CSR REPORT 2015

PDF Version

Kaneka

Commitment of Top Management

Materializing the Spirit of Change and Growth to Contribute to Society through R&D and Global Development, while Safety and Security Remaining Top Management's Priorities

Operating Climate Changes and Opportunities

The operating climate changed dramatically during the year ended March 31, 2015. Key developments included plunging crude oil prices, a dramatic depreciation of yen, and geopolitical turmoil. Key factors in Japan were the negative impact of a consumption tax increase and surging energy prices. In an increasingly unpredictable world, it is vital for management to identify prospective changes in the business environment.

Energy, resources, and food problems are worsening amid a growing global population. We must help materialize social sustainability by resolving energy issues and providing technologies and materials that reduce environmental impact. Demand for health, medical, and nursing care is rising significantly as societies age, particularly in developed nations.

It is also worth noting that rapid advances in science and technology are

Commitment of Top Management

transforming societies and lifestyles. The start of moves to deploy iPS cells in clinical treatments is ushering in potential for regenerative medicine and cell therapy. Such progress is showing yet again that Japanese science and technology can play a key role in transforming industries.

Kaneka views such changes as opportunities to contribute to society by mobilizing its vast groupwide technological and human resources.

Driving R&D and Global Development

Since establishing the Declaration of Kaneka United in 2009, we have drawn on this long-term vision to embark on various reforms in keeping with the spirit of change and growth.

R&D reforms have exemplified that approach. Since its creation in 1949, Kaneka has employed R&D to drive its growth. Several R&D projects today are near commercialization. They include work in optical-electrochemicals and protein A chromatography resins. As well as perfecting quality, it is important to prepare for business launches by identifying market trends and value chains and to create frameworks for selling new offerings.

Kaneka collaborates with universities and public organizations and establishes research organizations in the United States and Europe to cultivate R&D globally. We will continue to establish research centers in countries and regions with advanced research and human resources so we can bear new fruit.

Global development also exemplifies Kaneka's approach. We were early among Japanese chemicals manufacturers to produce and sell overseas. In April 2012, we established regional umbrella hubs in Asia and America to begin global operations. Although we generate around 40% of net sales overseas, we aim to raise this percentage to 70% by 2020.

To this end we must cultivate local activities by building networks with communities and solid ties with local users. Last year, we began constructing a manufacturing facility for acrylic fibers in Malaysia. We launched a food products facility in Indonesia to begin creating products that match local tastes. In the current fiscal year, we have decided to build an additional production facility for modifiers and construct a plant for silyl-terminated polymers, both in Malaysia.

We have leveraged R&D to create technologies and products that can contribute to social progress, and better living for people around the world.

Safety as the Number One Priority

Safety is the foundation of a manufacturer's competitiveness. Although management has made safety the top priority for the Kaneka Group, there were 22 occupational accidents in fiscal 2014. Naturally, we need to make improvements. As part of that effort, we are maintaining a program that we started three years ago in which top management patrols facilities to eliminate dangerous locations and operations. We are also continuing with CSR Safety and Quality Inspections.

To fundamentally ensure safety and achieve an accident free record, it will be essential for us to make processes safer by drawing on the expertise of those overseeing production sites on a daily basis and on our process technologies. We will continue pushing forward with CSR activities on the basis that producing safe and secure products is a central objective for our corporate vision and all employees.

In March 2015, the Kaneka Group became a signatory of the United Nations Global Compact (UNGC), a global initiative to materialize sustainable growth for the international community. We will help resolve the planet's environmental issues and enhance people's quality of life by undertaking corporate initiatives in keeping with the 10 UNGC principles in the four areas of human rights, labor, the environment, and anti-corruption. We established the CSR Division in April 2015 to bolster our CSR efforts. We will further enhance the Kaneka brand by engaging more closely with stakeholders and building trust in Kaneka's people and technologies.

M. Kadokura

Mamoru Kadokura
President
Kaneka Corporation

How do we generate corporate value for our stakeholders?

How? CSR

Corporate Social Responsibility

Stepping up from "What?" and "Why?" to "How?"

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.
In 2013, we renamed the digest version of the CSR Report the Communication Book to step up dialogue with our stakeholders.
In the "What's CSR?" section of CSR Report 2013, we provided an outline of CSR. In the equivalent section in the 2014 version, we explained the significance of engaging in CSR activities.
To step up communication with stakeholders, we yet again report on the Kaneka 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.

The Environment

We make sure that we fulfill our environmental responsibilities in all aspects of our operations, including raw materials procurement, manufacturing, and transportation.

We focus on protecting the environment in our business activities. For example, we have developed products for tomorrow's lighting devices to help lower environmental impact (see page 17 for details).

Customers

We provide high-quality products and services while ensuring product safety.

We prioritize customer satisfaction. For example, we are currently focusing on food defense in view of the heightened consumer focus on safety (see page 49 for details).

Vendors

We build mutually beneficial relationships with vendors by ensuring fair transactions.

We are committed to appropriate procurement and distribution safety (see page 54 for details).

Shareholders and Investors

We promptly disclose accurate information and deliver suitable returns to shareholders and investors.

We disclose accurate information to shareholders and investors in a timely manner. For example, we conduct orientations and visits for shareholders and other investors to deepen their understanding of the Kaneka Group (see page 56 for details).

Society

From community engagement, we consider safety and other factors related to plant operations.

Alongside reinforcing process safety and preventing disasters, we are striving to improve communication with society. For example, we have held stakeholder dialogues with local communities around plants, and in fiscal 2014, we held a discussion with the Otsu municipal office (see page 62 for details).

Employees

We treat and remunerate our employees appropriately, providing them with opportunities for self-fulfillment and maintaining safe working environments.

While focusing on employee diversity, we endeavor to enhance occupational safety and health. For example, we provided training for future leaders as part of our efforts to foster the personal growth of employees and the ability of perspective managers to execute regional business strategies (see page 73 for details).

*Previous reports, including the 2013 and 2014 CSR reports, are available on the Kaneka website. Please take some time to read them.

Kaneka Group CSR Report 2015 PDF Version

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About the Front Covers

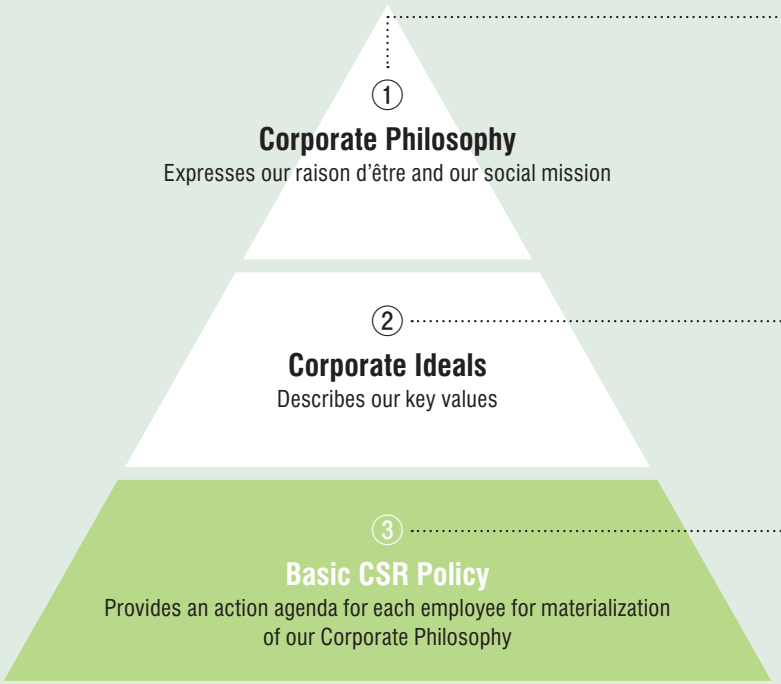
A childlike curiosity is fundamental to realizing Kaneka's long-term vision of building a more impressive and productive future. The multicolored motif on the cover underscores Kaneka's commitment to a better future for our children. Each of the colors in the motif represents one of Kaneka's strategic domains.

The Kaneka Group's Approach to CSR

The Kaneka Group's Corporate Philosophy and CSR Positioning

Under its management philosophy structure, the Declaration of Kaneka United, the Kaneka Group positions its Basic CSR Policy as an employee action guideline and a foundation for implementing its management 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 our business activities.

Management Philosophy Structure "Declaration of Kaneka United"



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.

Page 7 Kaneka Group's Stakeholders

The Kaneka Group's Approach to CSR

The Kaneka Group's Corporate Philosophy and CSR Positioning

Page 6 Kaneka's Management Philosophy Structure

Kaneka Group's Stakeholders

Employees

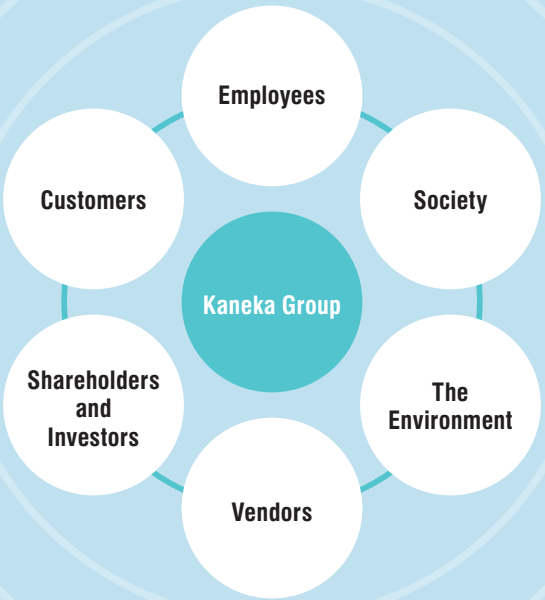
Our employees include the people who work for the Kaneka Group, as well as their families.
We offer employees appropriate treatment, remuneration, self-fulfillment, and safe working environments.

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.

The Kaneka Group's Approach to CSR

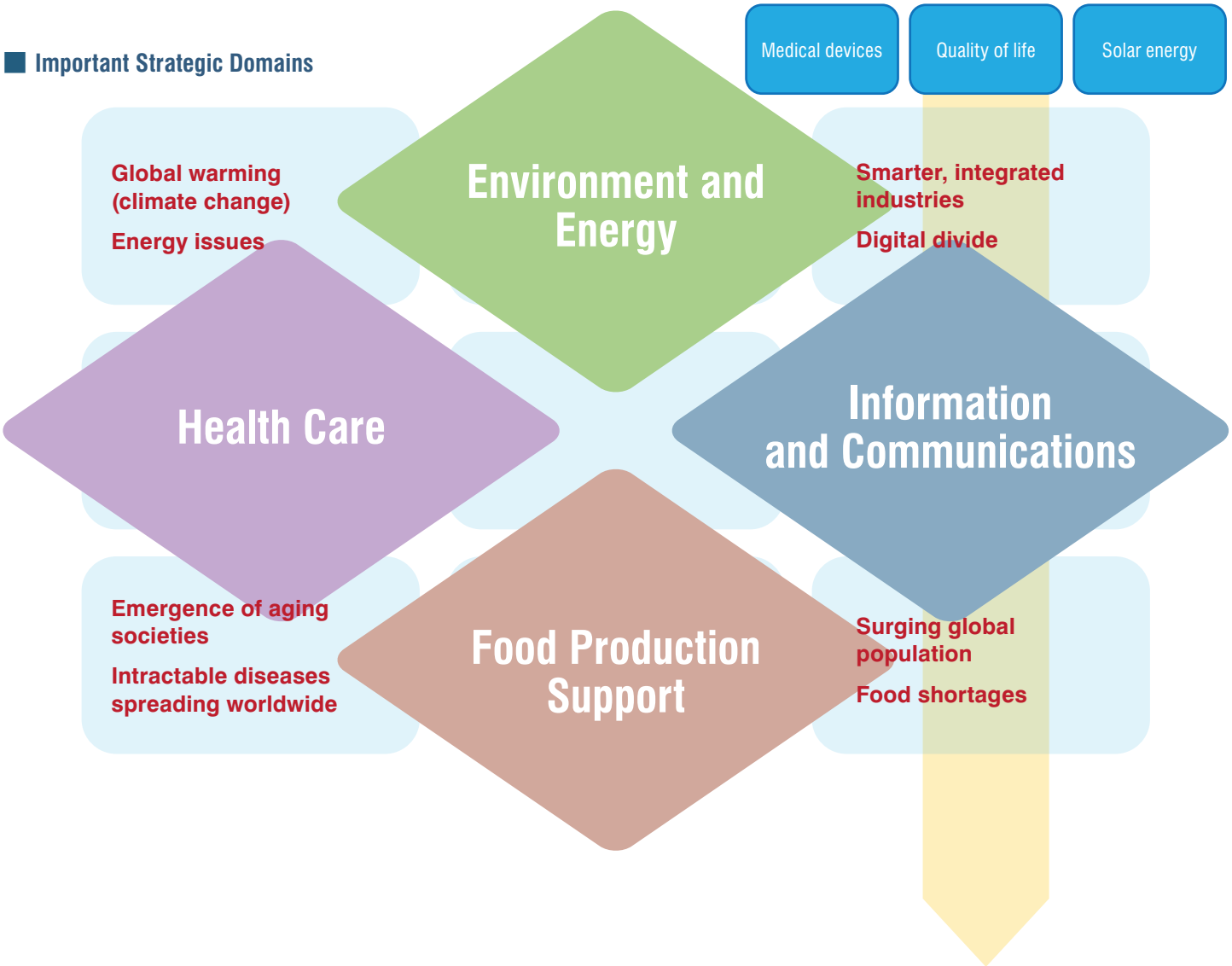
Contributing to Society through Business Activities in Key Strategic Fields

The Kaneka Group listed four strategic domains in the Declaration of Kaneka United, a long-term vision formulated in 2009.
While these domains form the centers of growth for shaping Kaneka's corporate philosophy, they are also areas in which the Kaneka Group can contribute to society.
The world is becoming increasingly borderless, with a surging population and the emergence of aging societies. As industries integrate, technological innovations are making everything smarter.
The Kaneka Group continues to evolve to tackle social issues through its products and technologies.
By 2020, the final year of our long-term vision, we aim to leverage growth and reform to generate value in our five target business areas of the Environment and Energy, Health Care, Quality of Life, Information and Communications, 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



The Kaneka Group's Approach to CSR

Contributing to Society through Business Activities in Key Strategic Fields

Health Care

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

In Special Feature I, which starts on page 12, we introduce the Kaneka Group's health care activities.

Kaneka Hip Protector reduces impact force from falls

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

Kaneka Nucleic Acid Chromatography chip accelerate genetic testing

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

In Special Feature II, which starts on page 17, we introduce the Kaneka Group's environmental and energy activities.

Form meets function: Roof-integrated photovoltaic modules

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

Extruded polystyrene foam board for housing insulation

Food Production Support

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

In the special column on page 21, we introduce the Kaneka Group's food production support activities.

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

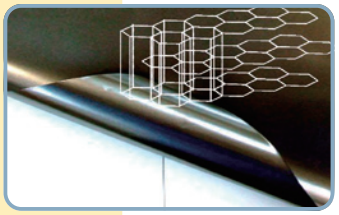
Anti-freeze protein to maintain the quality of frozen foods

Polystyrene foam made with bead method for fish or vegetable containers

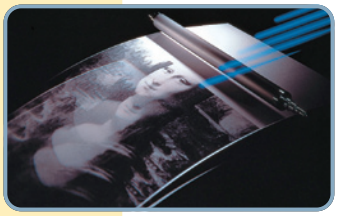
Information and Communications

We provide high-performance materials that underpin the information society

In the special column on page 21, we introduce the Kaneka Group's information and communications activities.



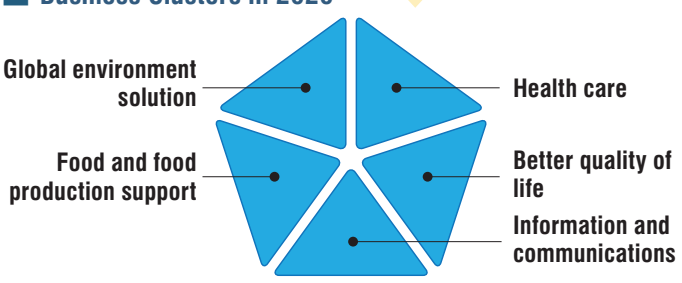
High thermal-conductive Kaneka graphite sheet used to diffuse and release heat from mobile and other devices



Bonded magnets for laser printers and copiers

Polypropylene and polyethylene foams made with the bead method as shock-absorbing packaging materials for precision equipment and other applications

Business Clusters in 2020

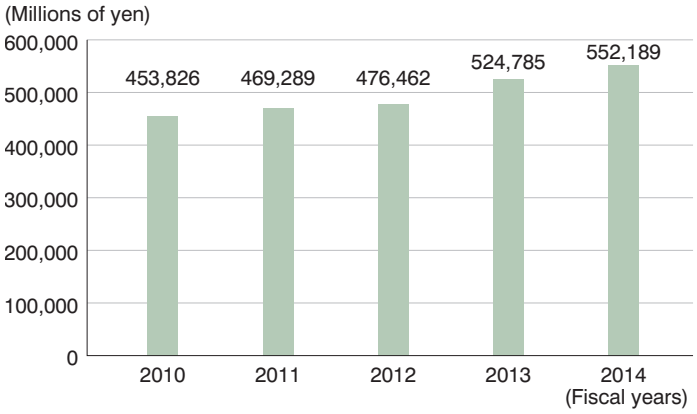


Kaneka Group Profile

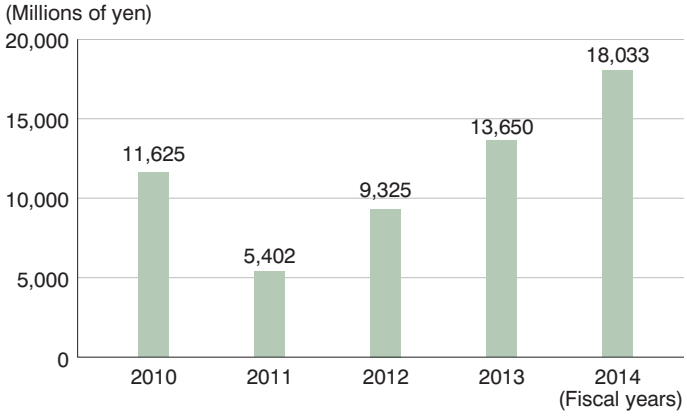
■ Corporate Profile

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, 2015)
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, and Process Technology Laboratories
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, Brazil, and others
Kaneka Group	92 subsidiaries (including 36 domestic and 26 overseas consolidated subsidiaries)

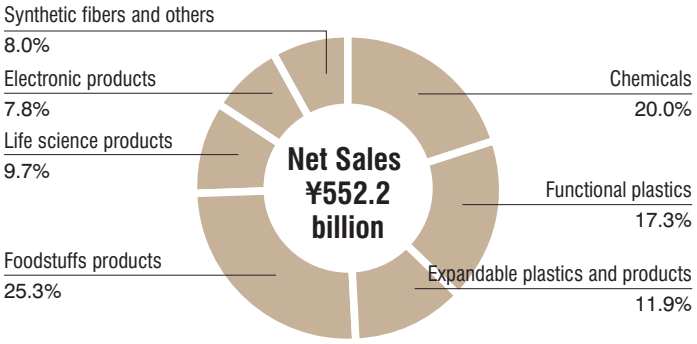
■ Net Sales (Consolidated)



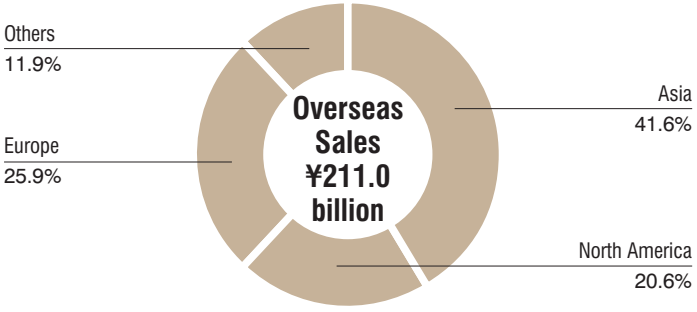
■ Net Income (Consolidated)



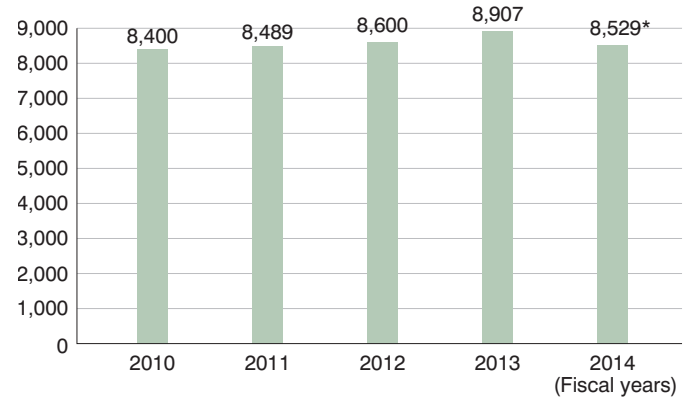
■ Consolidated Sales by Business Segment (Fiscal 2014)



■ Consolidated Overseas Sales by Area (Fiscal 2014)



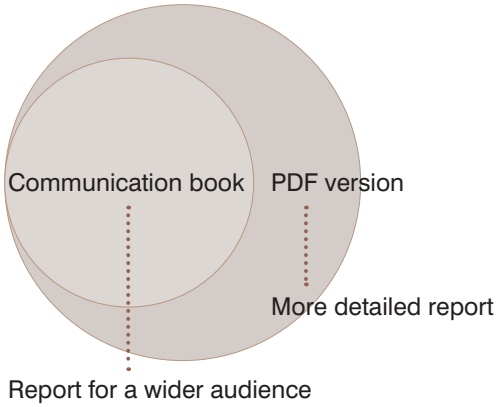
■ Number of Employees (Consolidated)



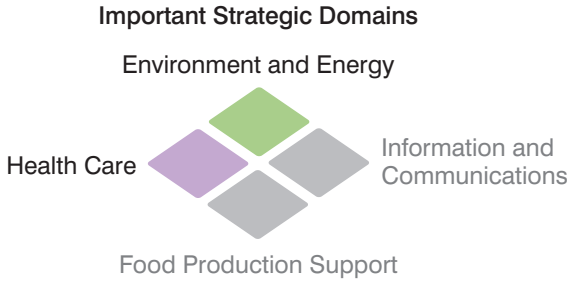
*From fiscal 2014, we changed the basis on which we calculate the number of employees at Group companies (excluding temporary employees).

• Editorial Policy

The Kaneka Group issued its Responsible Care Report from 1999, renaming it the CSR Report from the 2010 version to include more socially responsible content.
Beginning with the 2011 version, we separated the report into digest and PDF versions. From the 2013 version, 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.



The special features in this report highlight the Group's endeavors in Health Care and the Environment and Energy from the perspectives of business activities and stakeholders.



The PDF version 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 40 Group production subsidiaries.
The following icons indicate the scope of activities. A section displaying all icons indicates that activities encompass the entire Group.

Kaneka	K KANEKA
Domestic	D DOMESTICS
Overseas	O 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 Responsible Care 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 2014 (April 1, 2014 to March 31, 2015) with some additional information outside this period.

• Date of Publication

September 2015

• Publication of the Previous Report

September 2014

• Next Report

September 2016

• 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

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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.

Important Strategic Domains
"Health Care"

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

Toward a Future in which Human Cells Save Lives

Leveraging Our Science to Contribute to Regenerative Medicine and Cell Therapy

Medical Device Development Laboratories is driving the spread of regenerative medicine and cell therapy

Professor Shinya Yamanaka of Kyoto University thrust regenerative medicine and cell therapy into the spotlight in Japan when he won the Nobel Prize in Physiology or Medicine in 2012.
A framework for swiftly applying regenerative medicine and cell therapy emerged on November 25, 2014, when the New Act for Ensuring Regenerative Medicine Safety and other legislation went into effect. Japan is thus well positioned to become a global leader in practicing regenerative medicine and cell therapy.
The Kaneka Group has been researching and developing such devices as a mesenchymal stem cell (MSC) separation device and a programmable closed circuit cell culture system since 2004. We are promoting the adoption of devices and apparatuses around the globe while drawing on collaborative endeavors with academia to develop cell preparations and products that support the discovery of drugs harnessing iPS cells.

