

CSR REPORT 2014

PDF Version



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Overcoming Existing Boundaries to Build Kaneka's Reputation Through the Trust for People and Technology

We will Continue Seeking to Make Wishes Come True through Science

“Go beyond the border !”



Environmental Awareness is a Key Management Priority

I was appointed president on April 1, 2014 to lead the Kaneka Group. The world is changing rapidly, making it even more important for management to identify and tackle such transformations.

From a global perspective, as the world population continues to increase, we are faced by aging societies in developed nations to a degree never before experienced in human history. We

therefore need to shift our focus from petrochemicals to the pursuit of social sustainability. The aging of society has raised many issues relating to medicine and nursing care. Other developments include the extraction and use of shale gas and oil within the United States, which has replaced its traditional oil-dependent industrial structure with a new framework. Then there are the technological integrations that are driving advances in automotive informatics and smart houses.

Such swift and dramatic technological changes are paradigm shifts. An entity like Kaneka that seeks to develop innovative technologies that resolve the challenges of social developments must refine its development capabilities so it can continue creating products that are high-tech and valuable.

We are determined to pursue R&D that embraces the opportunities resulting from such changes.



To Capitalize on Exciting New Opportunities

Go beyond the border !

Launching a New Medium-term Plan

On April 1, 2014 we embarked on a three-year management plan that underpins the Declaration of Kaneka United, which we deployed in 2009 as part of our long-term management vision for 2020.

To date, we have undertaken various efforts in the spirit of change and growth and have evolved as an industry pioneer. Under the new plan, we seek to accelerate our evolution and institute bolder reforms. We will overcome existing boundaries to capitalize on exciting new opportunities, drawing on the following five key drivers for growth.

- Exceed customer expectations by fashioning unique, market-leading products
- Expand our business to go beyond intermediate materials manufacturing
- Increase the scale of our own and other

companies, divisions, and organization through mergers and acquisitions, alliances, and other initiatives

- Broaden markets by operating globally
- Transform and accelerate R&D to pursue sustainable growth

We will step up expansion beyond existing frameworks by collaborating in a range of diverse fields.

By succeeding, we will build a trusted reputation among all stakeholders for bringing people and technology together and optimize the value of our commitment to leveraging science to make wishes come true.

Safety above All

Safety is the foundation of manufacturing and competitiveness. In the past few years, we have reiterated that safety is our top priority. However, despite our goal of eliminating all accidents at Kaneka, the number

actually increased in fiscal 2013. Although none of the accidents were grave, we viewed them as a bad omen. Management is greatly concerned and determined to do whatever it takes to prevent further mishaps.

We know that there are no shortcuts and that we must remain true to our basic safety principles. We will reinvigorate the risk awareness of employees involved in manufacturing and reconfirm our equipment safety measures.

Kaneka Group will continue striving to overcome boundaries in keeping with its “Go beyond the border slogan,” leveraging diverse tools to improve communication with stakeholders. As always, we appreciate your candid feedback on our activities.

M. Kadokura
Mamoru Kadokura
 President
 Kaneka Corporation

Why do you need to engage in CSR?

To operate globally, we have to look beyond our own interests and consider the overall needs of society.

Why do you publish the CSR Report? What can we gain by reading it?

Many stakeholders use CSR reports to reconfirm corporate value. This is because they can measure the business strengths, benefits, and problem-solving initiatives describe in the reports.

Why CSR?

Corporate Social Responsibility

For the Kaneka Group to become a truly CSR-driven entity, all employees must ask themselves what they can do for society, and act accordingly based on the knowledge that both the Company and its employees are members of society. Five years have passed since the Kaneka Group renamed the Responsible Care Report the CSR Report. In 2013, we renamed the digest version of the CSR Report the Communication Book and stepped up dialogue with our stakeholders. Stakeholders responded to questions about what they expect from Kaneka Group and how well we are doing in that regard. In fiscal 2013, we continued groupwide initiatives to meet stakeholder expectations. This report seeks to enhance stakeholder engagement and present the Group's CSR activities through its core businesses. We look forward to your feedback. Through its CSR activities, the Kaneka Group will continue generating new value for society by communicating closely with employees.

Why is CSR necessary in addition to donations, volunteer work, and other social contribution activities?

CSR goes beyond social contributions. The satisfaction of our customers and other stakeholders resulting from our business drives sustainable corporate growth.

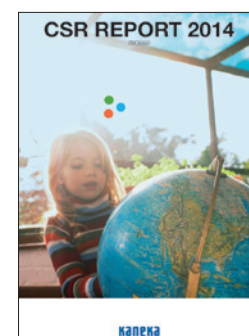
Why do employees also need to engage in CSR?

Organizational efforts alone are not enough to improve the corporate brand, because stakeholders judge the actions of individual employees. Employees must always keep this in mind.

Kaneka Group CSR Report 2014 PDF Version

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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.

The Kaneka Group's Approach to CSR

The Kaneka Group's Corporate Philosophy and CSR Positioning

In keeping with the Declaration of Kaneka United, the Kaneka Group's Basic CSR Policy forms the foundation of employee action to realize our Corporate Philosophy.

Based on this policy, the key stakeholders in the Group's CSR activities are employees, society, customers, the environment, shareholders and investors, and vendors.

We endeavor to improve enterprise value to enhance stakeholder satisfaction through business activities.

Management Philosophy Structure "Declaration of Kaneka United"



Corporate Philosophy
Expresses our raison d'être and our social mission

Corporate Ideals
Describes our key values

Basic CSR Policy
Provides an action agenda for each employee for materialization of our Corporate Philosophy

Kaneka Group's CSR Activities

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

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 upgrade 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 'logy' (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.

The Kaneka Group's Approach to CSR

The Kaneka Group's Corporate Philosophy and CSR Positioning

■ Kaneka Group's Stakeholders

Employees

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

Customers

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

Shareholders and Investors

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

Society

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.



Kaneka Business Operations

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, plastic foam 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.

■ Important Strategic Domains

We face numerous global social challenges.

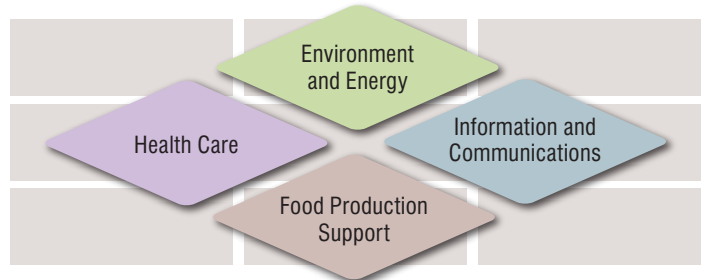
These include **reducing environmental impact**, **addressing food shortages**, and **maintaining health care**.

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

PVC & chemicals	High-performance plastics	Plastic foam products
Food products	Kanekalon	Electronic materials
Medical devices	Quality of life	Solar energy

○ Important Strategic Domains



Structural reform - Business creation - M & A

Product/organizational restructuring



Environment and Energy

We produce innovative materials that reduce environmental impact by mitigating society’s carbon footprint while creating products and markets that can help resolve environmental problems around the world

Solar energy



Form meets function: Roof-integrated photovoltaic modules

High-performance plastics



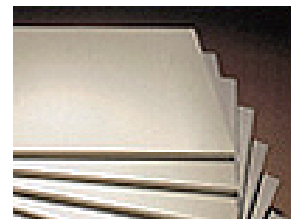
Weather-resistant methyl methacrylate film improves long-term durability of exterior materials

High-performance plastics



Toughness-enhancing master batch for epoxy resin contributes to more robust, lighter automobiles and airplane

Plastic foam products



Extruded polystyrene foam board for housing insulation

Kaneka Business Operations

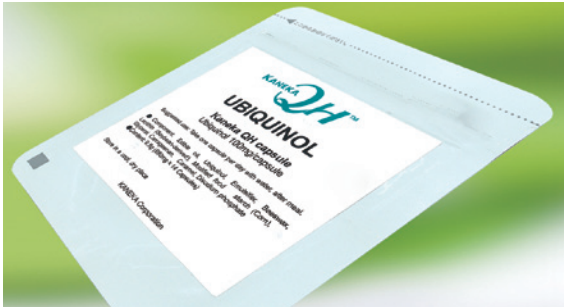
Leveraging Our Science to Contribute to the World—



Health Care

We create materials and products that contribute to health, medical treatment, and nursing care

Quality of life



Reduced form coenzyme Q10 (Ubiquinol) that contributes to a healthy lifestyle

Medical devices



The programmable closed circuit cell culture system is used in the research of regenerative medicine and cell therapies

Medical devices



A blood purification system that selectively removes pathogenic agents from blood

Medical devices



Catheters for intravascular treatment



Information and Communications

We provide high-performance materials that underpin the information society

Electronic materials



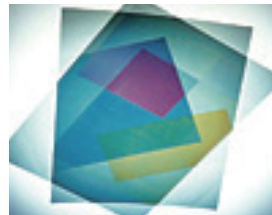
Ultra-heat-resistant polyimide film used for heat-resistant insulation in mobile devices

Electronic materials



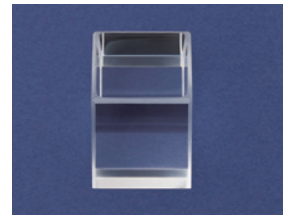
Bonded magnets for laser printers and copiers

Electronic materials



Optical transparent film for liquid crystal display substrates

New business development



Heat-resistant and light-resistant transparent resin for advanced optical devices



Food Production Support

We aim to resolve food issues by providing materials that support livestock farming and aquaculture

New business development



100%-plant derived biopolymer naturally degrades into carbon dioxide gas and water

Food products



Multifunctional yeast for all methods of baking

Food products



Anti-freeze protein to maintain the quality of frozen foods

Plastic foam products



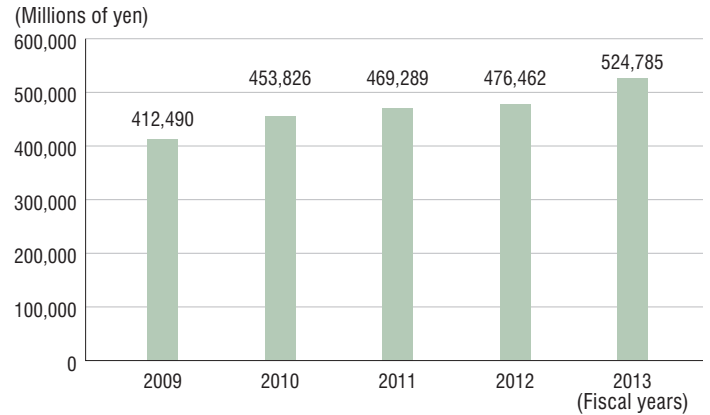
Polystyrene foam made with bead method for fish or vegetable containers

Kaneka Group Profile

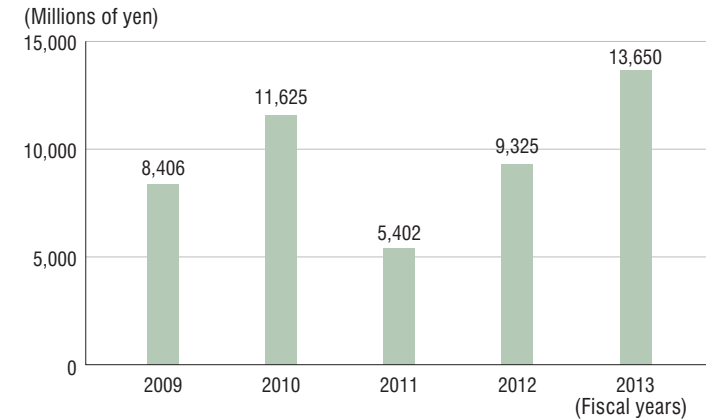
Corporate Profile

Name	Kaneka Corporation	
Head Office	Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037	
Tokyo Head Office	1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	33,046 million yen (as of March 31, 2014)	
Domestic Facilities	Sales Office	Nagoya
	Plants	Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Medical Device Development Laboratories Biotechnology Development Laboratories Photovoltaic & Thin Film Device Research Laboratories Molding & Processing Development Center Thin-Film Process Technology Development Center Process Technology Laboratories	
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, and others	
Kaneka Group	92 subsidiaries (including 34 domestic and 26 overseas consolidated subsidiaries)	

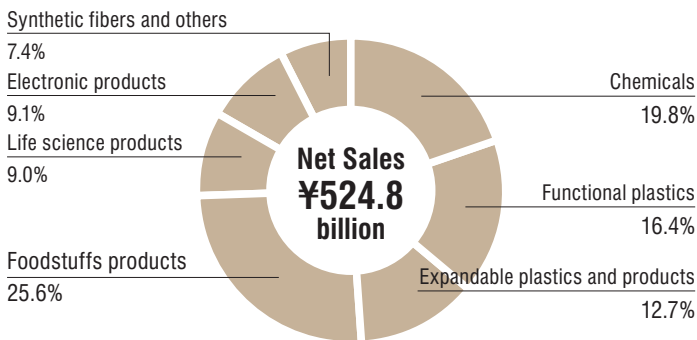
Net Sales (Consolidated)



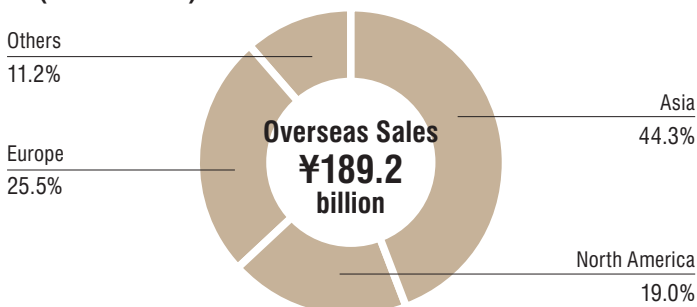
Net Income (Consolidated)



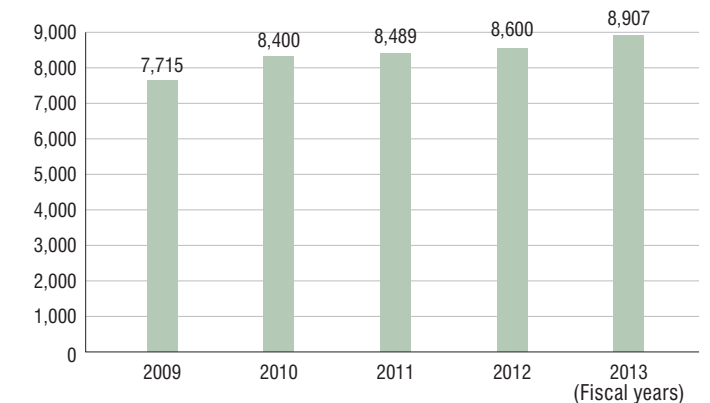
Consolidated Sales by Business Segment (Fiscal 2013)



Consolidated Overseas Sales by Area (Fiscal 2013)

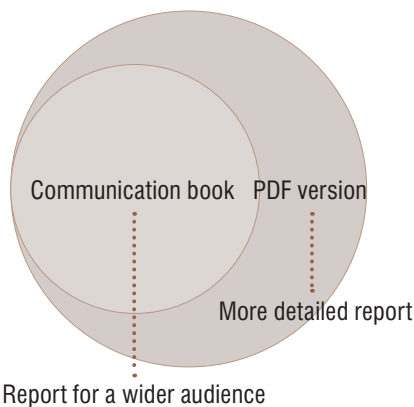


Number of Employees (Consolidated)



● **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. Beginning with the 2011 edition, we separated the report into digest and PDF versions. From the 2013 edition, we renamed the digest version the Communication Book to position this publication as a key communication tool for all stakeholders. The Communication Book presents simplified content for those learning about Kaneka for the first time or those wishing to gain an overview of our CSR activities.



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 customers, the environment, and society.



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. Communication book is also available in both languages.

● **Third-Party Verification and Opinions**

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

● **Report Period**

This issue covers fiscal 2013 (April 1, 2013 to March 31, 2014) with some additional information outside this period.

● **Date of Publication**

September 2014

● **Publication of the Previous Report**

September 2013

● **Next Report**

September 2015

● **Reference Guidelines**

The Global Reporting Initiative’s Sustainability Reporting Guidelines 2006 and The Environmental Reporting Guidelines (2012 version) issued by the Ministry of the Environment of Japan.

● **Inquiries**

Kaneka Corporation
 Administration Office CSR Committee
 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan
 Tel: +81-6-6226-5091 Fax: +81-6-6226-5127
<http://www.kaneka.co.jp/kaneka-e/>

Note: We have included a questionnaire form with this report and invite you to record your opinions and impressions to help us improve our initiatives and disclosure in the years ahead.

Providing Thermal Solutions that Enhance the Compactness and Performance of Mobile Devices

Smartphones and other mobile devices have transformed our work and lifestyles, and wearables in the form of glasses or wristbands are just around the corner. More compact and powerful information devices demand thermal solutions, which has prompted Kaneka to explore the high thermal conductivity of graphite. We have pioneered solutions by collaborating with a university that is working on thermal control for satellites.



Kaneka Graphite Sheet helps dissipate heat from mobile devices

Customer POLICY & VISION

The Kaneka Group leverages science to help create more comfortable and convenient societies. We go beyond providing highly functional materials to identify customer needs and offer innovative optimal solutions.

Providing Thermal Solutions that Enhance the Compactness and Performance of Mobile Devices

Social Needs and Kaneka's Plan

Heat control is vital for mobile devices

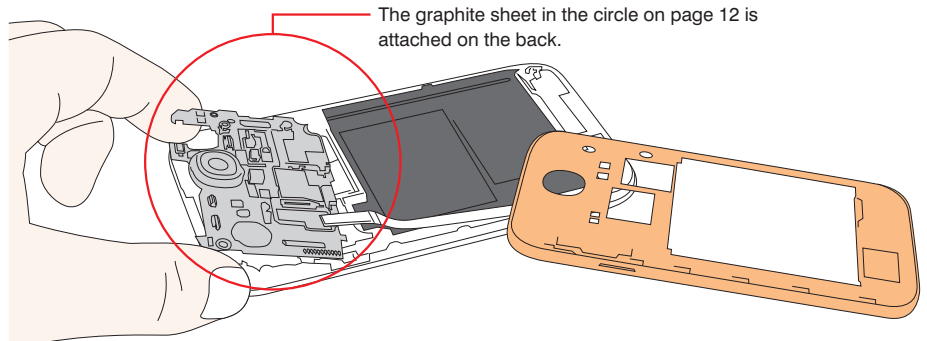
There are two key IC-related heat issues with smartphones and tablet PCs. One is the need to avoid low-temperature burns when the skin touches the surface of a device. The other concerns the heat that the IC generates, which degrades the chip and device performance.

Satoshi Matakawa, who was a Team Leader of Marketing Group III in the Electrical & Electronic Materials Division (at the time when we produced this report), told us that, "TVs and PCs use aluminum or copper foil, while laptop PCs and other equipment incorporate cooling fans. However the metal foil is too heavy and the thickness is a problem for thin and lightweight devices such as smartphones and tablet PCs. Accordingly, Kaneka offers graphite sheet as a thermal solution for mobile devices. The sheet is far more thermally conductive than other materials. In fact it's three times more thermally conductive than copper foil. To put it another way, the sheet only needs to be one-third the thickness of copper foil to exhibit the same capabilities. It is well suited to applications where lightness is important."

Kaneka Group's Approach

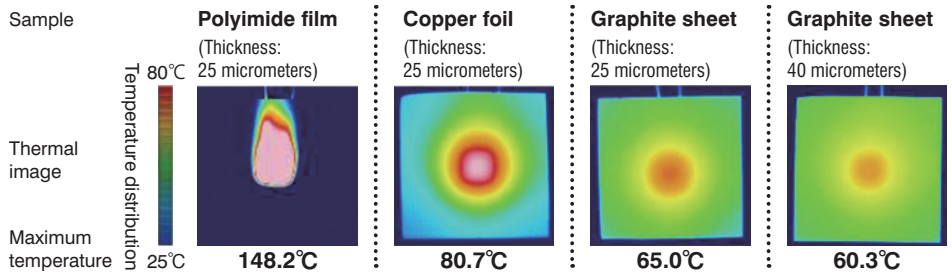
Launching the thermal solutions materials business in 2007 after projecting that mobile device heat would pose an issue

Graphite's many properties include its electrical conductivity, gas-permeability and high thermal conductivity, so this material offers business potential in numerous fields. We began researching graphite in 2003. As Toshinori Mizuguchi, Manager of Marketing Group III in the Electrical & Electronic Materials Division, commented, "We realized in around 2006 that there would be a need for thermal solutions, which was when the heat of ICs became an issue in mobile phones that were becoming increasingly smaller and more powerful. Metallic or natural graphite was mainly used as the thermal solution material. However we believed that thin, highly heat-conductive graphite sheets would



■ Comparing diffusion conductivity of graphite sheets

A greater thermal diffusion than other materials. Performance changes according to thickness



* Measurements are not guaranteed.

be able to resolve the issue. Today, most smartphones use these sheets."

Becoming a thermal solutions company by leveraging close customer ties to cultivate the market

Mr. Matakawa says, "Kaneka is mainly in the business of selling materials, but we decided to market our graphite sheet directly to manufacturers of smartphones and other devices. This was because we wanted to get in ahead of rivals at ground level to establish new businesses by talking directly with customers. Our aim was to become a provider of all sorts of thermal solution materials, not just graphite sheet."

He adds, "Initially, no sales resulted from any of our business proposals. Smartphone producers preferred not to use thermal solution materials, and some tended to think that using such materials represented a failure in design engineering."

"I had to report back the lack of demand for graphite sheet. But my boss at the time told me not to return to the office until I'd made my first sale, so I did what I had to do, standing around every day in the cafeteria of one of our cus-



Toshinori Mizuguchi
Manager,
Marketing Group III,
Electrical & Electronic
Materials Division

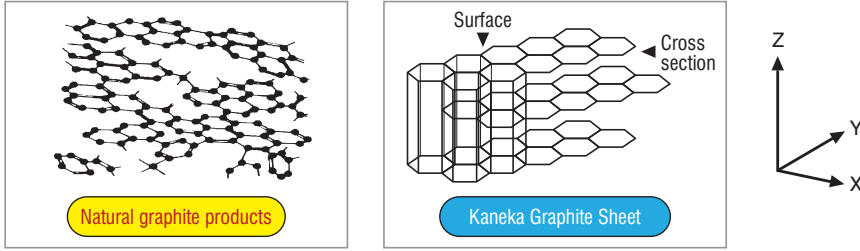


Satoshi Matakawa
Team Leader of GS
Materials Sales Team,
Marketing Group III,
Electrical & Electronic
Materials Division
(at the time)

Providing Thermal Solutions that Enhance the Compactness and Performance of Mobile Devices

Basic properties of Kaneka Graphite Sheet

Compared with the random structure of natural graphite products, Kaneka Graphite Sheet features a crystalline layer



Kaneka Graphite Sheet has superior characteristics compared to natural graphite as follows.

1. High thermal conductivity 2. Flexibility 3. Low water absorption 4. High purity

		Natural graphite products	Kaneka Graphite Sheet
Thickness (micrometers)		40~250	25 or 40
Thermal conductivity (W/m·K)	Direction of XY plane	200~300	1500
	Direction of Z axis	5~10	5

Anisotropic thermal conduction
Thick but with high thermal conductivity

* Measurements are not guaranteed.

customer's companies."

Mr. Matakawa recalls that, "Design engineers had a lot on their hands, and it was virtually impossible to make appointments with them. But I realized that they would have to eat lunch no matter how busy they were, so I stood firm in the cafeteria until finally I got noticed. We started selling our products around October 2008."

"The key to this business is maintaining close relationships with customers. You never know when an opportunity will come up. It's important to be ready to serve a customer by promptly providing a sample or proposing a solution."

Mr. Mizuguchi notes that, "The electronics industry changes rapidly, so trial and error remains the order of the day. Our value comes from the fact that we built an organization that is keen to pursue new challenges. We collaborate with manufacturing (Tochigi Kaneka Corporation), research (Electronic Materials R & D Group) and marketing. We wouldn't be here today without the assistance of the people in the division who constantly supported us when we were unable to make a sale."

Mr. Matakawa says that, "Kaneka's advantages are its organizational strengths and its production of polyimide film, which is a raw material in graphite film. We have the capabilities to manufacture graphite film in 18, 25, and 40 microns and other thicknesses to satisfy

customer needs. We draw on thermal simulation in our technical services so we can propose minimal sizes to customers to meet their performance requirements, thereby lowering their costs. Our customers are very happy with our services."



We exchange opinions as part of our endeavors to offer products that customers need most

Building prototyping and production systems alongside customers to accelerate responses and stabilize supplies

The production of smartphones and other mobile devices is shifting from China to Southeast Asia. Kaneka has responded to this trend by optimally locating its prototyping and production sites.

Mr. Matakawa says that, "Responsiveness is one of Kaneka's strengths, and it is the result of dealings with our customers that have toughened us up. For example, a Korean customer demanded a very short delivery lead-time,



Kaneka Graphite Sheet

This sheet delivers the same thermal conductivity as copper foil but is one-third the thickness. We start by proposing a version that matches a customer's specific application, then we deliver.

Providing Thermal Solutions that Enhance the Compactness and Performance of Mobile Devices

requiring marketing personnel to often catch overnight flights from Japan to hand-deliver items from Tochigi Kaneka corporation. Today, we have a prototype manufacturing facility in Korea to accelerate delivery to customer development sites.”

Mr. Mizuguchi says that, “We originally manufactured graphite and processed stickers in Japan. However we began production in Malaysia in January 2014. Having two manufacturing locations enhances supply stability.”

Prospects

Aiming to become the “go-to” thermal solutions provider

Thermal solution materials have come a long way since 2007, and they are now more commonplace in advanced information devices. Furthermore, companies are now seeking even more advanced thermal solutions.

