks

The following product names in CSR Report 2012 are registered trademarks of the Company or the Group.

- Apical
- Elmec
- Eperan
- Eperan PP
- GRAPHINITY
- Kane Ace
- KANEKA Biopolymer AONILEX
- Kaneka Flux
- Kanekalon
- Kaneka MS Polymer
- KANEKA QH
- Kaneka Telalloy
- Kanelite Foam
- Kanelite Super E
- Kanepearl
- Liposorber
- Lixelle
- Pixeo
- Silyl
- Sunduren
- VISOLA