Social Needs and Kaneka's Plan
Kaneka Group Meeting New Challenges to Help Japan Lead the Way in Regenerative Medicine and Cell Therapy

Regenerative medicine and cell therapy has its roots in blood transfusions. The use of this tool to create cultures of patient cells for their own use arose from therapies such as activated lymphocytes for cancer treatment and more recently, iPS cell clinical trials for aged-related macular degeneration. While effective in some applications, their scope is quite limited. Thus, there is demand for broader applications in regenerative medicine and cell therapy.

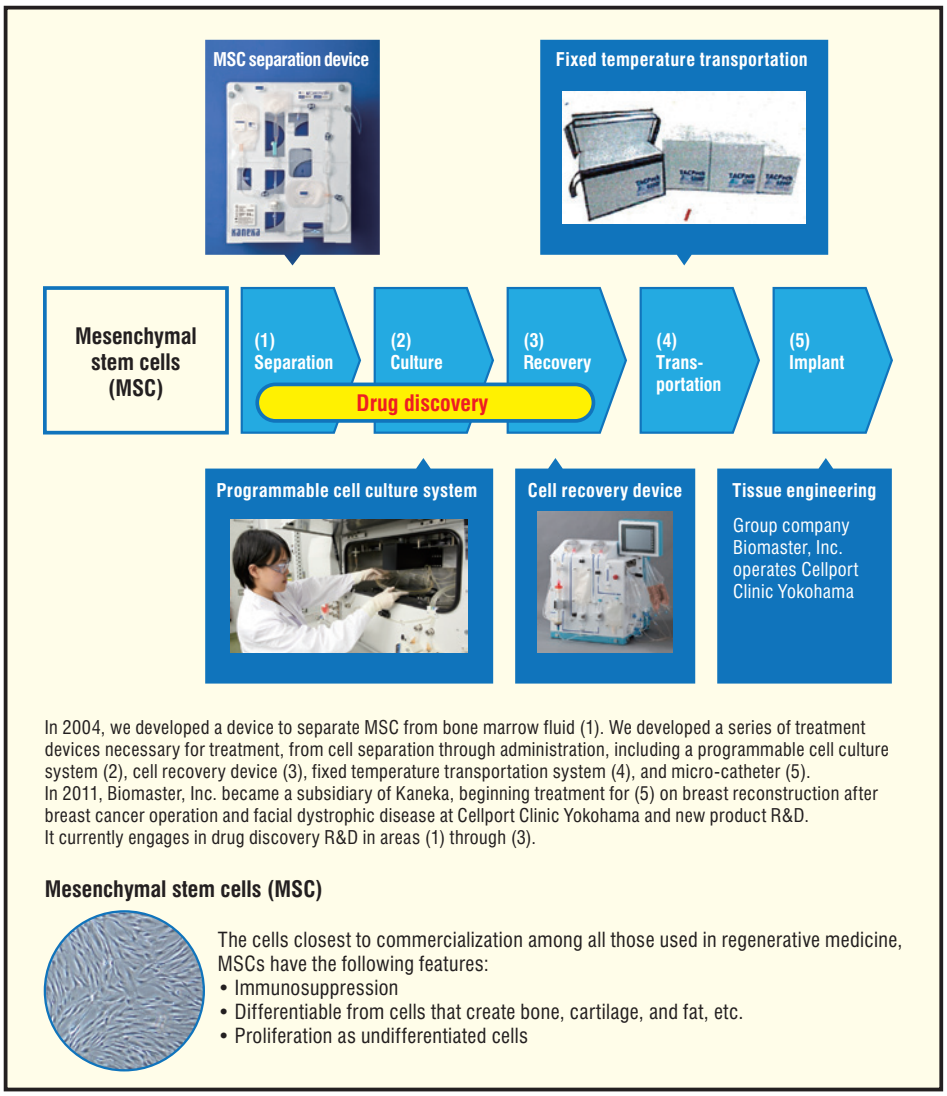
Recent years have seen considerable progress in R&D for the broad use of cells from other individuals and not just the patients themselves. Of these, MSCs are considered the safest.

It was against this backdrop that the New Act for Ensuring Regenerative Medicine Safety went into effect in Japan in November 2014 to promote regenerative medicine and cell therapy. This opened the door for private enterprises to engage in cell preparation, which had been the exclusive domain of medical institutions. The revised Pharmaceutical Affairs Act made it possible to lower the development costs of regenerative medical products and accelerate their commercialization.

Yasuyoshi Ueda, an executive officer and head of the Medical Device Development Laboratories, says that, "I believe that the Japanese government formulated various legislation, including the New Act for Ensuring Regenerative Medicine Safety, to promote tissue engineering as a strategic field for Japan in the world market. These changes in the rules will drive Japan's efforts to build the regenerative medicine and cell therapy industry. The Kaneka Group aims to contribute to progress in these fields by leveraging its networks with universities, public institutions and other organizations to realize cell preparation manufacturing and sales."

Yasuyoshi Ueda, Ph.D.
Executive Officer,
Head of Medical Device
Development Laboratories

■ The Kaneka Group's Business Developments in Regenerative Medicine and Cell Therapy



In 2004, we developed a device to separate MSC from bone marrow fluid (1). We developed a series of treatment devices necessary for treatment, from cell separation through administration, including a programmable cell culture system (2), cell recovery device (3), fixed temperature transportation system (4), and micro-catheter (5).
In 2011, Biomaster, Inc. became a subsidiary of Kaneka, beginning treatment for (5) on breast reconstruction after breast cancer operation and facial dystrophic disease at Cellport Clinic Yokohama and new product R&D.
It currently engages in drug discovery R&D in areas (1) through (3).

Mesenchymal stem cells (MSC)

The cells closest to commercialization among all those used in regenerative medicine, MSCs have the following features:
- Immunosuppression
- Differentiable from cells that create bone, cartilage, and fat, etc.
- Proliferation as undifferentiated cells

Kaneka Group's Approach
Developing the MSC Separation Device and Cell Culture System to Drive Regenerative Medicine and Cell Therapy

The Kaneka Group's involvement in the medical field began in 1986 with R&D into Liposorber, which selectively absorbs and removes causative agents from plasma, a component of blood. We transformed our approach to absorption technology through this work, shifting away from the elimination of unnecessary agents to harvesting the agents needed. In 2004, we developed a device (see note 1) to separate MSC from bone marrow fluid. We thereafter accelerated R&D in regenerative medicine and cell therapy by releasing important treatment devices such as a programmable closed circuit cell culture system and a cell recovery device.

Akira Kobayashi, a senior researcher at the Medical Device Development Laboratories, says that, "With the focus on MSC increasing, we began exploring technologies to select and separate MSC from bone marrow fluid. Centrifugation was the conventional method for this process, but separation took more than 90 minutes because of the complexities involved. Another issue was that separation efficiency differed greatly among operators. Customers have told us that the process involving the separation device that Kaneka developed takes less than 20 minutes and delivers the same results no matter who is operating the device."

Mr. Kobayashi notes that, "In ad-

Note 1: As separation methods differ by bone marrow, adipose, and amniotic membrane MSC, the Kaneka Group has developed devices and other essential items for each of these three types of MSC.

dition, Kaneka's programmable closed circuit cell culture system ensures that operations are safe, reliable, and convenient as it automatically cultures in a closed environment and operators can observe and check cells cultured in real time with the attached microscope."

Akira Kobayashi
Senior Researcher,
(Research),
Medical Device Development
Laboratories

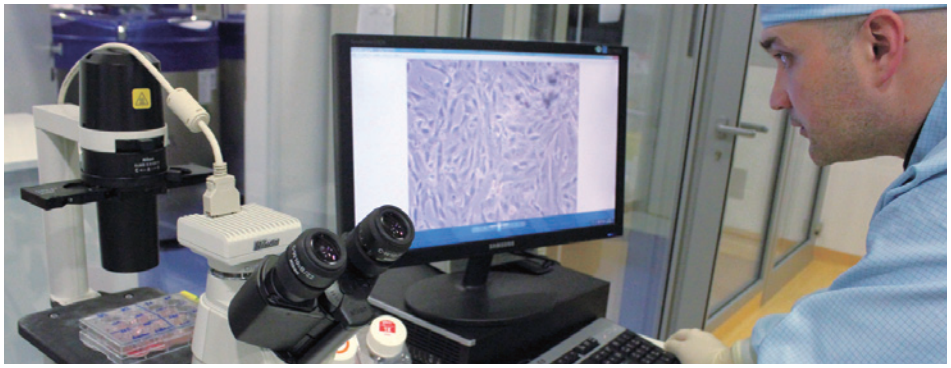
Kaneka Pharma Europe N.V. Popularizing Devices and Apparatuses

Kaneka obtained the European CE mark (see note 2) of approval for regenerative medicine and cell therapy devices and is working toward their commercialization. Turkey already allows insurance coverage for regenerative medicine and cell therapy. The United Kingdom, Germany, and France are clinically testing the efficacy of such therapies for intractable diseases. Commercial therapies should become available in Europe in a few years.

Hiroshi Sakurai, deputy general manager of Kaneka Pharma Europe N.V., says that, "We secured a CE mark in a more progressive European market to commercialize regenerative medicine and cell therapy and treatment using MSCs, which remains fairly unusual elsewhere. This was because we deemed it crucial to amass a clinical practice track record as soon as possible."

The German unit of Kaneka Pharma Europe N.V. has been involved in medical devices for two decades. Medical institutions have started deploying Kaneka's separation devices. Compared with conventional centrifugation setups, our devices are safer, faster, and simpler to operate, and offer high recovery rates.

Cornelia Fricke, product manager (CPD) at Kaneka Pharma Europe N.V., says that, "Our devices have solid reputations, as they separate cells without stressing them, making it possible to recover large numbers of cells in good condition."



Laboratory activities at Biobanka. Researchers can confirm microscopically enlarged stem cells on monitors

Hiroshi Sakurai, Ph.D.
Deputy General Manager,
German Branch,
Kaneka Pharma Europe
N.V.

Cornelia Fricke, Ph.D.
Product Manager
(CPD),
German Branch,
Kaneka Pharma Europe
N.V.

Used in More Clinical Practices while Driving Development of Better Products

Kaneka Pharma Europe currently handles two products. The first is CellEffic BM, which separates and recovers MSCs from bone marrow fluid. The second is CellEffic CB, which is used for umbilical cord blood.

Biobanka in Slovenia uses a Kaneka product for clinical cartilage regenerative medicine and cell therapy and umbilical cord blood storage (see note 3). Biobanka has pioneered such umbilical cord blood banking and other aspects of regenerative medicine and cell therapy together with Educell since its establishment in 1997.

The University Medical Centre Ljubljana in Slovenia has used Kaneka products since 2014 in cartilage regenerative medicine and cell therapy for patients with knee injuries from accidents and other causes. Associate Professor Matej Drobnic of the institution says, "We have set up 17 clinical cases to date. The treatments have been far easier than with conventional methods. No patients suffered any side effects

User Comment

Dr. Marko Strbad (right), Ph.D., CEO of Biobanka, and Assistant Professor Miomir Knezevic (left), Ph.D., Scientific Director of Biobanka

Finding the Device Biobanka Sought for So Long

Since our establishment in 1997, our group have provided cells that medical institutions around Slovenia have used for therapy. The cultured cells have been used in more than 300 patients. We had long awaited a cell separation and recovery device that did not employ centrifugation, because a new technique enabling us to recover cells of higher quality is more useful to patients. The Kaneka's CellEffic series we first encountered two years ago was a dream come true for us.

Many patients require regenerative medicine and cell therapy. We plan to utilize Kaneka's device to expand our business in this field in the European Union and then worldwide.

To make regenerative medicine and cell therapy available to numerous people, we must ensure safe and reliable treatment at reasonable prices. We expect Kaneka to continue making improvements and offering suggestions that are useful for medical practice in the years ahead.

Note 2: The CE mark is proof of conformity with European Union directives, and is awarded by private a third-party certification body authorized by the European Union member states.
Note 3: Umbilical cord blood is rich with hematopoietic stem cells and nucleated cells, making it a key cell supply source. Umbilical cord bloods are stored in state or private blood banks and used in treating such illnesses as leukemia and for research purposes. The number of umbilical cord blood banks has increased in recent years.

and all have done well since treatment. Further improvements in usability would be a blessing to many more patients because we believe that we can use the device for treating other ailments such as rheumatism and osteoarthritis of the knee."

The people at Kaneka Pharma Europe reflected requests from clinical practices in improving products in collaboration with Japanese researchers.

Dr. Fricke notes that, "We are pursuing improvements based on the needs of clinical practices, and we hope to drive commercialization by strengthening our relationships with our customers."

She adds that, "We are in the process of building name recognition. While it is a huge challenge to enter the market for regenerative medicine and cell therapy, it does offer considerable growth opportunities. We will therefore build a presence through such activities so people come to rely most on Kaneka's offerings."

Dr. Matej Drobnic, M.D., Ph.D.
Orthopedic Surgeon, and Associate Professor at University Medical Centre Ljubljana

The German Red Cross Hospital in Frankfurt values Kaneka devices highly

The University of Ljubljana hosted a gathering of members of the Cell and Tissue Engineering Society of Slovenia on April 17, 2015. Personnel from Biobanka, a user of Kaneka devices, were on the organizing and scientific committee and announced many research results

Promoting Initiatives in Amniotic Membrane-Derived MSC and iPS Cell Fields for Cell Preparation and Drug Development

Amniotic Membrane-Derived MSC Preparation Project

While pursuing commercialization overseas, the Kaneka Group has undertaken various R&D initiatives in Japan through collaborative efforts with academia. One such initiative is an amniotic membrane-derived MSC preparation project that it is conducting with the National Cerebral and Cardiovascular Center and other partners for the Japan Science and Technology Agency.

Masaru Nakatani, a senior researcher at Medical Device Development Laboratories, says that, "We anticipate that applications of amniotic membrane-derived MSC(AMSC) in treating immune-mediated and inflammatory diseases since AMSC is highly immunosuppressive. AMSC offers the huge benefit of safe harvesting without stress on donors during childbirth."

He added that, "The National Cerebral and Cardiovascular Center and Kaneka established a protocol (see note 4) to separate MSCs from amniotic membranes and culture them. We will deploy stable amniotic membrane-derived MSC production technologies at our unit within the Kobe International Business Center. We have arranged clinical trials that use cultured cell preparation for acute graft-versus-host disease (GVHD) (see note 5), which is a side effect of leukemia and other treatments, at the Hyogo College of Medicine and Hokkaido University, and for Crohn's disease (see note 6) at Hokkaido University. We intend to confirm its safety and efficacy through these clinical trials and obtain manufacturing and sales approvals for cell preparation to treat these diseases."

Masaru Nakatani
Senior Researcher, (Research),
Medical Device Development Laboratories

R&D into Devices to Support Drug Development Research Using iPS Cells

The Kaneka Group engages in R&D for screening devices, facilitating preparation of iPS cell-derived cells, for new drug development, including for Alzheimer's disease and other ailments,

Note 4: Plan for clinical trials and treatment.
Note 5: Graft-versus-host disease. A grave side effect from hematopoietic stem cell transplants, notably for bone marrow. A refractory immune-mediated illness. In Japan, the probability of acute GVHD exceeds 50% in more than 3,000 transplants annually.
Note 6: Inflammatory bowel disease of unknown origin that is common among young people, mainly causing inflammation or ulcers in the small and large intestines. The number of patients in Japan is increasing every year, with more than 30,000 cases identified.

working with the Center for iPS Cell Research and Application at Kyoto University.

Tomohisa Kato, a senior researcher at Medical Device Development Laboratories, says that, "Kyoto University developed a revolutionary technique to create iPS cell-derived neurons. Researchers need cells for screening a huge number of compounds in drug discovery. Manually preparing these cells is a huge burden on researchers."

He adds that, "Kaneka's R&D into a programmable closed circuit cell culture system led to the joint development of a device to automate the process. Discovering abnormalities that cause disease by using the device to differentiate iPS cells into neuron cells derived from patients can lead to the development of efficacious medications. Kaneka plans to commercialize devices to support drug discovery screening during fiscal 2016."

Tomohisa Kato, Ph.D.
Senior Researcher,
(Research Theme Planning),
Medical Device Development Laboratories

Prospects

Building a Value Chain with Cell Preparations and Devices and Apparatuses to Accelerate the Popularity of Regenerative Medicine and Cell Therapy

The Kaneka Group is focusing on creating a value chain for regenerative medicine and cell therapy over the next decade or two.

Dr. Ueda says that, "We anticipate that the cell preparation business will outgrow that of devices and apparatuses by 2030. The Kaneka Group aims to materialize the entire operational process, from separating amniotic membranes offered by medical institutions to culturing and recovery and then providing cell preparations."

Mr. Kobayashi says that, "First, we will conduct clinical trials of amniotic membrane-derived MSC preparations on acute GVHD and Crohn's disease cases. While the caseloads are small, the mortality rates are high. Thus our goal is to market effective cell preparations as swiftly as possible and deliver them promptly to patients. We look to expand applications to contribute to treatments for many other sufferers of intractable diseases. Regenerative medicine and cell therapy are not cheap. This was particularly true last year for the treatment of age-related macular degeneration using iPS cells. By promoting the standardization of our own closed-circuit devices to simplify such preparations, we can help cut the costs of regenerative medicine and cell therapy and make it more widespread."

Dr. Kato says that, "Dementia and other neurological diseases will become greater issues as society ages. Society demands drug discovery screening using iPS cells to accelerate drug development."

Mr. Nakatani says that, "The Kaneka Group has extensive life sciences and quality management expertise in other areas as well as medical equipment and devices, having cultivated these capabilities in the coenzyme Q10 and pharmaceutical intermediate businesses. We are drawing on our human resources as part of our commitment to success in the new cell preparation field."

Dr. Sakurai says that, "The rapidly evolving regenerative medicine and cell therapy fields will soon be well established in society. Our goal is to offer medicine that is accessible even in regular municipal hospitals. We will leverage our early advantages in driving device development to maintain our swift advances in medicine."

message ▶ Stakeholder Message

Kaneka's Manufacturing Capabilities are Essential in Commercializing the World's First Amniotic Membrane-Derived MSC Preparation

Dr. Kenichi Yamahara, M.D., Ph.D.
National Cerebral and Cardiovascular Center,
Chief, Laboratory of Cell and Tissue Engineering,
Department of Regenerative Medicine and Tissue Engineering

The Department of Regenerative Medicine and Tissue Engineering at the National Cerebral and Cardiovascular Center has focused on the potential of amniotic membrane-derived MSC in studying stem cells such as iPS, ES cells, and MSC, and decided to apply this approach in cell therapy. Amniotic membrane-derived MSC was the world's first such preparation, so safety is an absolute necessity. To drive the application of amniotic membrane-derived MSC preparations in more treatments, we are creating Japan's safest protocols through extensive safety deliberations with the Pharmaceuticals and Medical Devices Agency.

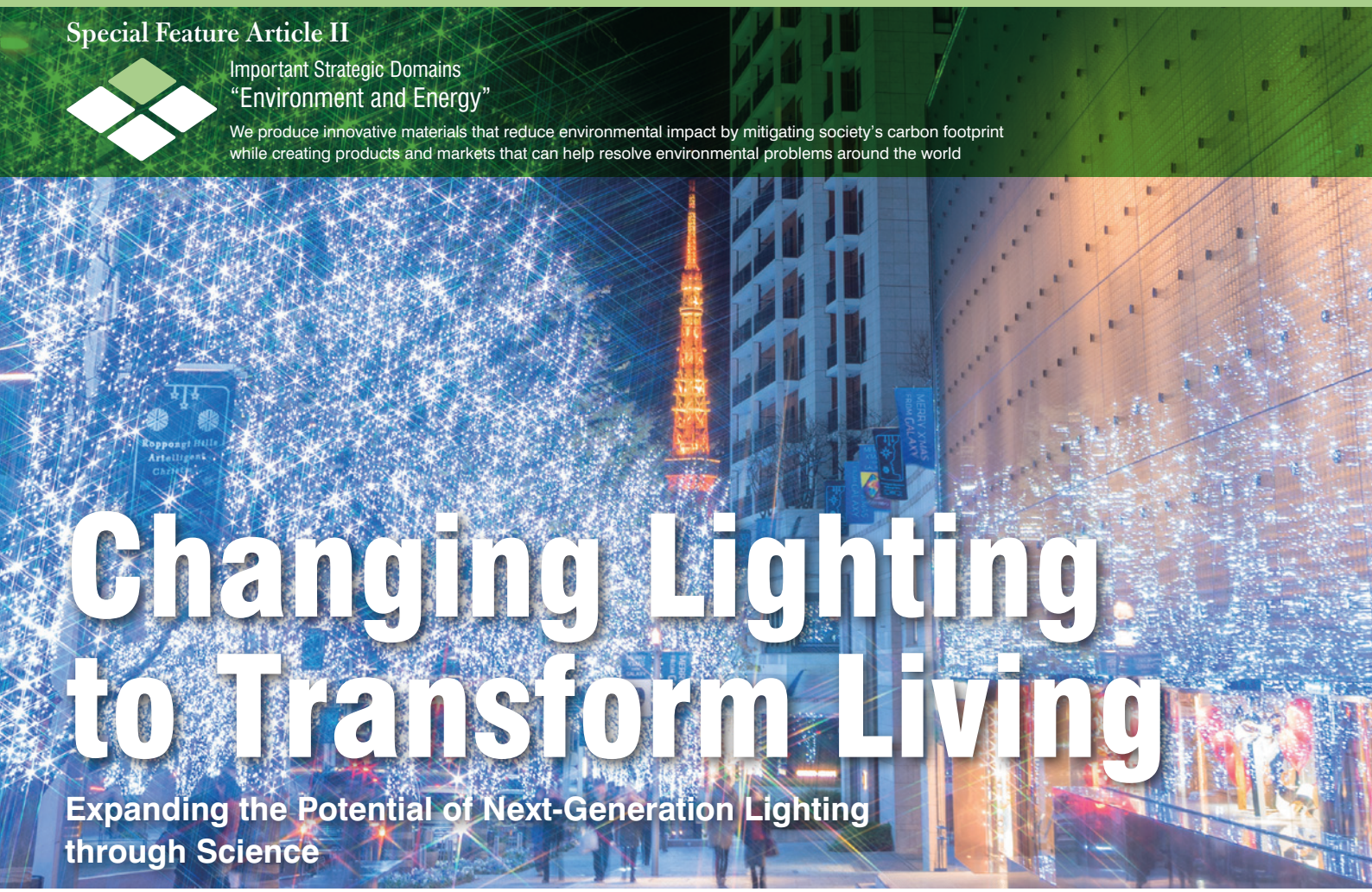
Kaneka cooperates in cell separation and culturing. The separation and culture of MSC in closed circuits is essential for developing safe products. We are also collaborating with Kaneka Pharma Europe N.V. with a view to developing products in the European Union. We look forward to timely decision making to accelerate commercialization.

▶ Response to Message

Aiming to become the Top Runner in Commercializing World-Standard Devices, Apparatuses and Cells for Our Future and for Patients

Promoting commercialization by establishing a cell preparation facility inside the Kobe International Business Center

To become a top runner in the commercialization of cell related apparatuses and devices, the Kaneka Group is developing and providing devices encompassing everything from cell separation to culture, recovery, transportation, and administration. We aim to become the leader in commercializing cell preparations. Although this is a new field for both the Kaneka Group and Japan, we will cultivate this area with various professors, particularly Professor Kenichi Yamahara, to more swiftly commercialize preparations. This would contribute to better futures for medicine, Japan, and most importantly, the patients awaiting a breakthrough.



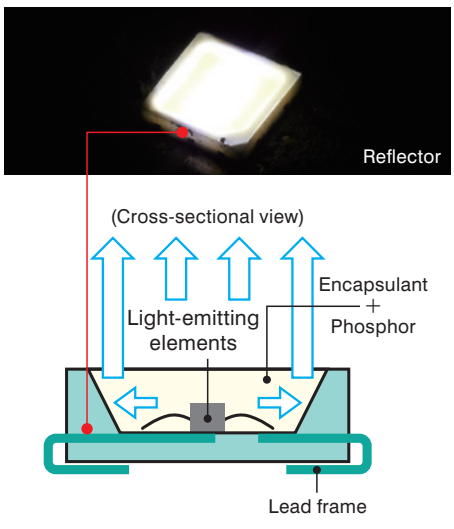
Changing Lighting to Transform Living

Expanding the Potential of Next-Generation Lighting through Science

From torches, lanterns, candles, gas lamps, and incandescent lights to fluorescent lights, lighting has evolved together with mankind to enhance convenience. Changing times have yet again prompted the emergence of new lighting. The Kaneka Group helps enhance lifestyles while reducing environmental impact by offering energy-saving LED and organic electroluminescent (EL) lighting that redefines light fittings.