Mr. Matakawa notes that, “Using

graphite sheet does not completely resolve IC heat issues because there is a layer of air between the chips and the sheet. We are working with Frontier Materials Development Laboratories and New Business Development to jointly develop high-value-added solutions that combine graphite sheet and thermally conductive RTV elastomer (see note 1). This would eliminate the space between the uneven surfaces of ICs and the graphite sheet, and directly absorb heat from the chips.”

Mr. Mizuguchi says, “Smartphone manufacturers are launching new models every three months or so. By talking with customers, we can learn what types of model they plan to deploy, assisting us to formulate proposals for new materials. We will boost our capabilities so Kaneka becomes the “go-to” provider of thermal solutions.”

Note 1: RTV (Room Temperature Vulcanization). Thermal conductive RTV elastomer is a non-silicone vulcanizing elastomer that is thermally conductive at room temperatures.

History of the graphite sheet business

2003	Started basic research into graphite
2006	Started market commercialization
2007	Secured benchmark facilities (Frontier Materials Development Laboratories of Osaka Plant), proposed business launch (August)
2008	Obtained first machine and initial work and launched new business
2014	Began production in Malaysia

Message ▶

Stakeholder Message

Heat is a common challenge for both satellites and smartphones. It is vital to provide the latest technology at reasonable prices



Hosei Nagano
Associate Professor,
Department of Aerospace Engineering,
Nagoya University

My research focuses on thermal control for satellites. There is no air in space, so as you cannot release heat with convection you have to control it with conduction and radiation. In space, a lot of equipment is confined in a small space, so you have to control heat without using electricity. In this sense the challenge is the same for satellites and smartphones. Kaneka tripled the performance of graphite sheet from the initial version, attaining up to 10-fold the heat conductivity of aluminum alloy. There are two key considerations from the perspective of aerospace industry development. One is to supply the latest technology at reasonable prices. The second is to resolve the various heat issues, not just provide materials.



From left: Yasushi Nishikawa, Associate Professor Hosei Nagano, Toshinori Mizuguchi, and Kazuki Tsutsui of the Technology Management Department in the Electrical & Electronic Materials Division

▶ Response to Message

We will leverage feedback from the extremes of space to develop thermal solutions technology

Yasushi Nishikawa
Electronic Materials R&D Group,
Electrical & Electronic Materials Division

I first met Associate Professor Nagano at the Japan Aerospace Exploration Agency in 2004. It was the year after Kaneka started researching graphite sheet. Our collaboration blossomed in areas such as measuring and assessing the thermo physical properties of graphite sheet and identifying issues. We have a certain confidence in process engineering as a chemicals manufacturer. Still, obtaining feedback on the use of this sheet in extreme environments like satellites is very useful for business development. We will continue to develop thermal solution technology by drawing on valuable ideas from satellites.

Protecting the Environment by Creating Advanced Manufacturing Sites

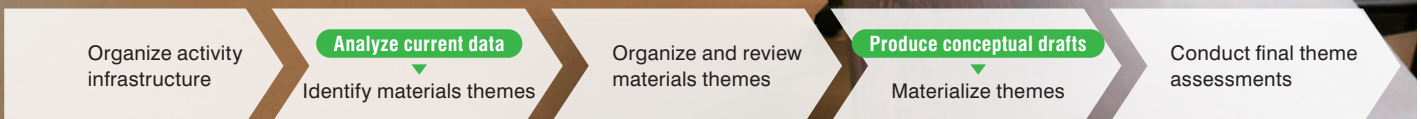
The Kaneka Group has devoted considerable effort to building advanced plants that deliver high quality at low prices. In 2008, we started an energy-saving project at our four parent plants in Japan, reducing energy consumption by 8% in 2013. We deployed material flow cost accounting (MFCA) in 2013, and are pursuing manufacturing that lowers environmental impact through training and technological innovations.



Environmental POLICY & VISION

The Kaneka Group utilizes science to develop and popularize materials and products to assist in resolving environmental issues. We pursue sustainable manufacturing by creating plants that consume energy and other resources efficiently.

■ Saving energy



The Takasago Plant conducts energy-saving presentations every year attended by plant personnel and representatives of Group companies to promote energy-saving efforts throughout the organization

Protecting the Environment by Creating Advanced Manufacturing Sites

Social Needs and Kaneka's Plan

Aiming to lower environmental impact through participation by all and harnessing diverse insights

Adverse circumstances for the energy usage of domestic production sites resulted after nuclear power plants went offline after the Great East Japan Earthquake and because of high natural gas prices. Because we consume so much energy as a manufacturer, we have deployed numerous measures to secure diverse insights from contributors throughout our organization. The idea is to create quality products at low prices by consuming less energy and other resources.

Kaneka Group's Approach

Our energy saving project generated 15,900 energy-saving ideas and enabled us to consume 8% less energy

In 2008, Kaneka launched an energy-saving project at the Takasago Plant, extending this initiative to its Osaka, Shiga, and Kashima plants. We endeavored to cut costs as well as conserve energy, strengthen our manufacturing capabilities and lower environmental impact.

Naoki Furukawa, then a General Manager of the Corporate Technology Administration Department (and a Director of the Process Technology Laboratories since April 2014), told us that, "We deployed systemic and investment measures to ensure the project's success. To identify energy-saving topics from new perspectives, we created a team of facilities experts, including those in energy facilities and process technology, in addition to manufacturing experts. We also secured help from an external consultant."

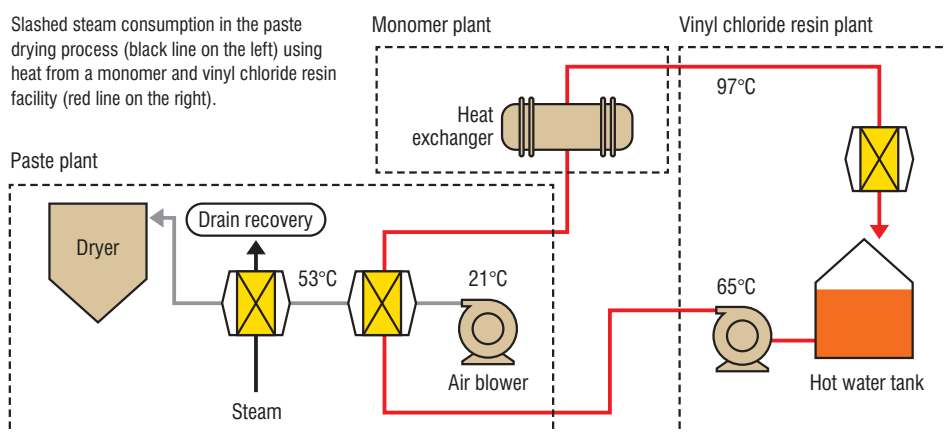
Mr. Furukawa says that, "The consultant estimated that we could still save 10% more energy. We had already undertaken energy-saving initiatives and were certain that such a cut was impossible. To our surprise, we obtained 15,900 new ideas, as everyone participated in the initiative, optimizing energy sharing between plants and equating to a 10% reduction in consumption. We set aside 200 million yen annually to implement energy-saving ideas, the point

Energy-saving initiatives that have contributed to overall plant optimization

• Saving energy by using exhaust heat from other plants (Takasago Plant)

We consistently reduced the consumption of steam, making it challenging to implement further cuts at a paste plant making vinyl chloride paste resin. The focus therefore turned to waste heat from other plants. By using heat generated by an adjacent monomer plant and vinyl chloride resin facility, the paste plant slashed the amount of steam needed for the paste drying process, which consumes the greatest amount of steam.

■ Heat recovery flow at a vinyl chloride paste plant



• Using waste heat from a production facility to conserve energy (Shiga Plant)

The Shiga Plant focused on the issue of waste heat from the deodorizing furnace of an ultra-heat-resistant polyimide film production facility, and promoted its use as a source of steam within the plant. In 2012, we built a waste heat recovery boiler to reduce the ratio of untapped waste heat from 53% to 15%.



Deodorizing furnace waste heat recovery steam boiler

being to make funds available for measures whose initial investments needed time to be recouped. As a result, we lowered energy consumption by 8% and improved energy spending."

Mr. Furukawa notes that, "We have also made advances with training. As soon as the project started moving forward, energy-saving specialists emerged in-house as the driving force behind each project to provide support and implement measures and technologies. Adding energy-saving concepts to conventional small group activities made the effort more satisfying and motivating for project members. Manufacturing and engineering personnel make energy-saving presentations and share know-how with other plants through factory visits."

Although it completed its energy-saving project in 2013, Japan's energy situation suggests a need to accelerate

initiatives, which is why Kaneka is undertaking MFCA.

Building on enhanced capabilities through energy-saving projects by leveraging MFCA to reduce environment impact and plant costs

Following the energy-saving project, the Takasago Plant rolled out MFCA at three model worksites from 2013 to lower the environmental impact of manufacturing.

MFCA initiatives encompass not only raw material losses but also factor in by-products and fixed system costs, waste heat and other loss costs that have been traditionally deemed acceptable production losses. MFCA optimizes overall production by revealing losses from new perspectives and encouraging the efficient use of resources and energy.

Hajime Iida, Administration Team Leader for the Administration Manage-

Protecting the Environment by Creating Advanced Manufacturing Sites

ment Group at the Takasago Plant, says that, “MFCA has traditionally been used at processing and assembly firms where it is easy to identify losses. It has been deemed harder for chemical manufacturers to deploy MFCA. By securing the collective expertise of people in manufacturing, research, and other areas, Kaneka pursued efficient resource use and production cost cuts in terms of “controlling production losses and wastes,” “reducing energy and other manufacturing costs,” and “building innovative processes to optimize operations.”

Yasuhiko Saeki, formerly of the Production & Process Innovation Team, Administration management Group at the Takasago Plant (and at Kanekalon Division since April 2014) says that, “At model workplaces we produced material flows, cultivated ideas, and formulated improvements. As a result, we were able to identify ideas for cutting costs by more than the target of 10%, and are steadily making progress with improvements. People at the model worksites have informed us that collaboration and a change in perspective has enabled clarification of targets and issues. They have also stated that they can now engage in logical discussions and master principles, and that they have started to see the point of process improvements by breaking processes up and analyzing them with data. By augmenting the participation of everyone, the deployment of MFCA has changed the attitude of manufacturing workers.”

Prospects

Lowering environmental impact and generating economic results and contributing to the benefit manufacturing has on customers and the environment

Hiroshi Yuzawa of the Business Process Innovation Division (Planning & Coordination) says that, “MFCA is a waste reduction activity that visualizes manufacturing processes and benefits both customers and the environment. We now focus on waste, which is difficult to reduce in conventional manufacturing. We improved awareness of waste by creating materials flows from new perspectives. This change in awareness has encouraged people to come up with and materialize process improvement ideas.”

Mr. Yuzawa says that, “The strength of Kaneka’s manufacturing sites is that they enhance the motivation of everyone in production to constantly pursue new initiatives.”

He also commented that, “We will expand MFCA to other plants and group companies based on what we’ve achieved at the Takasago Plant. We have lowered the environmental impact and enhanced business performance by improving the 3Rs (reduce, reuse, and recycle) of discharged water and waste as tools in MFCA activities, thereby contributing to manufacturing that is beneficial for customers and the environment.”



Naoki Furukawa
General Manager of the Corporate Technology Administration Department, Production Technology Division (Director of Process Technology Laboratories since April 2014)



Hajime Iida
Administration Team Leader, Administration management Group, Takasago Plant



Yasuhiko Saeki
Production & Process Innovation Team, Administration management Group, Takasago Plant (Kanekalon Division since April 2014)



Hiroshi Yuzawa
Business Process Innovation Division (Planning & Coordination)



Maintaining manufacturing in Japan by improving the efficiency of existing coal boilers while constructing a natural gas cogeneration plant

Toshihiko Hayashi
Energy Department Director, Takasago Plant (at the time)

At the Takasago Plant, we plan to bring on line a 30-megawatt gas turbine cogeneration system in December 2014. This setup is very efficient and can quickly shut off and flexibly supply electric power and steam because it uses what is basically an aircraft turbine. In addition, we will upgrade the existing 60-megawatt turbine coal boiler to improve generating efficiency. Our energy mix will thus comprise natural gas and coal and electricity from power utilities. This

setup will underpin manufacturing in Japan by covering various risks, including those associated with summer power peaks and price hikes for natural gas, not to mention lowering specific energy consumption.

Looking to secure stable power supplies through an energy mix comprising power utilities, natural gas, and coal



Protecting the Environment by Creating Advanced Manufacturing Sites

Comments from key people at model workplaces



Personnel overseeing deployment of MFCA at three model sites (from left): Tomohiro Asakura, Specialty Plastics Manufacturing Department, Hiroomi Tokimoto, Chemical Manufacturing Department (at the time), and Masaru Wakuda, Pharmaceutical Manufacturing Department (at the time)

- Ideas emerge once you understand that everything apart from the product is waste

Tomohiro Asakura

Technical, Specialty Plastics Manufacturing Department, Takasago Plant

Our department's offerings include impact modifiers for PVC used in the packaging of pills. We illustrated material flows that form the base of MFCA and visualized losses. It took some time until the idea sank in that everything apart from the product is waste. Once we understood this, ideas began to emerge from one site after another. Ideas from the research department helped us to understand how to improve costs and protect the environment in the very foundations of manufacturing.

- Deploying MFCA clarified the focuses of manufacturing process upgrades

Hiroomi Tokimoto

Technical, Chemical Manufacturing Department, Takasago Plant (at the time)

Our department makes vinyl chloride monomer for polyvinyl chloride. Presently we are upgrading aged facilities and have used MFCA to identify issues. We discovered that we were spending more on fuel in by-product processes such as recovery and purification instead of on actual manufacturing processes. MFCA highlighted the need to deploy facilities that control by-products rather than just focusing on making by-product processing more efficient.

- Vital to carefully prepare materials flows based on worksite data

Masaru Wakuda

Technical, Pharmaceutical Manufacturing Department, Takasago Plant (at the time)

Our department makes coenzyme Q10 and other products. Because we deal with microorganisms, it was hard for us to create a materials flow that balances inputs and outputs. So, we collected data from the worksites of individual operators in the areas of research, technology, and manufacturing and reflected that data in the materials flows. We were able to measure waste volumes and processing costs, promoting more improvement ideas from operators and related departments. MFCA enabled us to use worksite data to improve manufacturing.

Message ▶

Stakeholder Message

Kaneka has taken a mature approach, making a significant difference in society through its commitment to saving energy



Keiko Fujioka

President of Functional Fluids Ltd. and an editorial and executive committee member of the Japan Society of Energy and Resources

Functional Fluids Ltd. started out by efficiently manufacturing plastic mold products to conserve energy, and is involved in the research of chemical heat pumps. We have ties with Kaneka through the Society of Chemical Engineers, Japan. I visited Kaneka factories and noted its very mature approach to thermal applications.

Any rational consideration of manufacturing processes leads to saving energy. Although Japan is a leader in energy conservation, we still waste about 70% of our primary energy. I think that communicating corporate initiatives can make a difference to how society views saving energy.

▶ Response to Message

Enhancing precision in all processes and lowering the environmental impact of manufacturing

Naoki Furukawa

General Manager of the Corporate Technology Administration Department, Production Technology Division (Director of Process Technology Laboratories since April 2014)

Kaneka conducts manufacturing on a global scale. One of its mother facilities is the Takasago Plant, which comprises a complex that utilizes its own energy supplies to produce chemicals, synthetic resins and fibers, foodstuffs, and pharmaceutical products. We aim to create an internationally competitive production base by reinforcing collaboration between departments while increasing precision in all processes at the Takasago Plant. One of the plant's strengths is that it undertakes initiatives to conserve energy and resources while measuring the outcomes of such efforts. We will continue to engage in environmentally friendly production by creating advanced manufacturing sites.

Contributing to Malaysia's Growth by Cultivating Our Manufacturing Prowess and Human Resources



In 2012, the Kaneka Group established Kaneka Asia Co., Ltd., in Shanghai as a hub to oversee Asia. At Kaneka Malaysia, our biggest production base in Asia, we contribute to community progress by cultivating manufacturing and human resources.

Social Needs and Kaneka's Plan

Employing an Asian manufacturing approach to maximize local customer satisfaction

Asia accounts for more than half of the world's population. Economic growth is encouraging the region's four billion people to seek new products and services.

Kaneka has operations in eight Asian countries. In 2012, we established Kaneka Asia in Shanghai to oversee these businesses. That company formulates strategies with regional operations and supports local corporations.

Minetoshi Marufuji, president of Kaneka Asia, says that, "As Asian living standards rising with economic growth, we believe that Kaneka can contribute much to better living. For example, the Chinese are becoming more health conscious as the population ages. Its

people are also more interested in the environment these days because of the air pollution. I am sure that people will consider Kaneka's health or environmental offerings beneficial."

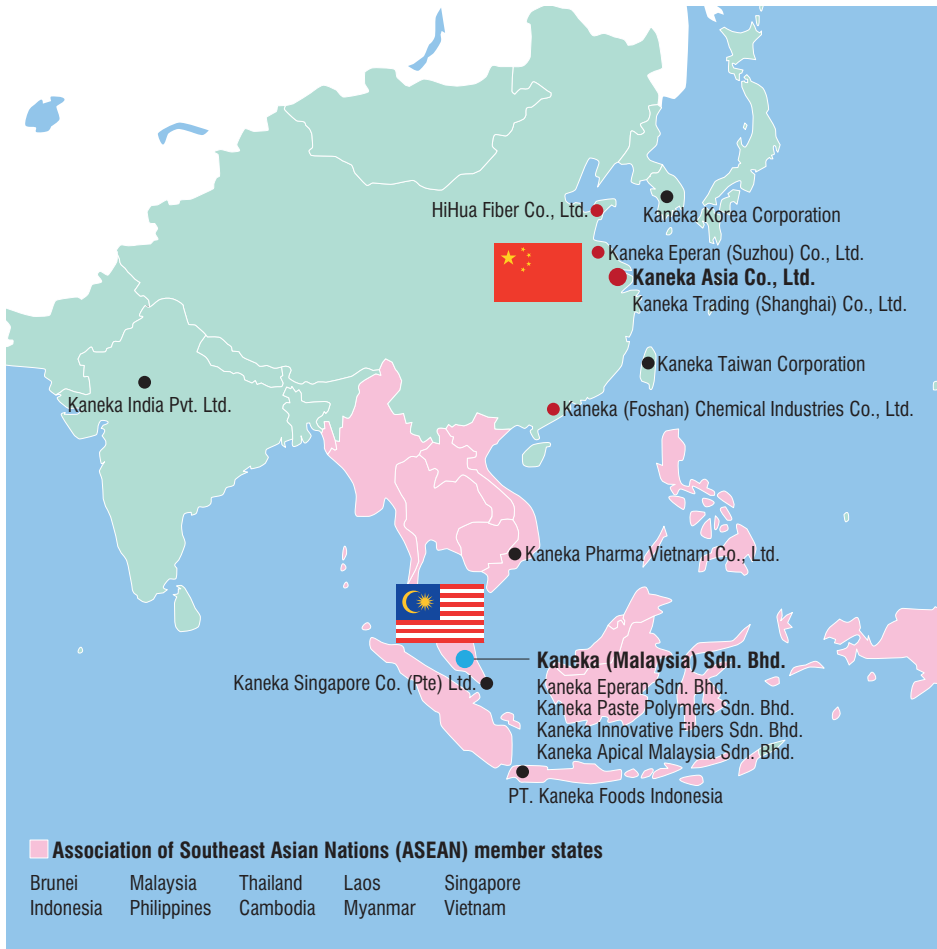
Kaneka is cultivating an Asian manufacturing ethos that emphasizes local production and consumption. We collaborate with regional employees to create products that match desired quality standards based on local needs and feedback, underpinned with attentive support.

Mr. Marufuji says that, "We need much more than information from Japan to cater for local needs, which is why it is vital to rely on people on the ground. We accordingly reviewed our personnel system, emphasizing skills training. We look for Kaneka Malaysia (currently a group of 5 companies) to build our regional presence. We will undertake initiatives around Asia to create a new type of manufacturing approach that draws on Kaneka's unique technologies."

Community POLICY & VISION

A key Group CSR policy guides our globalization, stating that, "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."

Contributing to Malaysia's Growth by Cultivating Our Manufacturing Prowess and Human Resources



Undertaking initiatives to share corporate values and the Five S's of workplace organization (Sort, Set in order, Shine, Standardize, and Sustain), and posting safety reminders around workplaces

Kaneka Group's Approach

Creating plants that accommodate vibrant Asian demand

Kaneka Malaysia was established in 1995 in an industrial area of the State of Pahang on Malaysia's east coast. This subsidiary manufactures everything from plastics to electronic products and synthetic fibers. Its key markets are China and India, the world's two largest nations. The Southeast Asian market is also expanding dramatically. A vibrant middle class has emerged among its 600 million people, driving growth. Demand is expanding in infrastructural, health, and information technology fields.

Masahiro Kozai, Managing Director of Kaneka Malaysia, says that, "In inland areas of Southeast Asia, automobile production has increased with the development of transportation networks, while the construction of stations and airports is underway. At the same time, people are reinforcing defenses against

the rising incidence of coastal flooding. There's also rising interest in health and a rapid penetration of mobile devices in the region, and we can contribute in these areas."

Kaneka Malaysia has accommodated vibrant demand by building new plants and hiring more people since 2011. As a result, around half of the company's 400 or so employees joined recently. To ensure everyone shares the same corporate values, Kaneka Malaysia emphasizes 3C (Challenge, Concentration and Communication) online, in meetings, and on bulletin boards.

Mr. Kozai says, "Malaysians come from Malay, Chinese, and Indian religious and cultural backgrounds. I think communication is essential for internal unity and sharing information."

Fostering employees to strengthen corporate capabilities

While sharing values, Kaneka Malaysia also emphasizes education and training to foster leadership qualities.

With cooperation from Pahang Skills



Minetoshi Marufuji
President,
Kaneka Asia Co., Ltd



Masahiro Kozai
Managing Director,
Kaneka (Malaysia) Sdn. Bhd.

Contributing to Malaysia's Growth by Cultivating Our Manufacturing Prowess and Human Resources

Development Center (PSDC) Kaneka Malaysia created a program that focuses on manufacturing knowledge and safety to assist its many new employees. All of them participated for around a month in this training program. Kaneka Malaysia additionally set up a re-training program. Upon completing their training program, new employees took part in the Buddy System for three to six months, the idea being to acquire skills from more experienced colleagues. Japanese staffers also helped train new employees as operators. A similar situation applied in back office areas like accounting and human resources. As well as rotating and re-training people, Kaneka Malaysia had employees undertake global training within the Group.

Syed Ahmad, Plant General Manager at Kaneka Malaysia says, "Improving skills eventually enhances the company's overall capabilities, so we spare no efforts in this regard. The long-term vision is for Kaneka Malaysia to spearhead the Group's production in Asia. We've never experienced such a rush in plant and production line construction, so this is a new challenge. But we hope to draw from our experience to progress in the years ahead."

Contributing to youth development

Since 2008, Kaneka Malaysia has cooperated with local universities and vocational high schools through its internship program. Although the company mainly accepts students with technical

background, it program provides experience in various jobs, including human resources affair and logistics, and is very popular. Sometimes, students from Japanese vocational high schools take part. Kaneka Malaysia conducts factory tours for nearly 300 university students every year.

Ahmad Kamari, Senior Manager of HR & SHEQ at Kaneka Malaysia, says, "Most people know little about chemicals, and find them hard to understand. Recent business expansion has made us more visible in the local community, so more people are asking us about internships and plant visits. We aim to deepen understanding of our company and do more for the community by encouraging young people to become interested in chemical technologies."

Prospects

Contributing to Asian society through localization

Kaneka Malaysia revamped its organization to accelerate a shift toward Asia. For example, local employees took over from Japanese expats to oversee production lines.

Mr. Kozai says, "Localization is enhancing employee satisfaction. They have the most ideas, and will help them succeed. Our next step is to cultivate local leadership, thereby benefiting Malaysia and, ultimately, the rest of Asia."



Syed Ahmad Syed Idrus Alhabshi
Director,
Plant General Manager,
Kaneka (Malaysia) Sdn. Bhd.



Ahmad Kamari Bin Nordin
Senior Manager,
HR & SHEQ,
Kaneka (Malaysia) Sdn. Bhd.



Conducting courses and deploying on-site training to enhance employee safety awareness



Contributing to Malaysia's Growth by Cultivating Our Manufacturing Prowess and Human Resources

Feedback from INSTEP and PSDC Trainees



Nurul Aida
SHEQ engineer,
Kaneka (Malaysia) Sdn. Bhd.

I have learned the basics of chemistry and electrical component for a month at the Institute Technology Petroleum PETRONAS (INSTEP). I was made acquaintances with lecturers and friends outside the company. I now have good contacts for advancement.



Tengku Ahmad Shafiq
Technician,
Kaneka Apical Malaysia Sdn. Bhd.

I attended a one-month course on industrial health and safety and handling chemical substances, mainly at the Pahang Skills Development Center. I now understand what work is about, including the safety aspects. I aim to apply my knowledge in the workplace and keep developing my skills.

Feedback from Internship Trainees



Interns learning from a Kaneka Malaysia employee

Ms. Fatasha Anis (left)

In my internship, I was assigned to a Career Seminar. I am grateful for that experience, as I think it was out of consideration for my aptitude, as my major is business administration.

Ms. Nor Shakiera (center)

I finished the internship and impressed with Kaneka's emphasis on education and people. And I was surprised that the managing director eats lunch with everybody else.

Message ▶

Stakeholder Message

Contributing to society by cultivating human resources

Many people attended POLISAS, engaging with Kaneka Malaysia employees



Mr. Mohd Anuar Bin Ali (left)
Mr. Mohd Nasrul (right)
Pahang Skills Development Center

The Pahang Skills Development Center was established by the federal government, the state, and private businesses to provide practical training programs. Since 2013, we have collaborated with Kaneka Malaysia to offer training on factory floor work principles for new and experienced employees. Ongoing education is crucial for countries and regions to grow. We hope that Kaneka Malaysia will continue contributing the community by training employees.



Professor Dr. Zulkefli Bin Yaacob (center)
Ms. Mawarni Yismi Binti Mohd Yusop (left)
Ms. Wafty BT. Abd Rahman (Right)
Universiti Malaysia Pahang

To date, we interacted with companies through plant visits. We recently launched a unit to reinforce collaboration. Universities involve themselves in the latest academic research, with corporations exploring product technologies that contribute to society. If we collaborate with each other, we can help develop the nation. It is hard for the public to understand the chemicals business. So, I hope chemical companies to communicate more with the public and offer plant tours.



Che Alias Mohd Yusof
Deputy Director,
Polytechnic Sultan Haji Ahmad Shah
(POLISAS)

Our students are accepted as interns in various workplaces at Kaneka Malaysia. Internships are great for student growth, so our school makes them mandatory. Internships are also very popular among students because they value the experience for preparing for their careers. Many are keen to enhance their practical experience. I hope that Kaneka Malaysia will continue to offer diverse internship programs that contribute to student learning.

Reconstruction Support to Date and in the Future

Since the Great East Japan Earthquake three years ago, the Kaneka Group has supported relief and reconstruction efforts. Here, we present our support initiatives to date. We will continue to assist in various ways with reconstruction.

To Date

Monetary contributions at the time of the earthquake in 2011

- Donated 30 million yen through NPO Japan Platform.
- Donated 7 million yen through the Foundation for International Development/Relief (FIDR).
- Donated 18,650,000 yen from Kaneka Group employees.

Supplies

Including carpets made of Kanecaron (an acrylic synthetic fiber), solar power systems, Kanelite foam (insulation material for protection from the cold), and liquid and solid soaps.

Products supplied by swiftly restoring factories

The earthquake damaged the Kashima Plant, which was making products in high demand in affected areas, including materials for blood bags. We initially switched production to facilities in western Japan. In the meantime, the plant swiftly restored operations and was fully back on line 45 days after the earthquake.

Volunteer activities

Participating in the Fukushima Sunflower Foster Parent Project

This project uses sunflowers to decontaminate radioactive solids in Fukushima Prefecture. The Shiga, Kashima and Osaka Plants have participated in this initiative since 2012.

Support at various events

Since 2012, we have expanded restoration support in disaster-affected areas by undertaking various initiatives, including Tohoku produce fair booths at the summer festivals of the Takasago Plant and Osaka Plant and donation activities.

Participating in the IPPO IPPO NIPPON Project

Since 2013, Kaneka has donated 500,000 yen every year for the earthquake support activities of the Japan Association of Corporate Executives, which entail providing educational equipment to vocational high schools in coastal areas of the Tohoku region.

The Future

Donating 12,700,000 yen to Kesennuma

The Kesennuma Marine Resource Application Study Group will use these funds. The group represents a collaboration between industry, academia, and the government to encourage diverse applications for local marine products, thereby creating new local industries and employment opportunities (this initiative began in April 2014).



Kanecaron



Solar power generation system



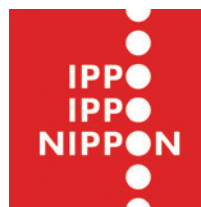
Liquid hand soap



Fukushima Sunflower Foster Parent Project



Support at various events



IPPO IPPO NIPPON Project



Handing over a list of items donated to Kesennuma City (from left, Kesennuma Mayor Shigeru Sugawara and Ikuo Aoi, General Manager of the Foam Plastics and Plastic Products Division)

Initiatives Related to the Great East Japan Earthquake

Reconstruction Support to Date and in the Future

Reconstruction Support Topics

Support through products

Reconstruction support along the highways of disaster-affected areas

Soil Block is an ultralight, strong, and water-resistant foam block used in road foundations. It has also been used for reconstruction in disaster-affected areas since 2012.



Soil Block

Iwate Prefecture

Creating employment

Reconstructing the sole polystyrene foam molded products plant in Kesenuma, Miyagi Prefecture

Group company Kanae Co., Ltd. manufactured polystyrene foam fish containers. A tsunami created by the Great East Japan Earthquake washed away the facilities and the company could no longer operate. Kaneka invested 600 million yen, which included a public subsidy, to reconstruct the plant and restart production from May 2013. We plan to generate local employment opportunities and support the rebuilding of local fisheries.



Kanae Co., Ltd. resumes fish container production

Miyagi Prefecture

Support through products

Supplying Kaneka Biosurfactant, a radioactive decontamination detergent

This biodegradable detergent made of bacteria related to the Bacillus natto washes away soil particles contaminated with cesium and other substances. Since 2012, it has been used in areas designated for decontamination.



Decontaminating road washer

Fukushima Prefecture

2013 Business Continuity Drill

The Great East Japan Earthquake prompted the Kaneka Group to prepare standards and manuals on initial responses and business continuity. Following disaster drills based on the scenario of an earthquake along the Nankai Trough in 2012, we held Companywide drills in 2013 under the scenario of an offshore quake with Sendai as the epicenter. Through such ongoing activities, we will maintain a robust structure to prepare for disasters.
















Earthquake drill

CSR Targets, Results, and Evaluations

Kaneka's Fiscal 2013 and 2014 CSR Targets, Results, and Evaluations, and Medium- to Long-Term Targets are as follows.

■ Kaneka's CSR Targets, Results, and Evaluations





 Significantly outperformed
  Achieved/nearly achieved
 Underperformed
  Significantly underperformed













Key Stakeholders	Item	Fiscal 2013 Targets	Fiscal 2013 Results	Results Evaluations	
All Stakeholders	CSR Management				
	Management CSR Safety and Quality Inspection	Management will continue making CSR Safety and Quality Inspections (of all parent plants, 17 plants of 15 domestic Group companies, and five overseas Group companies).	<ul style="list-style-type: none"> We implemented management CSR Safety and Quality Inspections at all parent plants, 17 plants of 15 domestic Group companies, and five overseas Group companies as scheduled. 		
	CSR Implementation	Hold meetings of the CSR Committee and four subcommittees as scheduled. Foster employee understanding of CSR by communicating regularly via the intranet. Conduct job-specific and other training. Distribute explanatory materials (in English) to the entire Kaneka Group.	<ul style="list-style-type: none"> Held meetings of CSR Committee and four subcommittees as scheduled. Disseminated information regularly through the intranet and fostered employee understanding of CSR through the CSR handbook (Practical Guide). Conducted job-specific and other training 28 times. 		
	Bolster Governance and Compliance	Ensure compliance awareness. Conduct companywide CSR suitability audits from this fiscal year. Maintain the internal reporting system. Improve internal control levels for financial reporting.	<ul style="list-style-type: none"> Conducted CSR suitability audits for Kaneka Group operations in Japan, the United States, and Europe. Handled four inquiries through compliance consultation desks. Improved internal control levels through creation of a holding company. 		
	Reinforce Risk Management	Conduct drills based on the Crisis Management Manual section relating to business continuity plans.	<ul style="list-style-type: none"> Undertook drills to prepare for an earthquake in eastern Japan, with this initiative reflecting the results of the previous fiscal year's drills to prepare for an earthquake along the Nankai Trough. 		
Shareholders and Investors	Timely and Appropriate Disclosure	Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.	<ul style="list-style-type: none"> Issued business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials. 		
The Environment	Environmental Protection Improvement (reducing environmental impact)	Reduction of Volatile Organic Compound (VOC) Emissions	Lower the VOC emissions target to 1,850 metric tons (66% less than the fiscal 2000 baseline).	<ul style="list-style-type: none"> At 1,853 metric tons, we failed to meet our target for the year of 1,850 metric tons. 	
		Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions (Kaneka's definition is a final landfill rate below 0.5%) among domestic Kaneka Group companies on a consolidated basis.	<ul style="list-style-type: none"> Kept the final landfill rate to below 0.01% for all parent plants, attaining zero emissions, below 0.2%, for eight consecutive years. Domestic Group companies attained a final landfill rate of 0.08%, down from 0.22% a year earlier, thus maintaining zero emissions. 	
			We will continue to confirm compliance among waste disposal companies.	<ul style="list-style-type: none"> We checked compliance among waste contractors and confirmed the absence of problems. 	
		Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1). Continue to promote energy consumption reduction initiatives to attain a carbon dioxide emissions intensity target for fiscal 2020 that is 26 below (fixed coefficient) the fiscal 1990 level.	<ul style="list-style-type: none"> Energy intensity (see note 1) was 87.0, up 2.4% from a year earlier, but the 0.7% average cut over five years was less than the target reduction of 1% annually. The carbon dioxide emissions intensity was 81.9, or 3.1% above the target of 79.4. 	
			Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures (see note 1).	<ul style="list-style-type: none"> Reached the energy intensity target (see note 1) with a reduction of 2.7%, while the average reduction over five years was 3.5%, enabling Kaneka to reach this target as well. 	
Preservation of Biodiversity	In line with our biodiversity activity policy, we will continue to focus on this area. We will consider establishing specific goals and activity plans.	<ul style="list-style-type: none"> Undertook initiatives as part of social contribution efforts centered at the Takasago and Osaka plants. 			
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	Formulate guidelines and standards on points needing special attention (including design reviews and change management) in regard to quality risk management to ensure effective groupwide usage.	<ul style="list-style-type: none"> We consolidated the Quality Assurance Rules and Product Safety Management Rules into the Quality Management Rules. We instituted the Change Management Standards to oversee all environmental, safety, and quality changes. 	
		Chemical Substance Management	Continue to monitor trends in chemical substance management-related laws and regulations in Japan and overseas, and ensure strict compliance.	<ul style="list-style-type: none"> We ensured thorough compliance with regulations and obtained timely information on regulatory revisions in Korea, Taiwan, China, the United States, and Europe, and shared it internally. 	

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.

CSR Targets, Results, and Evaluations

■ Kaneka's CSR Targets, Results, and Evaluations

 Significantly outperformed
  Achieved/nearly achieved
 Underperformed
  Significantly underperformed

Key Stakeholders	Item		Fiscal 2013 Targets	Fiscal 2013 Results	Results Evaluations
Vendors	Bolstering 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.	<ul style="list-style-type: none"> The Takasago Plant collaborated with transportation companies in patrolling sites to check that people carry Yellow Cards, while the Osaka Plant identified unsafe locations during cargo handling and examined improvements. We conducted legal compliance checks and voluntary inspections of mobile tanks. 	
			Continue holding emergency response drills for transportation.	<ul style="list-style-type: none"> The Kashima Plant collaborated with transportation companies to check and reconfirm the emergency contact network. The Takasago Plant undertook Hiyari Hatto (identifying, reporting, and eliminating worker danger) initiatives. 	
	Proper Procurement	Green Procurement	Launch initiatives based on green procurement guidelines.	<ul style="list-style-type: none"> Internally publicized and set up a structure for green procurement, undertook efforts to help suppliers obtain ISO 14001 and other certifications, and initiated audits of the contamination of raw materials with prohibited substances. Instituted Green Procurement Standards. 	
Employees	Reinforcing Occupational Safety and Health	Occupational Safety	Make steady improvements based on Hiyari Hatto and hazard predictions and cultivate a corporate culture in which anybody in a team can discuss safety at any time to improve plant safety.	<ul style="list-style-type: none"> All four parent plants reinforced near-miss and hazard prediction efforts. Domestic Group companies used hands-on learning equipment to enhance safety sensitivities and bolstered hazard prediction activities. 	
		Management Systems	Ensure more efficient Plan-Do-Check-Act (PDCA) of the occupational safety and health management system (OSHMS) and encourage a positive spiral, reinforce operations, and improve occupational safety and health initiatives.	<ul style="list-style-type: none"> The CSR Safety and Quality Inspections of domestic Group companies clarified strengths and weaknesses by undertaking assessments with benchmarks that indicate the maturity levels of initiatives. 	
		Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	<ul style="list-style-type: none"> Held seven mental health training courses for 266 participants. Surveyed mental healthcare at domestic Group companies and identified issues. 	
	Emphasis on Diversity	Respect for Human Rights	Continue to educate new employees and executives about human rights and conduct inter-cultural communication and other training through the KG System (see note 1).	<ul style="list-style-type: none"> Educated 109 new employees in April 2013 and 44 newly promoted executives about human rights. Held seven inter-cultural communication classes during the year. 	
		Employing, Training, and Recruiting Diverse People	Revise the personnel system for research positions and attract and retain foreign employees.	<ul style="list-style-type: none"> Instituted research job rankings in April 2013 after conducting around 80 briefings to oversee and ensure understanding of the system. We hired six foreign nationals (four technical and two clerical) in April 2014 under this setup. 	
		Work-life Balance	Explore details of the work-at-home system. Inform people about the existent system and promote its use.	<ul style="list-style-type: none"> Continued to assess the need for a work-at-home system to promote the interests of women (particularly from a work-life balance perspective). 	
		Labor and Management Relationships	Augment such labor and management meetings as central labor and management conferences, conferences of representatives, and workplace labor and management gatherings, and boost communication by setting up a workplace labor and management council.	<ul style="list-style-type: none"> Held labor and management meetings at almost all business sites during the 2013 spring wage negotiations. 	
	Society	Reinforcing Process Safety and Disaster Prevention		Comprehensively review abnormal reaction controls and maintain the safety of hazardous substance storage by incorporating external expertise through third-party evaluations, thereby minimizing process risks by improving safety levels.	<ul style="list-style-type: none"> Engaged with third parties in efforts to ensure the safety of hazardous substance storage tanks and identified process risks. Responded to safety evaluations by identifying the strengths and weaknesses of security and disaster prevention setups.
Improving Communication with Society		Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	<ul style="list-style-type: none"> Issued a CSR report and posted it on our website. Continued to engage in shareholder dialogue. Held youth events. 		
		Issue site reports for all parent plants and post them on our website.	<ul style="list-style-type: none"> Issued site reports for all parent plants and posted them on our website. 		

Note 1: Kaneka Global Employee Registration System.

CSR Targets, Results, and Evaluations

■ Kaneka's CSR Targets, Results, and Evaluations

Key Stakeholders	Item		Fiscal 2014 Targets	Medium- to Long-Term Targets
All Stakeholders	CSR Management	Management CSR Safety and Quality Inspection	<ul style="list-style-type: none"> Management will continue making CSR Safety and Quality Inspections (of all parent plants, one research center, 17 plants of 15 domestic Group companies, and seven overseas Group companies). 	Continue to implement management inspections and audits.
		CSR Implementation	<ul style="list-style-type: none"> The CSR Committee will meet at least twice annually during its term. The four subcommittees will convene as scheduled. Foster employee understanding of CSR by regularly disseminating information. Conduct job-specific and other training and hold briefings at domestic Group companies. 	In line with the Declaration of Kaneka United, share basic CSR policies for the Group to implement all corporate activities.
		Bolster Governance and Compliance	<ul style="list-style-type: none"> Ensure compliance awareness. Continue companywide CSR suitability audits. Maintain the internal reporting system. Continue to improve internal control levels for financial reporting. 	Step up corporate governance and compliance to improve enterprise value for the entire organization.
		Reinforce Risk Management	<ul style="list-style-type: none"> Strengthen crisis management to prevent problems from escalating after accidents. 	Ensure the use of business continuity plans and pursue ongoing improvements to enhance risk management.
Shareholders and Investors	Timely and Appropriate Disclosure		<ul style="list-style-type: none"> Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials. 	Make disclosure speedy, timely, and appropriate to foster understanding of the Kaneka Group and build trust and meet the expectations of investors.
The Environment	Environmental Protection Improvement (reducing environmental impact)	Reduction of Volatile Organic Compound (VOC) Emissions	<ul style="list-style-type: none"> Push forward with VOC emissions reduction measures, cutting the target to below 1,830 metric tons. 	Continue to cut VOC emissions in line with domestic trends.
		Reduction of Industrial Waste	<ul style="list-style-type: none"> Focusing on domestic Group companies that produce a lot of waste and final landfill, suppress such waste and check progress in measures to reduce final landfill, keeping the final landfill rate at below 0.2%. Constrain waste and continue to manage output levels at all parent plants. 	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions at domestic Kaneka Group companies.
			<ul style="list-style-type: none"> We will continue to confirm compliance among waste disposal companies. 	We will confirm compliance among waste disposal companies.
		Prevention of Global Warming	<ul style="list-style-type: none"> Reduce energy intensity (see note 1) by at least 1% annually. Attain a carbon dioxide emissions intensity target for fiscal 2020 that is 26 below (fixed coefficient) the fiscal 1990 level (21.4 below the level in fiscal 2014). 	Reduce energy intensity by at least 1% annually (see note 1). Reduce the carbon dioxide emissions intensity target for fiscal 2020 to 26 below the fiscal 1990 level.
			<ul style="list-style-type: none"> Plan and implement efficient initiatives to reduce energy intensity by at least 1% annually (see note 1). 	Reduce the average energy intensity (see note 1) for logistics by at least 1% annually by planning and promoting energy efficiency measures.
Preservation of Biodiversity	<ul style="list-style-type: none"> Continue activities that prioritize biodiversity guidelines that focus on efforts as part of social contribution initiatives. 	In line with our biodiversity activity policy, we will continue to focus on this area.		
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	<ul style="list-style-type: none"> Build awareness of the Quality Management Rules and Change Management Standards. Prepare other guidelines and standards (including design reviews). 	Practice quality management that accommodates an expanding business scope.
		Chemical Substance Management	<ul style="list-style-type: none"> Comply with and properly accommodate domestic and overseas chemical substance management laws and regulations in Japan and abroad and collect and share information on legislative revisions (including in the United States and Asia). Look into creating a chemical substances database. 	Identify trends in regulatory revisions in Japan and abroad to improve chemical substance management.

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.

CSR Targets, Results, and Evaluations

■ Kaneka's CSR Targets, Results, and Evaluations

Key Stakeholders	Item		Fiscal 2014 Targets	Medium- to Long-Term Targets
Vendors	Bolstering Distribution Safety		<ul style="list-style-type: none"> 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.
			<ul style="list-style-type: none"> Continue holding emergency response drills for transportation. 	Continue holding emergency response drills for transportation.
	Proper Procurement	Green Procurement	<ul style="list-style-type: none"> Enhance and thoroughly undertake activities based on the Green Procurement Standards and expand efforts among Group companies. Start looking into stepping up CSR procurement. 	Based on the Basic Procurement Policy, the Group will bolster green purchasing.
Employees	Reinforcing Occupational Safety and Health	Occupational Safety	<ul style="list-style-type: none"> Explore measures to prevent recurrences by leveraging risk assessments from different perspectives. Draw on case studies to ensure that accidents are not forgotten and enhance safety awareness. Use mobile experiential systems to improve danger sensitivities at domestic Group companies. 	Continue to reinforce the safety activities of Group companies.
		Management Systems	<ul style="list-style-type: none"> Revise CSR Safety & Quality Inspection to strengthen PDCA functions. Test-deploy specialized internal environmental safety audits. 	Continue to improve occupational health and safety based on occupational safety and health management systems (OSHMS).
		Occupational Health	<ul style="list-style-type: none"> Improve work environments by undertaking measures to reduce solvent exposure. Draw on swift identification and treatment and the use of mental health information to reduce the number of people with new or ongoing mental health issues and identify issues at Group companies. 	Continuously improve the mental health of employees and the workplace environment.
	Emphasis on Diversity	Respect for Human Rights	<ul style="list-style-type: none"> Continue to educate new employees and executives about human rights and conduct inter-cultural communication and other training through the KG System (see note 1). 	We will position human rights as a fundamental commitment that the Kaneka Group and employees must respect. We will educate employees through training and other tools to accept diverse values, respect personalities and individuality, and reject discrimination.
		Employing, Training, and Recruiting Diverse People	<ul style="list-style-type: none"> Create a corporate culture that expands work opportunities for female employees, supports the activities of foreign and bilingual employees, and otherwise embraces diversity. 	Based on the Kaneka Spirit of fostering personnel reforms and growth, we will overhaul mechanisms for employment, education, and rotation.
		Work-life Balance	<ul style="list-style-type: none"> Step up management of working hours while looking into deploying the necessary work-life support programs. 	Consider introducing and running systems that enhance the work environment and enable people to fulfill their professional and personal commitments.
		Labor and Management Relationships	<ul style="list-style-type: none"> Continue to support the cultivation of union leaders to help maintain positive labor and management relationships. 	Based on joint labor and management targets, both parties will work together to ensure employee growth and enhance lifestyles.
	Society	Reinforcing Process Safety and Disaster Prevention		<ul style="list-style-type: none"> Clarify strengths and weaknesses through process safety assessments. Deploy chemical substance safety assessments and safety measures. Conduct a safety drive that covers such areas as powder dust explosions and heat-triggered fires.
Improving Communication with Society		<ul style="list-style-type: none"> Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue. Continue to stage youth events. 	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.	
		<ul style="list-style-type: none"> Issue site reports for all parent plants and post them on our website. 	Continue to issue site reports for all parent plants.	

Note 1: Kaneka Global Employee Registration System.

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, 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 upgrade the quality of life.

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.

The Board of Directors meets at least once a month to discuss and determine the implementation of important matters relating to compliance with laws, regulations, and corporate statutes. Also at these gatherings, directors report on their progress in fulfilling their duties to ensure that their actions are legal and appropriate. We have limited the number of directors to 13, one of whom is external to strengthen board oversight. Directors serve for a period of one year to ensure clarification of their manage-

ment 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.

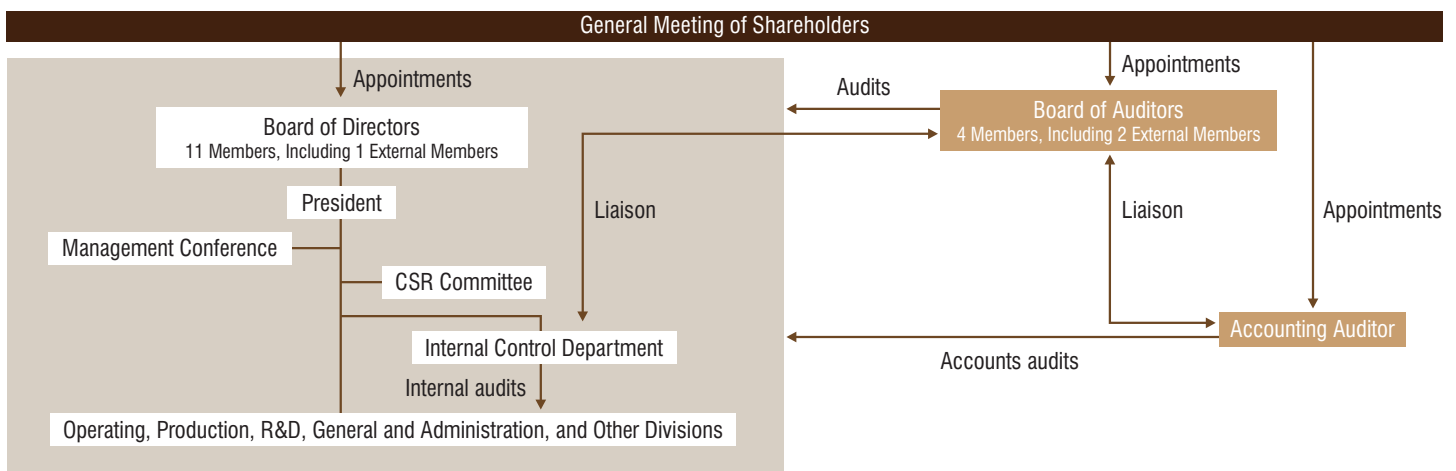
Executive officers appointed by the Board of Directors and division managers have extensive authority over daily operations. Directors are responsible for multiple divisions to ensure overall coordination. Divisional managers meet

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.

For example, we regularly train sales, purchasing, and business development managers on the requirements of the Antimonopoly Act and require each of them to submit a written oath of compliance. In 2013, we instituted CSR suitability audits for Group companies in Japan, the United States, and Europe.

We maintain internal compliance consultation desks and also offer consulting through external law firms to answer questions and to swiftly address and resolve issues.



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) prepare compliance-based rules, develop and implement training programs, plan and promote selfassessments 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.
- 7 We have external directors to reinforce board oversight.

Note 1: Administrative departments supervise specific parent and Group business functions, and include the Human Resource, General Affairs, 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 Safety & Human Health Subcommittee, 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 fiscal 2013, the CSR Committee convened twice. The four subcommittees also met (once each for the Safety and Human Health, and Earth Environment, and twice each for Product Safety subcommittees, and the Compliance Subcommittee).

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. In fiscal 2013, we conducted CSR Safety and Quality Inspections that focused on compliance with applicable laws and regulations, measures to address major risks, and change management frameworks and implementation. These inspections covered the four parent plants, 17 plants at 15 domestic Group companies, and five overseas Group companies.

CSR suitability audits covered labor laws at 40 domestic Group companies, as well as compliance with the Antimonopoly Act and other competition laws in all divisions, 22 domestic Group companies, and four overseas Group companies. We will continue to carry out inspections to enhance CSR.