■ Mechanism of the LED lighting reflector

A reflector efficiently reflects emissions. Kaneka's ILLUMIKA W thermo-resistant and non-discoloring material enables LED lighting to save energy



Helping to Save More Energy with LED Lighting

Social Needs and Kaneka's Plan

Helping to Enhance Luminance and the Energy-Saving Performance of LED Lighting through Highly Thermo-Resistant Reflector Materials

Japanese people have increased their use of energy-saving LED lighting in response to electricity shortages since the Great East Japan Earthquake. Worldwide, the focus of demand for LED lighting has seen a shift from Europe and the United States toward China and other Asian markets.

Light-emitting diodes are semiconductor devices that convert electricity to light. LEDs consume just one-tenth of the electricity of incandescent light bulbs. LEDs are also long life-time, as they do not use filaments, unlike their incandescent counterparts.

Each LED light bulb incorporates around 100 LEDs. Doubling the luminance would halve the number of LEDs needed to maintain the same brightness and halve the power consumption. Tadashi Kokubo, of the Opto-electronic chemicals business promotion Group in the New Business Development Division, says that, "Although the light emitting elements of LEDs consume less power than incandescent light bulbs or fluorescent lights, LEDs are exposed to internal temperatures exceeding 100°C, as 70% of the power is released as heat. The development of peripheral materials that withstand high temperatures is thus crucial to support energy-saving, long life-time LED lighting. The reflection capacity of such materials is particularly important to direct the output of light. The brightness of LED lighting depends greatly on the performance of the reflectors. It is important to have a

material that delivers greater reflectivity and heat resistance from more powerful light emitting elements to create LED lighting that conserves more energy and lasts longer. That is why we focused on such a material."

Tadashi Kokubo
Opto-electronic chemicals business promotion Group, New Business Development Division

Kaneka Group's Approach

Developing a Reflector with Thermo-Resistant Silicon-Based Resin, Overcoming the Challenges of Improved Reflectivity and Curing for Moldings

The types of reflective materials used have changed as LEDs have become more powerful. Nylon reflectors were commonly used in earlier LEDs, but lighting applications became limited as nylon lacked heat resistance with more advanced LEDs. The reflectors quickly discolored, causing the brightness of LEDs to deteriorate. This led to the use of ceramic reflectors in some cases. However, while ceramics have excellent heat resistance, they have low reflectivity and are hard to process, making them expensive. It was imperative to avoid increasing costs because of the need to expand the usage of LED lighting. Epoxy resin was adopted as a reflector material, offering superior process performance and heat resistance. Still, epoxy resin reflectors continued to fall behind as LEDs swiftly became more powerful.

Masahito Ide, a Senior Researcher at the Frontier Materials Development Laboratories of the Information and Communication Materials Research Group, says that, "We responded to requests from customers seeking better reflective materials for more powerful LEDs. This led to the development of ILLUMIKA W, which used a silicon-based resin that we were working on as an LED encapsulant."

Mr. Ide adds that, "While taking advantage of the better thermo-resistance, we needed to enhance reflectivity by using a white pigment that we mixed to make the resin suitable enough for use as an LED reflector. We also had to develop technology to enhance ease in handling by solidifying the resin in the shape of a tablet. Several thousand recipes later, we succeeded with our effort."

Mr. Kokubo says that, "We ship ILLUMIKA W in tablet form, and customers use it to mold reflectors. Many customers were enthusiastic from the outset about the potential of ILLUMIKA W. Still, the shapes of reflectors vary among customers, as do the performances of molding machines. So, it was not immediately possible for customers to manufacture thermo-resistant reflectors as soon as they started using ILLUMIKA W. To complete the commercialization process, we had to check customers' manufacturing lines. We sent engineers to the lines for several weeks to suggest process conditions that matched customers' molding machines."

Masahito Ide
Senior Researcher, Frontier Materials Development Laboratories, Information & Communication Materials Research Group

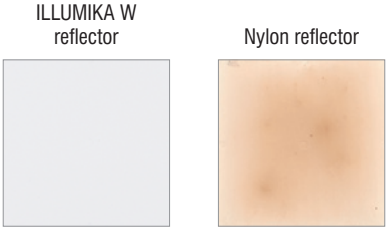
Prospects

Producing Energy-Saving LEDs while Helping Customers to Reduce Energy Consumption in Production Processes

Mr. Ide notes that, "Silicon-based resins have among the best thermo-resistance of all plastics. As long as we ensure easy processability, I believe that our material has a good chance of becoming the de facto standard for reflectors. LEDs are becoming more and more powerful, so we need to pursue performance advances, including the ability to reflect light more effectively and enhance thermo-resistance. We believe that LED lighting will also become more compact so it will be important for us to develop materials that are stronger and easier to mold."

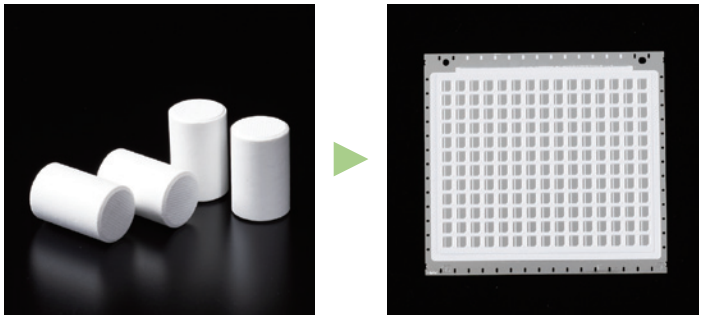
Mr. Kokubo says that, "The evolution of materials will benefit customers in society in various ways. For example, if we can develop a material that shortens curing time via heat, we will help customers to reduce the energy consumption of their production processes. Lower manufacturing costs will also drive the popularity of LEDs. By supplying such materials, we can help reduce society's carbon footprint."

■ Heat Resistance Comparison between Kaneka ILLUMIKA W and Nylon

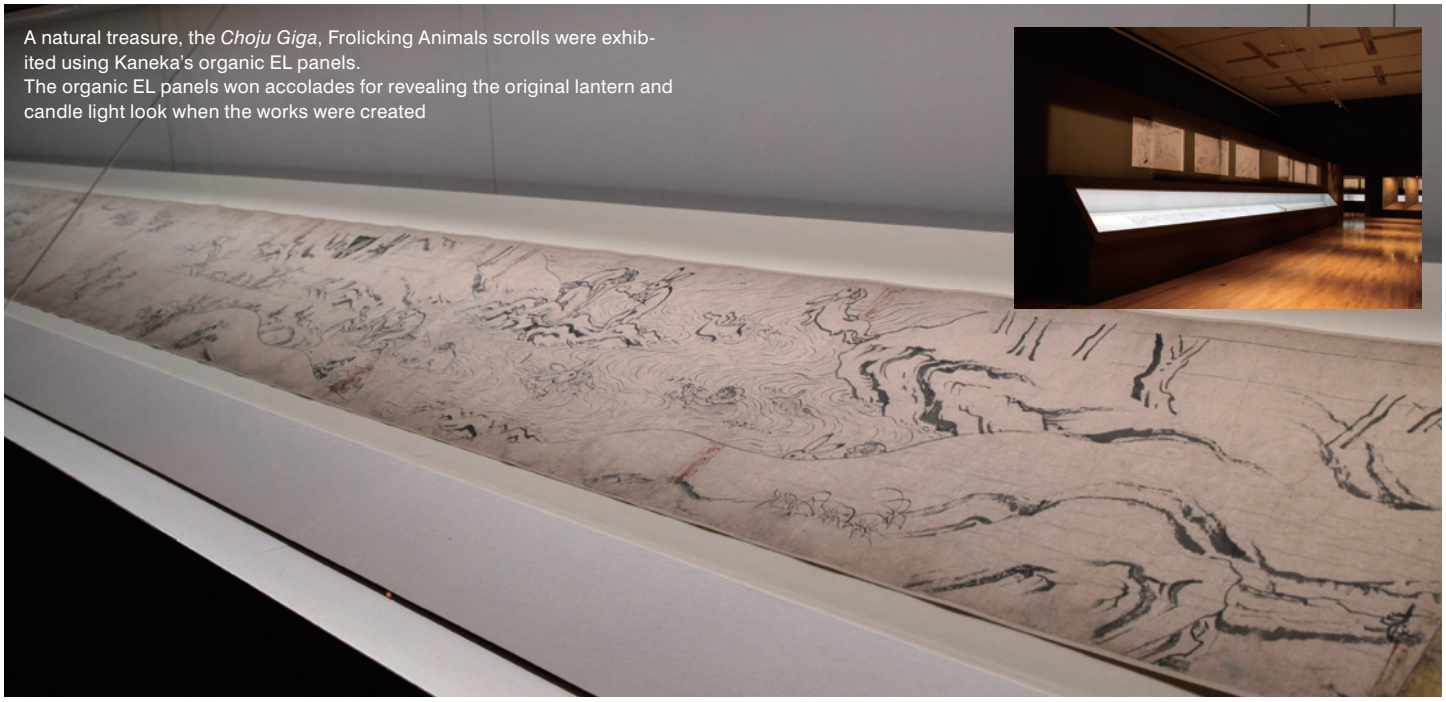


Results of 1,000-hour thermo-resistance test at 150°C. Unlike a reflector made of Kaneka's ILLUMIKA W, the nylon reflector became discolored

■ ILLUMIKA W Thermo-Resistant, Light-Resistant Resin



ILLUMIKA W thermo-resistant, light-resistant resin in easy-to-handle tablet form (left), molded to create reflectors suitable for high output LEDs (right)



A natural treasure, the *Choju Giga*, Frolicking Animals scrolls were exhibited using Kaneka's organic EL panels.
The organic EL panels won accolades for revealing the original lantern and candle light look when the works were created

Heiseikan at the Tokyo National Museum hosted "Masterpieces of Kosan-ji Temple: the complete scrolls of *Choju Giga*, Frolicking Animals" special exhibition in 2015

Pursuing the Potential of Surface-Emitting Organic EL Lighting

Social Needs and Kaneka's Plan
Decline of Incandescent and Fluorescent Lamps Paving the Way to Next-Generation Lighting

From April 28 to June 7, 2015, the Tokyo National Museum held a special exhibition, "Masterpieces of Kosan-ji Temple: the complete scrolls of *Choju Giga*, Frolicking Animals." The museum employed Kaneka's organic electroluminescent lighting for the exhibition.

Organic EL lighting emits light in response to an electric current on a lighting panel that sandwiches an organic material between the electrodes. Unlike LEDs, which emit a spot of light, organic EL functions as a surface light source. Its advantages include surface-emitting lights generating fewer shadows, providing soft light that is free of ultraviolet or infrared rays, and installation flexibility because the devices are thin and light.

Hirokazu Ohbuchi of the OLED Business Development Project says that, "The Kaneka Group began developing organic EL lighting in 2008. At the time, the number of incandescent light bulb manufacturers had plunged, and they were moves to stop producing fluorescent lights in Europe because they contained mercury. Manufacturers thus started to develop LEDs and organic ELs."

Kaneka Group's Approach
Attaining Slimness and Long Life-time Organic Electroluminescence Based on the Thin-film Formation Technology of Photovoltaic Modules

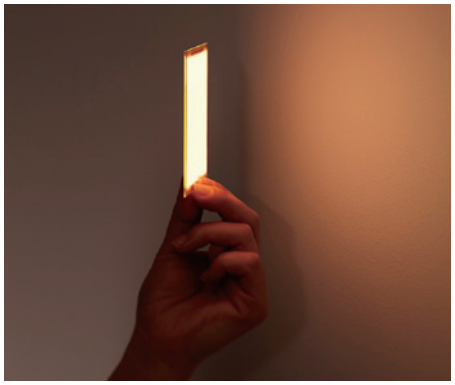
The Kaneka Group's organic EL lighting is just 1 mm thick and operates for 50,000 hours.

Mr. Ohbuchi says that, "The photovoltaic module's thin-film formation technology enabled us to attain a thickness of just 1 mm. Based on our expertise in manufacturing processes for thin-film photovoltaic modules, we jointly developed organic EL lighting with an organic EL manufacturing equipment maker, starting from the equipment design stage."

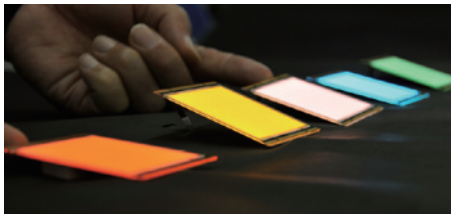
Takayuki Suzuki of the Device Development Team OLED Aomori Co., Ltd. says, "One factor in prolonging organic EL lighting durability is to prevent deterioration from technical problems and heat. Conventional organic ELs sandwiched between glass posed the problem of deterioration from heating inside the glass because the air served as insulation. Regular LEDs last around 40,000 hours. Kaneka attained more than 50,000 hours by eliminating the air space and changing the structure to efficiently release heat from the organic EL back. Furthermore, Kaneka's organic EL lighting is less likely to experience issues than regular organic EL counterparts, which sometimes suddenly stop working when the glass loosens as a result of impact or glass coming into contact with vapor-deposited electrodes owing to the space between glass."

Takayuki Suzuki, Ph.D.
Head of the Device Development Team,
OLED Aomori Co., Ltd.

■ Kaneka's Organic EL Lighting



Kaneka organic EL lighting is just 1 mm thick and is more long life-time than counterpart organic EL devices



Kaneka released its organic EL lighting lineup, which was the first in the world to comprise white (warm color), red, orange, blue, and green

Prospects
Popularizing Lighting that People Scarcely Notice, Lowering Costs, and Improving Luminance

LEDs initially lacked luminance, but technological breakthroughs popularized them by making them cheaper and more powerful.

Dr. Suzuki says that, "Although one organic EL panel lacks luminance as a base light when installed in ceilings and other locations, it has sufficient luminance as task lighting on desks and other locations. EL panels are particularly useful for work desks because they don't cast shadows and therefore reduce stress. We believe that we have achieved some success in prolonging lifetime."

Mr. Ohbuchi says that, "In future, further breakthroughs to achieve brighter and cheaper organic EL lighting will be necessary. Our goal is to achieve a luminance level of 6,000 to 8,000 cd/m^2 (see note 1), up from the current 3,000 cd/m^2, and a 60 lm/W luminous efficiency (see note 2), which is the energy-saving standard for housing, from the current 40 lm/W. Although the current conversion efficiency from electricity to light is about 20%, we would like to attain more than 30% to make organic EL lighting marketable as an energy-saving lighting."

Mr. Ohbuchi adds that, "Initiatives to fully launch the device are also needed. As organic EL lights require less installation space, we can install them in unusual locations like shadowy areas under condominium beams or in the lower dark areas of closets. Even when installed on dining tables, lighting devices as thin as these probably would not bother diners even at eye-level. While improving luminance and power efficiency, we want to convey the benefits of organic EL lights by creating and promoting new applications that are impossible with conventional lighting. We believe that lighting that melts into the background could transform peoples' lifestyles."

Hirokazu Ohbuchi
OLED Business Development Project

message ▶ Stakeholder Message

Wishing to Reproduce the Original Looks of Screen and Scroll Paintings with Organic EL Lights. Looking Forward to More Unique Proposals from Kaneka

Masato Matsushima
Senior Manager, Special Exhibition Planning, Curatorial Planning Dept.,
Tokyo National Museum

The Tokyo National Museum was the first facility to use Kaneka's organic EL lights to show folding-screen paintings in "Admired from Afar: Masterworks of Japanese Painting from the Cleveland Museum of Art", an exhibition held in January 2014. Although the lighting at museums is mainly fluorescent, we wanted to showcase the original images of the exhibits, such as the God of Thunder under organic EL lights, as the works were painted by lantern and candlelight.

As the key museum for the nation, we must always try to optimize our exhibits, which is why we are grateful for corporations like Kaneka for helping us with our experiments. Kaneka also rose to the challenge of quickly improving the color rendering index (see note 3) of organic EL lights for "Masterpieces of Kosan-ji Temple: the complete scrolls of *Chouju Giga*, Frolicking Animals".

We look forward to more unique proposals from Kaneka-they could not come from a regular manufacturer of lighting fixtures-to stimulate more ideas for museums and lighting designers.

▶ Response to Message

Reinforcing Organic EL Lighting Proposals Targeting Architectural and Spatial Designers

Kaneka's booth at Lighting Fair 2015

Organic EL lighting is finally at the commercialization stage. We consider it important to propose applications to architectural and spatial designers and other direct customers to drive the popularity of such lighting. At the Lighting Fair in March 2015 held at Tokyo Big Sight, we created boutique and restaurant interiors in our booth to highlight ways to display shirts, footwear, and other items, and to create tasteful bar counters, receiving a range of feedback. We will continue to value engagement with customers to create more effective proposals to popularize organic EL lighting.

Note 1: Luminance is a measure of the luminous intensity per unit area. The unit for luminance is candela per square meter.
Note 2: Luminous efficiency is a measure of how well a lighting device produces visible light per unit of electricity. The unit is lumen per watt.
Note 3: A color rendering index is a quantitative measure of a light source to reveal the colors of objects. As the average color rendering index (Ra) gets closer to 100, the more naturally the light source reveals colors.

Important Strategic Domains

“Information and Communications” “Food Production Support”

In addition to Health Care and the Environment and Energy, the Kaneka Group resolves social issues through its products and technologies in its other strategic domains of Information and Communications and Food Production Support. Below are some examples.

Important Strategic Domains “Information and Communications”

We provide high-performance materials that underpin the information society

Pixeo BP

(Two-layer copper-clad laminate (CCL) sheet material)

Kaneka polyimide film is popular for its ultra-heat resistance and dimensional stability. It is used in such mobile devices as smartphones and tablets. Printed circuit boards are substrates for mounting electronic devices. As mobile devices become more advanced, there is demand for smaller, lighter, and thinner flexible printed circuit boards.

It is against this backdrop that Kaneka drew on its accumulated technologies to develop Pixeo BP, a highly functional film.

Pixeo BP comprises three main technologies. The first is layer design simulation technology. The second is a fusion bonded layer macromolecular design technology. The third is an ultrahigh temperature laminating technology. These technologies addressed market demand for high soldering temperatures and thinner, higher-density copper wiring on circuit boards.

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

As Pixeo BP boosts cost performance, it has become popular in the market, underpinning the evolutions of smartphones and tablets. In fiscal 2014, Pixeo BP received the Grand Prize in the 46th Annual Technology Award by the Japan Chemical Industry Association, the 47th Ichimura Prize in Industry from the New Technology Development Foundation, and the 61st Award of the Society of Polymer Science.

As mobile devices become thinner and more compact, we will continue to provide highly functional materials that assist an information-intensive society.

Important Strategic Domains “Food Production Support”

Resolving food issues by providing materials that support agricultural production

Kaneka Peptide

(Oxidized glutathione for fertilizer and agriculture)

Kaneka is launching fertilizer business by developing Kaneka peptide containing oxidized glutathione (GSSG).

GSSG assimilates carbon dioxide and accumulates sugar. It can increase agricultural production yields and enhance sugar concentrations by spreading GSSG in the soil and on plant leaves.

Field studies with GSSG fertilizer in North America, Asia, and elsewhere around the world found that yields of potatoes and other crops increased consistently by 10% to 40%. Another benefit of GSSG is that it is safe, existing in the cells of plants and all other organisms. In Japan, we have already registered six GSSG fertilizers.

Since 2010, we have been developing Kaneka peptide with the Okayama Prefectural Technology Center for Agriculture, Forestry, and Fisheries, Research Institute for Biological Sciences (RIBS), leveraging years of expertise in such areas as fermentation technology.

A breakthrough fertilizer poised to open new horizons for agriculture

We will cultivate this business to help resolve global food shortage issues.

CSR Promotion

CSR Targets, Results, and Evaluations

Kaneka's Fiscal 2014 and 2015 CSR Targets, Results, and Evaluations, and Medium- to Long-Term Targets are as follows.

■ Kaneka's CSR Targets, Results, and Evaluations (Fiscal 2014 Targets)

Key Stakeholders	Item		Fiscal 2014 Targets
All Stakeholders	CSR Management	Bolster Governance and Compliance	•Ensure compliance awareness. Continue companywide CSR suitability audits. •Maintain the internal reporting system. •Continue to improve internal control levels for financial reporting.
		CSR Implementation	•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.
		Management CSR Safety and Quality Inspection	•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).
		Reinforce Risk Management	•Strengthen crisis management to prevent problems from escalating after accidents.
The Environment	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	•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).
			•Plan and implement efficient initiatives to reduce energy intensity by at least 1% annually.
		Reduction of Industrial Waste	•Target 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 for all parent plants at below 0.2%. •Constrain waste and continue to manage output levels at all parent plants.
			•Continue to confirm compliance among waste disposal companies.
		Reduction of Volatile Organic Compound (VOC) Emissions	•Push forward with VOC emissions reduction measures, cutting the target to below 1,830 metric tons.
		Preservation of Biodiversity	•Continue activities that prioritize biodiversity guidelines that focus on efforts as part of social contribution initiatives.
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	•Build awareness of the Quality Management Rules and Change Management Standards. •Prepare other guidelines and standards (including design reviews).
		Chemical Substance Management	•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.
Vendors	Proper Procurement	Green Procurement	•Enhance and thoroughly undertake activities based on the Green Procurement Standards and expand efforts among Group companies. •Start looking into stepping up CSR procurement.
	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.
			•Continue holding emergency response drills for transportation.
Shareholders and Investors	Timely and Appropriate Disclosure		•Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.
Society	Improving Communication with Society		•Issue a CSR report and post it on our website. •Continue to engage in stakeholder dialogue. •Continue to stage youth events.
			•Issue site reports for all parent plants and post them on our website.
	Reinforcing Process Safety and Disaster Prevention		•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.
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	•Create a corporate culture that expands work opportunities for female employees, supports the activities of foreign and bilingual employees, and otherwise embraces diversity.
		Work-life Balance	•Step up management of working hours while looking into deploying the necessary work-life support programs.
		Labor and Management Relationships	•Continue to support the cultivation of union leaders to help maintain positive labor and management relationships.
		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 2).
	Reinforcing Occupational Safety and Health	Occupational Safety	•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 hands-on learning equipment to improve danger sensitivities at domestic Group companies.
		Occupational Health	•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.
		Management Systems	•Revise CSR Safety & Quality Inspection to strengthen PDCA functions. •Test-deploy specialized internal environmental safety audits.

Note 1: Energy intensity is a numeral value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990 as 100.
Note 2: Kaneka Global Employee Registration System.

CSR Promotion

CSR Targets, Results, and Evaluations

Significantly outperformed
Achieved/nearly achieved
Underperformed
Significantly underperformed

■ Kaneka's CSR Targets, Results, and Evaluations (Fiscal 2014 Results and Results Evaluations)

Key Stakeholders	Item		Fiscal 2014 Results	Results Evaluations	Page Numbers
All Stakeholders	CSR Management	Bolster Governance and Compliance	•Conducted CSR suitability audits at Kaneka and Group companies in Japan, the United States and Europe. •Launched a compliance e-learning program for all Kaneka employees. •Responded to seven cases reported to the Kaneka consultation desk. •Reinforced supervision by increasing the frequency of internal audits to improve internal controls.	Achieved/nearly achieved	P.26 P.27
		CSR Implementation	•Held CSR Committee meetings three times and four subcommittee meetings 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 23 times.	Achieved/nearly achieved	P.28 P.29
		Management CSR Safety and Quality Inspection	•Continued to implement management-level CSR Safety and Quality Inspections at all parent plants and one research center, 17 plants of 15 domestic Group companies, and seven overseas Group companies as scheduled.	Achieved/nearly achieved	P.28
		Reinforce Risk Management	•Implemented companywide preparation drills. At plants, implemented drills in the holidays and evenings without prearranged scenarios. Conducted earthquake and tsunami risk seminars.	Achieved/nearly achieved	P.61
The Environment	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	•Energy intensity (see note 1) was 86.0, down 3.2% from a year earlier, for an annual target reduction of 1%, which was slightly below the 0.7% average decrease over five years. •The carbon dioxide emissions intensity was 78.0, exceeding the target of 78.6.	Achieved/nearly achieved	P.39
			•Reduced the energy intensity for logistics by 1.5% from a year earlier and reached the annual goal. Also achieved a five-year average reduction goal of 3.5%.	Achieved/nearly achieved	P.40
		Reduction of Industrial Waste	•Achieved a final landfill rate of 0.006% for all parent plants for the ninth consecutive year. Also improved domestic Group companies' landfill to 0.07%, down from 0.08% a year earlier.	Achieved/nearly achieved	P.43
			•Checked compliance among waste contractors and confirmed the absence of problems.	Achieved/nearly achieved	P.43
		Reduction of Volatile Organic Compound (VOC) Emissions	•Achieved the annual target of 1,830 metric tons, with emissions of 1,669 metric tons.	Achieved/nearly achieved	P.45
		Preservation of Biodiversity	•Implemented a number of activities as a part of our social contribution efforts, mainly at the Takasago, Osaka and Shiga plants.	Achieved/nearly achieved	P.47
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	•Provided information about Quality Management Rules and Change Management Standards. •Laid down technological transfer and design review guidelines.	Achieved/nearly achieved	P.50
		Chemical Substance Management	•Notified inventories of existing chemical substances in Taiwan and collected information on chemical substance management laws in Taiwan and South Korea for sharing in-house. •Operated a database that centralizes the management of chemical substances used.	Achieved/nearly achieved	P.50
Vendors	Proper Procurement	Green Procurement	•Investigated 18 types of imported raw materials and confirmed non-contamination with prohibited substances. •Reviewed the substance list of Green Procurement Standards four times in line with revised laws.	Achieved/nearly achieved	P.54
	Bolstering Distribution Safety		•The Takasago Plant collaborated with transportation companies to patrol sites to check that people were carrying their Yellow Cards, while the Osaka Plant identified unsafe locations during cargo handling and examined improvements. •Together with transportation companies conducted legal compliance checks and voluntary inspections on mobile tanks.	Achieved/nearly achieved	P.54
			•In collaboration with transportation companies, the Kashima Plant checked and reconfirmed emergency contact networks. The Takasago Plant held transportation danger detection training.	Achieved/nearly achieved	P.54
Shareholders and Investors	Timely and Appropriate Disclosure		•Issued business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.	Achieved/nearly achieved	P.56 P.57
Society	Improving Communication with Society		•Issued a CSR report and posted it on our website. •Continued to engage in shareholder dialogue. Held youth events.	Achieved/nearly achieved	P.59 P.62 -P.64
			•Issued site reports for all parent plants and posted them on our website.	Achieved/nearly achieved	P.–
	Reinforcing Process Safety and Disaster Prevention		•The Kashima Plant implemented process safety assessments to identify strengths and weaknesses. •Commenced risk assessments of self-degradability and incompatibility when handling chemical substances. •Conducted safety checks for powder dust explosions, static ignition, and other risks. •There were two fires at the Osaka Plant.	Underperformed	P.65 -P.66
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	•Positioned the participation of women as a first step toward diversity, launching support programs in the areas of promoting equal opportunities, work-life support, and corporate culture reforms. Prior to reviewing the systems, we held 33 orientations for a total of 461 employees.	Achieved/nearly achieved	P.76
		Work-life Balance	•As well as initiating a system for working from home, provided day-care cost subsidies and started a temporary leave system for spouses who are transferred overseas, and continued discussions between labor and management to reduce the total number of actual working hours.	Achieved/nearly achieved	P.77
		Labor and Management Relationships	•Continued discussions to realize joint goals for labor and management through central labor and management meetings, management conferences, meetings of representatives, and workplace labor and management gatherings and other groups.	Achieved/nearly achieved	P.79
		Respect for Human Rights	•Educated 98 new employees in April 2014 and 38 newly promoted executives about human rights. Held eight inter-cultural communication classes during the year.	Achieved/nearly achieved	P.79
	Reinforcing Occupational Safety and Health	Occupational Safety	•The Takasago Plant implemented risk assessments for targeted accidents tracked through fault tree analysis (FTA, see note 2). •E-mailed a Disaster Calendar to employees to highlight previous accidents at Kaneka. •Implemented risk awareness training at 22 sites of 11 domestic Group companies with mobile hands-on learning equipment. •The number of occupational accidents soared from the previous fiscal year to 22.	Underperformed	P.80
		Occupational Health	•Reviewed solvent handling operations and improved work environments by enhancing ventilation. •Implemented mental health training for new executives, plant managers, and people in charge of mental healthcare.	Achieved/nearly achieved	P.81
		Management Systems	•Continuing from fiscal 2013, switched to quantitative assessments to reinforce checks. •Test-deployed specialized internal environmental safety audits at departments at four parent plants.	Achieved/nearly achieved	P.80

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 as 100.
Note 2: Fault tree analysis is a technique for analyzing product breakdowns and resulting accidents.

CSR Promotion

CSR Targets, Results, and Evaluations

■ Kaneka's CSR Targets, Results, and Evaluations (Fiscal 2015 Targets)

Key Stakeholders	Item		Fiscal 2015 Targets
All Stakeholders	CSR Management	Bolster Governance and Compliance	•Ensure compliance awareness. •Continue companywide CSR suitability audits. •Gradually expand the scope of the compliance e-learning program to encompass Group companies in Japan. •Maintain the internal reporting system. •Continue to improve internal control levels, especially to ensure the credibility of financial reporting.
		CSR Implementation	•The CSR Committee will meet at least three times annually during its term. The four subcommittees will convene as scheduled. •Foster employee understanding of CSR by regularly disseminating information. •Establish the CSR Training Program. Augment job-specific and other training by continuing to hold orientations at Group companies in Japan.
		Management CSR Safety and Quality Inspection	•Management will continue making CSR Safety and Quality Inspections (of all parent plants, one research center, 16 plants of 16 domestic Group companies, and six overseas Group companies).
		Reinforce Risk Management	•Reinforce understanding of risk management rules via the handbook. •Strengthen crisis management to prevent problems from escalating after accidents.
The Environment	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	•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 (22.2 below the level in fiscal 2015).
			•Plan and implement efficient initiatives to reduce energy intensity by at least 1% annually.
		Reduction of Industrial Waste	•Keep the final landfill rate to below 0.2% for all parent plants. Achieve zero emissions by promoting the reduction of waste and final landfill volumes at domestic Group companies. •Continue monitoring output levels at all parent plants.
			•Regularly confirm compliance at waste disposal companies.
		Reduction of Volatile Organic Compound (VOC) Emissions	•Continue with VOC emission reduction measurements and maintain emissions below 1,800 metric tons.
		Preservation of Biodiversity	•Continue activities that prioritize biodiversity guidelines that focus on efforts as part of social contribution initiatives.
Customers	Customer Satisfaction (ensuring quality and product safety)	Quality Management	•Enhance daily management standards to accommodate expanding operations and diversifying businesses.
		Chemical Substance Management	•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). •Reinforce the chemical substance database and expand the number of substances.
Vendors	Proper Procurement	Green Procurement	•Extend the program to cover all existing raw materials. Prioritize audits of raw materials contamination with prohibited substances. •Start looking into stepping up CSR procurement.
	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.
			•Continue holding emergency response drills for transportation.
Shareholders and Investors	Timely and Appropriate Disclosure		•Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.
Society	Improving Communication with Society		•Issue a CSR report and post it on our website. •Issue a booklet on the Kaneka Group's social contribution activities. •Continue to engage in stakeholder dialogues and youth events.
			•Issue site reports for all parent plants and post them on our website.
	Reinforcing Process Safety and Disaster Prevention		•Review the rules for risk assessment and re-train employees to ensure more reliable risk assessment. •Implement reactive risk assessment on handling substances at our four parent plants. •Continue safety checks from the perspectives of powder dust explosions, static ignition, and other risks.
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	•Disseminate measures established in fiscal 2014 to ensure the active participation of women. At the same time, continue to educate employees to foster the participation of diverse human resources.
		Work-life Balance	•Consider introducing specific measures to maintain a balance between work and nursing care commitments. Again ensure management of work hours.
		Labor and Management Relationships	•Continue to cultivate future union leaders to maintain good labor and management relationships.
		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 2).
	Reinforcing Occupational Safety and Health	Occupational Safety	•Produce good practice case studies from Kaneka's environmental, health, and safety activities to improve the standards of efforts. •Improve safety awareness through safety training focused on hands-on learning in the workplace and group discussions.
		Occupational Health	•Construct a stress check mechanism for Kaneka and Group companies and reinforce support for employees returning to the workplace by producing manuals.
		Management Systems	•Reinforce the Check and Action aspects of the Plan-Do-Check-Act (PDCA) cycle by continuing to implement CSR Safety and Quality Inspections through quantitative assessments. •Test-deploy specialized internal environmental safety audits through process auditing.

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 as 100.
Note 2: Kaneka Global Employee Registration System.

CSR Promotion

CSR Targets, Results, and Evaluations

■ Kaneka's CSR Targets, Results, and Evaluations (Medium- to Long-Term Targets)

Key Stakeholders	Item		Medium- to Long-Term Targets
All Stakeholders	CSR Management	Bolster Governance and Compliance	Step up corporate governance and compliance to improve enterprise value for the entire organization.
		CSR Implementation	In line with the Declaration of Kaneka United, share basic CSR policies for the Group to implement all corporate activities.
		Management CSR Safety and Quality Inspection	Continue to implement management inspections and audits.
		Reinforce Risk Management	Ensure the use of business continuity plans and pursue ongoing improvements to enhance risk management.
The Environment	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	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.
			Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures.
		Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions at domestic Kaneka Group companies.
			We will confirm compliance among waste disposal companies.
		Reduction of Volatile Organic Compound (VOC) Emissions	Continue to cut VOC emissions in line with domestic trends.
		Preservation of Biodiversity	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	Practice quality management that accommodates an expanding business scope.
		Chemical Substance Management	Identify trends in regulatory revisions in Japan and abroad to improve chemical substance management.
Vendors	Proper Procurement	Green Procurement	Based on the Basic Procurement Policy, step up CSR procurement from the perspective of green procurement throughout the entire Kaneka Group to consider global environmental perspectives.
	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, thereby enhancing safety.
			Continue holding emergency response drills for transportation.
Shareholders and Investors	Timely and Appropriate Disclosure		Make disclosure speedy, timely, and appropriate to foster understanding of the Kaneka Group and build trust and meet the expectations of investors.
Society	Improving Communication with Society		Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.
			Continue to issue site reports for all parent plants.
	Reinforcing Process Safety and Disaster Prevention		Reduce risks, primarily through risk assessments, undertaking ongoing efforts to minimize risks.
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	Based on the Kaneka Spirit of fostering personnel reforms and growth, we will overhaul mechanisms for employment, education, and rotation.
		Work-life Balance	Consider introducing and running systems that enhance the work environment and enable people to fulfill their professional and personal commitments.
		Labor and Management Relationships	Based on joint labor and management targets, both parties will work together to ensure employee growth and enhance lifestyles.
		Respect for Human Rights	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.
	Reinforcing Occupational Safety and Health	Occupational Safety	Continue to reinforce the safety activities of Group companies.
		Occupational Health	Continuously improve the mental health of employees and the workplace environment.
		Management Systems	Continue to improve occupational health and safety based on occupational safety and health management systems (OSHMS).

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 as 100.

CSR Promotion

K KANEKA
D DOMESTICS
O OVERSEAS

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

K D O

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, two of whom are external, to strengthen board oversight. Directors serve for a period of one year to ensure clarification of their management responsibilities.

The Board of Auditors comprises four members, two of whom are external. It coordinates with the Accounts Auditor and the Internal Control Department of CSR Division. Auditors regularly exchange opinions with directors and attend meetings of the Board of Directors, the Management Conference, which decides on the implementation of important matters, and divisional managers, to ensure that implementation is progressing properly.

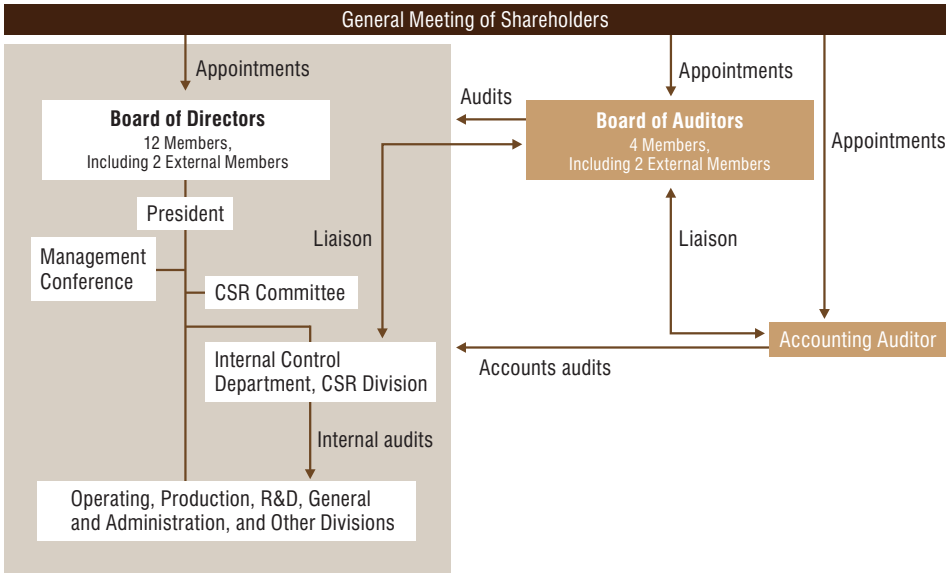
We segregate the implementation and overseeing of operations to strengthen these roles and ensure that we can respond swiftly and flexibly to changes in the business climate.

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 of the CSR Division independently monitors the operations of each division.

We established the CSR Committee, which is chaired by the president, 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. In April 2015, we established the CSR Division, which reports directly to the president, to reinforce CSR activities.

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



CSR Promotion

Corporate Governance and Compliance

K KANEKA
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Compliance

K D O

We have made compliance a top management priority for all Group directors and employees, and to this end undertake the following initiatives.

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

In 2014, we launched a compliance e-learning program for all Kaneka employees. We plan to expand this program to encompass all Group companies.

We regularly train sales, purchasing, and business development managers on the requirements of the Antimonopoly Act and require each of them to submit a written oath of compliance. We have instituted CSR suitability audits for Kaneka and 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 self-assessments and other activities, and audit compliance.

(4) Several other organizations formulate plans to address companywide challenges. They are the Plant Management Committee and the CSR Committee's Earth Environment Subcommittee, 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 of the CSR Division 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 Human Resource, General Affairs, Accounting Departments, Corporate Technology Administration Department, and Responsible Care Department.

CSR Promotion

CSR Implementation

K KANEKA
D DOMESTICS
O OVERSEAS

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

K D O

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 2014, the CSR Committee convened three times. The four subcommittees also met (once for the Safety and Human Health subcommittees, and twice each for Earth Environment, Product Safety, and the Compliance Subcommittee).

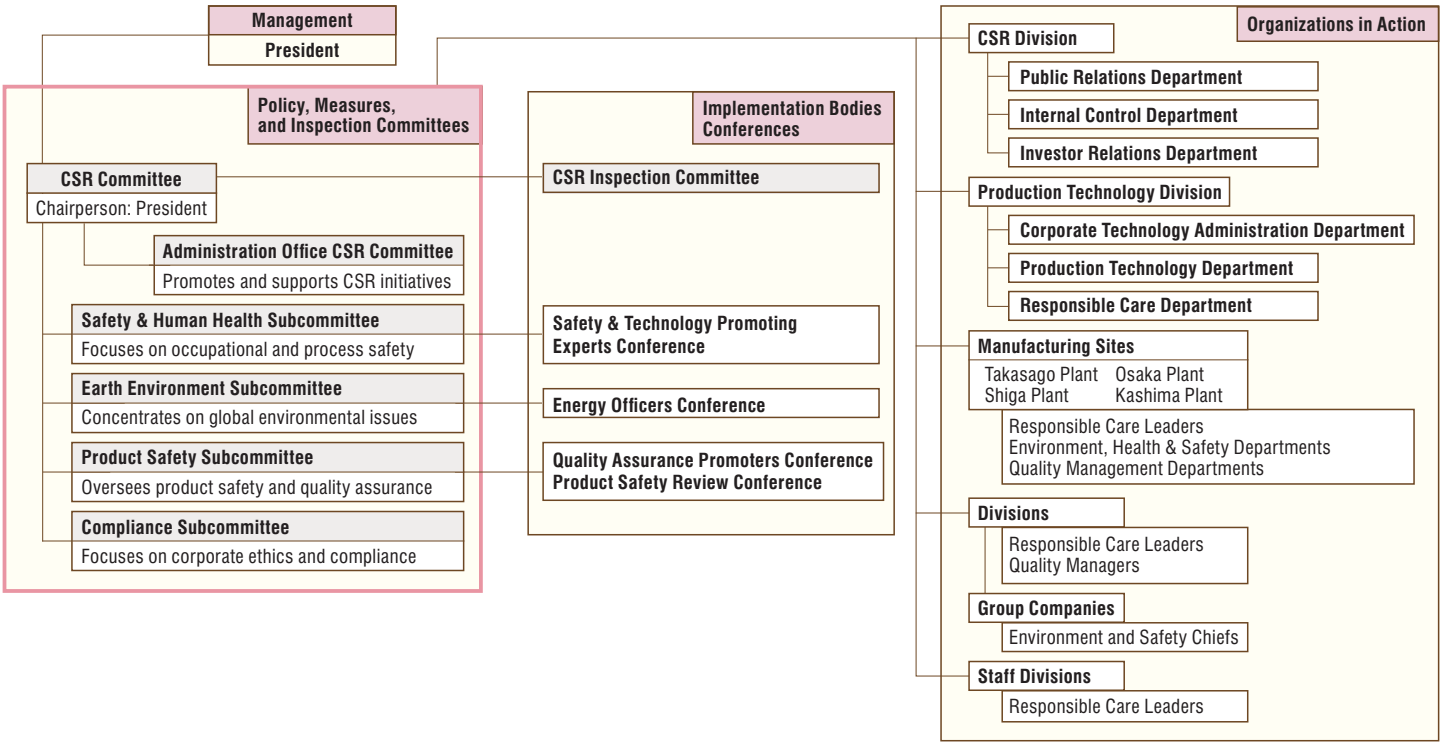
CSR Inspections

K D O

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 2014, we conducted CSR Safety and Quality Inspections that focused on compliance with applicable laws and regulations, measures to address major risks, change management frameworks and implementation, and other areas. These inspections covered the four parent plants, one research center, 17 plants at 15 domestic Group companies, and seven 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, 21 domestic Group companies, and four overseas Group companies. We will continue to carry out inspections to enhance CSR.

■ CSR Structure



CSR Promotion

CSR Implementation

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CSR Education

K D O

We continued to train people in different professional areas based on our CSR Handbook. In fiscal 2014, we held two courses for new employees and one each for new executives, new assistant managers, employees completing courses, and mid-career recruits.

We held 23 orientations and other courses to explain our CSR activities to the presidents and new employees of Kaneka Group companies. 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.

Publish the Practical Edition of the CSR Handbook

K D O

Following the basic Kaneka Group CSR Handbook, which is a CSR guide for Kaneka Group employees, we published a practical edition of the Kaneka Group CSR Handbook, distributing it to all Group employees as a guide for daily operations.

The Kaneka Group CSR Handbook (Practical Guide)

CSR Orientations (expanding to domestic Group companies)

K D O

One new initiative was CSR orientations for domestic Group companies using the CSR Report 2014 and the CSR Handbook that we produced in March 2014. In fiscal 2014, we held orientations at eight sites of five companies. We covered such topics as top management's commitment, our long-term vision, the Declaration of Kaneka United, the results of safety and environmental activities, CSR activities, and our brand strategy. We plan to schedule such orientations in fiscal 2015 and beyond.

■ Fiscal 2014 CSR Orientations at Domestic Group Companies

Date	Company Name	Participants
October 21, 2014	Kyushu Subsidiary, Kaneka Foods Corporation	25 employees, including the subsidiary president
October 22, 2014	West Japan Subsidiary, Kaneka Foods Corporation	21 employees, including the subsidiary president
November 19, 2014	Head Office, Kaneka Foods Corporation	23 employees
December 18, 2014	Tokai Subsidiary, Kaneka Foods Corporation	23 employees
October 28, 2014	Tochigi Kaneka Corporation	40 employees, including the president
October 23, 2014	Head Office, Kaneka Sun Spice Corporation	15 executives and managers, including the president
November 7, 2014	Kaneka Solartech Corporation	67 employees, including the president
November 17, 2014	Koga Plant, Tatsuta Chemical Co., Ltd.	88 employees, including the president

Head office, Kaneka Sun Spice Corporation

Koga plant, Tatsuta Chemical Co., Ltd.

CSR Promotion

CSR Implementation

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The Kaneka Group Signs the United Nations Global Compact

K D O

In March 2015, the Kaneka Group became a signatory of the United Nations Global Compact. The then UN Secretary-General Kofi Annan announced these voluntary corporate principles in his address to the World Economic Forum in Davos, Switzerland in 1999. A signatory company's top management commits to the ten principles in the four areas of human rights, labour, the environment, and anti-corruption, and must continue ongoing efforts in these areas. Through this initiative, companies and organizations lead efforts to drive sustainable global growth in operating as good corporate citizens. The Kaneka Group, which pursues global CSR, will continue contributing to globally sustainable growth while conveying its corporate stance to stakeholders and the international community.

United Nations Global Compact's Ten Principles in Four Areas

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

THE GLOBAL COMPACT
Network Japan
WE SUPPORT

CSR Promotion

K KANEKA
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O OVERSEAS

Responsible Care and Management

We created basic policies for Responsible Care and safety and formulated Responsible Care rules.

Group Management

K D O

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 the 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 our environmental impact and occupational accident risks while increasing our responsiveness to natural disasters, product-related accidents, and other crises.

Basic Policies for Responsible Care

K D O

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.

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).

CSR Promotion

Responsible Care and Management

K KANEKA
D DOMESTICS
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Responsible Care Organization

K D O

Kaneka undertakes Responsible Care initiatives to broadly promote the activities of the chemical industry to protect health, safety, and the environment. We act in keeping with a system to promote Responsible Care that covers the six areas of 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 conference-based policies and measures throughout the Group. The Environment, Health & Safety Leaders Conference, the Quality Assurance Leaders Conference, and Group Companies Presidents' Council share information and discuss issues.

Responsible Care Education

K D O

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 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.

Signing the Responsible Care Global Charter

K D O

Kaneka has undertaken Responsible Care initiatives since 1995. In September 2008, we declared our commitment to undertake Responsible Care initiatives worldwide by signing the Responsible Care Global Charter. In response to the revisions of global charter approved by the board of the International Council of Chemical Associations, we decided to more actively promote Responsible Care initiatives, again signing the revised Responsible Care Global Charter in October 2014.

Kaneka positions safety as a top management priority and endeavors to create healthy and safe work environments, ensure product safety, and protect the environment. By signing the revised Responsible Care Global Charter, we reconfirmed our ongoing contributions to society through daily Responsible Care activities.

Responsible Care® Global Charter

Signature on revised Responsible Care Global Charter

CSR Promotion

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Report Coverage

(Scope of Responsible Care Activities Data as of March 31, 2015)

This report covers Kaneka and 40 Group manufacturing companies.

KANEKA

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

KANEKA Group (Domestic) (27)

- 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.
- Kaneka Foam Plastics Co., Ltd.
- Hokkaido Kanelite Co., Ltd.
- Kyushu Kanelite Co., Ltd.
- Kaneka Sun Spice Corporation
- Kaneka Foods Manufacturing Corporation
- Tokyo Kaneka Foods Manufacturing 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.
- RIVER Co., Ltd.

KANEKA Group (Overseas) (13)

- 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.
- Kaneka (Foshan) High Performance Materials Co., Ltd.

Safeguarding the Environment

We strive to fulfill our social responsibilities by limiting environmental impact in everything we do, from procuring raw materials, manufacturing, and transporting goods to running our offices.