CSR Education

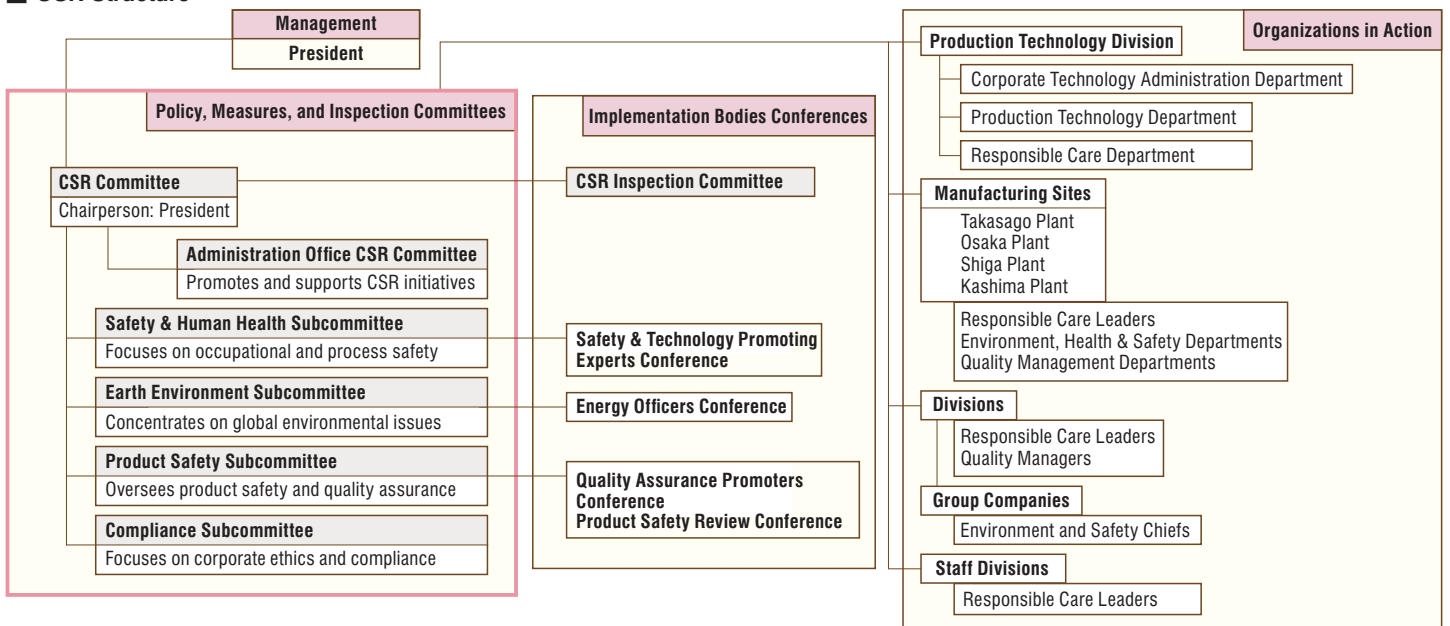


We continued to train people in different professional areas based on our CSR handbook. In fiscal 2013, we held two courses for new employees and one each for new executives, middle and lower managers, and mid-career recruits.

We held 28 gatherings to explain our CSR activities to Kaneka Group company presidents and in training for employees three years after they join.

New initiatives included producing a practical edition of the CSR handbook to enhance understanding of our CSR activities. We intend to use this resource in training courses beginning in the next fiscal year. 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 and formulated Responsible Care rules.

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 CSR inspections, naming them CSR Safety and Quality Inspections. They encompass environmental protection, occupational safety, product safety, quality assurance, and compliance, and confirm progress in the above activities at all Group companies in Japan and overseas.

Our Environmental Safety and Health Management Rules and Quality Assurance Rules detail Group company obligations and encourage employee vigilance in these areas. The rules aim to reduce environmental impact and occupational accident risk levels while increasing our responsiveness to natural disasters, explosions, fires, leaks, 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 subcommittees. 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 Department disseminate activity conference-based policies and measures throughout the Group. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference share information and discuss issues.

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 of work 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 endeavor to apply this knowledge.

Report Coverage

(Scope of Responsible Care Activities Data as of March 31, 2014)



This report covers Kaneka and 38 Group manufacturing companies.

KANEKA

- Takasago Plant
- Osaka Plant
- Shiga Plant
- Kashima Plant

KANEKA Group (Domestic) (26)

- Kaneka Hokkaido Styrol Co., Ltd.
- Kaneka Tohoku Styrol Co., Ltd.
- Kaneka Kanto Styrol Co., Ltd.
- Kaneka Chubu Styrol Co., Ltd.
- Kaneka Nishinippon Styrol Co., Ltd.
- Kanto Styrene Co., Ltd.
- Kochi Styrol Co., Ltd.
- Sanwa Kaseikogyo Co., Ltd.
- Hokkaido Kanelite Co., Ltd.
- Kyushu Kanelite Co., Ltd.
- Kaneka Sun Spice Corporation
- Kaneka Foods Corporation
- Tokyo Kaneka Foods Corporation
- Taiyo Yushi Corporation
- Nagashima Shokuhin Co., Ltd.
- Tamai Kasei Co., Ltd.
- Shinka Shokuhin Co., Ltd.
- Tatsuta Chemical Co., Ltd.
- Showa Kaseikogyo Co., Ltd.
- Tochigi Kaneka Corporation
- Vienex Corporation
- Osaka Synthetic Chemical Laboratories, Inc.
- Kaneka Solartech Corporation
- Sanvic Inc.
- Kaneka Medix Corporation
- OLED Aomori Co., Ltd.

KANEKA Group (Overseas) (12)

- Kaneka Belgium N.V.
- Kaneka North America LLC
- Kaneka Singapore Co. (Pte.) Ltd.
- Kaneka (Malaysia) Sdn. Bhd.
- Kaneka Eperan Sdn. Bhd.
- Kaneka Paste Polymers Sdn. Bhd.
- Kaneka Innovative Fibers Sdn. Bhd.
- Kaneka Pharma Vietnam Co., Ltd.
- Kaneka Apical Malaysia Sdn. Bhd.
- Kaneka Eperan (Suzhou) Co., Ltd.
- HiHua Fiber Co., Ltd.
- Eurogentec S.A.

Initiatives in Biodiversity

Kaneka closely monitors the impact of its corporate activities on ecosystems. While providing environmental technologies and products, we endeavor to reduce the impacts stemming from production. As part of our social contribution efforts, we collaborate and support diverse external biodiversity initiatives.

Participation in and Support for Biodiversity Initiatives

Kaneka participates in the following activities.

- Declaration of Biodiversity by Keidanren Promotion Partners
- Keidanren Nature Conservation Fund
- Keidanren Committee on Nature Conservation
- Japan Business and Biodiversity Partnership

Releasing Larva at Settsu-no-mori Kaneka Biotope

K D O

In November 2013, we released larva at an event that we sponsored with the Settsu Firefly Research Society at the Settsu-no-mori Kaneka Biotope on the premises of the Osaka Plant. We invited local children and their parents to release firefly larvae in the biotope, and showed them beetle larva before the release. The children also planted tulip bulbs, making the event even more memorable.

A biotope is an area with a brook where people can observe fireflies and other creatures. Our biotope is in a natural section of the Osaka Plant premises, which we lease to Settsu City.

In a few years, we expect the biotope to become an oasis for the community, with numerous fireflies and beetles.



Releasing the larva

New Employee Training at Kaneka Forestry for the Future

K D O

Since 2012, the Takasago Plant has participated in Hyogo Prefecture's private forest preservation project, undertaking maintenance and preservation at Kaneka Forestry for the Future in the town of Taka.

In 2013, we began using the forest as a site to conduct new employee training for graduates from high school, vocational high school, and university. Participants collaborated to trim and transport trees from mountain areas with poor footing. The program created team solidarity and deepened ties between the employees.

We plan to undertake around 15 afforestation activities covering approximately 15 hectares from June 2012 through to May 2017.



New employees working together to thin the forest

Proposing Sustainable Farming in Vietnam

K D O

KSS Vietnam Co., Ltd., which processes herbs and spices, began organically cultivating peppers three years ago. Vietnam is the world's biggest pepper producer, accounting for half of the global trade volume. At the same time, the usage of agrichemicals is rising in Vietnam, causing concern about soil contamination. KSS Vietnam decided to cultivate pepper organically because of the high demand in Europe for organic product and growing awareness of environmental issues.

Masahiko Miyai, president of KSS Vietnam, says that, "If you continue to use a large amount of agricultural chemicals, you will damage the soil. We want to propose sustainable farming for future generations."

This is the first organic farming experiment of its kind in Vietnam, and it has received recognition from the national government. We will continue contributing to sustainable farming.



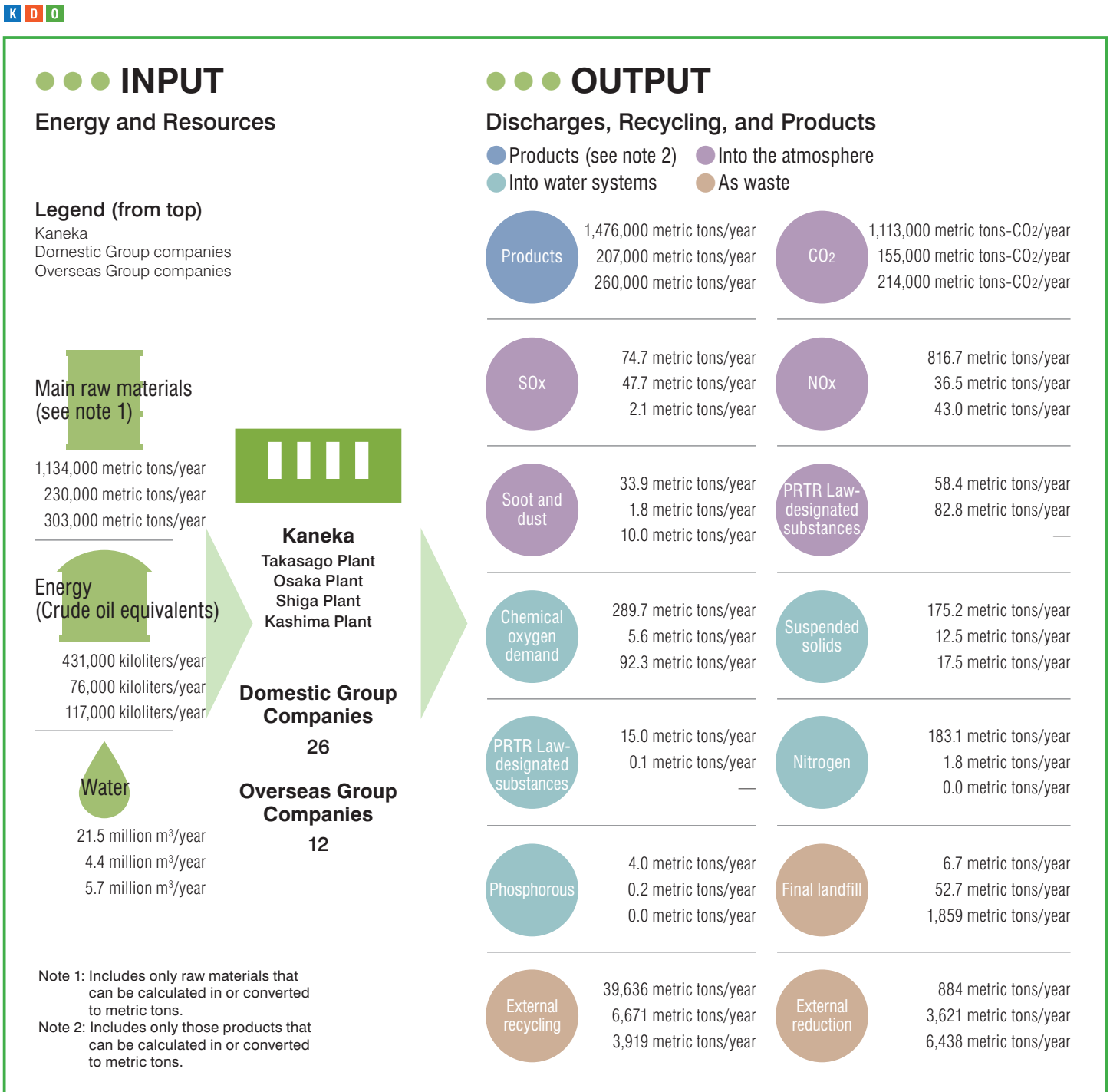
Pepper trees at a KSS Vietnam farm



A sample of the pepper harvest

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.



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 2013



All environmental conservation costs, including those for research and development, pollution prevention, and resource recirculation, were unchanged from a year earlier.

Net benefits from conservation were up 530 million yen, reflecting a 410 million yen increase through reduced waste disposal costs from recycling and other efforts and 130 million yen from reduced costs in energy-saving and other initiatives.

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 2013	
		Investments	Expenditure
Business Area		853	5,279
1.Pollution Prevention	Air and water pollution prevention	851	3,473
2.Environmental Conservation	Global warming prevention and energy saving	-	-
3.Resource Circulation	Waste processing, recycling, and reduction	2	1,806
Upstream and Downstream	Product recycling, collection, and processing	0	24
Management Activities	Environmental education for employees and environmental impact monitoring and measurement	3	326
Research and Development	Research and development of products contributing to environmental conservation	0	5,378
Social Activities	Greening, beautification, and disclosure of environmental information	6	84
Environmental Damage	Payment of sulfur oxide emission charges	0	13
Total		862	11,105

Note 1: Figures do not include research and development and global environment conservation costs.

■ Quantitative Impact of Environmental Conservation Efforts

Category	Initiatives	Items	Units	Fiscal 2013 (Year-on-Year Change)
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Metric tons	-32.6
		NOx emissions	Metric tons	102.5
		Chemical oxygen demand	Metric tons	5.6
		PRTR Law-designated chemical emissions	Metric tons	-9.9
Environment	Lower greenhouse gas emissions	CO2 emissions	Thousands of metric tons	41.0
	Use less energy	Crude oil equivalents	Thousands of kiloliters	-14.0
Resource Recycling	Reduce final landfill	Final landfill	Metric tons	-115.4
	Increase external recycling	Amounts recycled	Metric tons	-5,062

■ Economic Impacts of Environmental Measures

Millions of yen

Measures	Fiscal 2013
Revenue from Recycling	168
Cost Reductions by Resource Conservation and Energy Index Units	571
Waste Disposal Cost Reductions by Recycling	553
Cost Reductions by Energy Conservation	424
Total	1,716

Environmental Accounting



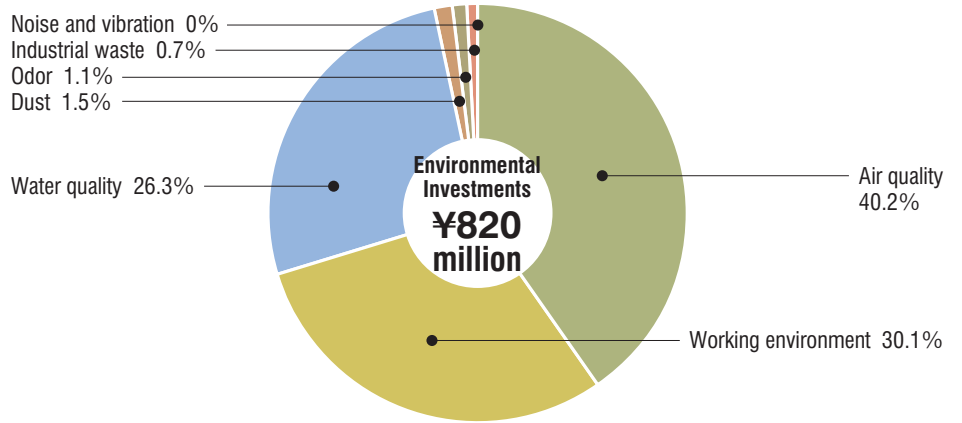
Environmental Investments

K D O

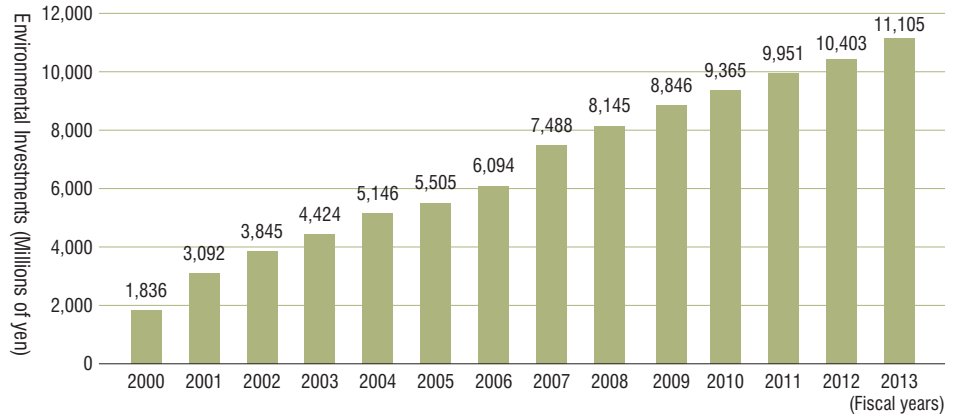
Environmental investments totaled 820 million yen in fiscal 2013. Of this amount, 40.2% was for air quality, 30.1% for the working environment, and 26.3% for water quality.

Environmental investments have totaled around 11.2 billion yen since fiscal 2000. The greatest spending has been for air quality, at 43% of the total, followed by 22% for water quality, and 15% for the working environment. We will continue to invest extensively to maintain and improve the environment.

■ Environmental Investments in Fiscal 2013



■ Cumulative Environmental Investments



Measures to Prevent Global Warming

To help prevent global warming, we set up the Earth Environment Subcommittee under the CSR Committee. We also established the Energy Officers Conference to work on behalf of the subcommittee to undertake initiatives to conserve energy and cut carbon dioxide emissions intensities.

We invest in related facilities through our proprietary energy-conserving facilities investment promotion scheme.

We employ carbon life-cycle analysis to calculate carbon dioxide emission reduction benefits by quantitatively identifying and assessing carbon dioxide emissions with equivalent products in product life cycles.

We have also started to calculate indirect carbon dioxide emissions (Scope 3) through the supply chain.

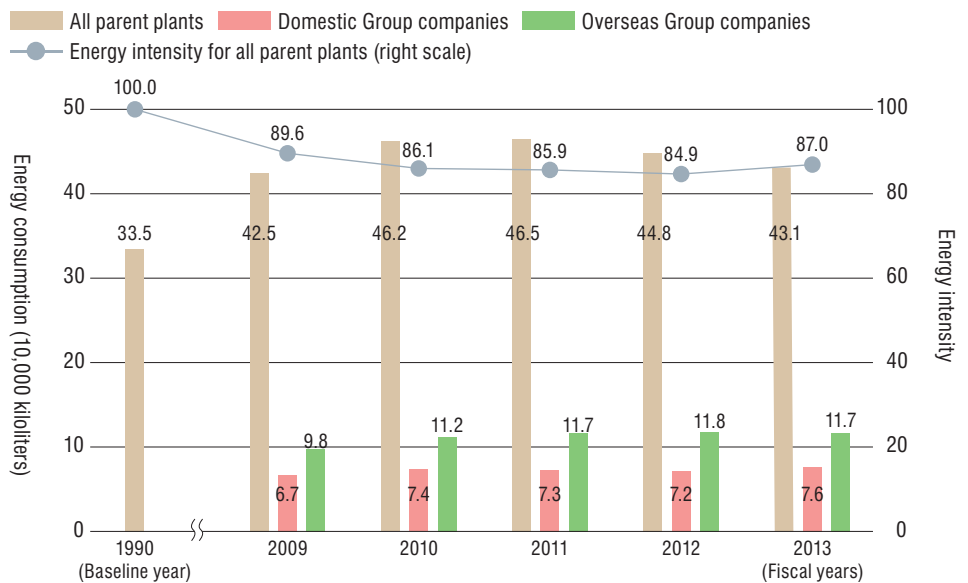
Energy Conservation Efforts



The Kaneka Group strives to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). The energy intensity of all parent plants in fiscal 2013 was 87.0, up 2.4% from a year earlier, due to reduced production volume and changes in the product mix and fuel mix. The five-year average was down 0.7%, which was below target. Energy consumption declined 3.7% from a year earlier to 431,000 kiloliters.

Note 1 : Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass, and indexing this figure against the baseline year of fiscal 1990. Active mass is a production volume benchmark.

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



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

Measures to Prevent Global Warming



Initiatives to Cut Carbon Dioxide Emissions Intensities



The Kaneka Group strives to reduce carbon dioxide emissions intensities by using the intensity index (see note 1) as a management indicator based on energy consumed during production. The carbon dioxide emissions intensity index of all parent plants was 81.9, which exceeded the fiscal 2013 target of 79.4 by 3.1%, based on a fiscal 2020 target of 74. The main factor was the change in fuel mix. Carbon dioxide emissions from all parent plants rose 2.9% from a year earlier to 1,113,000 metric tons. Another factor in the increases was an expansion in the carbon dioxide emissions coefficient in electricity purchased from power utilities, as nuclear power plants were offline.

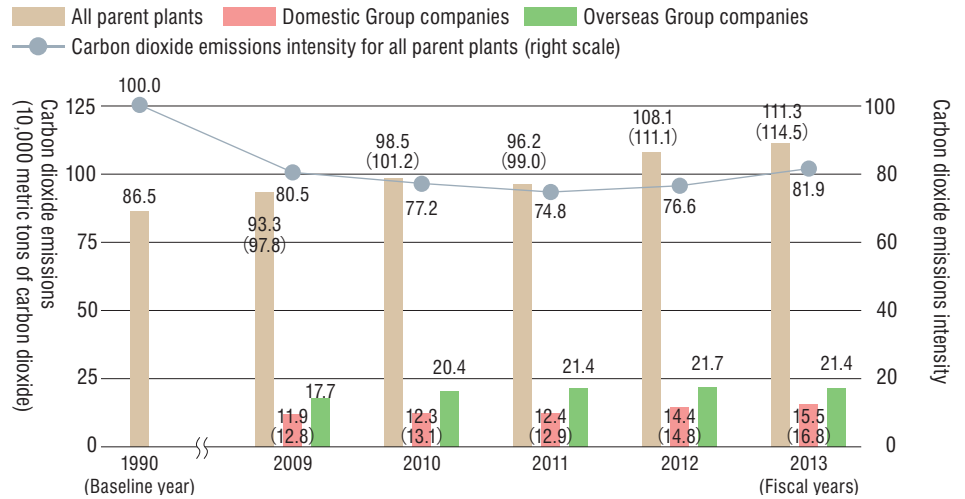
Note 1 : Carbon dioxide emissions intensity index: This measure against a fiscal 1990 baseline of 100 divides activity amounts (which Kaneka calculated the fiscal 1990 coefficient on a fixed usage basis) by carbon dioxide emissions from energy consumption in production activities. This made it easier to visualize the impact of the Company's activities. We set our fiscal 2020 target using that index.

Investments in Energy-Conserving Facilities



Kaneka achieved results from ongoing initiatives to reduce energy and carbon dioxide emissions intensities by investing in energy conservation facilities under a government promotion system in fiscal 2009. We therefore extended the period of initiatives for another four years from fiscal 2013 to continue reducing emission intensities. Our approach was to allocate annual budgets of 200 million yen for small and medium-sized initiatives with relatively long-term returns on investment.

Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity (see note 2)



Note 2 : Carbon dioxide emissions are 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 index calculations.

Results of Internal Capital Investment Program to Drive Energy Conservation

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Investments	¥200 million	¥200 million	¥200 million	¥200 million	¥200 million
Number	19	30	30	19	29
Carbon Dioxide Reductions	14,054 metric tons of carbon dioxide annually	4,109 metric tons of carbon dioxide annually	2,027 metric tons of carbon dioxide annually	1,929 metric tons of carbon dioxide annually	1,993 metric tons of carbon dioxide annually

Measures to Prevent Global Warming

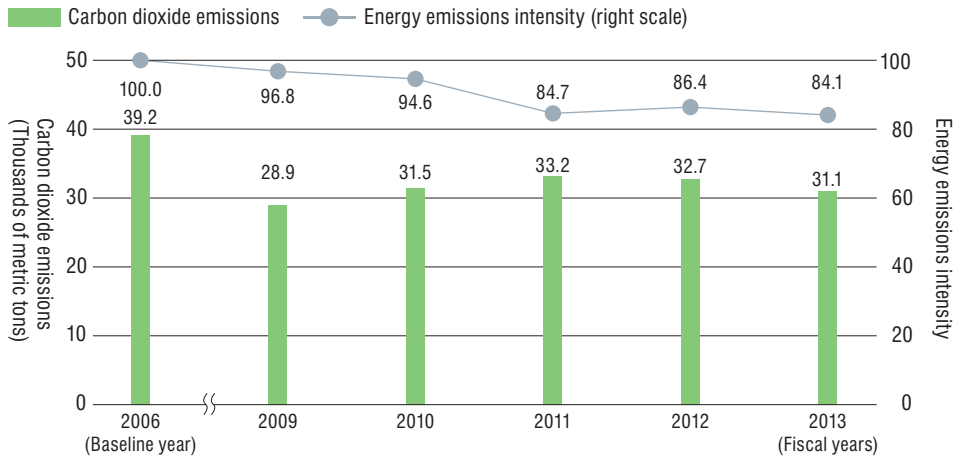
K KANEKA
D DOMESTICS
O OVERSEAS

Energy-Saving Logistics Initiatives

K D O

We endeavor to cut our energy intensity by 1% annually as mandated under the revised Law Concerning the Rational Use of Energy for specified shippers. In fiscal 2013, we employed modal shifts and increased cargo load ratios as central to identifying prospective new reductions at each plant. In fiscal 2013, we made a special effort to improve cargo load ratios and used domestic vessels extensively. As a result, energy intensity declined 2.7% from the previous year. In addition, carbon dioxide emission fell by 1,600 metric tons to 31,100 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.

Megasolar System at Kaneka Bases

K D O

Under the government policy to populate and expand renewable energy, Kaneka installed megasolar systems at its bases to strengthen initiatives for environmental preservation.

In October 2013, we installed a megasolar facility in the western area of the Kashima Plant. This is one of the largest solar power generation plants in Japan, and it employs thin-film photovoltaic cells. The total output is 12,700 kilowatts, cutting the equivalent of carbon dioxide emissions of about 3,000 households every year.

One Group's photovoltaic cell plant, Kaneka Solartech Corporation, installed a megasolar system in Toyooka Eco-Valley, while Kyushu Kanelite Co., Ltd. installed a setup on its premises.