0.006 %

(Final landfill rate at all parent plants)

In fiscal 2014, we generated 3.9 metric tons of final landfill, representing 0.006% of the 66,340 metric tons in waste generated. We thereby achieved zero emissions for the ninth consecutive year.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item		Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	•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).	•Energy intensity (see note 1) was 86.0, down 3.2% from a year earlier, for an annual target reduction of 1%, which was slightly below the 0.7% average decrease over five years. •The carbon dioxide emissions intensity was 78.0, exceeding the target of 78.6.	○
		•Plan and implement efficient initiatives to reduce energy intensity by at least 1% annually.	•Reduced the energy intensity for logistics by 1.5% from a year earlier and reached the annual goal. Also achieved a five-year average reduction goal of 3.5%.	○
	Reduction of Industrial Waste	•Target 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 for all parent plants at below 0.2%. •Constrain waste and continue to manage output levels at all parent plants.	•Achieved a final landfill rate of 0.006% for all parent plants for the ninth consecutive year. Also improved domestic Group companies' landfill to 0.07%, down from 0.08% a year earlier.	○
		•Continue to confirm compliance among waste disposal companies.	•Checked compliance among waste contractors and confirmed the absence of problems.	○
	Reduction of Volatile Organic Compound (VOC) Emissions	•Push forward with VOC emissions reduction measures, cutting the target to below 1,830 metric tons.	•Achieved the annual target of 1,830 metric tons, with emissions of 1,669 metric tons.	○
	Preservation of Biodiversity	•Continue activities that prioritize biodiversity guidelines that focus on efforts as part of social contribution initiatives.	•Implemented a number of activities as a part of our social contribution efforts, mainly at the Takasago, Osaka and Shiga plants.	○

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 as 100.

Expanding Environmentally Friendly Products and Plant Initiatives

As a part of its global warming measures, the Kaneka Group is expanding its environmentally compatible products, and has installed megasolar systems at its business sites. We will continue to reinforce environmental initiatives in the years ahead.

Kaneka Kashima Plant - Open Plant with Megasolar Facility

K D O

A megasolar facility in the west of the Kashima Plant started operations in October 2013. It is one of the largest solar power generation plants in Japan to employ thin-film photovoltaic cells. We installed 115,920 solar panels on a 239,000 square-meter property. This facility generates enough electricity to supply 3,000 households.

The industrial complex where the Kashima Plant is situated is a model site for visits to wind and biomass power facilities as well as Kaneka's megasolar facility. We welcome many visitors, including local government officials.

Koichi Motohiro of the General Affairs Team of Kashima Plant says, "Our plant coexists with the community and we wish to encourage visits from them."

The team at the Kashima Plant hopes to use such visits as opportunities for children to learn about environmental issues, and is preparing educational materials for them.

Keiko Osaki, also of the plant's General Affairs Team, says that, "We want to teach children how to generate electricity and convey the importance of the environment. We will also showcase our solar facility model in visits to schools."

Koichi Motohiro (left)
Keiko Osaki (right)
General Affairs Team, Kashima Plant

Visiting the megasolar facility

Megasolar facility in the west of Kashima Plant

Environmentally Compatible Products
Quantitatively Assessing Products that Help Reduce Carbon Dioxide Emissions

K D O

We have defined a number of products that can help lower the environmental impact of usage through the disposal and recycling stages as environmentally compatible. We endeavor to drive social sustainability through our business activities.

We are conducting quantitative assessments of environmentally compatible products that help lower carbon dioxide emissions. We use Carbon Life Cycle Analysis for these assessments, calculating reduction volumes through quantitative and comparative assessments throughout product lifestyles, which are benchmarked against counterpart products based on guidelines issued by the Japan Chemical Industry Association.

Carbon dioxide emission reduction volumes based on fiscal 2014 sales were approximately 4.8 million metric tons. We will continue to expand the range of products used in our assessments.

■ Products assessed quantitatively for their contribution to reducing carbon dioxide emissions

- Plastic foam insulation materials
- Plastic sash parts (polyvinyl chloride and polyvinyl chloride impact-modifying functional resins)
- Solar power system
- Pipes and fittings (polyvinyl chloride, heat-resistant polyvinyl chloride, and polyvinyl chloride impact-modifying functional resins)
- Automobile parts (functional resin products) and others

Safeguarding the Environment

Materials Balance in Production Activities

K KANEKA
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The Kaneka Group's fiscal 2014 energy and resource inputs, substance emissions and product commercialization are listed below.

K D O

INPUT

Energy and Resources

Legend (from top)

Kaneka four plants
Domestic Group companies
Overseas Group companies

Main raw materials (see note 1)

1,155,000 metric tons/year
229,000 metric tons/year
292,000 metric tons/year

Energy (Crude oil equivalents)

447,000 kiloliters/year
74,000 kiloliters/year
129,000 kiloliters/year

Water

21.5 million m³/year
3.8 million m³/year
6.1 million m³/year

Kaneka
Takasago Plant
Osaka Plant
Shiga Plant
Kashima Plant

Domestic Group Companies
27

Overseas Group Companies
13

OUTPUT

Discharges, Recycling, and Products

	Products (see note 2)	Into the atmosphere	Into water systems	As waste
Products	1,494,000 metric tons/year 207,000 metric tons/year 272,000 metric tons/year			
CO_2		1,148,000 metric tons-CO_2/year 164,000 metric tons-CO_2/year 235,000 metric tons-CO_2/year		
SOx		67.1 metric tons/year 20.3 metric tons/year 2.3 metric tons/year		
NOx		805.4 metric tons/year 25.5 metric tons/year 48.5 metric tons/year		
Soot and dust		35.6 metric tons/year 1.2 metric tons/year 10.6 metric tons/year		
PRTR Law-designated substances		61.9 metric tons/year 65.6 metric tons/year —		
Chemical oxygen demand			284.6 metric tons/year 6.2 metric tons/year 83.6 metric tons/year	
Suspended solids			171.0 metric tons/year 5.7 metric tons/year 17.8 metric tons/year	
PRTR Law-designated substances			15.4 metric tons/year 0.1 metric tons/year —	
Nitrogen			171.2 metric tons/year 1.2 metric tons/year 0.0 metric tons/year	
Phosphorous			3.9 metric tons/year 0.1 metric tons/year 0.0 metric tons/year	
Final landfill				3.9 metric tons/year 52.0 metric tons/year 2,135 metric tons/year
External recycling	40,900 metric tons/year 6,891 metric tons/year 3,685 metric tons/year			
External reduction				680 metric tons/year 5,084 metric tons/year 5,810 metric tons/year

Note 1: Includes only raw materials that can be calculated in or converted to metric tons.
Note 2: Includes only those products that can be calculated in or converted to metric tons.

Safeguarding the Environment

Environmental Accounting

K KANEKA
D DOMESTICS
O OVERSEAS

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 2014

K D O

In comparison with the previous fiscal year's environmental conservation investments, pollution prevention costs and resource recirculation costs rose approximately 130 million yen and 150 million yen, respectively.

For environmental conservation expenditure, resource recirculation costs and research and development costs increased around 180 million yen and 1.0 billion yen, respectively.

Compared with the previous fiscal year's net benefits from conservation, energy savings and reduced waste disposal costs from recycling were down about 500 million yen and 300 million yen, respectively.

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

Millions of yen

Cost Classifications		Main Efforts	Fiscal 2014 Investments	Fiscal 2014 Expenditure
Business Area			1,129	5,490
	1. Pollution Prevention	Air and water pollution prevention	981	3,504
	2. Environmental Conservation	Global warming prevention and energy saving	-	-
	3. Resource Circulation	Waste processing, recycling, and reduction	148	1,986
Upstream and Downstream		Product recycling, collection, and processing	1	13
Management Activities		Environmental education for employees and environmental impact monitoring and measurement	1	368
Research and Development		Research and development of products contributing to environmental conservation	0	6,366
Social Activities		Greening, beautification, and disclosure of environmental information	8	99
Environmental Damage		Payment of sulfur oxide emission charges	0	10
Total			1,139	12,346

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

■ Quantitative Impact of Environmental Conservation Efforts

Category	Initiatives	Items	Units	Changes between previous year and fiscal 2014
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Metric tons	-35.0
		NOx emissions	Metric tons	-22.3
		Chemical oxygen demand	Metric tons	-4.5
		PRTR Law-designated chemical emissions	Metric tons	-13.3
Environment	Lower greenhouse gas emissions	CO_2 emissions	Thousands of metric tons	-1.0
	Use less energy	Crude oil equivalents	Thousands of kiloliters	1.0
Resource Recycling	Reduce final landfill	Final landfill	Metric tons	-3.5
	Increase external recycling	Amounts recycled	Metric tons	1,484

■ Economic Impacts of Environmental Measures

Millions of yen

Measures	Fiscal 2014
Revenue from Recycling	181
Cost Reductions by Resource Conservation and Energy Index Units	41
Waste Disposal Cost Reductions by Recycling	246
Cost Reductions by Energy Conservation	309
Total	777

Safeguarding the Environment

Environmental Accounting

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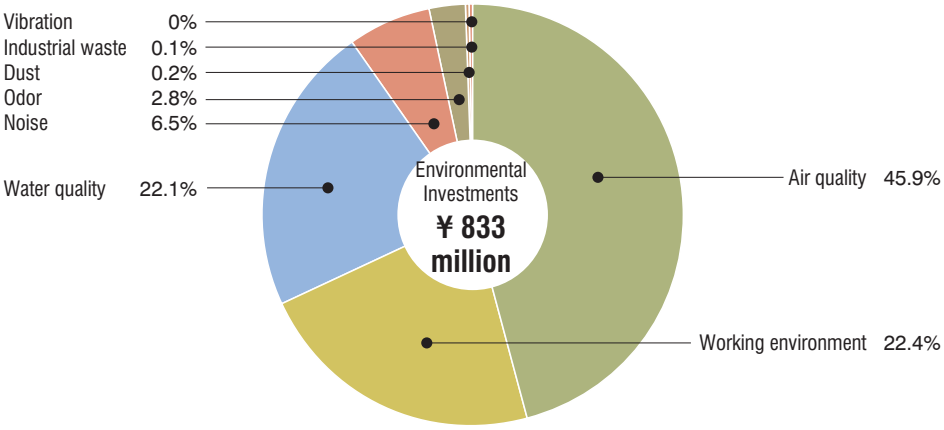
Environmental Investments

K D O

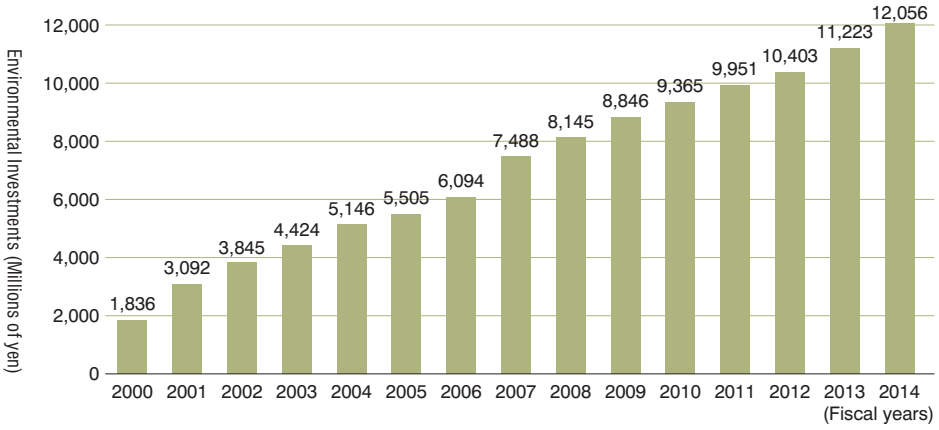
We are constantly investing in safeguarding the environment. Environmental investments totaled around 830 million yen in fiscal 2014. Of this amount, 45.9% was for air quality, 22.4% was for the working environment, 22.1% was for water quality, 6.5% was for noise, and 2.8% was for odors.

Environmental investments have totaled around 12.1 billion yen since fiscal 2000. The greatest spending has been on air quality, at 44% of the total, followed by 22% on water quality, and 16% on the working environment. We will continue to invest extensively to maintain and improve the environment.

■ Environmental Investments in Fiscal 2014



■ Cumulative Environmental Investments



Safeguarding the Environment

Measures to Prevent Global Warming

K KANEKA
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To help prevent global warming, we set up the Earth Environment Subcommittee under the CSR Committee. We established the Energy Officers Conference to work on behalf of the subcommittee to undertake initiatives to conserve energy and cut carbon dioxide emissions intensities. Such initiatives include our proprietary energy-conserving facilities investment promotion scheme.
We employ carbon life-cycle analysis to calculate carbon dioxide emission reduction benefits by quantifiably identifying and assessing carbon dioxide emissions with equivalent products in product life cycles.
We also calculate indirect carbon dioxide emissions (Scope 3) through the supply chain.

Energy Conservation Efforts

K D O

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 2014 was on target, at 86.0, down 3.2% from a year earlier, due to energy-saving activities and increased production volume. However, the five-year average was down 0.7%, which was slightly below target.

Non-consolidated energy consumption (see note 2) increased 0.5% from a year earlier to 451,000 kiloliters.

Initiatives to Cut Carbon Dioxide Emissions Intensities

K D O

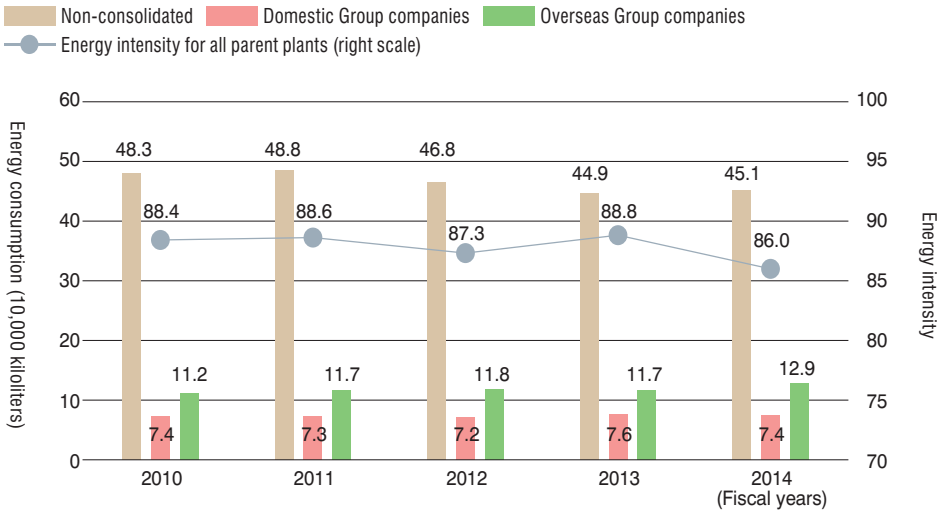
The Kaneka Group strives to reduce carbon dioxide emissions intensities by using the intensity index (see note 3) as a management indicator based on energy consumed during production.

The fiscal 2014 carbon dioxide emissions intensity index target of all parent plants was 78.6, based on a fiscal 2020 target of 74, and we exceeded the target of 78.0.

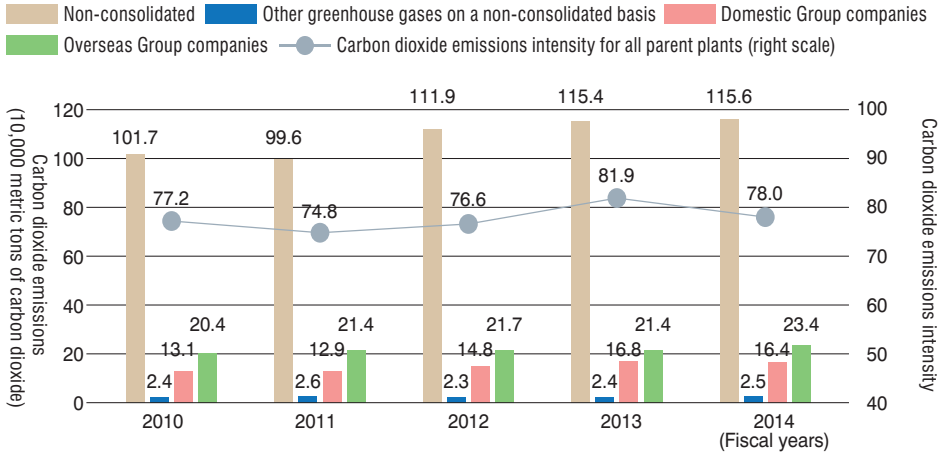
Non-consolidated carbon dioxide emissions (see note 4) rose 0.2% from a year earlier to 1,156,000 metric tons.

The main factor in the increases was expanded production volume.

■ Energy Consumption (Crude Oil Equivalents) and Energy Intensity



■ Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity



Other greenhouse gases on a non-consolidated basis include carbon dioxide, methane, and dinitrogen monoxide from non-energy sources. Emission volumes are calculated in keeping with the Act on Promotion of Global Warming Countermeasures.

Note 1: Energy intensity is a numerical value calculated by dividing the energy consumption at all parent plants for manufacturing by the active mass, and indexing this figure against the baseline year of fiscal 1990 as 100. Active mass is a benchmark of production volume at all parent plants. We have changed the calculation of energy consumption volume to a method based on the Act on the Rational Use of Energy.
Note 2: We have unified the energy consumption volume to the boundary of the Act on the Rational Use of Energy and an action plan formulated by the Japan Chemical Industry Association. We also included facilities other than all parent plants and have switched to total figures for parent Kaneka consumption.
Note 3: The carbon dioxide emissions intensity index is a measure against a fiscal 1990 baseline of 100 divided by the activity amount (which Kaneka calculated as the fiscal 1990 coefficient on a fixed usage basis) by carbon dioxide emissions from energy consumption in production activities. This makes it easier to visualize the impact of the Company's activities. We have set our fiscal 2020 target using this index.
Note 4: Carbon dioxide emissions are calculated in keeping with the Act on Promotion of Global Warming Countermeasures. In this report, we have used real coefficients for the carbon dioxide emissions intensity of purchased electricity and changed to a total figure for individual energy consumption at parent companies.

Safeguarding the Environment

Measures to Prevent Global Warming

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Investments in Energy-Conserving Facilities

K D O

The deployment of ongoing initiatives to reduce energy and carbon dioxide emission intensities by investing in energy conservation facilities under a government promotion system in fiscal 2009 allocated annual budgets of 200 million yen for small and medium-sized initiatives with relatively long-term returns on investment. From fiscal 2014, we have expanded the scope of our approach to activities that prevent global warming, use resources effectively, and reduce environmental impact. These initiatives represent the priorities of Kaneka's environmental management program, which we term an environmental capital investment program. As all three activities help reduce energy and carbon dioxide emissions, we will continue to promote initiatives to reduce energy and carbon dioxide emission intensities by expanding our efforts.

Energy-Saving Logistics Initiatives

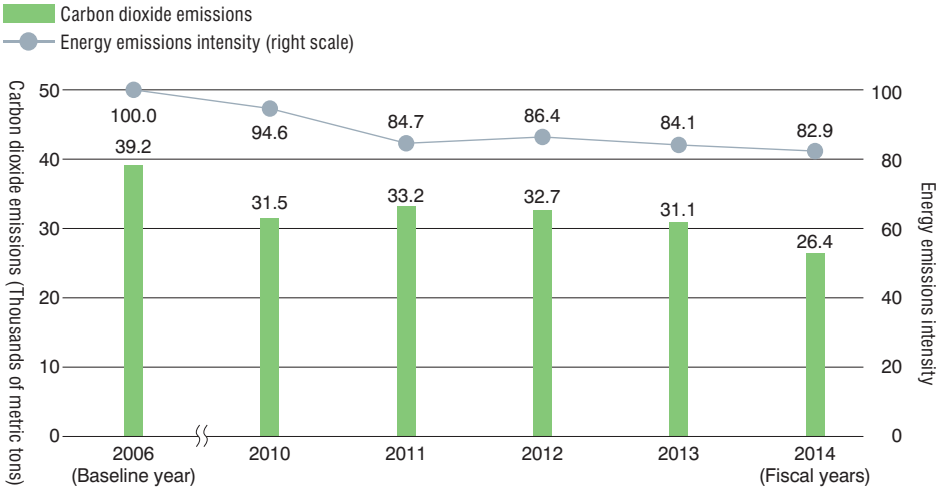
K D O

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 2014, we employed modal shifts and increased cargo load ratios as central to identifying prospective new reductions at each plant. In fiscal 2014, we made a special effort to improve cargo load ratios and used domestic vessels and Japan Railways freight extensively. As a result, our energy intensity declined 1.5% from the previous year. Carbon dioxide emissions also fell 4,700 metric tons to 26,400 metric tons.

■ Results of our Internal Capital Investment Program to Promote Safeguarding of the Environment

Fiscal Years	Investments	Number	Carbon Dioxide Reductions
2010	¥200 million	30	4,109 metric tons of carbon dioxide annually
2011	¥200 million	30	2,027 metric tons of carbon dioxide annually
2012	¥200 million	19	1,929 metric tons of carbon dioxide annually
2013	¥200 million	29	1,993 metric tons of carbon dioxide annually
2014	¥200 million	37	1,644 metric tons of carbon dioxide annually

■ Carbon Dioxide Emissions and Energy Intensity from Logistics



Fiscal 2006 is the baseline year for indexing the logistics energy intensity as 100.

Safeguarding the Environment

Environmental Management Systems and Environmental Efficiency Indices

K KANEKA
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The Kaneka Group maintains environmental systems based on 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

K D O

The Kaneka Group maintains environmental systems based on ISO 14001 and the Eco-Action 21 standards to reduce environmental impact, and prevents or swiftly addresses environmental problems.

Environmental Compliance

K D O

The Kaneka Group checks that it complies with environmental laws and regulations, such as the Air Pollution Control Act and the Water Pollution Control Act, as well as agreed values with local governments and other bodies, by conducting internal ISO 14001 audits and CSR Safety and Quality Inspections and endeavoring to lower environmental risks. In 2014, there were no incidents violating laws and regulations or agreements.

■ 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 15, 2012	97 EMS 002e
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. Aomori Plant	February 2, 2009	0003274
Nagashima Shokuhin Co., Ltd.	November 18, 2008	0003093
Sanwa Kaseikogyo Co., Ltd. (currently Kaneka Foam Plastics Co., Ltd.)	January 16, 2009	0003247
Kaneka Chubu Styrol Co., Ltd.	February 9, 2011	0006600
Tokyo Kaneka Foods Manufacturing Corporation	March 31, 2009	0003473
Taiyo Yushi Corporation	March 31, 2009	0003575
Kaneka Foods Manufacturing 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
OLED Aomori Co., Ltd.	December 8, 2014	0010329

Safeguarding the Environment

Environmental Management Systems and Environmental Efficiency Indices

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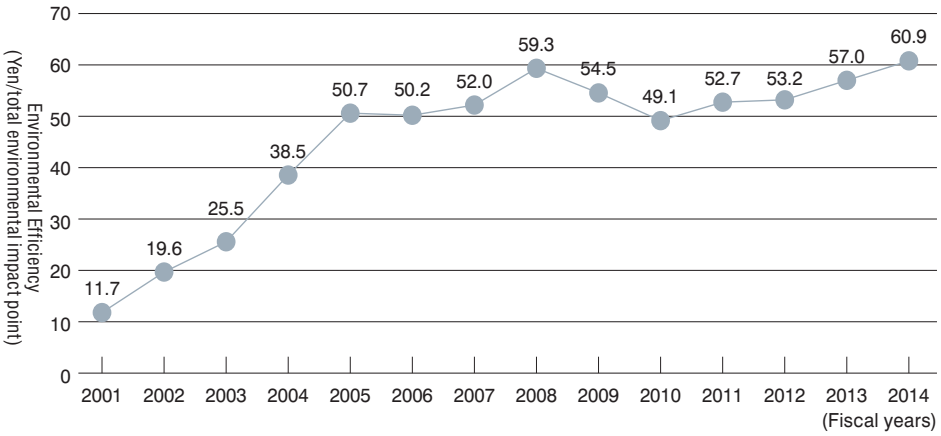
Environmental Efficiency

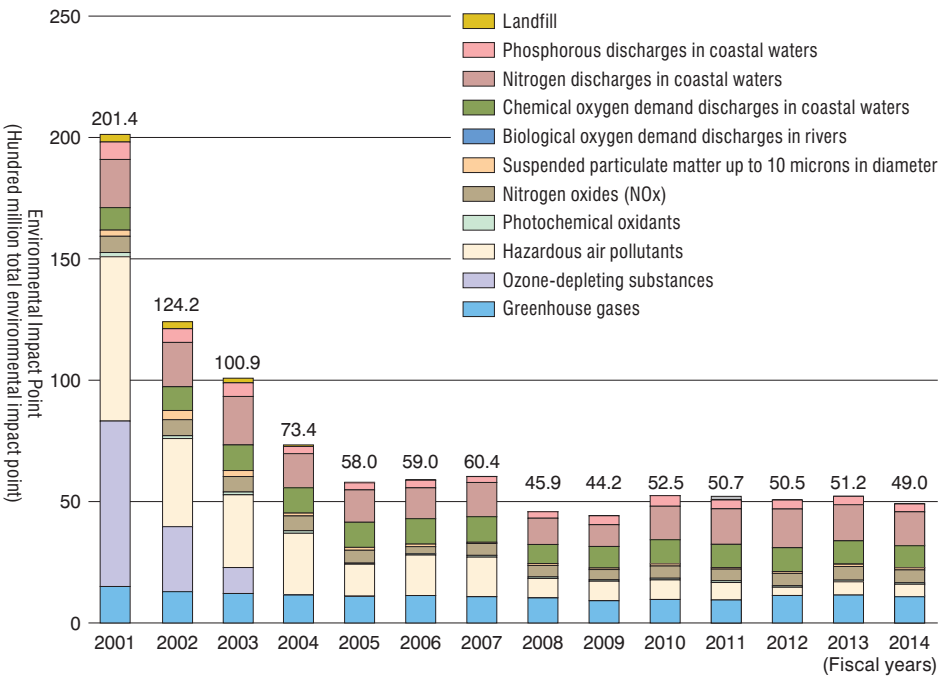
K D O

We use the Japan Environmental Policy Index (see note 1) to rate the impact of our production activities in terms of Environmental Impact Point (EIP). We also use the point to assess environmental efficiency (see note 2). Our total environmental impact in fiscal 2014 was down 4.3% from a year earlier, to 4.9 billion EIPs. Our environmental efficiency improved 6.8%.