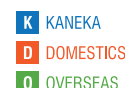


Megasolar system in the west area of Kashima Plant



Kyushu Kanelite Co., Ltd. installed ground and roof panels

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.

Environmental Compliance



The Kaneka Group constantly checks that it complies with environmental laws and regulations and agreements with local governments and other bodies by conducting CSR Safety and Quality Inspections, Responsible Care audits, and internal ISO 14001 audits. These efforts also help to lower environmental risks. In fiscal 2013, the Takasago Plant briefly discharged wastewater whose chemical oxygen demand exceeded the maximum acceptable limit under an environmental safeguard agreement, thereby causing concern to neighboring residents. We will do our utmost to prevent a recurrence and continue working toward lowering environmental risks.

■ 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 Kaseikogyo Co., Ltd.	January 10, 2008	E0062
Vienex Corporation	December 8, 2010	JSA-E1511
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	ER0523
Kaneka Eperan Sdn. Bhd.	February 15, 2008	ER0571
Kaneka Innovative Fibers Sdn. Bhd.	March 23, 2012	ER0810

■ Eco-Action 21 Certification

Group Company	Certification and Registration Date	Registration No.
Kyushu Kanelite Co., Ltd.	June 15, 2007	0001637
Kaneka Hokkaido Styrol Co., Ltd.	September 3, 2007	0001805
Kaneka Medix Corporation	September 28, 2007	0001893
Hokkaido Kanelite Co., Ltd.	October 2, 2007	0001905
Kaneka Tohoku Styrol Co., Ltd.		
Headquarters, and Head Plant	May 14, 2008	0002472
Aomori Plant	February 2, 2009	0003274
Nagashima Shokuhin Co., Ltd.	November 18, 2008	0003093
Sanwa Kaseikogyo Co., Ltd.	January 16, 2009	0003247
Kaneka Chubu Styrol Co., Ltd.	February 9, 2011	0006600
Tokyo Kaneka Foods Corporation	March 31, 2009	0003473
Taiyo Yushi Corporation	March 31, 2009	0003575
Kaneka Foods Corporation	April 2, 2009	0003491
Kaneka Sun Spice Corporation	April 22, 2009	0003556
Kaneka Nishinippon Styrol Co., Ltd.		
Headquarters, Saga Plant, Kagoshima Plant, and Nagasaki Plant	July 31, 2009	0003949
Kanto Styrene Co., Ltd.	August 11, 2009	0004035
Kaneka Kanto Styrol Co., Ltd.	October 15, 2009	0004259

Environmental Management Systems and Environmental Efficiency Indices



Environmental Efficiency

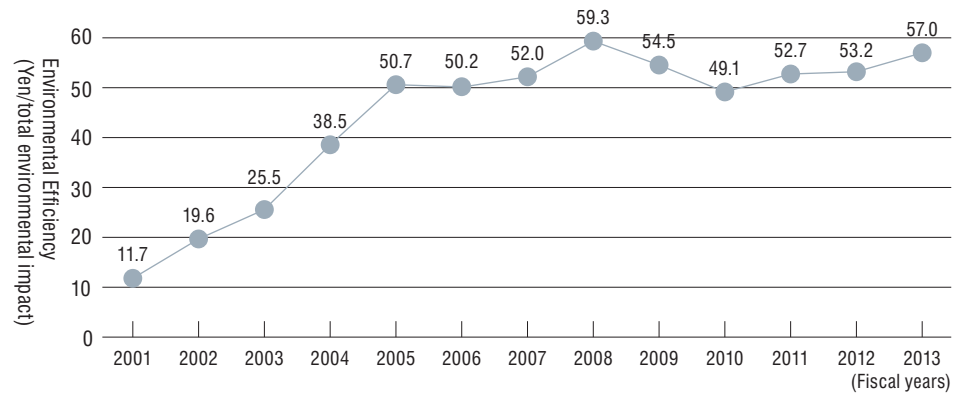
K D O

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 (see note 2). In fiscal 2013, hazardous air pollutant EIPs and nitrogen EIPs at sea and in other areas declined. In contrast, carbon and nitrogen dioxide emissions increased. As a result, our total environmental load increased 1.4% from a year earlier, while our environmental efficiency improved 7.1% on higher sales.

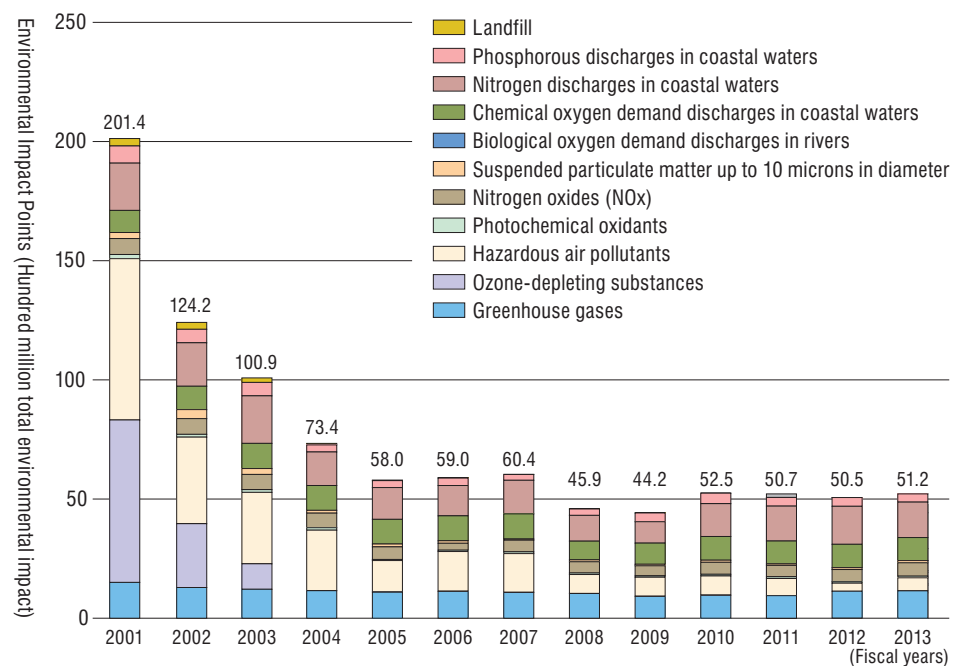
Note 1 : The Japan Environmental Policy Index calculates the eco-factor coefficient for each environmentally hazardous substance. The coefficient is based on the ratio of targeted annual emissions under Japan's national environmental policy to actual results. The eco-factor is then multiplied by each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

Note 2 : Environmental efficiency measures initiatives to minimize environmental impact while maximizing the value for sustainable growth. Kaneka calculates the efficiency by dividing net sales (in yen) by the number of EIPs.

Environmental Efficiency



Environmental Impact Points



CHECK & ACT

In fiscal 2013, increased production volumes caused rises in mainly carbon dioxide emissions, increasing the total environmental load. We will continue to cut energy consumption to lower carbon dioxide emissions and endeavor to reduce our total environmental loads and improve our environmental efficiency.

Reducing Waste and Preventing Pollution

As part of our 3R (see note 1) initiatives, we cut industrial waste disposal generation and recycled resources, achieving zero emissions (see note 2) at all of our parent plants for the eighth consecutive year. We are endeavoring to achieve zero emissions among domestic Group companies, and adhere rigorously to legal requirements and compacts with local governments and other bodies to prevent pollution.

Note 1 : 3R stands for reuse, reduce, and recycle.

Note 2 : Kaneka defines zero emissions as a final landfill disposal rate of less than 0.5% of waste generation.

Cutting Industrial Waste and Landfill

K D O

In fiscal 2013, we generated 6.7 metric tons of final landfill and achieved zero emissions for the eighth consecutive year.

During the term, domestic Group companies reduced final landfill by rigorously separating waste, recycling resources, and reviewing waste contractors.

As a result, Group companies slashed final disposal amounts by 69% from a year earlier to 52.7 metric tons. Consequently, we again achieved zero emissions at all 26 consolidated domestic Kaneka Group companies. We will continue our efforts to cut final disposals.

Properly Disposing of Industrial Waste

K D O

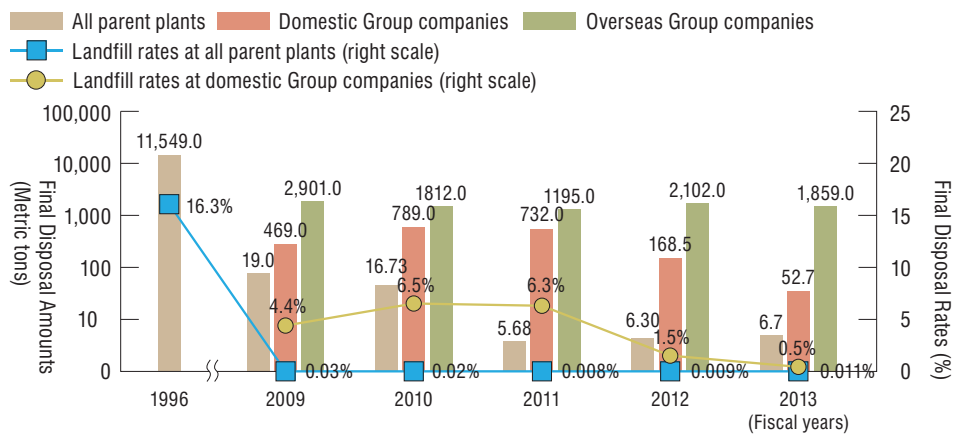
We regularly inspect contractors based on checklists to ensure that they properly process the waste we consign to them.

Recycling Waste

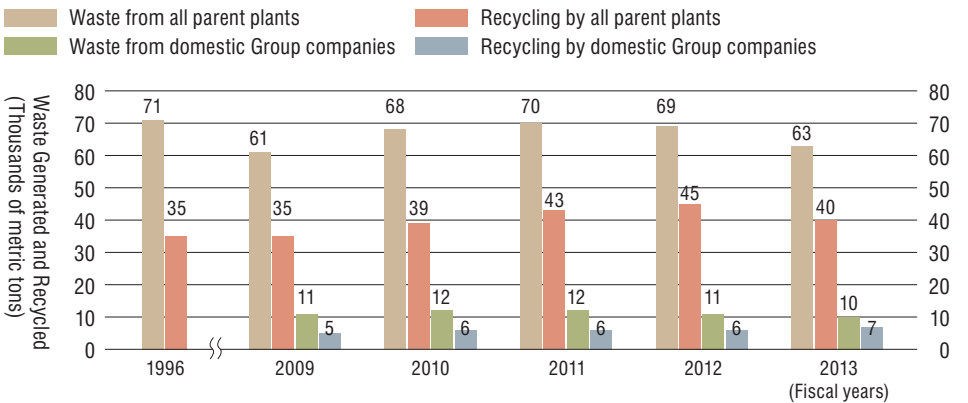
K D O

We continued companywide efforts to reduce waste in recognition that such endeavors help maintain and improve the global environment by conserving resources, lowering costs, and cutting carbon dioxide emissions. The Responsible Care Technical Group within the Responsible Care Department, which belongs to the Production Technology Division, develops materials recycling technologies for waste from parent and Group companies and works on establishing recycling technologies from the product development stage.

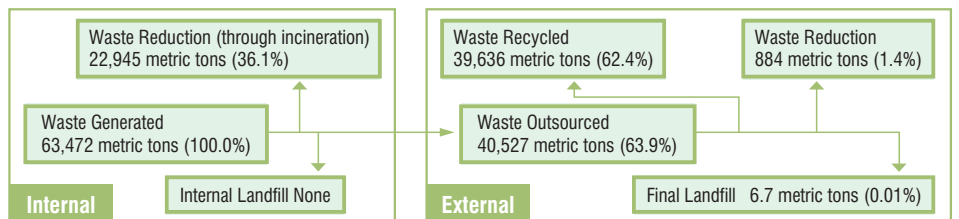
Final Disposal Amounts and Landfill Rates



Waste Generated and Recycled



Industrial Waste and Disposal Methods at All Parent Plants in Fiscal 2013



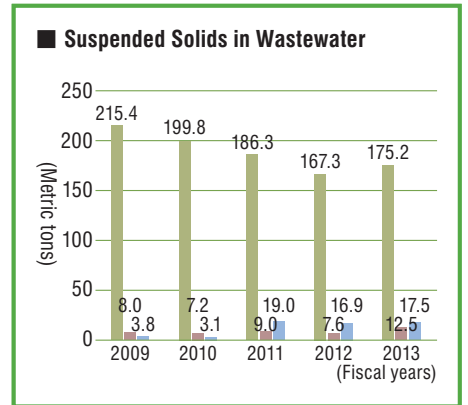
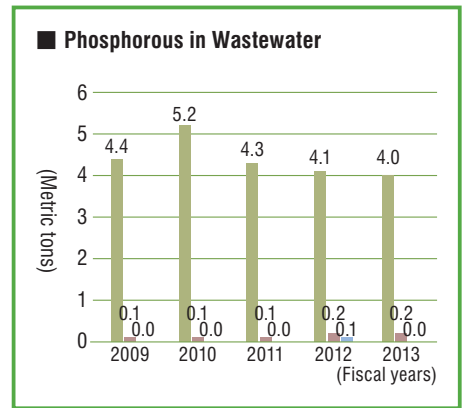
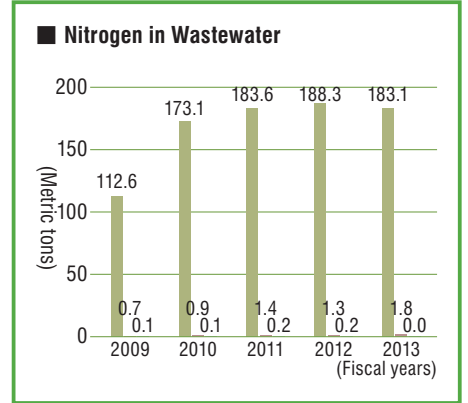
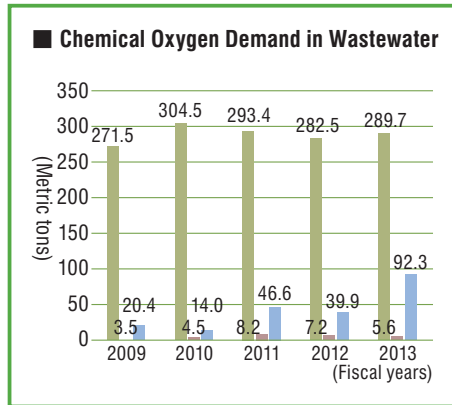
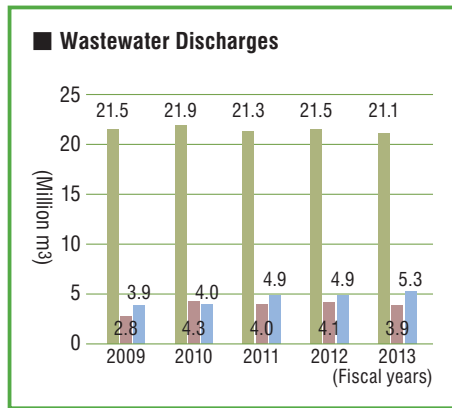
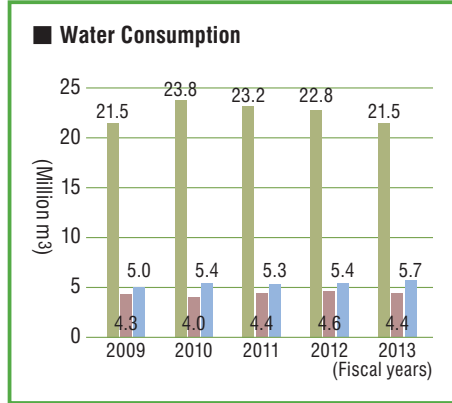
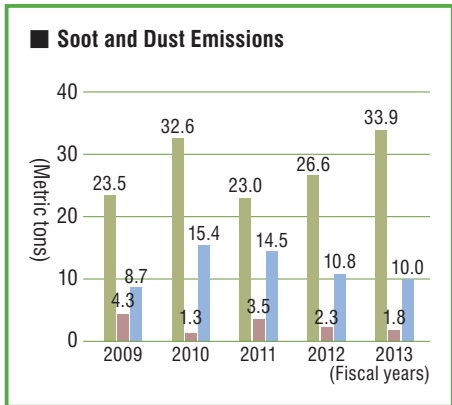
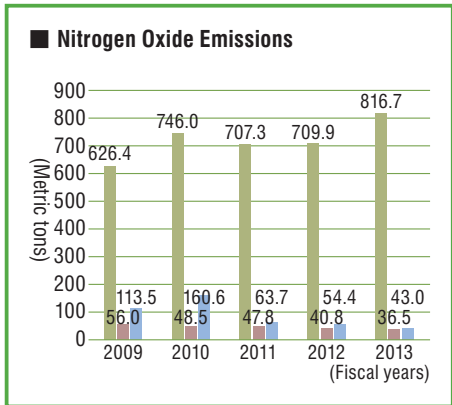
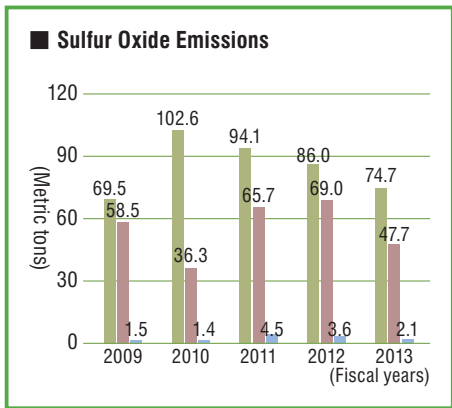
Reducing Waste and Preventing Pollution



Preventing Air and Water Pollution



During fiscal 2013, all of our parent plants reduced sulfur oxide emissions but increased nitrogen oxide and soot and dust emissions. Nitrogen concentrations in wastewater were down, while chemical oxygen demand and suspended solids in wastewater increased slightly.



■ All parent plants
■ Domestic Group companies
■ Overseas Group companies

CHECK & ACT

In fiscal 2013, all parent plants recycled 62.4% of waste, down 3.0 percentage points. We will continue to recycle waste internally and through our contractors in fiscal 2014. We will step up air and water monitoring by upgrading facilities and preparing contingency plans.

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. Kaneka endeavors to reduce these emissions. In fiscal 2013, we reduced discharges by 12.6% from a year earlier to 1,853 metric tons. We will continue striving to cut discharges, notably by upgrading facilities.

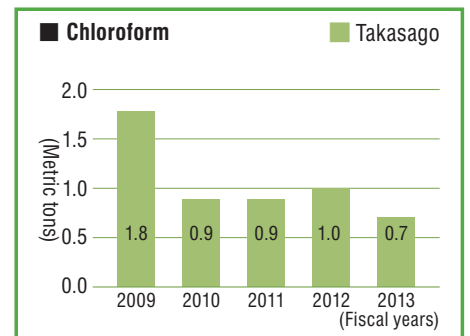
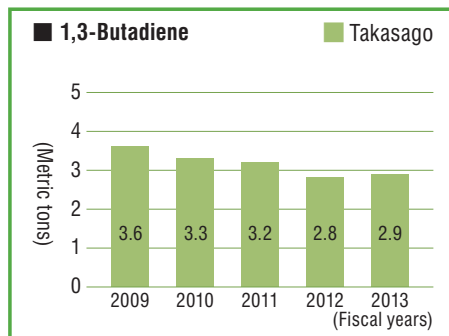
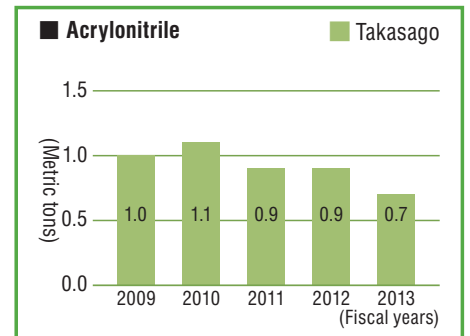
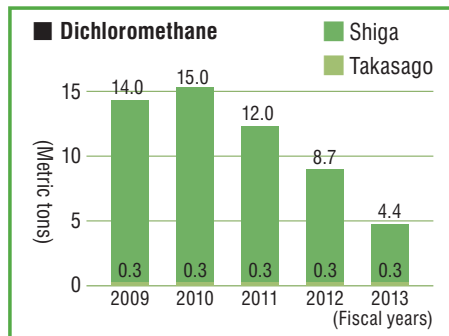
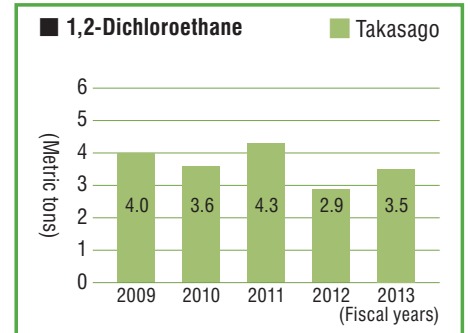
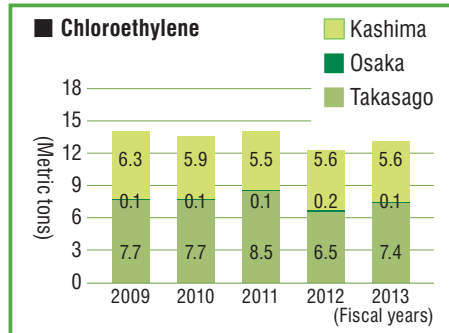
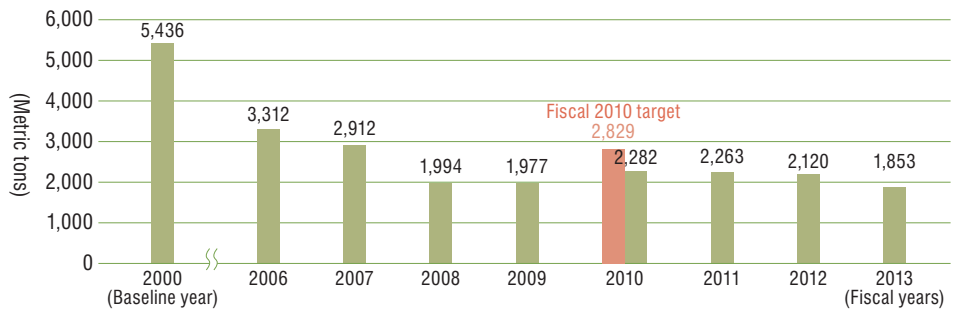
Note 1 : Volatile organic compounds readily disperse into the atmosphere and end up as suspended particulate matter or create photochemical oxidants.

Harmful Atmospheric Pollutants



Fiscal 2013 emissions under a plan to voluntarily reduce the discharge of six substances, shown in the graphs, decreased by a total of 11.0% from a year earlier, to 25.6 metric tons. We will keep pushing ahead with reduction measures.

■ Voluntary Plan to Cut Volatile Organic Compound Discharges



Cutting Chemical Emissions



Substances Subject to the Pollutant Release and Transfer Register Law

K D O

Kaneka strives to reduce emissions of chemical substances that are subject to

the Pollutant Release and Transfer Register Law. In fiscal 2013, total discharges decreased approximately 4.9 metric tons from a year earlier, to 73.5 metric tons. We will continue our efforts to cut emissions of chemical substances.

Fiscal 2013 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 2012	Total	
Large Discharges of 10 Substances	94	Chloroethylene	13,100	98	0	0	13,198	12,360	940
	275	Sodium dodecyl sulfate	0	8,500	0	0	8,500	8,600	0
	392	Normal hexane	6,980	0	0	0	6,980	8,080	124,922
	240	Styrene	5,905	38	0	0	5,943	4,742	2,911
	232	N,N-dimethylformamide	4,500	930	0	0	5,430	4,640	380,000
	420	Methyl methacrylate	4,925	2	0	0	4,927	4,662	6
	186	Dichloromethane	4,688	0	0	0	4,688	9,017	242,300
	157	1,2-dichloroethane	3,500	0	0	0	3,500	2,900	0
	7	Acrylic acid Butyl	3,004	0	0	0	3,004	2,503	3,600
	351	1,3-butadiene	2,900	1	0	0	2,901	2,802	0
Total Apart from the 10 Substances Above			8,947	5,443	0	0	14,390	18,080	108,810
Grand Total for All Substances			58,449	15,012	0	0	73,461	78,386	863,483

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

Fiscal 2013 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 2012	Total	
Large Discharges of 10 Substances	232	N,N-dimethylformamide	32,640	0	0	0	32,640	34,415	1,700
	300	Toluene	29,356	0	0	0	29,356	34,048	196,024
	186	Dichloromethane	10,995	0	0	0	10,995	8,370	181,855
	80	Xylene	5,870	0	0	0	5,870	4,600	0
	53	Ethylbenzene	1,740	0	0	0	1,740	1,960	0
	392	Normal hexane	1,600	0	0	0	1,600	2,548	22,000
	127	Chloroform	500	0	0	0	500	135	5,990
	355	Bis(2-ethylhexyl) phthalate	69	58	0	0	127	61	576
	31	Antimony and its compounds	0.2	0.5	0	0	0.7	0	5
	305	Lead compounds	0.2	0.5	0	0	0.7	0.2	0
Total Apart from the 10 Substances Above			0.3	0.4	0	0	0.7	1,526	93,158
Grand Total for All Substances			82,771	59	0	0	82,800	87,727	501,317

Note 2 : Kaneka's domestic Group companies handle 22 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

CHECK & ACT

We will focus on substances with significant discharges that are subject to the Pollutant Release and Transfer Register Law and continue our efforts to cut emission volumes.

Developing Products to Reduce Bone Fracture Risks in the Elderly after Falls

Kaneka develops products that support healthy living for a growing number of elderly people.

Reducing Impact from Falls without Compromising Comfort

K D O

Kaneka developed Kaneka Hip Protector, which incorporates an impact-absorbing pad and a dedicated inner wear.

Femoral neck fractures are a major cause of many older people becoming bedridden, with numbers of such patients projected to reach 300,000 in Japan in 2030. Hip protectors could help reduce this number of people. However regular models are uncomfortable because the impact-absorbing pads are hard and thick, so they have not become popular.

Kaneka began joint research with a university on a hip protector using foamed SIBSTAR, a Kaneka-developed resin. We studied fall patterns and innovated a pad that is thin but absorbs impact. We tested user comfort and other factors and evaluated the results, leading to a protector that people can wear comfortably for long periods of time.

In spring 2014, Koyo Disposable Goods Co., Ltd., an adult paper diaper manufacturer, adopted the pad in a new offering that protects the hips by attaching one of our pads. The product was unveiled during Barrier Free 2014 at Intex Osaka in April 2014, and attracted many industry participants.

Preventing bone fractures among the elderly is a key social issue not just from the viewpoint of maintaining quality of life, but also from the perspective of reducing the burden of carers and healthcare costs. We will look into developing products for males as well.

Employee Feedback

Seeking to Help the Elderly Lead Enjoyable Lives



Miaki Shibaya
Frontier Materials
Development Laboratories

SIBSTAR is a thermoplastic elastomer based on Kaneka technology. It offers excellent impact absorption and chemical resistance and is easy to process. We developed a foam version of SIBSTAR by combining our technologies.

After repeated computer simulations and performance evaluation tests, we developed a hip protector pad (see photo). The pad has five smaller and larger holes to optimize impact dispersion, yet the material is just 6 millimeters thin.

Through my involvement with this project, I became a qualified welfare equipment counselor. It will be a pleasure to promote this product around Japan to help senior citizens live more enjoyable lives.



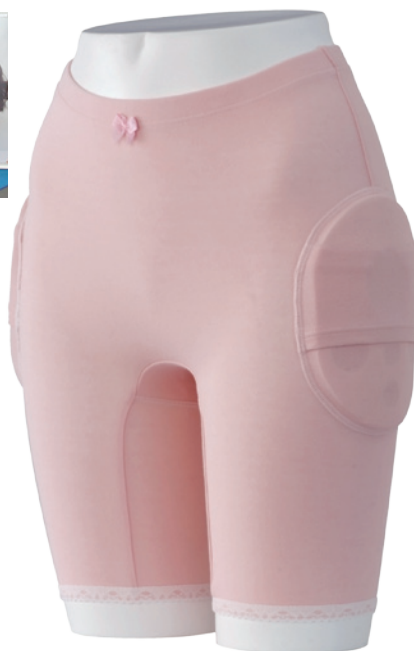
Hip protector pad



Scene at Barrier Free 2014, a comprehensive welfare exhibition



Employed in Koyo Disposable Goods' hip bone guard product by attaching it to a paper diaper



Kaneka Hip Protector for female innerwear. Recommended by the Japanese Society for Fall Prevention



From Quality Assurance to Quality Management of Business Activities with 100% Participation

The Kaneka Group's business extends beyond chemicals to include diverse domains such as the environment, food, medicine, and healthcare. We are experiencing downstream growth in growth areas and are diversifying into such fields as tissue regeneration and cell therapy. Thus it is becoming more important to reinforce customer communications and other overall operations, not just quality assurance.

PDCA Cycles Based on Quality Management Rules



We are expanding from business-to-business to business-to-consumer domains. In both fields, the quality requirements include performance and features, safety, and reliability. In business-to-consumer areas, however, overall quality is more important than before, including technical support and claim and inquiry responses, as well as efforts to identify target customers, product uses in the market, and customer needs.

We consider it important to reinforce the management of overall business activities, developing quality that satisfies customers, with all employees participating in product supply, while the development, design, manufacturing, procurement, and sales units undertake individual roles to improve operational quality. In keeping with this approach, we established our Quality Management Rules in 2013. Each division has its own PDCA cycle, which more precisely represents the rule bylaws as "Plan," implementation as "Do," internal audits as "Check," and management reviews as "Act." We have a larger PDCA cycle to cover each activity. "Do" is the aggregation of each activity, "Check" is for such companywide inspections as CSR Safety and Quality Inspections, the Product Safety Review Conference (see note 1) and Catalog Reviews (see note 2), "Act" is improvement planning for the next fiscal year in the Product Safety Subcommittee (see note 1) and CSR Committee, and "Plan" is for planning initiatives for the next fiscal year.

- Note 1 : The Product Safety Subcommittee is under the CSR Committee. The members of its Product Safety Review Conference head the environmental, safety and quality divisions, research and development, manufacturing activity, and legal affairs units.
- Note 2 : A Catalog Review entails checking the suitability of catalog text, instruction manual contents, and labeling to ensure that customers can use products correctly.

Employee Feedback

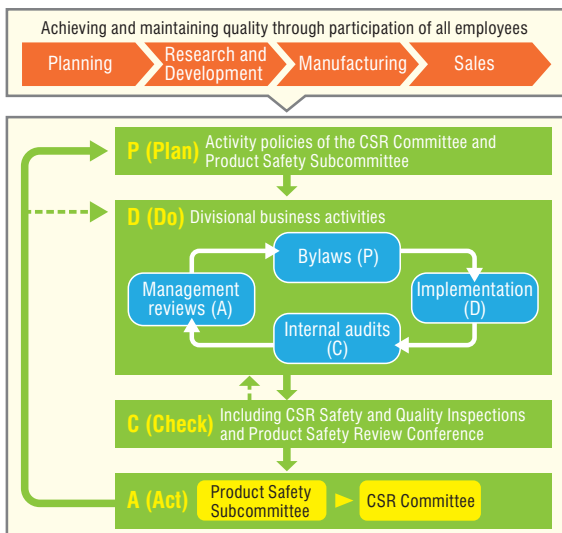
Heeding Customer Feedback and Gaining Trust



Natsuki Mori, Manager of the Products & Safety Quality Assurance Group of the Responsible Care Department in the Production Technology Division (pictured on the right), says that, "Kaneka's business is becoming more oriented toward end-users, so we need to focus more than ever on customer feedback to maintain quality. At the same time, we are ensuring product safety based on usage other than the original intent and use by children."

Kenji Yoneda, Products Safety & Quality Assurance Group of the Responsible Care Department in the Production Technology Division (pictured on the left), says that, "There are many examples of businesses that jeopardized their existence by introducing problematic products. Kaneka's offerings must not cause problems for stakeholders. We have committed ourselves to quality management to avoid such situations."

The Kaneka Group's Quality Management (PDCA)



Product Safety Subcommittee

Quality Management Initiatives (Product Safety and Quality Assurance)

We established the Product Safety Subcommittee under the CSR Committee and the Product Safety Review Conference and the Quality Assurance Promoters Conference as support bodies in coordinating companywide product safety and quality assurance.

Quality Management Activities



The Kaneka Group satisfies its customers and contributes to society by consistently supplying safe and secure products. The Kaneka Group thus undertakes quality management efforts that encompass safety at every stage, from product development and design through to manufacture and sales.

In fiscal 2013, we:

- Consolidated the Quality Assurance Rules and Product Safety Management Rules into the Quality Management Rules.
- Instituted the Change Management Standards to oversee all environmental, safety, and quality changes.
- Built quality management systems to accommodate new business fields.
- Enhanced operations by drawing on external experts to undertake inventory of quality management practices.
- We endeavored to enhance the capabilities of employees underpinning these efforts by preparing quality education tools, sending them to external seminars, and inviting external lecturers to conduct in-house seminars.

Product Safety Review Conference



Product and service reviews have increased in line with the recent expansion and diversification of our businesses.

In fiscal 2013, the Product Safety Review Conference Secretariat conducted extensive consultations to ensure timely and speedy responses to such reviews. We appointed outside experts to review products in new fields.

Chemical Substance Management



We comply strictly with increasingly stringent chemical substance management legislation in Japan and abroad while ensuring that our supply chain properly handles the chemical substances used in our products. We provide labels and displays based on the Globally Harmonized System of Classification and Labeling of Chemicals, Safety Data Sheet, technical materials, catalogs, and other chemical substance information to encourage the proper handling of our products.

We will continue to undertake activities and disclose information under the Japan Initiative of Product Stewardship promoted by the Japan Chemical Industry Association, a voluntary industry initiative to minimize chemical product risks.

Audits and Inspections



The Kaneka Group undergoes regular audits from external organizations based on specifications and standards such as ISO 9001.

We conduct CSR Quality and Safety Inspections and internal audits to check progress with quality-related activities and enhance their standards. In fiscal 2013, we reinforced our CSR Quality and Safety Inspections framework by:

- Including external experts in food and medical field inspections
- Deploying quantitative assessments to determine CSR activity evaluation items and scoring standards to clarify strengths and weaknesses.

CHECK & ACT

Based on Product Safety Subcommittee reviews we undertake operations based on quality management rules, taking into account the expansion of our business.

We secure the human resources and systems we need for these activities as part of efforts to prevent significant quality complaints and quality problems.

Quality Management Initiatives (Product Safety and Quality Assurance)



ISO 9001 Certification of Kaneka and Group Companies

Division or Group Company	Major Products	Registry Organization and Number
High Performance Polymers Division	Modifier resins (Kane Ace and Kaneka Telalloy), modified silicone polymer (Kaneka MS Polymer), and polymer-based adhesive (Silyl)	LRQA / YKA0927477
	Weather-resistant methyl methacrylate film (Sunduren)	LRQA / YKA4004220
Electrical & Electronic Materials Division	Ultra-heat-resistant polyimide films (Apical, Pixeo), optical film (Elmech), bonded magnets (Kaneka Flux), multi-layered insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet (Graphinity)	LRQA / YKA0935762
Foam Plastics & Plastic Products Division Hokkaido Kanelite Co., Ltd. Kyushu Kanelite Co., Ltd. Kaneka Foam Plastics Co., Ltd.	Bead technique-based polyolefin resins and molded products (Eperan, Eperan PP), bead technique-based expandable polystyrene (Kanepearl), and extruded polystyrene foam board (Kanelite)	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 Foods Corporation Tokyo Kaneka Foods Corporation Nagashima Shokuhin Co., Ltd.	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, concentrated milk products, fermented milk products, flour paste, mayonnaise, frozen dough, cooking fillings, prepared foods, yeast, yeast foods, and yeast cultures	JQA / JQA-QMA10274
New Business Development Division	Highly heat-resistant and light-resistant resins and molded products	DNV / 01635-2006-AQ-KOB-RvA/JAB
New Business Development Division OLED Business Development Project OLED Aomori Co., Ltd.	Organic electroluminescent lighting	JMAQA / JMAQA-2532
Solar Energy Division Kaneka Solartech Corporation	Photovoltaic modules	JQA / JQA-QMA13200
Tochigi Kaneka Corporation	Bonded magnets (Kaneka Flux), multilayer insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet (Graphinity)	LRQA / YKA0958035
Vienex Corporation	Electronic products	JSA / JSAQ2593
Showa Kaseikogyo Co., Ltd.	Plastic compounds	ASR / Q0556
Sanwa Kaseikogyo Co., Ltd.	Bead technique-based polyolefin molded products (Eperan, Eperan PP)	ASR / Q1919
Kanto Styrene Co., Ltd.	Polystyrene foam molded products	JACO / QC03J0233
Tatsuta Chemical Co., Ltd.	Plastic film, plastic sheet	Bureau Veritas Japan / Q2364840
Kaneka Hokkaido Styrol Co., Ltd.	Polystyrene foam molded products for engineering and construction	LRQA / 4002793
Kaneka Sun Spice Corporation	Spices, secondary processed foods	JQA / JQA-QMA11351
Osaka Synthetic Chemical Laboratories, Inc.	Active pharmaceutical ingredients, pharmaceutical intermediates, and industrial organic chemicals	JCQA / JCQA-0444
Taiyo Yushi Corporation	Margarine, shortening, edible refined oils and fats, edible vegetable oils and fats, refined lard, other edible oils and fats, processed fats, dairy products, and food additives	JQA / JQA-QMA14671
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), and acrylic sol	AIB-VINCOTTE / BE-91 028g
Kaneka North America LLC	Ultra-heat-resistant polyimide films (Apical), 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 / AR2321
Kaneka Eperan (Suzhou) Co., Ltd.	Bead technique-based polypropylene (Eperan, Eperan PP)	UL DQS Inc. / 439438 QM08
Kaneka Innovative Fibers Sdn. Bhd.	Synthetic fibers	SIRIM QAS / AR5612
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	BSI / FM541299
Eurogentec S.A.	Research reagents and services	LNE/G-MED / 17586
Eurogentec North America, Inc.	Oligonucleotides for research and development	LNE/G-MED / 19216
AnaSpec Inc.	Peptides, antibodies, synthetic resins, amino acids, and reagents for research	SQA / 09.3571

Benefiting Customers

03-3

Quality Management Initiatives (Product Safety and Quality Assurance)



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

Division or Group Company	Main products	Registry Organization and Number
Medical Devices Division Kaneka Medix Corporation	Lixelle, Liposorber, catheters, Silascon, and ED coil	TÜV SÜD / Q1N 12 11 24736 027
Kaneka Pharma Vietnam Co., Ltd.	Catheters (parts)	
Eurogentec S.A.	Oligonucleotides for diagnostic tests	LNE / G-MED / 15217

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 and Group Companies

Production Unit or Group Company	Main Products	Registry Organization and Number
Takasago Plant Pharmaceutical Manufacturing Department	Coenzyme Q10 (Kaneka Q10, Kaneka QH)	SGS / GB10 / 81403
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	BSI / FSMS573377

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

■ Food Safety System Certification 22000 (FSSC 22000) (see note 3) Certification of Kaneka and Group Companies

Production Unit or Group Company	Main Products	Registry Organization and Number
Takasago Plant Food Department	Margarine, shortening, edible oils and fats (individually packaged), edible purified oils and fats (individually packaged), whipped cream, condensed milk, and yeast	JQA / JQA-FC0047-1
Kaneka Foods Corporation	Margarine, flour paste, buttercream, cheese, and fermented milk products	JQA / JQA-FC0047-2
Tokyo Kaneka Foods Corporation	Margarine, shortening, flour paste, buttercream, mayonnaise, chocolate, and whipped cream	JQA / JQA-FC0047-3
Taiyo Yushi Corporation	Margarine, shortening, edible refined oils and fats, edible vegetable oils and fats, refined lard, other edible oils and fats, processed fats, and dairy products (butter)	JQA / JQA-FC0044

Note 3: FSSC22000: Based on ISO 22000 and ISO/TS 22002-1.

An international standard for food safety management that includes additional requirements.



Procuring Raw Materials from Multiple Sources to Stabilize Product Supplies

Based on lessons learned from the Great East Japan Earthquake and accidents at the chemical plants of other companies, Kaneka procures raw materials from multiple sources to reinforce its supply chain.

Creating New Production Processes to Fulfill Supply Responsibilities to Customers



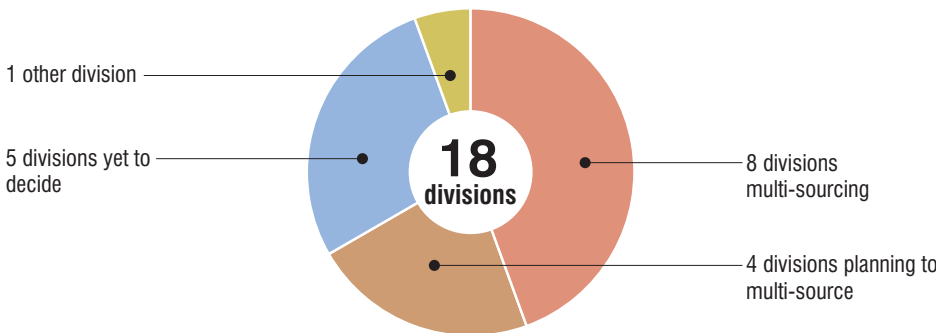
Kaneka ensures stable supplies to customers by maintaining multiple production units while multi-sourcing as many of its raw materials as possible.

We evaluate matches of alternative raw materials with existing products and have customers assess prototypes employing such alternatives. As it takes a lot of time and effort to confirm that there are no issues, we install manufacturing lines that can accommodate multi-sourcing when starting up overseas production facilities.

Kaneka Malaysia will begin producing Kanekalon at a new facility in 2015. Because this is a proprietary offering, it will be a

top priority to strengthen the supply chain through multi-sourcing so we can fulfill our supply responsibilities. We will push forward with manufacturing based on multi-sourcing from the product design and process engineering stages to reinforce supply stability.

Multi-sourcing of raw materials by Kaneka division



Two-thirds of divisions currently multi-source or plan to do so.

Process toward multi-sourcing



Meeting of chemicals purchasing managers

Employee Feedback

Optimizing Overall Global Procurement



Shigeru Umeda
Team Leader,
Purchasing Team II,
Chemicals Purchasing
Department

Because Kaneka seeks to deliver high quality at low prices, the key activities in the Chemicals Purchasing Department are to recommend alternative, cost-reducing raw materials to manufacturing units. Although securing alternative raw materials is important for stabilizing supplies, production sites would be reluctant to use materials that raise costs. Sites become eager to use alternatives that can help lower expenses.

As part of efforts to minimize exposure to disasters and other risks, the Chemicals Purchasing Department gathers information on the raw materials that overseas plants procure and the suppliers they use. I believe that the Chemicals Purchasing Department in Japan will play a central role in optimizing the Kaneka Group's procurement worldwide.

Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities

We draw on our Basic Procurement Policy to engage in procurement activities that are fair, equitable, and environmentally friendly, and accordingly value close communication with business partners.

Undertaking Green Procurement Based on Basic Procurement Policy

K D O

Under the Basic Procurement Policy deployed in fiscal 2011, we declared that we would engage in procurement activities that enhance the corporate value of ourselves and business partners while endeavoring to reduce environmental damage by engaging in green procurement.

Based on the Green Procurement Guidelines that we formulated in fiscal 2012, we set about making related business units aware of these guidelines and setting up a structure [for green procurement], while auditing progress among business partners in securing environmental management systems certification. We have also started efforts to prevent contamination of raw materials with prohibited substances.

Procurement Initiatives

K D O

The Procurement Department began exchanging information with business partners based on order analyses and other surveys, in order to create value with these partners.

We aim to go beyond spot ordering to build stable ongoing partnerships based on mutual perspectives and close communication to enhance standards.

In keeping with our Green Purchasing Standards, we endeavor to visualize the sourcing of ecologically friendly items and track the environmental efforts of business partners.

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.

Initiatives to Prevent Transportation Disasters

K D O

Fiscal 2013, Kaneka collaborated with transportation companies in formulating annual plans, undertaking efforts to enhance safe driving, including through initiatives to identify, report, and eliminate transportation dangers and by using occupational accident and other case studies. We have introduced measures to prevent accidents from escalating by ensuring that personnel follow the proper procedures and promptly report incidents. Initiatives include emergency response drills based on scenarios of mishaps on the road and scenarios relating to toxic substances.



Employees from the Takasago Plant took part in a drill in a scenario where chlorine leaked from a tanker



Field exercise involving a fire engine and ambulance

CHECK & ACT

At the end of fiscal 2013, the Kaneka Group formulated the Green Procurement Standards to build on the Green Procurement Guidelines. In fiscal 2014, we will step up green sourcing based on these standards while expanding the efforts of Group companies in this regard. We will also look into initiating CSR procurement.

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

K D O

At March 31, 2014, Kaneka had 350 million shares issued and outstanding and 20,052 shareholders. Domestic financial institutions accounted for 47.7% of the total, with foreign companies owning 25.8%, individuals representing 17.7%, 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, 2014 was 39.5%.

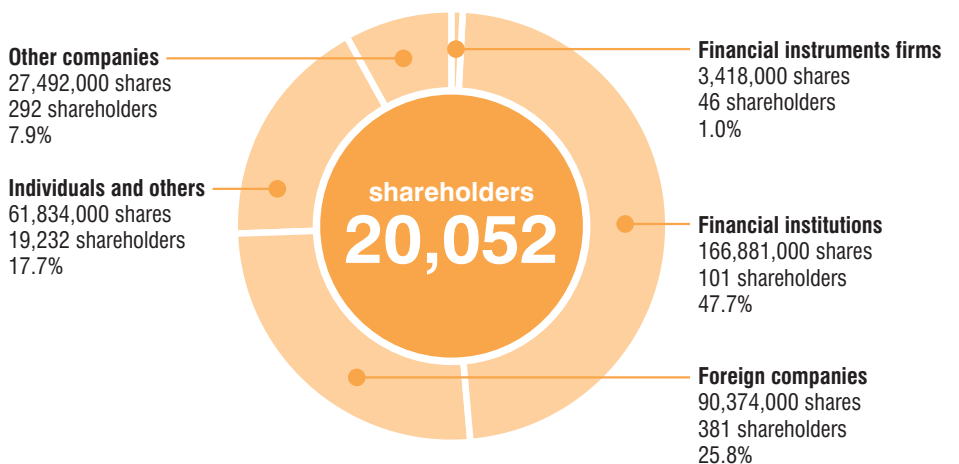
We harness retained earnings to maintain financial stability and address dramatic changes in the operating climate to generate sustainable growth.

Shareholder Reporting

K D O

We issue semiannual business reports to our shareholders, making this information publicly available through our website. We redesigned the covers in 2010 and increased page sizes in 2013, included top management interviews, and incorporated explanations to make it easier to understand our financial position. We print investor relations publications using environmentally friendly ink made from vegetable oil, and use Universal Design fonts.

Shareholder Composition



Disclosure and Investor Relations

K D O

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

We conduct briefings after announcing annual and quarterly results, with the president or relevant director providing explanations.

Our website presents our financial results, annual report, and other investor information.

CHECK & ACT

In fiscal 2014, we will continue to build on our fiscal 2013 efforts to ensure proper disclosure to shareholders and investors.

Fostering Youth

Kaneka does much to foster youth in the communities in which it operates and throughout society.

In fiscal 2013, we took part in the first Children's Chemistry Show in western Japan.

Core-Net, a nonprofit organization of retired executives, whose members include Kaneka retirees, provided educational assistance at elementary and junior high schools.

Participating in a Children's Chemistry Show in Kobe

K D O

The Children's Chemistry Show in Kobe was held on January 25 and 26, 2014 at the Kobe Science Museum. The sponsor of this event for elementary and junior high school students was Dream Chemistry 21. The Japan Chemical Industry Association is one of the organization's four constituent members. This was the first Children's Chemistry Show in western Japan, the program having started in Tokyo and expanding to Natori, Miyagi Prefecture, in fall 2012.

The Kobe event attracted around 3,300 people. About 250 children visited the Kaneka booth to learn how to make erasers.

The children put on gloves and goggles, mixed hardening chemicals and resin, and shaped the compound as desired. They initially wondered whether their creations would truly erase anything. After heat-treating the material, they and their parents were delighted to discover that they did.

We look forward to continuing to help foster youth by participating in another Children's Chemistry Show planned for western Japan in fiscal 2014.



Children experiencing the marvels of Kaneka's materials



Children crafted their very own erasers

Kaneka Manufacturing Class

K D O

Pro bono activities leveraging professional expertise are becoming more popular in Japan. NPO Core-Net is part of the pro bono movement, passing down manufacturing knowhow to support elementary and junior high school education.

In November 2013, we initiated the Kaneka Manufacturing Class program for 80 students in the sixth grade at Takasago Elementary School, which is located near the Takasago Plant. The second such class was for 50 students in the fifth grade at Senrioka Elementary School near the Osaka Plant, where participants assembled scroller kits.

Kaneka participants on both days were mainly new plant employees. They instructed and assisted the students, imparting an interest in manufacturing and a sense of achievement from taking part. The students greatly enjoyed the experience.

In fiscal 2014, we look forward to holding these classes at other schools near our facilities as part of our commitment to contributing to society by fostering youth.



Unveiling scroller assembly kits in the gym



Kaneka employee instructing students

Stakeholder Dialogues

Kaneka conducts stakeholder dialogues to share differing opinions on common issues and to deepen mutual understanding in the process.

Since 2011, the company's business sites have continued to engage in dialogue, focusing on local government officials.

Our fourth stakeholder dialogues were with officials from Kamisu, Ibaraki Prefecture, which is home to the Kashima Plant.

Fourth Stakeholder Dialogue

K D O

In February 2014, we conducted our fourth 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.

We conducted a broad discussion with local government officials about the CSR Communication Book 2013, which we issued in July 2013.

Dates and Locations

February 19, 2014 at Kamisu City Hall, Ibaraki Prefecture

Topics

1. The Kaneka Group's corporate approach, including CSR activities based on core business activities and TV commercials to raise awareness.
2. Disclosure and environmental initiatives to enhance community trust.

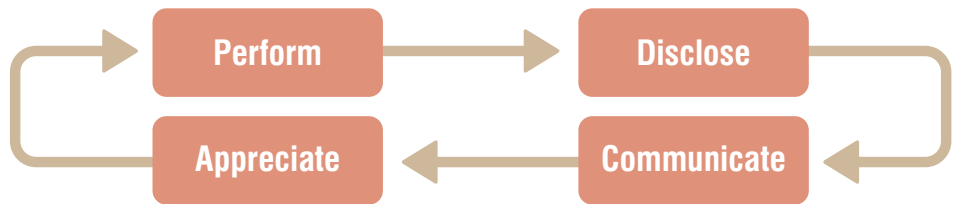
The Kaneka Group will continue conducting stakeholder dialogues about CSR issues.



Participants exchanging different opinions

■ 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.

Stakeholder Dialogues



Fourth Stakeholder Dialogue

February 19, 2014 at Kamisu City Hall

Participating Kamisu Municipal Government officials



Osamu Noguchi
Education Director



Toshiaki Takayasu
Health and Welfare Director



Tetsuo Yamaguchi
Industry and Economics Director



Yoshio Noguchi
Planning Director



Masanobu Noguchi
Administration Director



Mitsumasa Nishino
Civil Life and Environment Director



Hiroki Kaito
Urban Development Director

Topic 1

The Kaneka Group's corporate approach, including CSR activities based on core business activities and TV commercials to raise awareness.