■ Environmental Efficiency



■ Environmental Impact Point



CHECK & ACT

The total environmental impact declined owing to lower EIPs from hazardous air pollutants and nitrogen discharges in coastal waters. We will cut environmental impact and improve environmental efficiency by improving facilities to reduce emissions of hazardous air pollutants.

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 Point. 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.

Safeguarding the Environment

Reducing Waste and Preventing Pollution

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

Cutting Industrial Waste and Landfill

K D O

In fiscal 2014, we generated 3.9 metric tons of final landfill or a 0.006% final landfill rate and achieved zero emissions for the ninth consecutive year. During the term, domestic Group companies continued to reduce final landfill by rigorously separating waste, recycling resources, and reviewing waste contractors. As a result, we achieved zero emissions at all consolidated domestic Kaneka companies, including 27 domestic Group companies, for the third consecutive year since fiscal 2012. We will continue striving to cut final disposal amounts.

Properly Disposing of Industrial Waste

K D O

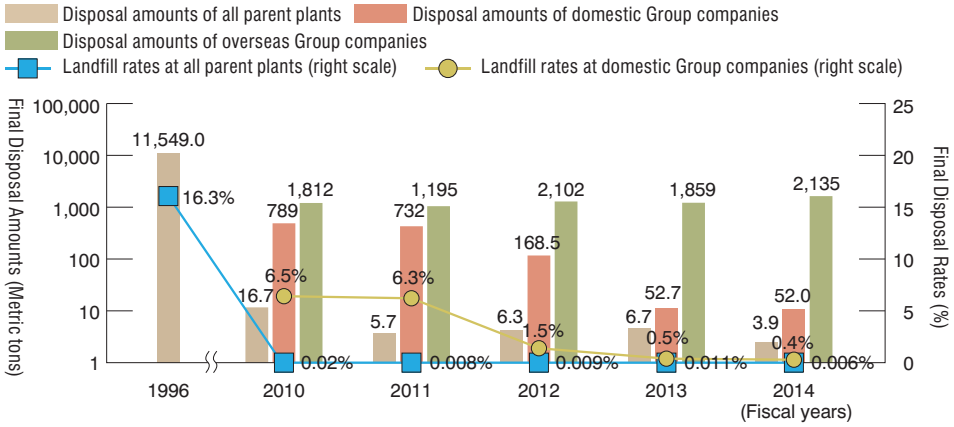
We regularly inspect contractors based on checklists to ensure that they properly process the waste we consign to them.

3R Initiatives

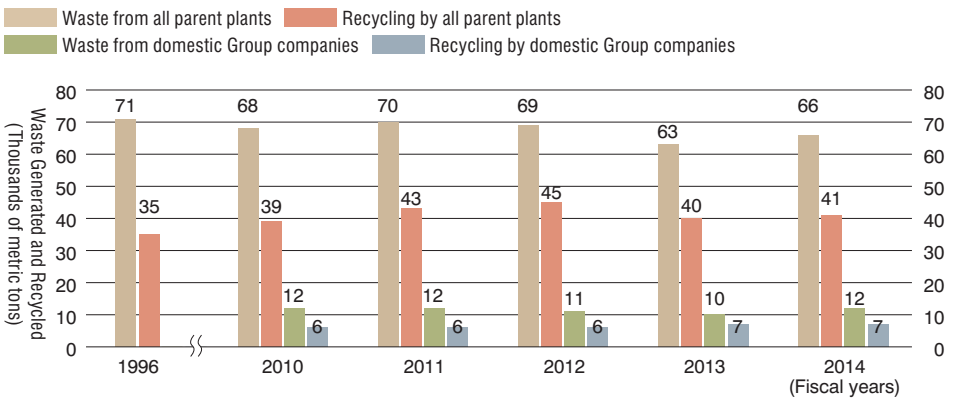
K D O

We endeavor companywide 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. We reduce and recycle waste generated at parent and Group companies mainly by leveraging the 3R activities developed at each production site. We started improvement initiatives involving all employees, including manufacturing and research using material flow cost accounting, from fiscal 2013.

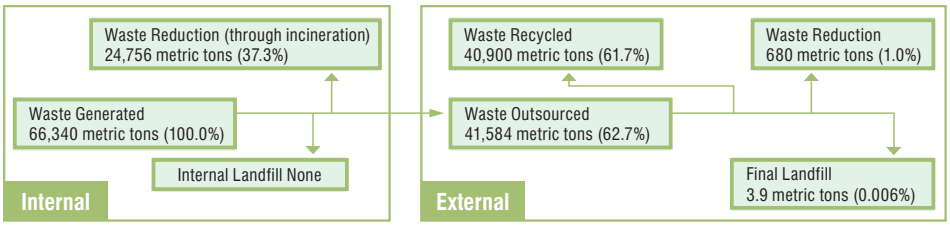
■ Final Disposal Amounts and Landfill Rates



■ Waste Generated and Recycled



■ Industrial Waste and Disposal Methods at All Parent Plants in Fiscal 2014



Note 1: 3R stands for reduce, reuse, and recycle.
Note 2: Kaneka defines zero emissions as a final landfill disposal rate of less than 0.5% of waste generation.

Safeguarding the Environment

Reducing Waste and Preventing Pollution

K KANEKA
D DOMESTICS
O OVERSEAS

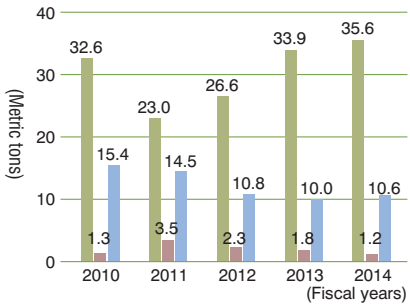
Preventing Air and Water Pollution

K D O

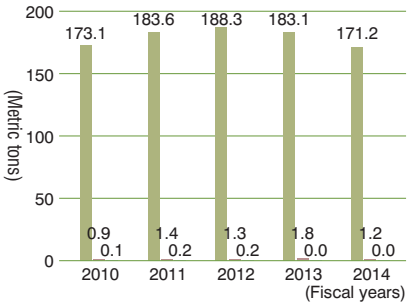
Kaneka complies with environmental laws and regulations, such as the Air Pollution Control Act and Water Pollution Control Act, using values agreed upon by local governments and other bodies. All of our parents plants reduced sulfur oxide and nitrogen oxide emissions from the previous fiscal year. However, soot and dust emissions increased slightly. Environmental impacts on water declined for all items checked.

All parent plants
Domestic Group companies
Overseas Group companies

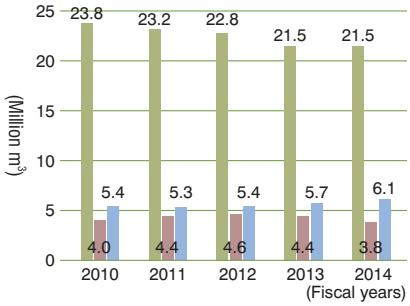
Soot and Dust Emissions



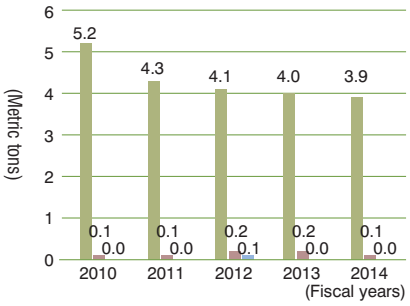
Nitrogen in Wastewater



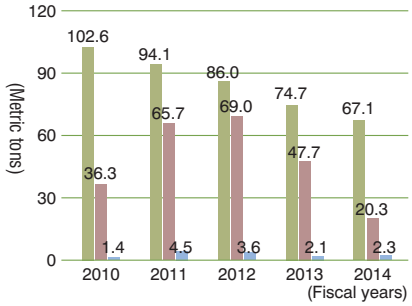
Water Consumption



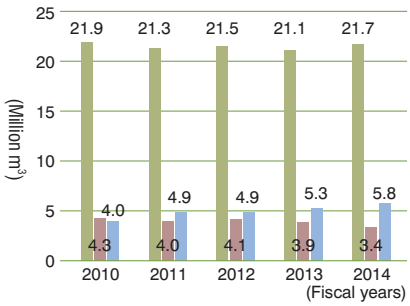
Phosphorous in Wastewater



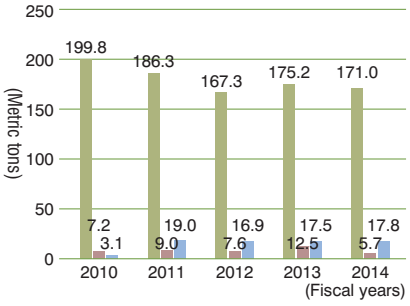
Sulfur Oxide Emissions



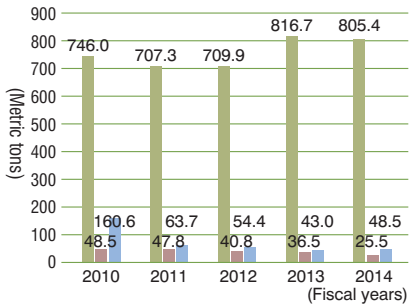
Wastewater Discharges



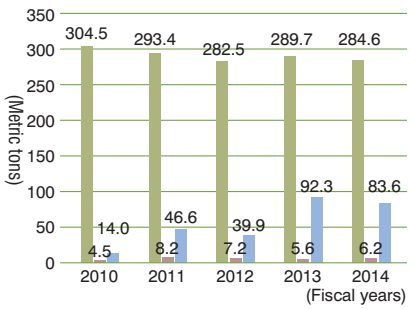
Suspended Solids in Wastewater



Nitrogen Oxide Emissions



Chemical Oxygen Demand in Wastewater



CHECK & ACT

In fiscal 2014, all parent plants recycled 61.7% of waste generated, down 0.7 percentage points from 62.4% in the previous fiscal year. We will continue to recycle waste internally and through our contractors in fiscal 2015. We are endeavoring to promote environmental impact reduction measures for air and water and to reinforce monitoring to ensure swift contingency responses.

Safeguarding the Environment

Cutting Chemical Emissions

K KANEKA
D DOMESTICS
O OVERSEAS

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

Voluntary Plan to Cut Volatile Organic Compound Discharges

K D O

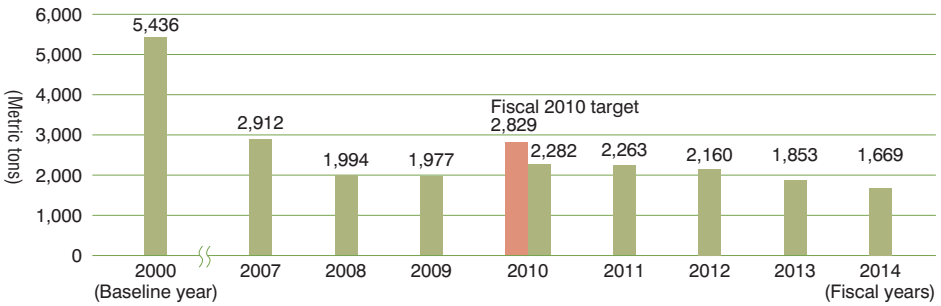
Volatile organic compounds (see note 1) are known causes of photochemical smog. Kaneka endeavors to reduce these emissions. In fiscal 2014, we reduced discharges by 9.9% from a year earlier to 1,669 metric tons. We will continue striving to cut discharges, notably by preventing leaks from facilities.

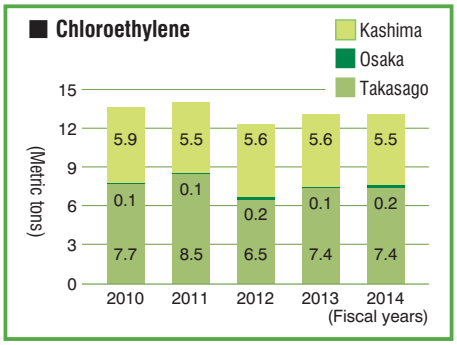
Harmful Atmospheric Pollutants

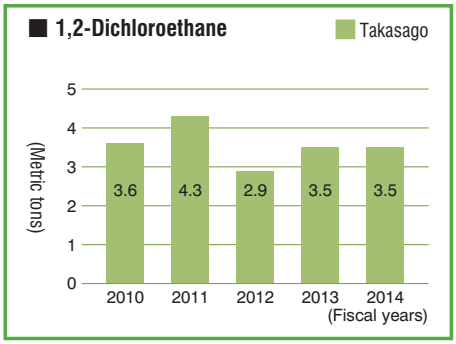
K D O

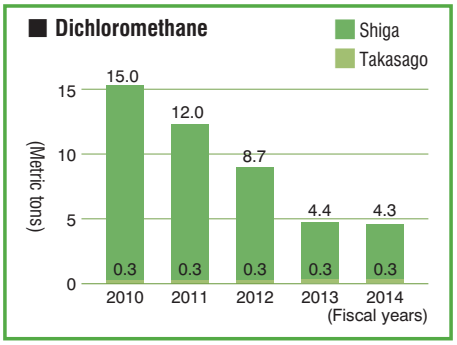
Fiscal 2014 emissions under a plan to voluntarily reduce the discharge of the six substances shown in the graphs decreased by a total of 5.5% from a year earlier, to 24.2 metric tons. We will keep pushing ahead with reduction measures to lower our environmental impact.

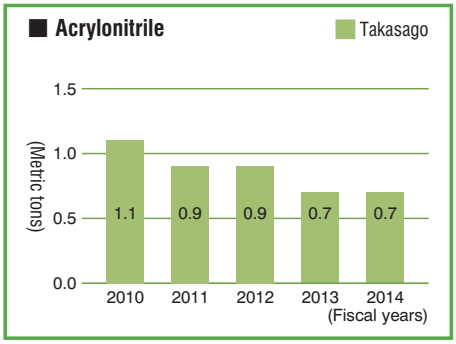
■ Voluntary Plan to Cut Volatile Organic Compound Discharges

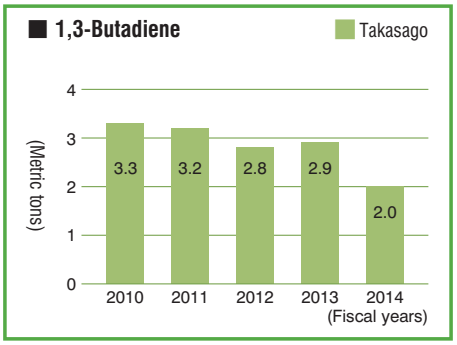


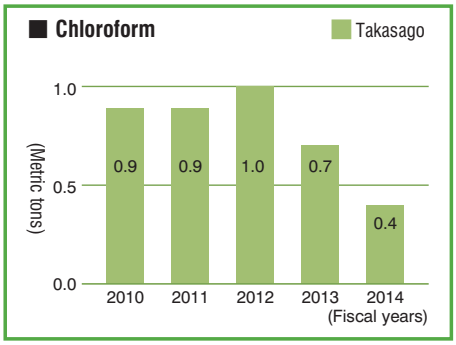












Note 1: Volatile organic compounds readily disperse into the atmosphere and end up as suspended particulate matter or create photochemical oxidants.

Safeguarding the Environment

Cutting Chemical Emissions

K KANEKA
D DOMESTICS
O OVERSEAS

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 2014, total discharges increased approximately 3.8 metric tons from a year earlier, to 77.2 metric tons.

We will continue efforts to cut emissions of chemical substances by implementing emission control measures focused on substances with large emission volumes.

■ Fiscal 2014 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law

(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 2013	Total
Large Discharges of 10 Substances	94	Chloroethylene (PVC)	13,060	110	0	0	13,170	13,198	940
	392	Normal hexane	10,400	0	0	0	10,400	6,980	99,821
	275	Sodium dodecyl sulfate	0	8,700	0	0	8,700	8,500	0
	240	Styrene	6,779	38	0	0	6,817	5,943	2,800
	420	Methyl methacrylate	5,100	3	0	0	5,103	4,927	8
	232	N,N-dimethylformamide	3,700	970	0	0	4,670	5,430	330,000
	186	Dichloromethane (methylene chloride)	4,617	0	0	0	4,617	4,688	77,370
	7	Acrylic acid Butyl	3,870	0	0	0	3,870	3,004	2,966
	157	1,2-dichloroethane	3,500	0	0	0	3,500	3,500	0
	134	Vinyl acetate	2,960	0	0	0	2,960	2,570	920
Total Apart from the 10 Substances Above			7,869	5,546	0	0	13,415	14,721	75,719
Grand Total for All Substances			61,855	15,367	0	0	77,222	73,461	590,545

Kaneka handles 63 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

■ Fiscal 2014 Domestic Group Company Discharges and Transfers of Chemical Substances Subject to the Pollutant Release and Transfer Register Law

(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 2013	Total
Large Discharges of 10 Substances	300	Toluene	21,898	0	0	0	21,898	29,356	428,350
	232	N,N-dimethylformamide	21,040	0	0	0	21,040	32,640	2,000
	186	Dichloromethane (methylene chloride)	12,386	0	0	0	12,386	10,995	222,000
	80	Xylene	4,800	0	0	0	4,800	5,840	10,640
	392	Normal hexane	2,300	0	0	0	2,300	1,600	3,900
	53	Ethylbenzene	1,700	0	0	0	1,700	1,740	3,440
	127	Chloroform	640	0	0	0	640	500	7,350
	56	Ethylene oxide	630	0	0	0	630	-	630
	213	N,N-dimethylacetamide	160	0	0	0	160	-	160
	355	Bis(2-ethylhexyl) phthalate	61	59	0	0	120	127	580
Total Apart from the 10 Substances Above			0	1	0	0	1	2	28,497
Grand Total for All Substances			65,615	60	0	0	65,675	82,800	739,577

Kaneka's domestic Group companies handle 25 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

CHECK & ACT

Kaneka's total discharges in fiscal 2014 were approximately 77.2 metric tons, which was up around 3.8 metric tons from a year earlier. The key factor in this rise was an increase in normal hexane discharges. Domestic Group company discharges were approximately 65.7 metric tons, which was 17.1 metric tons down from a year earlier, partly because of reduced production volume.

Safeguarding the Environment

Initiatives in Biodiversity

K KANEKA
D DOMESTICS
O OVERSEAS

**Kaneka closely monitors the impact of its corporate activities on ecosystems.
While providing technologies, materials, and products that reduce environmental impact,
we also endeavor to reduce impacts from production.
As a part of our social contribution efforts,
we collaborate and support diverse external biodiversity initiatives.
Here, we introduce some of these initiatives.**

Participation in and Support for Biodiversity Initiatives

Kaneka participates in the following activities.

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

Enabling the Public to Watch Fireflies at Settsu-no-mori Kaneka Biotope (see note 1)

K D O

Since 2013, we have operated the Settsu-no-mori Kaneka Biotope on the premises of the Osaka Plant. It is possible to watch fireflies and other natural life at this watery biotope. The biotope is located in a natural area on the Osaka Plant premises. It is leased by Settsu City and managed in collaboration with the Settsu Firefly Research Society.

On May 31, 2014, we held a firefly-watching event to view the larva that we released in fall 2013 emerge.

About 150 people, mainly from neighborhood families, gathered for the event. They celebrated the first fireflies emerging and cheered at the glowing scene.

We opened the biotope to the public during the evenings of June 1 to 8 for firefly watching. We hope that the biotope remains an attraction for the public in the years ahead.

Unveiling the wooden entrance to the biotope

A glowing firefly

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.

We held a sixth training session in November 2014. A total of 50 people gathered to engage in afforestation. Before these activities, representatives of the town of Taka municipal office lectured participants and granted a carbon sink certificate for contributions to protecting the village forest.

Since 2013, we have used afforestation activities as a part of joint new employee training for high school, vocational high school, and university graduates. Their teams trim and transport trees in mountainous areas where the footing is poor, enhance solidarity and deepen interpersonal ties.

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

Team thinning the forest

Putting in a tremendous effort

Walnut School Participation for Lake Biwa

K D O

The Shiga Plant participates in the management committee of Walnut School, established to preserve the Konooka Biotope adjacent to the plant.

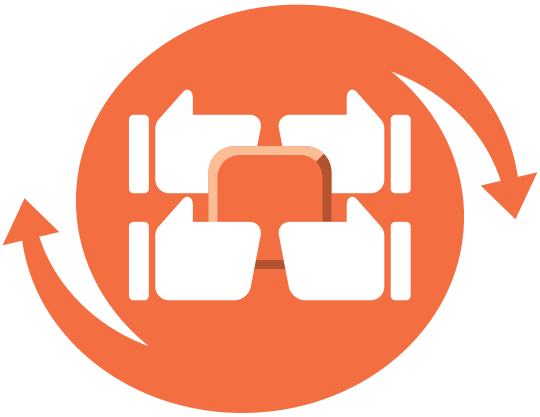
To preserve this valuable natural area for generations to come, Shiga Prefecture, Otsu City, and the local community, including Shiga Plant, launched the Walnut School to conduct regular preservation activities and seasonal nature walks four times a year. The walk is an important vehicle for teaching children about the value of biotopes through observation of rare plants, wild birds, insects, and other living things.

We will continue to help preserving the natural environment of beautiful Lake Biwa.

Walnut School

Many children participating in activities

Note 1: Biotope is a compound of the Greek words "bio" and "topos", which mean "living thing" and "place". The concept was introduced to Japan from Germany to recreate natural habitats.



Benefiting Customers

**We could not exist without customers.
We serve them by not only providing quality products and services but also ensuring that our offerings are safe and disclosing information.**

38

Divisions and Group Companies

(The number of ISO 9001-certified Kaneka divisions and Group companies)

Group divisions and companies obtain certification under ISO 9001, an international standard for quality management, to improve customer satisfaction with their products and services.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item		Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Customer Satisfaction (ensuring quality and product safety)	Quality Management	•Build awareness of the Quality Management Rules and Change Management Standards. •Prepare other guidelines and standards (including design reviews).	•Provided information about Quality Management Rules and Change Management Standards. •Laid down technological transfer and design review guidelines.	○
	Chemical Substance Management	•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.	•Notified inventories of existing chemical substances in Taiwan and collected information on chemical substance management laws in Taiwan and South Korea for sharing in-house. •Operated a database that centralizes the management of chemical substances used.	○

Introducing the Food Defense Program to Improve Customer Satisfaction

Customer interest in food safety and security has grown in response to food tampering incidents. In January 2014, the Kaneka Foods group accordingly introduced its Food Defense Program.