Opinions of Kamisu Municipal Government Officials	Kaneka's Responses
<ul style="list-style-type: none"> ○ Recent heavy snowfalls caused a lot of damage in the Kanto and Tohoku regions. Bakeries reportedly distributed bread for free to people in the affected areas, capturing the spirit of CSR. What steps has Kaneka taken to aid with recovery from the Great East Japan Earthquake? 	<ul style="list-style-type: none"> ● After the Great East Japan Earthquake, we supplied about 1,000 insulated sheets to public facilities. We also sent solar battery panels for charging mobile phones and Kanecaron carpets to disaster-affected areas. Other initiatives have included all business sites holding Tohoku produce fairs and participating in the Fukushima Sunflower Project. We will continue doing what we can to contribute.
<ul style="list-style-type: none"> ○ Kaneka makes its CSR activities very easy to understand by stating they are about being useful to society. Many companies engage in CSR, but I think Kaneka is a step ahead in its efforts. Although Kamisu considers it important to reinforce the functions of the Kashima industrial complex, what is Kaneka's position on this, particularly regarding post-quake initiatives? 	<ul style="list-style-type: none"> ● We will continue to contribute to society through our core businesses. No single company can strengthen the operations of an industrial complex, and we would like to move forward with the cooperation of the authorities. We believe it is important for the community to understand that materials producers like Kaneka make the essentials of modern living.
<ul style="list-style-type: none"> ○ I think that Kaneka's TV commercial vividly links its slogan of leveraging science to make wishes come true to trust in its products. Has the mindset of employees changed since you started running these commercials? 	<ul style="list-style-type: none"> ● We started running TV commercials in January 2011. Some employees used to think that advertising was unnecessary because it was fine for the general public not to understand business-to-business enterprises like ours. However we now recognize the importance of activities that raise our profile.
<ul style="list-style-type: none"> ○ I think Kaneka has been able to broadly disseminate its powerful slogan of leveraging science to make wishes come true. Do you think it might be necessary to present specific examples, products, and technologies to highlight this message? 	<ul style="list-style-type: none"> ● We will continue to run TV commercials focusing on our key strategic areas. We will broadly disseminate information on our social contribution initiatives, including through our CSR report and website.
<ul style="list-style-type: none"> ○ I think that Kaneka's TV commercial, CSR report, and other vehicles have increased awareness of Kaneka and enhanced your corporate image. Roughly how much do you spend on CSR activities? 	<ul style="list-style-type: none"> ● We aim for our CSR costs to represent proper investments in environmental management. Our long-term vision is to generate one trillion yen in net sales by fiscal 2020. We consider it important to enhance the mindset of employees in this regard, and will also strengthen our CSR initiatives.
<ul style="list-style-type: none"> ○ Ibaraki Prefecture ranks second in Japan in terms of the value of its agricultural output. Kamisu is first in terms of green pepper production, and it grows a lot of other agricultural offerings. We use a lot of polyethylene plastics, and disposal is an issue. We are very keen for you to develop technologies for plant-derived plastics that could be used in all areas of agriculture. 	<ul style="list-style-type: none"> ● Our core Takasago Plant in Hyogo Prefecture maintains a demonstration facility that can produce 1,000 metric tons annually of biopolymers and which is running at full capacity. The usage rates of multi-film applications are high in Europe, and we have created techniques to adjust degradation periods. We will push ahead with development to expand applications.

Stakeholder Dialogues



Topic 2

Disclosure and environmental initiatives to enhance community trust.

Opinions of Kamisu Municipal Government Officials	Kaneka's Responses
<p>○ Compliance and disclosure are obviously important for companies, but I although think it's crucial for businesses to broaden opportunities for dialogue with communities. What's your thinking on this?</p>	<p>● Chemical plants handle a lot of hazardous substances. People tend to think they are dangerous places, so all of our business sites conduct tours and hold chemistry classes. We will continue to expand opportunities to interact with the community.</p>
<p>○ We'd like you to build corporate awareness by participating in community events. One example is the Kamisu Festival, in which various organizations take part. It is likely you will be asked to assist with creating plantations as a safeguard against coastal disasters and in tree planting activities in the future. I also think it will be important for you to interest children more in chemicals manufacturing.</p>	<p>● We have operated in Kamisu for more than 40 years. The Kashima Plant will spearhead concrete efforts to increase understanding of the Kaneka Group's CSR initiatives.</p>
<p>○ I think the site visits by top management for CSR purposes are a wonderful approach. I sense a strong commitment to safe operations through such other efforts as third party evaluations by other plant managers and university professors. Communities seek safety above all from companies, and we hope you will broadly publicize your safety initiatives.</p>	<p>● Top management will continue to visit sites. We will continue to disclose information on our safety efforts through our CSR report while disclosing information to the community and other stakeholders.</p>
<p>○ I believe that Kaneka has made safety a top commitment as stated by the president. I think that disseminating information as swiftly and accurately as possible after an accident will contribute to the safety of citizens. What steps is Kaneka taking in terms of risk predictions and other aspects of safety?</p>	<p>● It is important for employees to have a disaster-prevention mindset. In trying to protect themselves they also safeguard their families and the community. Good examples of this are our ongoing emergency response drills, verification efforts that include considering accident case studies at other companies, companywide preparation drills, and reviews of manuals.</p>
<p>○ I salute you for having the courage to discuss a fatal accident at the Kashima Plant in the CSR report. This underscored your commitment to transparency. At the same time I would like you to do your best to ensure operational safety. I would also like you to liaise more closely on a regional basis to minimize damage in the event of an emergency.</p>	<p>● Understood. We shall do so.</p>
<p>○ I think it's wonderful to engage with the community through vehicles like this dialogue session. I also think your appreciation of employees will help to enhance community confidence.</p>	<p>● We conduct regular stakeholder dialogues every year to exchange opinions on our CSR activities.</p>

Our response to stakeholder opinions and requests

Our fourth stakeholder dialogue revealed the extent to which stakeholders consider the CSR activities of the Kane-

ka Group acceptable or inadequate, and highlighted the areas requiring improvement.

We believe that pursuing CSR through core businesses and enhancing stakeholder satisfaction will help us

to enhance enterprise value and fulfill our corporate responsibilities. We will discuss the valuable points and opinions we received with related departments to bolster sustainable CSR activities.

Dialogue held on August 23, 2013, with the Union of Takasago Residents' Associations

The Takasago Plant conducted a stakeholder dialogue with the Union of Takasago Residents' Associations to deepen understanding of Kaneka's corporate activities.

At the gathering, plant representatives presented activities at the site and at Kaneka, explained safety efforts at the plant, and responded to questions. We received valuable opinions and requests from resident association heads. The plant then conducted a bus tour of its facilities, pointing out the mountain of salt as well as

the oil and fat production processes. The plant manager delivered a speech to the participants, saying that, "We implement thorough measures regarding safety, environmental protection, and disaster prevention as the top priorities of our corporate activities. We will continue doing our best in community initiatives as a properly run facility". The Takasago Plant will endeavor to operate even more transparently in building relationships with the community through ongoing dialogue.



Plant tour participants viewed the mountain of salt, which is a raw material in our chemical products

Process Safety and Disaster Prevention Initiatives

Our plant operates based on close ties with communities. Kaneka builds community trust through safety measures and a solid commitment to security.

Targeting Zero Process Accidents

K D O

The Kaneka Group has positioned safety as a top management priority and undertakes initiatives to pursue zero process accidents. In December 2013, we strengthened our criteria for accidents. In fiscal 2013, there were 15 process accidents within the Group (five at Kaneka plants, one at a domestic Group company, and nine at overseas Group companies). We endeavored to prevent recurrences and occurrence through equipment and operational improvements and by extending initiatives to other lines. We also rigorously investigated accidents. We will continue such activities to eliminate process accidents.

Disaster Prevention Drills

K D O

In fiscal 2013, we held comprehensive disaster drills at all parent plants, as shown in the table on the right. Group companies also regularly conduct drills, including evacuation and reporting drills, in addition to learning how to use fire extinguishers.

Plant Safety Initiatives

K D O

We reviewed our own internal risk assessments based on relevant explosions and fires that occurred at other chemical companies. We again inspected plants to lower risks based on the Japan Chemical Industry Association's guidelines for preventing security mishaps. We will continue to deploy more unusual scenarios by conducting safety rounds and implementing response measures.

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.

Comprehensive Disaster Drills

Plant	Date	Approximate Number of Participants	Program Details
Takasago Plant	December 12, 2013	1,200	The plant held a joint firefighting drill with Takasago Fire headquarters based on a scenario in which the outlet of a tank containing butyl acrylate became damaged in an earthquake, leading to a leak and fire.
Osaka Plant	March 11, 2014	1,164	The plant conducted an emergency drill based on a scenario in which amine leaked from a tank following an earthquake.
Shiga Plant	March 27, 2014	393	The plant conducted a firefighting drill based on a scenario in which a building caught fire owing to an earthquake.
Kashima Plant	November 19, 2013	140 (30 of whom were from subcontractors)	The plant held a firefighting drill based on a scenario in which a fire resulted from a leak of isobutene from the pipe flange of a storage tank outlet following an earthquake (including a drill to inform a public firefighting team).



Comprehensive disaster drill at the Takasago Plant

Process Safety and Disaster Prevention Initiatives



Introducing a Safety Assessment System

K D O

We became a member of the Safety Enhancement Center of the Japan Society for Safety Engineering (JSSE) and implemented a Safety Assessment System at the Takasago, Osaka, and Shiga plants to identify our strengths and weaknesses. We will apply our evaluation results to continually improve our safety culture.

CHECK & ACT

After two process accidents in fiscal 2012, the number surged to 15 in fiscal 2013, or the level of fiscal 2011. We reflected on our measures and concluded that they were inadequate. We reinforced measures through repeated risk assessments. At the same time, we will maintain safety checks and safety culture assessments and undertake activities to assume the unexpected in line with our commitment to safety as a top management priority.

Fire at Takasago Plant Electrolyte Facility

Incident Outline

At approximately 7:57 p.m. on March 16, 2014, fire broke out at an electrolyte facility at the Takasago Plant (in Takasago, Hyogo Prefecture). Kaneka employees immediately contacted a local public firefighting team and initiated their own firefighting procedures. The fire was soon extinguished. There was no extensive building damage and nobody was hurt.

We apologize deeply for this incident and the concern we caused to nearby residents.

Cause of Accident

On March 17, the local fire department and police conducted an on-site investigation and determined that a cable of a device monitoring the electrolysis tank was the source of the fire. Poor cable insulation either inside the terminal box or nearby apparently caused the fire.

Safety Measures to Prevent a Recurrence

We re-checked for any abnormality in the cables of devices monitoring electrolysis tanks at all lines within the plant. We reported to Takasago's firefighting headquarters that we did not find any safety issues and were given approval to resume operations.

To avoid a recurrence, we will confirm insulation in all locations subject to high electrical currents within the plant. At the same time, we will share information with other plants to help prevent similar accidents.

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

K D O

Kaneka	Our vinyl chloride manufacturing device for initial mass production was registered as an Essential Historical Science and Technology Resource at the National Museum of Nature and Science. The New Office Promotion Association awarded Osaka Head Office the Kinki New Office Promotion Award in the 26th Nikkei New Office Awards. Received FY2012 Technological Excellence Award of the Japan Solar Energy Society.
Takasago Plant	Received a Responsible Care Award for Special Effort under the Responsible Care Award of the Japan Chemical Industry Association for constructing a mechanism to cut production losses through MFCA.
Osaka Plant	Received an award for excellence in the Green Curtain Contest as part of an environmental festival held by Settsu City for residents.
Kashima Plant	Recognized for excellence as an accident-free workplace in the 29th Traffic Accident Prevention Competition.
Kaneka, Tatsuta Chemical Co., Ltd.	Received the Japan Environmental Management Association for Industry Chairman's Award as part of the FY2013 Awards for Resource Recirculation Technologies and Systems in recognition of an automobile seat recycling initiative.
Tokyo Kaneka Foods Corporation	Recognized by the Tokorozawa Labor Standard Association for 1,020,000 hours of zero accidents. ①
Tochigi Kaneka Corporation	Recognized as an excellent office by a workplace policing liaison council sponsored by the Tochigi Prefectural Police Department.
Kaneka Solartech Corporation	Received the Bureau Chief's Excellence Award for Safety and Health from the Hyogo Labor Bureau. ②

Awards



① Commendation for 1,020,000 hours of zero accidents



② Receiving the Bureau Chief's Excellence Award for Safety and Health from the Hyogo Labor Bureau

Fostering Youth



③ Plant visit by neighboring school children (Kaneka Belgium N.V.)



④ Plant visit by neighboring school children (Kaneka North America LLC)



⑤ Plant visit (Kaneka Hokkaido Styrol Co., Ltd.)

Fostering Youth

K D O

All parent plants, domestic, and overseas Kaneka Group companies

We conducted regular facility visits, on-site learning, after-school classes, lectures, and other events for neighboring students, local community associations, and other groups. We accepted student interns and sponsored Trial Week for junior high school students.

③, ④, ⑤

Fulfilling Our Social Responsibilities

Community Contributions of Domestic and Overseas Group Companies



Fostering Youth (continued)



Takasago Plant and Takasago Service Center Co., Ltd.	We gave a demonstration on how to make rubber erasers at the Children's Chemical Experiment Show in Kobe, the first time such an event was held in western Japan by Dream Chemistry 21. Around 250 people visited the Kaneka booth over two days. ⑥ We held a series of events for neighborhood kindergarten and elementary school children covering potato root planting in May to harvesting.
Takasago Plant and Osaka Plant	We held a visiting class with NPO Core-Net to teach elementary school children how to make things.
Shiga Plant	Participated three times in 2013 in the Walnut School, which highlights the importance of the Konooka Biotope to children, as a member of the school management committee. ⑦
Taiyo Yushi Corporation	Held outside classes for neighborhood elementary schools on making soap, part of the social studies curriculum for students in the third grade.
Kaneka North America LLC	Participated in educational activities of neighborhood middle schools (including through luncheon meetings with teachers and a science fair).
Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., and Tamai Kasei Co., Ltd.	Accepted neighborhood students for vocational training and involved them in the packing, loading, and distribution of recycled products (including paper fans and ballpoint pens).

Regional Contributions



Kaneka	Special sponsorship of the 2013 Hokkaido Marathon
Kashima Plant	Installed one of the biggest megasolar systems in Japan incorporating thin-film photovoltaic cells.
All parent Plants, Shiga Denshi K.K., Tatsuta Chemical Co., Ltd., Kaneka Sun Spice Corporation, Kaneka Hokkaido Styrol Co., Ltd., Kaneka North America LLC, Kaneka Hoken Center Co., Ltd., Kyushu Kanelite Co., Ltd., River Seiko Corporation, Kaneka Tohoku Styrol Co., Ltd., OLED Aomori Co., Ltd., and Kaneka (Malaysia) Sdn. Bhd.	Held summer festivals and other events for neighborhood residents, employees, and employees of partner companies. Also donated money to regional and local festivals and events. ⑧

Fostering Youth



Participating in a Children's Chemical Experiment Show in Kobe (Takasago Plant)



Walnut School

Regional Contributions



Holding a summer festival (Tatsuta Chemical Co., Ltd.)

Fulfilling Our Social Responsibilities

Community Contributions of Domestic and Overseas Group Companies



Regional Contributions (continued)



<p>Takasago Plant, Tokyo Kaneka Foods Corporation, Hokkaido Kanelite Co., Ltd., Tatsuta Chemical Co., Ltd., HiHua Fiber Co., Ltd., AnaSpec, Inc., Eurogentec S.A., Tochigi Kaneka Corporation, Sanvic Inc., Sanwa Kaseikogyo Co., Ltd., Shinka Shokuhin Co., Ltd., Kaneka Solartech Corporation, Kaneka (Malaysia) Sdn. Bhd., and Kaneka Belgium N.V.</p>	<p>Cooperated and participated in the Hokkaido Marathon, which had special sponsorship by Kaneka, and in sports events sponsored by neighborhood companies, factory complex associations, and other entities (including marathon relay races, softball games, bowling, cycling, and jogging). Also voluntarily trained and instructed boys sports teams.</p>
<p>OLED Aomori Co., Ltd.</p>	<p>Produced a compact illuminated nebuta float using organic light-emitting diode lighting (OLED) and participated in the Aomori Nebuta Festival. ⑨</p>
<p>Osaka Plant</p>	<p>Participated in a firefighting drill sponsored by the Fire Prevention and Safety Association of Settsu City. Participated in an environmental festival and introduced solar panels and biodegradable plastics. ⑩</p>
<p>Osaka Plant, Shiga Plant, and Kashima Plant</p>	<p>Participated in the Fukushima Sunflower Foster Parent Project to support Fukushima's reconstruction (decontamination and providing employment opportunities). ⑪</p>
<p>Taiyo Yushi Corporation</p>	<p>Set up a pet bottle cap collection box and donated about four kilograms of caps to a local elementary school.</p>
<p>Kaneka North America LLC</p>	<p>Participated in the monthly Bay Cap Meeting for residents of the Bay area and engaged with the community (regular discussion topics are environmental preservation and process and plant safety). Collected more than \$20,000 for the American Heart Association by participating in the Bay Area Heart Walk. ⑫</p>

Regional Contributions



Producing a compact illuminated OLED nebuta float and participating in the Aomori Nebuta Festival



Participating in a fire prevention drill for Settsu City



Participating in the Fukushima Sunflower Foster Parent Project



Participating in a walking event and donating to the American Heart Association (Kaneka North America LLC)

Fulfilling Our Social Responsibilities

Community Contributions of Domestic and Overseas Group Companies



Environmental Initiatives



Takasago Plant, Osaka Plant, and Shiga Plant Takasago Plant employees and their families trimmed trees and cut underbrush in the Kaneka Forestry for the Future initiative as part of biodiversity efforts. Osaka Plant employees and their families took part in similar activities for the Settsu-no-mori Kaneka Biotope. Shiga Plant employees and their families did the same for Shiga Prefecture's project to preserve forests around Lake Biwa.

All parent plants In collaboration with local governments, chambers of commerce, and other organizations, plant personnel cleaned parks, arterial roads, and other local locations.

Shiga Denshi K.K., Showa Kaseikogyo Co., Ltd., Taiyo Yushi Corporation, Hokkaido Kanelite Co., Ltd., HiHua Fiber Co., Ltd., AnaSpec, Inc., Eurogentec S.A., Tochigi Kaneka Corporation, Takasago Service Center Co., Ltd., Sanvic Inc., Sanwa Kaseikogyo Co., Ltd., Kaneka Sun Spice Corporation, Kaneka Solartech Corporation, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., and Kaneka (Malaysia) Sdn. Bhd.

Shiga Denshi K.K., Showa Kaseikogyo Co., Ltd., Taiyo Yushi Corporation, Hokkaido Kanelite Co., Ltd., HiHua Fiber Co., Ltd., AnaSpec, Inc., Eurogentec S.A., Tochigi Kaneka Corporation, Takasago Service Center Co., Ltd., Sanvic Inc., Sanwa Kaseikogyo Co., Ltd., Kaneka Sun Spice Corporation, Kaneka Solartech Corporation, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., and Kaneka (Malaysia) Sdn. Bhd.

AnaSpec, Inc., and Eurogentec S.A. Seraing was chosen as an experimental city as part of efforts to cut carbon dioxide emissions in Europe, and Eurogentec is taking part in initiatives.

International Contributions



Takasago Plant, Osaka Plant, Shiga Plant, and Tokyo Head Office Again took part 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 Continued to collaborate 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.

Kaneka North America LLC Providing a \$5,000 scholarship every year to the La Porte High School Alumni Association (for the 19th time in 2013).

Kaneka Pharma America LLC and Kaneka (Malaysia) Sdn. Bhd. Kaneka Americas Holding (KAH), Kaneka North America LLC, and AnaSpec, Inc. collaborated and donated \$3,000 to Kaneka (Malaysia) Sdn. Bhd. for flood relief. With an additional donation of a cost-reduction bonus of \$3,000 and money from KAH, the donations totaled \$10,000. Kaneka (Malaysia) Sdn. Bhd. supported flood-affected employees by providing them with money, food, clothing, and other items. 16

Environmental Initiatives



Beach cleaning by HiHua Fiber Co., Ltd.



Cleanup by Tamai Kasei Co., Ltd.



Cleanup by Kaneka Hokkaido Styrol Co., Ltd.

International Contributions



Supporting flood victims (Kaneka (Malaysia) Sdn. Bhd.)

Community Contributions of Domestic and Overseas Group Companies



Others



Kashima Plant

Presented plant traffic safety initiatives at an Ibaraki Prefecture conference on traffic safety.

The WFP's School Feeding Program is Assisting Children in Sierra Leone

Kaneka is a corporate partner of the United Nations World Food Programme (WFP) for three years from 2013 through 2015. We donate part of our African sales of Kanecaron, a synthetic fiber product, to the WFP's school feeding program.

In 2013, we helped provide 234,028 elementary school meals to 105,313 boys and 128,715 girls. We took part in an initiative to supply half a bag of rice and five liters of vegetable oil every month to girls whose families lack food. We provided supplies to 2,057 girls in grades four to six in areas where dropout rates at elementary schools are especially high.

Comment from a student Momo Caron, aged 12

I live with my aunt and three brothers. My mother died and my father works away from home. We eat once a day, only at dinner.

We look for fruit in the woods during school lunchtimes and sometimes we don't return to school because we are too hungry to concentrate on study. We became ill and our results at school suffered.

But our situation changed in 2012 because the WFP's school meal program started. Now, I can eat breakfast and lunch at school. I can concentrate

A local school meal



on my study and participate actively in discussions. My results have improved, and I am no longer ill.

I am grateful to the WFP and its supporters. I hope the school meal program will start in other schools near us.

Creating a Culture in which Everyone Thinks Seriously about Safety

In 1994, Takasago Plant began hands-on learning to improve the mindset of employees in regard to safety. This training has expanded throughout the Kaneka Group.

Training to Ensure Safe Behavior and Prevent Accident Recurrences



Takasago Plant has experienced explosions and other accidents before, so it began hands-on learning about explosions and oxygen depletion as part of our commitment to prevent other serious accidents. We try to identify workplace risks by showing workers how dust explosions and other mishaps occur and highlighting potentially risky processes.

We are constantly updating training materials based on occupational accident cases, such as being caught in machinery. We are extending the training beyond Kaneka employees to include operators at partner companies. In hands-on learning, we ensure that workers realize the dangers by making mock accidents more realistic. For example, we place work gloves on sticks to function like arms or show actual equipment or devices involved in accidents. We are endeavoring to educate workers about the importance of acting safely.

We have installed the same hands-on learning facilities at three other Kaneka plants. The Takasago Plant has started training workers from neighboring companies. To date, we have trained 1,500 people from approximately 50 companies.

We have mobile hands-on learning equipment to enable training for Group companies around Japan.



Training employees based on accident predictions to improve sensitivity



Conveying accident risks more realistically by using a stick modeled as an arm wearing a work glove



Hands-on learning using the same equipment involved in previous accidents to prevent recurrences

Employee Feedback

It is Important for People to Understand that Occupational Accidents are Not Someone Else's Problem



Takao Okimi of the Environmental Protection & Safety Group in the Environmental Protection & Safety Management Department (at the time, pictured on the right), says that, "The Takasago Plant makes chemicals, so while it might seem safe, there are many unseen dangers. It is important to learn from the past so we all understand how hard it is to maintain safety. Kaneka has experienced a fatal accident before, but fewer and fewer people remember this. So, we must avoid forgetting by educating people about earlier disasters."

Itsuro Ito of the Environmental Protection & Safety Group in the Environmental Protection & Safety Management Department (pictured on the left), says that, "I provide instruction in hands-on learning. I think it is important to cultivate an ability to sense the risks and avoid accidents. For example, it is important to avoid pointing at things and calling out without a sense of purpose, because simply doing so out of habit can be very dangerous. When I was younger, I knew of the death of a worker younger than myself. It is my duty to communicate to people that occupational accidents are not someone else's issue."

Cultivating Human Resources and Creating Comfortable Work Environments

Kaneka respects human rights, diversity, and individuality. We comply with laws and regulations and eschew discrimination against any employee.

Basic Concepts for People and the Organization

K D O

We established basic concepts for our people and organization in keeping with our corporate philosophy and the components of our long-term vision. This concept reflects repeated discussions between labor and management. In deploying our personnel system, we will foster the Kaneka Spirit and cultivate challenge takers, people with strong organizational skills, diversity, and inquiring minds.

Reviewing Systems to Support Personal Growth

K D O

To further boost our research and development capabilities, we added a job ranking for research jobs that came into effect in fiscal 2013.

At the same time, we initiated a career development plan sheet to create opportunities for employees to discuss their career paths with supervisors as part of our efforts to cultivate human resources.

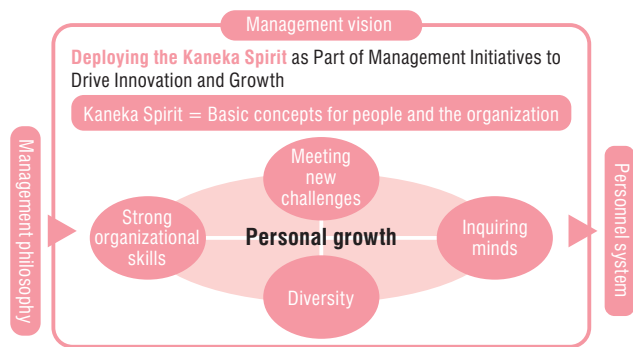
Career and Life Development Support

K D O

To cultivate human resources in keeping with the Kaneka Spirit, we provide extensive off-time training programs. These include programs that are profession-specific, or those that focus on management development. We also offer programs to support self-advancement.

We provide career and life development support programs to enable employees of all ages to consider their professional and personal futures.

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



Cultivating Internationally Minded People

K D O

In 2013, we marked five years since introducing the Global Employee Development Program and overseas work experience and language study programs for domestic employees. We will continue to improve programs to enable employees to master practical communication in a foreign language.

In fiscal 2013, we introduced training programs for employees at overseas Group companies. In the Multinational Leader Development Program for future

leaders in Europe and the United States, participants discussed Kaneka globalization issues. Steven Skarke, Plant Manager at Kaneka North America LLC, gave a lecture on leadership development and provided other training in the Leadership Challenge Workshop.



Leadership Challenge Workshop

Global Employee Development System (fiscal 2013)

	Program	Content	Number of Employees
Development Training	Global Employee Development Program	Mastering practical foreign-language communication skills	1,909
Overseas learning	Overseas Trainee System	One-year work experience at a Kaneka overseas affiliate	10
	Short-Term Overseas Trainee System	Pursuing personal objectives at a Kaneka overseas affiliate (around three months)	2
	Program for Acquiring Language Skills Abroad	Overseas experience through activities such as short-term study at a language school and homestay program	8
Language Courses	English and Chinese	Language studies essential for business management	162
Personnel Exchanges	Global Employee Exchange Program	Accepting trainees from overseas Group companies at Kaneka (Japan)	1
Overseas Training	Multinational Leader Development Program	Case study on leading global corporations and applying action learning	13
	The Leadership Challenge Workshop	Acquiring and applying leadership skills	50

Cultivating Human Resources and Creating Comfortable Work Environments

Senior Reemployment

K D O

In response to the Revised Law Concerning Stabilization of Employment of Older Persons, which came into effect in April 2013, we reviewed the system for senior contract employees and offer employment to existing and interested employees up to the age of 65. We offer the My Plan 60 course to employees 18 months before they reach the retirement age, so they can consider useful information for planning their post-retirement lives and meeting new challenges.

We will continue to improve work environments so reemployed senior employees can fulfill their potential.

Promoting Opportunities for Women

K D O

Kaneka aims to contribute to successful careers for highly motivated female employees, providing programs that help them enjoy rewarding professional and family lives. We employ, train, and recruit female employees for key career positions to promote equal opportunity. The work fields and locations (including overseas) in which female employees actively participate are expanding.

We set up a program to convert the jobs of motivated and skilled female regional employees into key career positions and encourage their success.

Employing, Retaining, and Encouraging Foreign Nationals

K D O

Since fiscal 2010, we have actively employed foreign nationals to accelerate the globalization of our business. We set up consultation desks for foreign nationals at each business site to help them adapt as swiftly as possible. Our ongoing support extends to offering Japanese language courses to reinforce communication skills.

Hiking as Introductory Training for New Employees

K D O

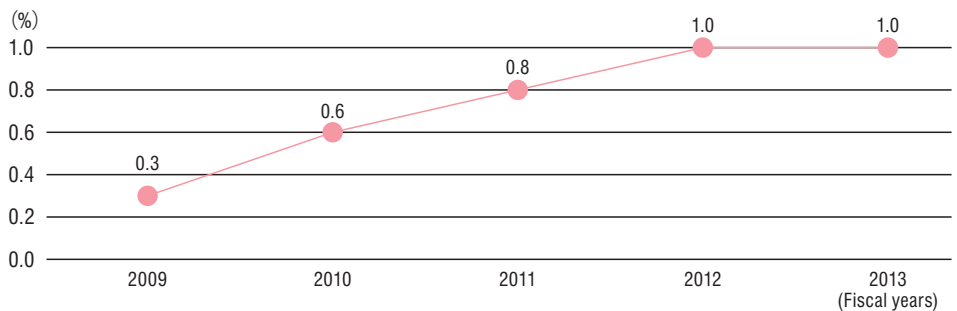
Kaneka began hiking as introductory training for new employees to encourage them to persevere when encountering difficulties and come up with solutions. The program entails a 20-kilometer walk up mountains and along beach tracks over about six hours, with designated check points at planned times for each team. The training teaches the importance of planning for daily work, discus-

sion, and communication, and deepens bonds between colleagues.



Training scene

Percentage of Managers who are Female (see note 1)



Note 1 : Ratio of female managers to all managers.

Number of foreign employees (new graduates slated for key career positions)

Fiscal Year Employed	Number Hired
2011	3
2012	9
2013	3
2014	6

(Nine in technology and twelve in administration)

Cultivating Human Resources and Creating Comfortable Work Environments



Employing People with Disabilities

K D O

Kaneka's rate of hiring people with disabilities in fiscal 2013 was 1.9%, which was below the new legal requirement of 2.0%. We will step up initiatives to employ more people with disabilities in fiscal 2014 and beyond and enhance work environments.

Flexible Working Systems

K D O

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

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

K D O

Kaneka received the Kurumin mark, which is awarded to companies that provide childcare support to employees, in fiscal 2009. We have formulated Action Plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children as part of ongoing efforts to attain our goals.

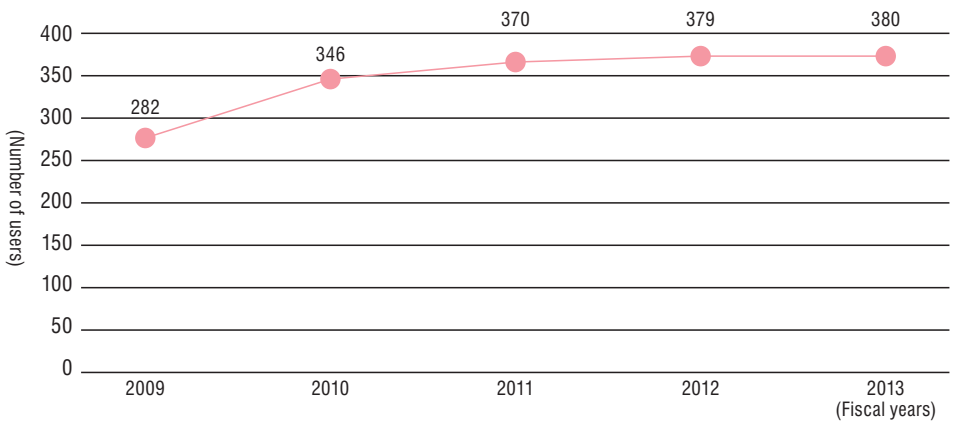
We have established childcare and family care leave programs that exceed the regulatory requirements so we can continue helping employees to balance work-life commitments.

Percentage of Employees with Disabilities

Fiscal Years	Kaneka's Rate of Hiring People with Disabilities	Legally Required Rate
2009	1.88%	1.80%
2010	1.73%	1.80%
2011	1.67%	1.80%
2012	1.86%	1.80%
2013	1.90%	2.00%

Kaneka's employment of people with disabilities as of June 1, 2013

Discretionary Work System Users



Number of Childcare Program Users

Fiscal 2013	Females	Males
Shorter working hours system	38	1
Childcare leave	34	0



Kurumin mark

Inter-Worksite Games Interacting through Sport

In fall 2013, we held inter-worksite games in which teams from each location got together to engage in friendly contests. An event held for the first time in 25 years featured bowling and a relay road race over two days. Many people

attended to cheer on the teams in spirited competition. At a reception after the games, we applauded the efforts of participants in reconfirming their ties beyond the worksite. It was a very happy two days for all concerned.



Relay road race



Cultivating Human Resources and Creating Comfortable Work Environments

Labor and Management Relationships

K D O

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.

■ 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.

Preventing Sexual and Power Harassment

K D O

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.

Protecting Personal Information

K D O

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.

Human Rights Education

K D O

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.

■ Human Rights Education

Fiscal 2013	Contents
Training for New Employees	Explains such issues as sexual and power harassment and nationality/racial discrimination.
Training for Newly Appointed Managers	Human rights instruction from outside experts.

CHECK & ACT

We will create diverse rotation opportunities based on a career development plan sheet introduced in fiscal 2013, a self-reporting system, and an in-house job posting system. We will also cultivate an organizational culture in which people accept diversity by expanding the involvement of female employees and foreign and bilingual employees.

Occupational Safety and Health Efforts

The Kaneka Group 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

K D O

In 2013, there were 12 occupational accidents, of which three resulted in work time losses and nine did not.

As there were many repeated incidents of people being caught in machinery, we are reinforcing oversight to minimize dangers and are undertaking efforts to improve risk awareness and eliminate overconfidence.

Enhancing Our Occupational Safety and Health Management System

K D O

All of our four parent plants acquired occupational safety and health management system (OSHMS) certification from the Japan Industrial Safety & Health Association in fiscal 2007. In fiscal 2013, we received and passed renewal inspections at all four parent plants. As a part of our occupational safety and health management system, we undertook an initiative to improve our PDCA cycle, centered on risk assessment.

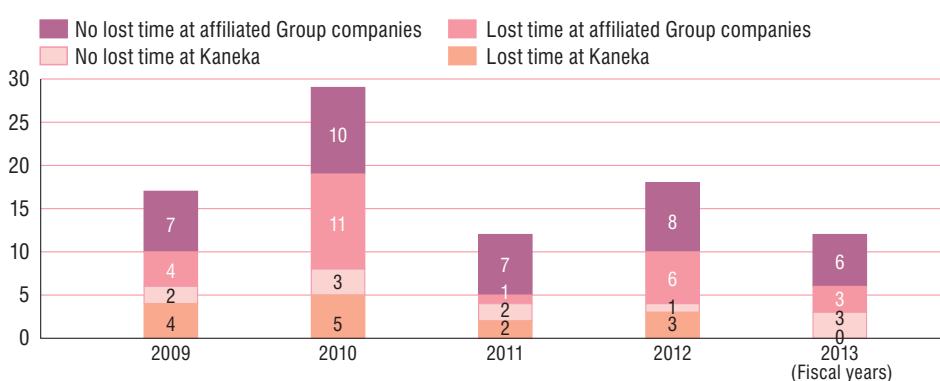
Zero Accident Principles

◆ 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%

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 in Japan and Overseas	
		2012	2013	2012	2013	2012	2013
Employees of Kaneka and Group Companies	Frequency Rate	0.50	0.19	0.38	0.00	0.57	0.30
	Accident Severity Rate	0.02	0.01	0.01	0.00	0.02	0.01
Employees of Business Partners	Frequency Rate	0.45	0.00	0.28	0.00	1.15	0.00
	Accident Severity Rate	0.90	0.00	0.01	0.00	4.58	0.00

Caring for Our Employees

03-2

Occupational Safety and Health Efforts

K KANEKA
D DOMESTICS
O OVERSEAS

Mental Health Care

K D O

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 2013, Kaneka held seven classes. We conducted a questionnaire survey at Group companies to assess the status quo before planning future support.



Meeting of the Mental Health Task Force

CHECK & ACT

In fiscal 2013, we instituted occupational safety and health measures to eliminate accidents leading to lost work time. Unfortunately, there were three incidents resulting in work time losses at Group companies during the year under review. Although we are determined to eliminate serious accidents, continue reinforcing line management, and act to improve sensitivities to risk, we still have much more to do. We will continue to reinforce line management and improve risk sensitivities to eliminate all accidents.

Kaneka Group

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.

Undertaking development and sales actively to present socially beneficial new technologies

Kaneka Taiwan Corporation



Kaneka Taiwan Corporation was established in 2011 to expand business and reinforce relationships with local companies that cultivate operations in China.

Taiwan enjoys high economic growth owing to the expansion of its electronics and other industries, and is home to many world-class enterprises, including makers of personal computers and liquid crystal display monitors.

Kaneka Taiwan functions as a key Asian base for customer-focused development and electronic materials sales. This subsidiary surveys markets and provides sales support for other operations, including new businesses. We emphasize compliance education for employees and provide them with training once every two months.

We are working to develop and market new technologies that benefit society.

Contributing to quality of life by developing and supplying safe, high-quality products

Kaneka Pharma Europe N.V.



Kaneka Pharma Europe N.V. was established in Brussels, Belgium, in 1994 to market medical equipment and pharmaceutical intermediates. This subsidiary has a branch in Eschborn, Germany, and functions as a European base for product marketing and development in the field of new life sciences.

With people's awareness of health rising in the region, Kaneka Pharma Europe began supplying high-quality functional food materials such as reduced foam coenzyme Q10 (Ubiquinol). In the medical equipment field, the Liposorber System, a hyperlipidemia treatment device, is attracting great attention in Europe and elsewhere.

In the field of tissue regeneration and cell therapy, in which there have been tremendous technological innovations in recent years, we developed and secured market approval for a cell separation device. We expect this device to enhance medical practice.

We will continue supplying such offerings while endeavoring to enhance health and quality of life in the life sciences arena by reinforcing alliances with pharmaceutical, medical equipment, and healthcare companies, in addition to clinics and hospitals.

Domestic Group Company Initiatives



Constructing an on-site product recycling station to foster recycling

Kochi Styrol Co., Ltd.



Kochi Styrol Co., Ltd. was established nearly four decades ago in 1975.

This Group company manufactures and sells expandable polystyrene products in the Chugoku and Shikoku regions. The main applications are containers for farm and marine products, agricultural and fishery materials, polystyrene boards for building and insulation, and expandable polystyrene blocks for civil engineering applications.

Expandable polystyrene is made by expanding the raw material 50 to 80 fold, so 98% of it is air. This saves on resources and makes the foam very recyclable.

As a member of the Japan Expanded Polystyrene Association, Kochi Styrol built EPSY Plaza to foster recycling.

We aim to continue contributing to recycling through our production and other recycling activities.



Containers for farm and marine products

Aiming to become a solutions developer and provider

Tamai Kasei Co., Ltd.



Tamai Kasei Co., Ltd. was established as a manufacturing and processing maker of expandable polystyrene products in 1989, joining the Kaneka Group in 2011.

Tamai Kasei is development driven. We are focusing on the commercialization of temperature management containers that combine expandable polystyrene with cooling and heat storage materials. These are passive solutions that do not emit carbon dioxide. We will continue to develop socially and environmentally beneficial offerings in the years ahead.

The expandable polystyrene industry is endeavoring to increase recycling, and Tamai Kasei recycles all of its waste.

Tamai Kasei's plant is in Otaru City, Hokkaido, a popular tourist destination. We conduct cleanups around the plant site. We aim to continue contributing to the local community and one such initiative is to hold plant tours for local elementary and junior high school students.



Patthermo refrigerant and heat-retention materials are used for the temperature management transportation packages. They are also used for the fixed temperature transportation of medical and other products

Raising quality assurance to the highest level in the industry to respond to customer demand

Kaneka Sun Spice Corporation



Kaneka Sun Spice Corporation's main business is powdered spices processed using proprietary sterilization and powdering technologies. We lead the market in commercial peppers. We produce powdered spices at the Shiga Factory and KSS Vietnam Co., Ltd. The Ibaraki Factory makes mixed spices and small packages of powered and liquid products.

Maintaining good relationships with communities near production facilities is essential as our spices are very aromatic. We thus focus on communicating with these communities.

As well as undertaking regular cleanups around the sites, we invite residents to get-togethers and explain our environmental initiatives at community gatherings.

Safety and security is becoming a greater priority for customers in the food industry. We are endeavoring to attain the industry's best quality assurance by improving product safety. We are therefore securing various certifications, including ISO, HACCP, and HALAL, while undertaking a range of other production-related initiatives.

Third-Party Verification



CSR Report 2014 Independent Verification—Opinions

June 27, 2014

Mr. Mamoru Kadokura
President Kaneka Corporation

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

Purpose of verification

Responsible care report verification is designed for the Responsible Care Verification Center to express an opinion of an expert representative of the chemical industry about the following items as presented in Kaneka Corporation's CSR Report 2014.

- 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) Assessments of 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 (Four parent plants and Group companies), 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 Shiga 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 people responsible for each business area and those responsible for preparing the Report. We also received documents and explanations from them, as well as physically confirming sites and checking 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 Shiga Plant.
 - As far as was investigated, performance values are accurately calculated and collected based on uniform Companywide criteria.
- 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, minor issues were raised regarding the suitability of expressions and comprehensibility; however, these issues have been rectified in the final Report.
- 3) Assessments of responsible care activities:
 - Kaneka engages in Responsible Care activities as part of its CSR management. It conducts CSR Safety and Quality Inspections for the parent and domestic and overseas Group companies and promotes CSR and Responsible Care activities throughout the entire Group.
 - Kaneka endeavors to improve its security capabilities in several ways. It reinforces process safety and disaster prevention by producing inspection items based on the guidelines of the Japan Chemical Industry Association and by repeating inspections. It also uses the center's security assessment systems to evaluate the safety culture and identifies plant strengths and weaknesses.
 - The Takasago Plant adopted material flow cost accounting, through which it has lowered the environmental impact of manufacturing. We look forward to other Kaneka plants deploying this accounting technique.
 - Kaneka engages extensively with stakeholders, examples being Kashima and Takasago plant conduct talks with local government bodies. We recommend that future reports name company attendees at gatherings.
 - The Shiga Plant emphasizes risk assessments and process safety and disaster prevention for plastics production facilities. It has achieved considerable energy savings by installing a waste heat-recovering steam boiler on the deodorizing furnace.
- 4) The characteristics of the Report:
 - Kaneka improved the report in response to third-party opinions and stakeholder feedback.
 - The report presents negative information (about a fire at an electrolytic plant) and explains measures to prevent a recurrence. There is also a Check & Act column about Responsible Care activities, with a succinct presentation of the Plan-Do-Check-Act Cycle.

Third-Party Opinion

My Impressions from Reading CSR Report 2014



Chieko Minami

Doctor of Commerce and Professor of Marketing,
Graduate School of Business Administration, Kobe University.

Graduated from the Faculty of Letters of Kobe University.
Completed a Master's Degree in Communication from the Graduate School of Michigan State University.
Completed the first semester of a doctoral course at the Graduate School of Business Administration, Kobe University. Left late in doctoral course.
Assistant Professor, Faculty of Economics and Business Administration, Yokohama City University.

Presenting Evidence and Providing Explanations to Secure Stakeholder Understanding

In preparing to write my second third-party opinion for Kaneka, I went back over what I wrote for the fiscal 2013 version. I laud Kaneka's efforts, as I noted many improvements. They were not just for the issues I raised but also as a result of reader questionnaire feedback and stakeholder dialogues.

That said, as the Administration Office has also indicated as requiring improvement, Kaneka still needs to explain its criteria for setting up CSR activity targets and self-assessments. For example, why was it unable to attain its work-life balance objectives in its initiatives for employees? How might the company address this? I could not find the answers. So, I would like to see the bases for the numerical targets. This is because people may mistakenly conclude that Kaneka only formulates goals that are easy to reach. Particularly in the environmental arena, it must have been very hard for Kaneka to formulate numerical targets for Japan, which is advanced in environmental requirements. A lack of background explanation on the significance of goals for reducing environmental impact indicates that Kaneka is not sufficiently conveying to readers its strenuous efforts to reach its objectives.

On the other hand, the Top Management Commitment section describes Kaneka's commitment to technological development that is driving social progress. The subsequent Why CSR? pages properly explain Kaneka's CSR objectives, using a Q&A approach to overview social contributions through its core businesses as a chemical company.

The term CSR seems to have become part of the social fabric, but I think many people still think that CSR is just about volunteering or donations and do yet fully realize that CSR is about contributing to social development in the course of business. It is important to continue communicating clearly and presenting specific examples, in order to gain stakeholder understanding.

Continuing to Contribute to Society through Core Businesses and Globally Conveying Kaneka's Value

I specialize in business-to-business marketing, so what I found the most interesting in this year's report was Special Feature Article I on thermal solutions. The article discusses how Kaneka's new graphite sheet has contributed to thermal solutions for mobile devices.

As consumers, we think of the finished product, such as a mobile phone or tablet. The

article explains how changing the internal material could dramatically improve performance, highlighting the struggle of a salesperson to grow the market.

I found the story an interesting example of how a materials company can offer new value to a market through sales activities and thereby contribute to social progress.

Manufacturers today have to provide new "value" to resolve social issues by moving one step away from conventional manufacturing. This reality also applies to materials producers.

Given such a situation, it is very common to review corporate philosophies and visions to answer several questions. Why do companies exist? How are they useful to society? And in what direction do companies wish to head? There is a growing need to demonstrate corporate value internally and externally.

Kaneka's message of making wishes come true through science, presented at the start of the Top Management Commitment section, properly conveys Kaneka's value. I expect the company will more broadly communicate a globally valid message about how Kaneka delivers value by contributing to society through its core businesses.

Suggestions and Improvements from the 2013 Report

Kaneka made the following improvements in response to Professor Minami's suggestions regarding the 2013 version.

- | | |
|--|--|
| 1. It would be better to provide more background information on how we set up targets for activities. | → In the PDF version, we tried to present the bases as much as possible for setting targets. We think this is still insufficient, and we aim to expand the relevant content. |
| 2. It would be better to change the pagination on the Kaneka Group's corporate philosophy and position CSR to describe the value that the Group creates. | → We followed Professor Minami's advice and positioned CSR after the Top Management Commitment section to convey the importance of CSR in the Kaneka Group. We also endeavored to convey the connections between our businesses and CSR through the Special Features and Highlight articles. |

Stakeholder Feedback

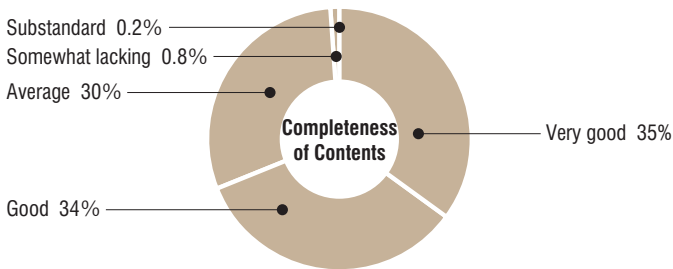
Below we present feedback from readers of the Kaneka Group CSR Report 2013.

Overview

Questionnaire implementation period	August 9 through October 31, 2013
Period analyzed	August 9 through October 31, 2013
Materials covered by questionnaire	Kaneka Group CSR Report 2013
Number of valid responses	471

Q.1

What were your impressions of the Kaneka Group CSR Report 2013?



Q.2

What interested you most about the Kaneka Group CSR Report 2013?

What articles impressed you the most (pick all that apply)?

1. Initiatives Related to the Great East Japan Earthquake	21%
2. Cultivating Human Resources and Creating Comfortable Work Environments	20%
3. Measures to Prevent Global Warming	19%
4. Reducing Waste and Preventing Pollution	17%
4. Quality Management Initiatives (Product Safety and Quality Assurances)	17%
4. Highlight - Support Initiatives following the Great East Japan Earthquake	17%
7. Highlight - Promoting Medical Advancements through Initiatives in Tissue Regeneration and Cell Therapy	16%
7. Special Feature II: Safeguarding the Environment	16%
9. Highlight - Initiatives in Biodiversity	14%
9. Highlight - Improving Customer Satisfaction by Overhauling Logistics	14%

Key Opinions

Q.3

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

- I think it would be better for Kaneka to present more activities relating to its product and technological strengths.
- I would like more numerical information about Kaneka's employees.

Q.4

What did you think about the special features?

Special Feature I : Caring for Our Employees

Top Management Collaborates with Production Frontlines to Cultivate CSR Management

- I think that top management did well to visit plants to encourage efforts to enhance safety.
- I wanted more details about the 2009 accident.

Special Feature II : Safeguarding the Environment

Proposing Lifestyles for a New Future of Energy Conservation

- The section provided the background to energy-saving products and services, and I thought these initiatives were excellent.
- I think the article would have been better if it had focused more on Kaneka's originality.

Special Feature III : Fulfilling Our Social Responsibilities

Leveraging Locally Driven Globalization to Contribute More Fully to American Society

- I applaud Kaneka's approach to grounding itself in the community, which is not a typically Japanese approach.
- The article made me want to learn more about Kaneka's activities in other countries.

Editorial Afterword (Response to Third-Party Opinion)

Editorial Afterword (Response to Third-Party Opinion)

This is the second year since we renamed the digest version the Communication Book to position it as a tool for communicating with stakeholders.

In the opening Top Management Commitment section, the new president expressed his intent to overcome existing boundaries to build a trusted reputation for bringing people and technology together, thereby contributing to social progress. We consider it important to emphasize the inherent concept of CSR as contributing to social progress through core businesses. With that in mind, we inserted the Why CSR? section in a Q&A format style early in the report.

We will continue to enhance stakeholder satisfaction by conveying CSR activities through core businesses and providing specific examples.

For the 2014 version, we again asked Professor Chieko Minami to write the Third-Party Opinion. She indicated several improvements that she would like to see. These include presenting the bases of numerical targets for CSR activities and their backgrounds and communicating a globally valid message about how Kaneka delivers value by contributing to society through its core businesses. We will make these changes accordingly in our next CSR report.

We would appreciate on any feedback on the initiatives we have introduced in the report, and appreciate you taking the time to read it.

Administration Office
CSR Committee
Kaneka Corporation



Meeting between a member of the Administration Office CSR Committee and Professor Minami

Group Product Registered Trademarks and Other Trademarks

The following product names in the CSR Report 2014 are registered trademarks of the Company or the Group.

- KANEKALON
- KANECARON
- KANEKA NATURAL SURFACTANT
- KANE ACE
- KANEKA TELALLOY
- KANEKA MS POLYMER
- SILYL
- SUNDUREN
- APICAL
- PIXEO
- ELMECH
- KANEKA FLUX
- EPERAN
- EPERAN PP
- KANEPEARL
- KANELITE
- LIXELLE
- LIPOSORBER
- KANEKA QH
- KANELITE FOAM
- PATTHERMO
- Graphinity
- SIBSTAR
- KANEKA Q10
- KANEPEARL Soil Block
- KANEKA Hip Protector