Strengthening Food Quality Management Systems with the Food Defense Program

K D O

Companies in the Kaneka Foods group produce and sell such offerings as margarine, bakery yeasts, cocoa butter substitutes, and spices, accounting for about 25% of consolidated net sales. The Foods Division bases its quality policy on the notion that foodstuff quality assurance is not just an issue for plants and quality management departments, but also one for all team members, including those in sales, storage, and transportation. We accordingly undertake a Plan-Do-Check-Act cycle for quality management systems (shown in the illustration).

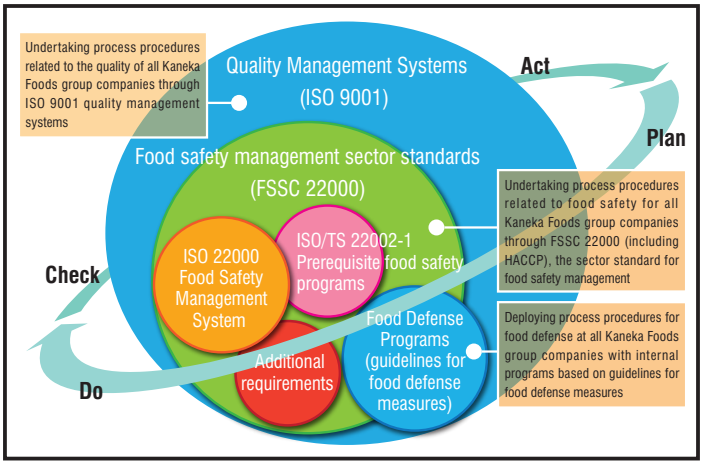
Quality management system initiatives by Kaneka Foods group companies started with deploying the AIB International Consolidated Standards for Inspection to ensure healthy and safe foodstuffs, encompassing the Hazard Analysis and Critical Control Point (HACCP; see note 1) program initiated in 2002.

Since then efforts have expanded to include AIB under the ISO 9001 quality management system and Food Safety System Certification (FSSC) 22000, the sector standard for food safety management. In 2014, we embarked on efforts to deploy food defense programs.

This concept emerged in the food industry after the 9/11 terrorist attacks in the United States raised concerns about the potential for food chain attacks that could greatly harm people's health. Another factor was that in Japan, more companies have deployed defense plans in response to food tampering incidents. Kaneka Foods group companies formulated their own food defense programs under guidance from Professor Emiko Araki (currently a visiting professor) at Tokai University and in keeping with programs prepared by the U.S. Food and Drug Administration. In April 2015, we started deployment and operational preparations that include vulnerability assessments and the installation of quality assurance cameras (see note 2).

We endeavor to enhance customer satisfaction with the reliability of our products by running our programs and implementing a series of quality management systems.

■ Quality Management Systems of Kaneka Foods Group Companies



Kozo Yamashita
Head of Quality Assurance Group, Foods Division (left)
Shinichi Matsumoto
Manager, Quality Assurance Group, Foods Division (right)

Stakeholder Feedback

Anticipating Positive Results through Introduction of Food Defense Programs

Professor **Emiko Araki** (visiting professor)
Department of Fisheries,
School of Marine Science and Technology,
Tokai University,
and Academic Advisor for the Japan Food Hygiene Association

Japan lags behind the world in food defense initiatives. Thus, I think that Kaneka has quickly risen to the challenge in light of the situation. The company has swiftly responded to my advice and suggestions by improving its programs and other initiatives.

I believe that food defense ought to incorporate the concept of risk management. Properly controlling such risks would be beneficial. For example, installing quality assurance cameras would enhance employee awareness and reduce the potential for customer complaints, thereby enhancing trust in the Kaneka brand.

Note 1: The Hazard Analysis and Critical Control Point (HACCP) is a hygiene control method to secure the safety of products. Step-by-step procedures under this method encompass a prospective analysis of risk factors, such as microbial contamination that could happen at any stage of the food manufacturing and processing processes, drawing on the results of analysis to determine management priorities to ensure product safety through certain countermeasures at identified stages throughout the manufacturing process, followed by constant monitoring.
Note 2: Kaneka installs quality assurance cameras at production sites to monitor and protect employees and the organization itself by ensuring that it maintains quality.

Benefiting Customers

Quality Management Initiatives
(Product Safety and Quality Assurance)

K KANEKA
D DOMESTICS
O OVERSEAS

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

K D O

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 2014, we:

- Ensured that the Quality Management Rules and formulated Change Management Standards became widely known.
- Formulated technological transfer and design review guidelines, incorporating the perspectives of safety, the environment, and quality.
- Constructed quality management systems to accommodate new business domains.
- Used external expert guidance and training and constructed food defense systems.
- Endeavored to improve the capabilities of each employee by creating quality educational tools and databases, sending employees to external seminars, and having external experts lecture at in-house seminars.

Product Safety Review Conference

K D O

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

In fiscal 2014, the Product Safety Review Conference Secretariat conducted extensive consultations to ensure timely and speedy responses to such reviews.

We also sought support from outside product experts in everything from reviews through to the early development stages.

Audits and Inspections

K D O

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 the standards.

In fiscal 2014, we reinforced our CSR Quality and Safety Inspections framework by:

- Including external experts in functional food inspections.
- Expanding quantitative assessments to clarify strengths and weaknesses of CSR activities started in fiscal 2013, encompassing all plants, including those of Group companies.

Chemical Substance Management

K D O

With international chemical substance management legislation becoming stricter, we comply fully with domestic and overseas regulations. We also engage in efforts to provide information on chemical substances. These include labeling based on the Globally Harmonized System of Classification and Labeling of Chemicals and using Safety Data Sheet to encourage the proper handling of our products.

We built and inaugurated a chemical substances management database to centralize companywide oversight.

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.

CHECK & ACT

Based on Product Safety Subcommittee reviews, we engage in daily management improvements, which underpin the expansion of our operations and business categories.
We secure the human resources and systems necessary for these activities as part of our efforts to prevent significant quality complaints and quality problems.

Benefiting Customers

Quality Management Initiatives

(Product Safety and Quality Assurance)

K KANEKA
D DOMESTICS
O OVERSEAS

■ 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.	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 Takasago Plant Foods Manufacturing Department Kaneka Foods Manufacturing Corporation Tokyo Kaneka Foods Manufacturing 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, butter cream, chocolate, frozen dough, cheese, cooking fillings, prepared foods, yeast, and yeast cultures	JQA / JQA-QMA10274
Kaneka Foods Corporation	Purchase, design, sales, technological services, and quality assurance for processed foods and raw materials	
NJF Co., Ltd.	Production instruction of processing contractors	
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	BVJ / 3167872
Kaneka Hokkaido Styrol Co., Ltd.	Polystyrene foam molded products for engineering and construction	LRQA / YKA 4002793/J
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 Apical Malaysia Sdn. Bhd.	Ultra-heat-resistant polyimide films (Apical) High thermal-conductive graphite sheet (Graphinity)	SIRIM QAS / AR6269 SIRIM QAS / AR6270
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.	Products and services for research and development in Life Sciences	LNE/G-MED / 17586
AnaSpec Inc.	Peptides, antibodies, synthetic resins, amino acids, and reagents for research	SQA / 09.357.1

Benefiting Customers

Quality Management Initiatives

(Product Safety and Quality Assurance)

K KANEKA
D DOMESTICS
O OVERSEAS

■ 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 14 05 24736 040
Kaneka Pharma Vietnam Co., Ltd.	Catheters (parts)	
RIVER Co., Ltd.	Endoscopic instruments	TÜV SÜD / Q1N 14 06 84323 004
Eurogentec S.A.	*In vitro* diagnostic oligonucleotides	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
Kaneka Sun Spice Corporation	Spices and secondary processed products incorporating spices	JQA / JQA-FS0123
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	Intertek(UK) / 38191405003

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 Foods Manufacturing Department	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, concentrated milk products, and yeast	JQA / JQA-FC0047-1
Kaneka Foods Manufacturing Corporation	Margarine, flour paste, buttercream, cheese, and fermented milk products	JQA / JQA-FC0047-2
Tokyo Kaneka Foods Manufacturing Corporation	Margarine, shortening, flour paste, buttercream, 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.

■ ISO 22716 (see note 4) Certification of Group Companies

Group Company	Main Products	Registry Organization and Number
Taiyo Yushi Corporation	Shampoos, conditioners, body soaps, and hand creams	BVJ / 3209543

Note 4: ISO 22716 is the Good Manufacturing Practices standard for cosmetics.

Working with Business Partners

**These raw materials suppliers and contractors are equal partners in a common quest for growth.
We strive for mutual prosperity by dealing fairly with vendors and offering them fair business opportunities.**

80%
(Improvements made for locations deemed unsafe at the Osaka Plant)

As a part of efforts to bolster distribution safety,
the Osaka Plant identifies unsafe locations during load handling and explores improvements.
In fiscal 2014, the plant improved safety at 45 of 56 locations deemed unsafe,
for an improvement rate of 80%.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item		Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Proper Procurement	Green Procurement	•Enhance and thoroughly undertake activities based on the Green Procurement Standards and expand efforts among Group companies. •Start looking into stepping up CSR procurement.	•Investigated 18 types of imported raw materials and confirmed non-contamination with prohibited substances. •Reviewed the substance list of Green Procurement Standards four times in line with revised laws.	○
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.	•The Takasago Plant collaborated with transportation companies to patrol sites to check that people were carrying their Yellow Cards, while the Osaka Plant identified unsafe locations during cargo handling and examined improvements. •Together with transportation companies conducted legal compliance checks and voluntary inspections on mobile tanks.	○
		•Continue holding emergency response drills for transportation.	•In collaboration with transportation companies, the Kashima Plant checked and reconfirmed emergency contact networks. The Takasago Plant held transportation danger detection training.	○

Working with Business Partners

K KANEKA
D DOMESTICS
O OVERSEAS

Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities

We draw on our Basic Procurement Policy to engage in rational procurement activities that are fair, equitable, and environmentally friendly to mutually improve corporate value 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 our commitment to reducing environmental impact through green procurement.

Based on the Green Procurement Standards formulated in fiscal 2013, we inform related business units of our green procurement practices. We also set up systems while checking the progress of business partners in obtaining environmental management systems certification, and endeavor to prevent raw materials contamination from prohibited substances.

Procurement Initiatives

K D O

The Procurement Department coordinates closely with business partners to reinforce ties with them.

The goal is to create value from the perspectives of both Kaneka and such partners in a fast-changing market climate and mutually improve each other's businesses.

In keeping with our Green Procurement Standards, we endeavor to keep track of the environmental activities of our business partners. We are looking to use our website to disseminate information to these partners on our activities and our stance on green procurement to drive such procurement forward.

■ 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

In fiscal 2014, Kaneka formulated annual plans and collaborated with transportation companies to patrol sites to check that workers carry their Yellow Cards, identifying and addressing dangerous transportation points at work sites, and providing education on safe driving awareness by presenting occupational and other accident case studies. We took steps to prevent accidents from escalating by maintaining proper emergency response procedures and ensuring prompt reporting. Measures included checking compliance with legally required inspections of mobile tanks, emergency-reporting drills based on transportation problem scenarios, and emergency response drills for products incorporating hazardous substances.

A major field drill

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

CHECK & ACT

Based on the Green Procurement Standards formulated in fiscal 2013, the Kaneka Group commenced efforts in fiscal 2014 to check for contamination of any new raw materials and some existing imported materials by prohibited substances. From fiscal 2015, we will prioritize and expand this process to all existing materials.

Serving Shareholders and Investors

**They recognize the value of our corporate brand and own our shares.
We must offer suitable returns while ensuring timely disclosure to build trust.**

29.9 %

(Consolidated payout ratio for the period ended March 31, 2015)

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, our financial position, and stock repurchases.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item	Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Timely and Appropriate Disclosure	•Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.	•Issued business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.	○

Building Trusting Relationships with Shareholders and Investors and Sharing Kaneka's Brand Direction

From fiscal 2015, Kaneka will step up its investor relations efforts as part of its CSR program. We will endeavor to optimize disclosure of both financial and non-financial information.

Turning a Changing Investment Environment into an Opportunity to Foster Understanding of the Kaneka Group

K D O

We responded to changing perspectives among institutional investors and analysts with whom we have engaged in investor relationship activities in recent years by transferring the IR Department from the Accounting Department to the new established CSR Division on April 1, 2015.

We concluded that it would be difficult to position Kaneka as an investment target based solely on prevailing results, as we engage in various fields. These include chemicals, functional plastics, expandable plastics and products, foodstuffs products, life science products, electronic products, and synthetic fibers. While gaining understanding of our focus on the strategic domains of health care, the environment & energy, food production support, and information & communications, we would sometimes also face questions about how long we would retain unprofitable operations. Some understood that we would not immediately discard operations solely on the basis of losses and that we have underlying resources.

Kaneka has deepened communications with institutional investors and analysts through financial result announcements, press conferences, individual meetings, and other vehicles. In recent years, we have encountered more questions about the potential and risks of new businesses and our business strategy, in addition to questions relating to prevailing financial figures, such as year-on-year growth and major products and markets. This indicates that more people are considering investments from medium- and long-term perspectives.

We have accordingly responded to such a change in perspectives by having general managers conduct business orientations and holding plant tours to increase understanding of the Kaneka Group. We will continue to share our brand direction with institutional investors and analysts.

We exhibited and profiled our products at an investor relations briefing in May 2015

Our investor relations website provides timely and appropriate corporate information

Semiannual business reports to Japanese shareholders and the English language annual report

Employee Feedback

Building Relationships of Trust with Investors

Takeji Kobuki
Head,
Investor Relations Department,
CSR Division

Kaneka's investor relations program targets institutional investors, analysts, and other stakeholders. While institutional investors consider the value of holding or increasing their holdings of shares over the long-term, analysts seek information so they can appropriately evaluate the stock. Regardless of such different stances, these stakeholders all seek corporate honesty. As representatives of Kaneka's investor relations program, we must disclose information honestly from the perspectives of investors and engage in transactions based upon trust to be able to ask investors to purchase and retain our shares.

Serving Shareholders and Investors

Dividend Policy and Disclosure

K KANEKA
D DOMESTICS
O OVERSEAS

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

As of March 31, 2015, Kaneka had 350 million shares issued and outstanding and 18,197 shareholders. Domestic financial institutions accounted for 48.8% of the total, with foreign companies owning 25.5%, individuals representing 16.8%, 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, 2015 was 29.9%.

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

■ Shareholder Composition

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.

Disclosure and Investor Relations

K D O

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

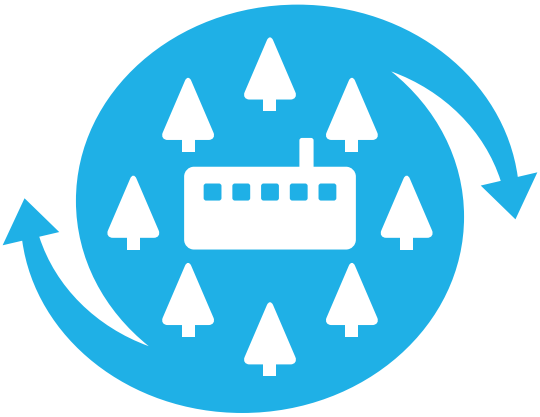
We conduct briefings after announcing annual and quarterly results, with the president or relevant director providing explanations.

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

Annual Report 2014

CHECK & ACT

In fiscal 2015, we will continue to build on our fiscal 2014 efforts to ensure proper disclosure to shareholders and investors.



Fulfilling Our Social Responsibilities

We can boost enterprise value by fulfilling our responsibilities to citizens and consumers. Our efforts extend from contributions to society and welfare and community engagement to ensuring that our plants operate safely. We also address social demands.

5,200

(The number of participants in night-time emergency drills)

While continuing to implement evacuation, reporting, and firefighting drills, Group companies conducted night-time business continuity drills during fiscal 2014.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item	Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Improving Communication with Society	•Issue a CSR report and post it on our website. •Continue to engage in stakeholder dialogue. •Continue to stage youth events.	•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.	•Issued site reports for all parent plants and posted them on our website.	○
Reinforcing Process Safety and Disaster Prevention	•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.	•The Kashima Plant implemented process safety assessments to identify strengths and weaknesses. •Commenced risk assessments of self-degradability and incompatibility when handling chemical substances. •Conducted safety checks for powder dust explosions, static ignition, and other risks. •There were two fires at the Osaka Plant.	×

Fostering Youth

Kaneka does much to foster youth in the communities in which it operates and throughout society. In fiscal 2014, we took part in the second Children's Chemistry Show in western Japan. Core-Net, a non-profit 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 Osaka

K D O

The Dream Chemistry 21 Committee sponsored the Children's Chemistry Show in Osaka at the Kyocera Dome Osaka on October 18 and 19, 2014. The event celebrated the new Chemistry Day, held on October 23 to commemorate the Avogadro constant (see note 1), and the Chemistry Week, during which includes this day falls. This was the second time for the show to be held in the Kansai region in 2014, with the first show held in Kobe in January.

Approximately 5,700 people visited the venue during the two-day event. About 330 children visited the Kaneka booth to learn how to make erasers.

The children were given 25 minutes each to experiment with creating their own erasers in three different colors. They and their parents greatly enjoyed the experiment, drawing on some assistance from staff.

We are keen for children to understand the power of science by experiencing the joy of chemistry.

We look forward to contributing further to communities by participating in another Children's Chemistry Show in western Japan in fiscal 2015.

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.

Following on from 2013, we again conducted Kaneka Manufacturing Class activities. We held two classes in which elementary school students assembled scroller kits. One was in October 2014 for about 70 students in the sixth grade at Takasago Elementary School, near the Takasago Plant. The other was in December of the same year for around 80 students in the sixth grade at Torikai Nishi Elementary School near the Osaka Plant.

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 2015, 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

Note 1: The Avogadro constant is the number of constituent particles (molecules, atoms, ions, etc.), or moles in a substance. It is named after Italian chemist Amedeo Avogadro.

On Track to Recovery Four Years after the Great East Japan Earthquake

Four years after the Great East Japan Earthquake, people in the devastated areas are leveraging various initiatives in the recovery effort. The Kaneka Group rebuilt the tsunami-damaged plant of Kanae Co., Ltd., and donated money to Kesennuma City in Miyagi Prefecture, where the plant is located, as part of ongoing support for local employment and a recovery of the local fisheries industry.

Rebuilding the Only Local Plant Making Foam Fish Containers

K D O

Group company Kanae Co., Ltd. manufactures polystyrene foam molded products in Kesennuma, Miyagi Prefecture. This is the only plant that makes polystyrene foam fish containers in the Kesennuma, Ofunato, and Shizugawa areas. The plant's advantage is that it is located near its markets. A tsunami washed away the plant following the Great East Japan Earthquake, shutting down its operations.

Fish containers are essential in the area, where fishing is the main industry. While Kanae was shut down, Hane Co., Ltd., another Group company, arranged to deliver products from far away. The Kaneka Group spent 600 million yen, which included a public subsidy, to rebuild the plant to stabilize fish container production and ensure speedy distribution. The facility reopened in June 2013. It has boosted its production volume while increasing the number of employees as the area has recovered.

Hiroshi Konno, the plant manager at Kanae, says that, "Local fisheries companies have been very grateful that we reconstructed our plant locally. Our shipments are less than half the levels of before the earthquake, and we only have around half the number of employees. Although our business scale has diminished, we are sensing that the local economy is recovering, because our shipments are increasing with the reconstruction of the fish processing plant and other local businesses. We are looking to hire more employees, and aim to supply high-quality products at low costs."

Hiroshi Konno
Plant Manager,
Kanae Co., Ltd.

Kanae's shipments are growing as more local fish processing plants are rebuilt

Kanae offers extensive safety measures and human resource training, as it has hired many employees since the earthquake

Contributing to Industry and Employment in Kesennuma City

K D O

In April 2014, the Kaneka Group donated 12,700,000 yen to Kesennuma City, where Kanae is based, one of the areas devastated by the Great East Japan Earthquake. The city is using the donations to run the Kesennuma Marine Resource Application Study Group.

The group was established in November 2013 to help drive the recovery of the city through its creative industry. The organization believes that the area will recover only when it resolves the issues that it faced before the disaster, including a declining population and outflow of young people. The organization therefore aims to create advanced, highly profitable industries that attract young people by incorporating knowledge through collaboration between government, industry, and academia.

Hisashi Ishiwata, vice chairman of the Kesennuma Marine Resource Application Study Group says that, "As well as the enthusiasm of participants, we need funds to rollout activities smoothly. The donations we received from many companies have enabled us to move swiftly to the next level. We aim to assist people awaiting the city's recovery by creating brand new businesses by efficiently leveraging the resources of Kesennuma."

The Kaneka Group will continue to support disaster-affected areas.

Hisashi Ishiwata
Vice Chairman,
Kesennuma
Marine Resource
Application Study
Group

Effective use of resources from Kesennuma City includes sea squirt seasoning and cosmetics incorporating shark collagen (see note 1). The *kesemo* brand name means "more from Kesennuma," reflecting the commitment to providing highly functional, value-added products

Presale of products at Maru-Cube in the Marunouchi Building, Tokyo, on March 5 and 6

Note 1: If you are interested in products from the Kesennuma Marine Resource Application Study Group, please visit the following site:
http://kesemo.com/

Reinforcing Crisis Management Encompassing Support for Wide-Area Disaster and Business Continuity

**In light of its experience following the Great East Japan Earthquake, the Kaneka Group has increased its ability to tackle disasters by regularly conducting disaster drills and educational activities.
At the same time, we are providing disaster recovery support, and will continue to engage in diverse support initiatives.**

Reinforcing Crisis Management to Maintain Business Continuity

K D O

Based on its experience from the Great East Japan Earthquake, the Kaneka Group prepares standards and manuals for initial responses and business continuity.

In 2014, we held night-time disaster drills at six Kaneka sites and one sales office, at 13 Group companies for a total of 5,200 participants. The drills covered providing information about the extent of and responses to damage and using a safety confirmation system to ensure the welfare of employees.

We held a crisis management seminar for more than 100 parent company employees that covered basic knowledge about earthquakes and tsunamis and reviewed regional earthquake risks and projected damage.

In keeping with activities in fiscal 2014, we will continue to conduct regular business continuity drills and educational activities.

A key speaker at the seminar

Six parent company sites used teleconferencing systems to allow many employees to participate in the seminar

Support following Landslide in Hiroshima

K D O

We provided the following aid through Japan Platform, a certified non-profit organization, to aid recovery from a massive landslide in August 2014 in Hiroshima's Asaminami and Asakita wards:

- 50 pairs of long steel-capped boots from the PVC & Chemicals Division
- 100 tarpaulins (3.6 x 5.4 square meters) from Kaneka Kentec Co., Ltd.

The Hiroshima City Council of Social Welfare presented us with a letter of appreciation for our support.

We will continue providing support to disaster-stricken areas.

感謝状

Letter of appreciation from the Hiroshima City Council of Social Welfare

Stakeholder Dialogues

Business Sites Engaging with Municipal Governments

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 fifth stakeholder dialogues were with officials from Otsu, Shiga Prefecture, which is home to the Shiga Plant.

Fifth Stakeholder Dialogue

K D O

In February 2015, we conducted our fifth 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 2014, which we issued in July 2014.

Dates and Locations
February 6, 2015 at Kaneka Shiga Plant

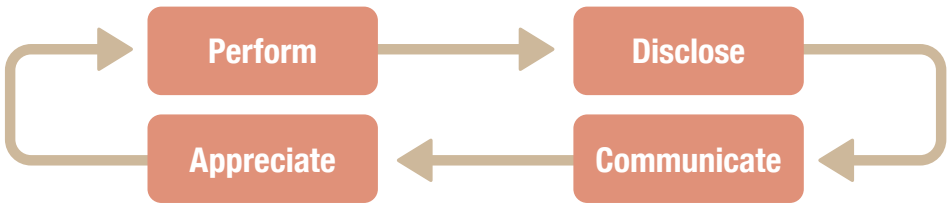
Topics
1. The Kaneka's corporate approach, including CSR activities based on core business activities and TV commercials to raise awareness
2. Disclosure and environmental initiatives to enhance community trust

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

Fifth Stakeholder Dialogue

February 6, 2015 at Kaneka Shiga Plant

Participating Otsu Municipal Government officials

Satoshi Inoue
Industry and Tourism Director

Ryuhei Ueno
Environment Director

Hiroyuki Nakano
Policy Coordination Director

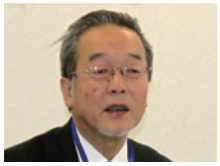
Hitoshi Hibi
Citizen Director

Masahiko Tanaka
Education Deputy Director

Kaneka Participants

Shuji Nozawa
Group Leader, Management Group, Shiga Plant

Hisashi Okuno
Team Leader, Management Group, Shiga Plant



Yasuharu Horiuchi
Director, Administration Office CSR Committee (at that time)

Kiyotaka Kondo
Officer, Administration Office CSR Committee

Topic 1

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

Opinions of Otsu Municipal Government Officials	Kaneka's Responses
○ Reading the CSR report reacquainted me with how extensive Kaneka's businesses are. I think that CSR activities are an effective tool for business-to-business companies. Incidentally some local governments use CSR as an acronym for "City Social Responsibility." I think that Kaneka's tag line of "Leveraging science to make wishes come true" is very easy to understand.	● We will continue CSR activities that contribute to society through business so we can realize our vision of leveraging science to make wishes come true.
○ The report made me aware of Kaneka's global contributions, such as to the United Nations program, as well as its domestic community contributions. All communities have distinctive characteristics and unique underlying problems and histories. We hope that corporations can fully understand this, and welcome the technological and manpower support of Kaneka.	● The local governments with which we have engaged in dialogue elsewhere are also very distinctive. One such example is Kamisu City in Ibaraki Prefecture, which hosts our Kashima Plant as part of a large industrial complex. We would like to exchange views extensively with Otsu City, too, to develop community contribution initiatives.
○ Kaneka claims that it fulfills its corporate social responsibilities by contributing to society through its core businesses. I understand that such a concept also applies to governments. As the company operates in Otsu City, I think it would be great for Kaneka to participate strategically in CSR activities in the city, including concurrently incorporating its publicity activities. In that regard, I'd like to know: 1. How do you assess the social contributions of core businesses? 2. More about Kaneka's initiatives for diversity (especially for women's participation).	● Although a B2B enterprise, we have an increasing range of consumer products. Examples include reduced form coenzyme Q10 and photovoltaic modules. To be open to consumers, we run television commercials and operate more open plants. We will continue such efforts, including initiatives at each plant, as it would be difficult to convey everything only through advertising. The consumer recognition rate for Kaneka has risen to more than 80%. We will also look into launching some new initiatives as well. ● We issue a booklet called DIVERSITY, but only around 1% of our managers are women. We recognize that we need to deal with the diversity issue, not just regarding women but also foreign nationals and people with disabilities. ● The Shiga Plant has just over 10 female employees. Although we have not hired as many full-time female employees as we would have liked, we do have 25 temporary staff and 50 contract workers who are female. Because this is an electronics-related plant, inspection processes are very important, and we have many female employees active in this area of business.

Stakeholder Dialogues

Topic 2

Disclosure and environmental initiatives to enhance community trust

Opinions of Otsu Municipal Government Officials	Kaneka's Responses
○ The Environment Department deals with corporations in areas such as air pollution, water management, and vibration. For the three priority corporate responsibility areas that have been described-the focus on core businesses, contingency planning, and ethical compliance-Kaneka is doing a great job. As illustrated by the company signing a firefighting operations agreement with Otsu City in December last year, and through environmental education and other activities, Kaneka is a top runner in practicing community-focused CSR.	● We explained the anticipated roles and responsibilities of corporations that the general public deems important. There is also a lot of overlap in topics beyond the three priority CSR areas. We aim to continue undertaking CSR initiatives to build community trust and more broadly enhance corporate trust.
○ We are grateful for Kaneka's participation in an annual mass cleanup of Lake Biwa. Related to this event, about 700 citizens participated in cutting reeds at Lake Biwa to prepare the lake for its tourist season in 2014. We would like some funds to purchase reed-cutting sickles and other tools for this effort.	● While financial support is important, the Shiga Plant also likes to consider human resources and other support.
○ We are much obliged to Kaneka for education board-related initiatives such as installing security cameras at the junior high school. We would appreciate Kaneka people visiting to teach students chemistry lessons, as children today do not seem interested in the subject.	● In 2014, we donated security cameras to a junior high school and helped rebuild a mound for a kindergarten. We have expertise in visiting schools to conduct classes, but it is hard for us to independently gather information on demand levels. We would like to assist in any way we can, with the local government coordinating in supplying information.

Our response to stakeholder opinions and requests

Our fifth stakeholder dialogue revealed the extent to which stakeholders consider the CSR activities of the Kaneka 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.

Outline of Past Stakeholder Dialogues

The stakeholder dialogue marked the completion of all dialogues with representatives of the local governments where Kaneka's four parent plants are located.

We would like to engage in dialogue with various other bodies, including non-government and non-profit organizations. To mark the completion of the process of dialogue with local governments, we have summarized these initiatives below.

Third dialogue: Professor Toshihiro Kanai and researchers from Kobe University

Purpose

Solicit external stakeholder opinions, requests and other interests regarding the Kaneka Group's CSR activities by engaging in direct dialogue and verifying social demands with regard to the direction of Kaneka's initiatives.

Date of Dialogues and Participants

Six director-class officials from Takasago City, Hyogo Prefecture on November 11, 2011
Seven deputy-director-class officials from Settsu City, Osaka Prefecture on November 29, 2011
Seven researchers from Kobe University on November 27, 2012
Seven director-class officials from Kamisu City, Ibaraki Prefecture on February 19, 2014

Topics

The Kaneka Group's corporate approach
Enhancing community trust
CSR report feature articles
Overall composition and contents of report

Fulfilling Our Social Responsibilities

Process Safety and Disaster Prevention Initiatives

K KANEKA
D DOMESTICS
O OVERSEAS

**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 fiscal 2014, there were 16 process accidents. For each incident, we analyzed the causes and implemented measures to prevent recurrences, sharing this information within the Group. We have referred to explosions at other companies and inspected our plants to identify and eliminate similar risks. We will continue such activities to eliminate process accidents.

Disaster Prevention Drills

K D O

In fiscal 2014, 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, reporting, and fire extinguisher drills. For example, Tochigi Kaneka Corporation conducts emergency drills that include using a fire truck of the in-house firefighting team.

■ 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 11, 2014	1,782	The plant held a joint firefighting drill with Takasago Fire Headquarters based on a scenario of oil leaking from an oil tank outlet following an earthquake, resulting in a fire.
Osaka Plant	March 16, 2015	947	The plant held a joint firefighting drill with the Settsu Fire Department based on a scenario in which a waste oil drum fell over following an earthquake and liquid caught fire.
Shiga Plant	November 19, 2014	94	The plant held a firefighting drill based on a scenario in which a fire broke out at a packaging materials storage site owing to an earthquake.
Kashima Plant	November 14, 2014	218	The plant held a joint firefighting drill with a team from Kashima Oil Co., Ltd. based on a scenario in which a fire resulted from a leak from the pipe flange of a hazardous storage tank outlet after an earthquake.

Drills are part of regular safety activities (scenes at Tochigi Kaneka)

Fulfilling Our Social Responsibilities

Process Safety and Disaster Prevention Initiatives

K KANEKA
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Plant Safety Initiatives

K D O

As a part of efforts to prevent fires and explosions, we are striving to reduce risks by inspecting each worksite, prioritizing areas at risk for static electricity discharges, and protecting against hazards caused by reactions by conducting quantitative assessments of chemical substance reactivity. We will maintain plant safety by enhancing our safety techniques.

Introducing a Safety Assessment System

K D O

In fiscal 2014, the Kashima Plant implemented a safety culture evaluation to identify strengths and weaknesses based on the Safety Assessment System prepared by the Safety Enhancement Center of the Japan Society for Safety Engineering. We assess progress with ongoing improvements by regularly accepting third-party assessments.

CHECK & ACT

There were 16 process accidents in fiscal 2014, compared with 15 a year earlier.
We concluded that our activities to detect risks and reduce accident numbers were still inadequate, and decided to enhance safety techniques and reinforce risk assessments when acquiring or replacing equipment, focusing on reducing fire and explosion risks and equipment issues.

Fire at the Osaka Plant Research Facility

Incident Outline

At approximately 7:30 p.m. on August 26, 2014, foam spouted out from an extruder at the research facility and caught fire. Kaneka employees immediately extinguished the fire using carbon dioxide fire extinguishers. There was no human or material damage. After quelling the fire, we reported the incident to the public fire department.

We are deeply sorry for this incident and the concern that we caused to local residents and other stakeholders.

Cause of Accident

During the shutdown of an extruder, foam gradually thinned out and combined with flammable gas, ballooning inside the extruder. We believe that static electricity ignited the gas.

Safety Measures to Prevent a Recurrence

We collaborated with external experts to jointly investigate the causes and assess countermeasures. To prevent fires occurring inside the extruder, we stepped up efforts to diffuse flammable gases and prevent static charges.

To avoid a recurrence, we implemented risk assessments to avoid fires and explosions, experimenting with flammable gas, especially at the research department.

Nitrogen Leak from a Cold Evaporator at the Osaka Plant

Incident Outline

At approximately 3:30 p.m. on September 12, 2014, Kaneka employees inspected a nitrogen cold evaporator and discovered leaks from two places on a welded section of piping under the evaporator. They thereafter shut down the evaporator and repaired the leaking parts by re-welding. The leaks were minimal and nobody was hurt.

We apologize deeply for this incident and the concern we caused to stakeholders, especially residents.

Cause of Accident

An investigation report prepared by the owner of the equipment and the evaporator maker found that ice from the evaporator distorted the fin, causing metallic fatigue on weaker welded parts exposed to heat. This resulted in cracks after 30 years of thermal contractions since installation.

Safety Measures to Prevent a Recurrence

As a temporary measure, we constantly spray water on the evaporator to prevent a buildup. Over the longer term, we plan to replace the leaking evaporator as fatigue has undeniably accumulated over three decades. At that point we will install two evaporators side-by-side and switch from using machine constantly by using the evaporators alternatively.

We will prevent recurrence of this problem by rolling out similar changes for other cold evaporators in other departments.

Fulfilling Our Social Responsibilities

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Initiatives to Fulfill the Group's Social Responsibilities

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	• Received the 61st Society of Polymer Science of Japan's Award (2014) for developing polyimide insulation coating adhesive tape with combined resistance against ultralow-temperatures and radiation. Kaneka and Kaneka High-Tech Materials, Inc. (then Kaneka North America LLC) developed this product after receiving an order for the tape from the European Organization for Nuclear Research (CERN) in 2000. • Received the 47th Ichimura Prize (2014) in Industry for Excellent Achievement from the New Technology Development Foundation for the development of two-layer flexible copper clad laminate. • The Japan Chemical Industry Association awarded Kaneka the 8th Responsible Care Award for Effort for the "Establishment of a Framework to Decrease Production Losses by Utilizing Integration Power through the Introduction of Material Flow Cost Accounting." • The Hiroshima City Council of Social Welfare presented a letter of appreciation to Kaneka for support following a landslide in Hiroshima.
Shiga Plant	• Received an award from Shiga Prefecture for being an excellent self-defense firefighting team at a firefighting event. ①
Kaneka Foods Manufacturing Corporation	• Received an excellent facility award from a public health center in Kobe.
Tokyo Kaneka Foods Manufacturing Corporation	• Recognized by the Tokorozawa Labour Standards Association for 1,430,000 hours of accident-free operations.
Tochigi Kaneka Corporation	• Received an award for being an excellent company from an employment association in Mooka. • Given an award by Mooka for promoting gender equality by promoting the participation of women in the workplace.
Kaneka Solartech Corporation	• Received a governor's award and recognized as an excellent hazardous material handler at a safety and security event for hazardous materials held by Hyogo Prefecture. ②
Eurogentec S.A.	• Recognized for its plan as part of efforts to cut carbon dioxide emissions in Europe in an activity called Mobi Seraing, sponsored by Seraing City. ③
Kaneka North America LLC	• Awarded for ongoing support for the Armand Bayou Nature Center and a wildlife sanctuary. ④ • Participated in the Bay Area Heart Walk to raise funds for the American Heart Association, winning first and third places for the team category, third place in the corporation category, and third place in the individual category.

Fostering Youth

K D O

All parent plants and domestic and overseas Kaneka Group companies	• We conducted regular plant and 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 held summer camps. We also participated in programs to provide work experience opportunities to junior high school students. ⑤

Awards

①

Self-defense firefighting team award (Shiga Plant)

②

Governor's award and an excellent hazardous material handler award at a Hyogo Prefecture hazardous materials safety and security event (Kaneka Solartech Corporation)

③

Recognized for efforts to cut carbon dioxide emissions in Europe (Eurogentec S.A.)

④

Awarded for ongoing support of a wildlife sanctuary (Kaneka North America LLC)

Fostering Youth

⑤

Conducted plant visits for neighboring students (Kaneka Belgium N.V.)

Fulfilling Our Social Responsibilities

Initiatives to Fulfill the Group's Social Responsibilities

K KANEKA
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Fostering Youth

K D O

Takasago Plant, Shiga Plant, and Kaneka Takasago Service Center Co., Ltd.	• We demonstrated rubber eraser making at the Children's Chemistry Show in Osaka, sponsored by the Dream Chemistry 21 Committee. Around 330 people visited the Kaneka booth over the two days. • We invited 60 third grade students from a neighboring elementary school for a plant visit and cake making. • We held a series of events in May, ranging from planting potatoes to harvesting, for children from a neighborhood kindergarten and from elementary and schools for students with disabilities.
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 fiscal 2014 in the Walnut School, which highlights the importance of the Konooka Biotope to children, as a member of the school management committee.
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. Also held soap making classes for the Japanese Consumers' Co-operative Union and other organizations.
Hokkaido Kanelite Co., Ltd.	• Held an environmental class for fourth grade students of a local elementary school on the topic of global warming (fiscal 2014 was the sixth time the company has held such a class). ⑥
Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., Shinka Shokuhin Co., Ltd., and Nagashima Shokuhin Co., Ltd.	• For vocational training, accepted students from neighborhood schools, including a school for students with disabilities. Showed students around the facilities, involved them in packing and lining boxes, and explained recycled products. ⑦ ⑧
Kaneka Techno Research Corporation	• Conducted tours, round-table talks, and activities to share specialized analytical techniques for educational training for high school teachers in Hyogo Prefecture.
Kaneka North America LLC	• Participated in a volunteer effort to help wrap Christmas presents for needy children at La Porte Community Center. Sent volunteers to science and history fairs.

Regional Contributions

K D O

Kaneka	• Special sponsorship of the 2014 Hokkaido Marathon.
All parent plants, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Taiyo Yushi Corporation, Tokyo Kaneka Foods Manufacturing Corporation, Tatsuta Chemical Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Kaneka Hoken Center Co., Ltd., Kanto Styrene Co., Ltd., Shiga Denshi Co., Ltd., and Tochigi Kaneka Corporation	• Held summer festivals and other events for neighborhood residents, employees, and employees of partner companies. Also donated money, foam styrol materials, soaps, and other items.

⑥

Environment class (Hokkaido Kanelite Co., Ltd.)

⑦

Children during a workplace visit (Tamai Kasei Co., Ltd.)

⑧

Junior high school students during work experience (Nagashima Shokuhin Co., Ltd.)

Fulfilling Our Social Responsibilities

Initiatives to Fulfill the Group's Social Responsibilities

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Regional Contributions

K D O

Takasago Plant, Kaneka Foods Manufacturing Corporation, Kaneka Sun Spice Corporation, Hokkaido Kanelite Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Kaneka Osaka Service Center Co., Ltd., Sanwa Kaseikyogyo Co., Ltd. (now Kaneka Foam Plastics Co., Ltd.), Eurogentec S.A., Kaneka (Foshan) High Performance Materials Co., Ltd., Tochigi Kaneka Corporation, Tatsuta Chemical Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., and Kaneka Solartech Corporation	• Cooperated and participated in the Hokkaido Marathon as a special sponsor and in sports events sponsored by neighborhood companies, factory complex associations, and other entities (including marathon relay races, softball games, baseball games, bowling, cycling, jogging, futsal, and table tennis, etc.), as well as an environmental fair. Also raised funds as part of various activities. ⑨ ⑩
Kaneka Medix Corporation	• Participated in safety activities, including regional disaster drills, regional promotional events for health and safety week, and an occupational health and safety event in Kanagawa Prefecture. ⑪
Kaneka North America LLC	• Participated in monthly meetings of a social contribution activity group called the Bay Cap Meeting to engage effectively with the community. Regular discussion topics are environmental protection and process and plant safety. • Participated in various local community events, including the Pasadena strawberry festival and the Pasadena rodeo. Donated proceeds from these events for college scholarship grants. • Involved in the Dollar Patrol, an educational fund in La Porte. Made grants to local teachers in a special project.
Kaneka Belgium N.V.	• Supported Belgium staff participating in the 23rd World Scout Jamboree.
Kaneka (Malaysia) Sdn. Bhd.	• Provided support for flood damage in Bera.
Osaka, Shiga, and Kashima Plants	• Participated in the Fukushima Sunflower Foster Parent Project to support Fukushima's reconstruction efforts (decontamination and providing employment opportunities).
Kaneka Takasago Service Center Co., Ltd.	• Opened a store selling Kaneka-related products and engaged with the community.

Environmental Initiatives

K D O

Takasago, Osaka, and Shiga Plants	• 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 the Konooka Biotope.
All parent plants	• In collaboration with local governments and chambers of commerce and by themselves, cleaned up roads around the premises of plants, industrial complexes, and areas around company dorms.

Regional Contributions

⑨

Local softball game for teams whose members' ages total 300 years
(Kaneka Hokkaido Styrol Co., Ltd.)

⑩

Booth at the health festival
(Kaneka Solartech Corporation)

⑪

Participating in a local disaster drill
(Kaneka Medix Corporation)

Fulfilling Our Social Responsibilities

Initiatives to Fulfill the Group's Social Responsibilities

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D DOMESTICS
O OVERSEAS

Environmental Initiatives

K D O

Kaneka Foods Manufacturing Corporation, Kaneka Sun Spice Corporation, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., Taiyo Yushi Corporation, Tokyo Kaneka Foods Manufacturing Corporation, Hokkaido Kanelite Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Kaneka Medix Corporation, Sanwa Kaseikyogyo Co., Ltd. (now Kaneka Foam Plastics Co., Ltd.), Shiga Denshi Co., Ltd., Shinka Shokuhin Co., Ltd., Nagashima Shokuhin Co., Ltd., Eurogentec S.A., Kaneka Belgium N.V., Kaneka North America LLC, and Kaneka (Malaysia) Sdn. Bhd.	• Regularly picked up waste around industrial complexes and in the vicinity of sites, collected empty cans, mowed grass, and performed other cleanup, greenery, and recycling activities. Engaged in volunteer initiatives, including collective group clean-ups of neighborhood roads and rivers. ⑫
AnaSpec, Inc./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.
Kaneka Belgium N.V.	• Built a cogeneration system to supply energy using waste heat as part of environmental preservation initiatives.
Kaneka (Malaysia) Sdn. Bhd.	• Jointly conducted post-flood clean-up activities with a construction firm at public facilities, including a school and mosque and residential areas. ⑬

International Contributions

K D O

Takasago Plant, Osaka Plant, Shiga Plant, and Tokyo Head Office	• Continuing to take part in Table for Two, donating ¥20 for designated menu items at cafeterias at four business sites to provide school lunches in Africa. ⑭
Kaneka North America LLC	• Provided a $1,000 scholarship to the La Porte High School Alumni Association (fiscal 2014 represented the 20th such time).

Others

K D O

Osaka Plant, Shiga Plant, and Kaneka Takasago Service Center Co., Ltd.	• The labor unions and other groups held a year-end fundraiser and organized parties (including a magic show) for social welfare facilities, including those for people with disabilities.
Kashima Plant	• Provided facility tours on demand for the public of the megasolar system installed in the west of the facility and the visitors' center.

Environmental Initiatives

⑫

Cleaning up around the plant
(Kaneka Sun Spice Corporation)

⑬

Volunteering to clean a public facility after a flood (Kaneka (Malaysia) Sdn.Bhd.)

International Contributions

⑭

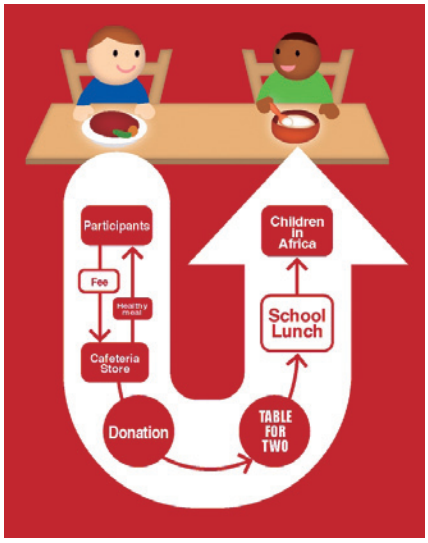

Table for Two framework

Fulfilling Our Social Responsibilities

Initiatives to Fulfill the Group's Social Responsibilities

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Others

K D O

Takasago Plant and Kaneka Techno Research Corporation	• Cooperated with the Japan International Cooperation Agency in a project in Serbia to reinforce the country's systems to analyze, eliminate, and reduce persistent organic pollutants, demonstrating the technologies to visiting Serbian delegates.
Kaneka Medix Corporation	• Participated in a plastic bottle cap collection campaign to deliver vaccines to children around the world.
Kochi Styrol Co., Ltd.	• A local TV station aired an information program about the company's business activities. ⑮
Sanwa Kaseikyogyo Co., Ltd. (now Kaneka Foam Plastics Co., Ltd.), Eurogentec S.A., and Kaneka North America LLC	• Participated four times annually in the prefecture's traffic safety events and donated blood from employee volunteers.
Tochigi Kaneka Corporation	• Donated funds raised in-house for the Great East Japan Earthquake to Mooka City, also added donations from the company.
Kaneka Belgium N.V.	• Supported engineering students at a local university in the creation of a racing car with the company's products (MS Polymar and Eperan).
Kaneka North America LLC	• Participated in the Bay Area Heart Walk event to collect nearly $30,000 for the American Heart Association. • Participated in a charity event to buy poinsettias, donating $1,000. • Established Kaneka Foundation to plan and implement social contribution initiatives as a milestone for the growing global CSR commitments of the Kaneka Group. ⑯

Others

⑮

Local TV program highlighting business activities (Kochi Styrol Co., Ltd.)

⑯

THE KANEKA FOUNDATION
kaneka

We established Kaneka Foundation to plan and implement social contribution initiatives (Kaneka North America LLC)

Kaneka's Ongoing Support for WFP's School Feeding Program

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 Kanekalon, a synthetic fiber product, to the WFP's school feeding program. In 2014, we helped provide 248,447 elementary school meals to 117,290 boys and 131,157 girls. We took part in an initiative to supply 25 kilograms of rice and five liters of vegetable oil every three months to girls whose families lack food. We provided supplies to 1,450 girls in grades four to six in areas where dropout rates at elementary schools are especially high.

Donating to the United Nations WFP as Emergency Support to Combat Ebola Hemorrhagic Fever

The United Nations WFP responded to the UN Mission for Ebola Emergency Response, established in 2014 in response to an outbreak of Ebola hemorrhagic fever. The mission provides food support to people living in Western African nations stricken by the outbreak. Kaneka donated 600,000 yen to this cause.

Fundraising for the UN WFP at Kaneka's 65th Anniversary Events

We raised funds for the United Nations WFP at our 65th anniversary events in the Kansai and Kanto areas in November and December 2014. A special guest in a talk segment at the events was Kurara Chibana, a Kaneka character who is also an ambassador for the UN WFP in Japan. Kurara Chibana spoke about progress with aid status to developing countries.

Many employees and their families donated at both events, raising a total of 169,295 yen.

Caring for Our Employees

**Both employees and their families are stakeholders.
Employees are our greatest resource, enabling us to grow.
We serve them by providing workplaces that treat them fairly,
offer attractive compensation and career development opportunities, and are safe.**

461

(The number of attendees at a briefing on revising our systems to support women in the workplace)

We aim to revise our systems as part of efforts
to create a corporate culture that embraces diversity.
In fiscal 2014, we conducted 33 briefings for 461 attendees
on such revisions to support women in the workplace.

■ Fiscal 2014 Targets, Results and Results Evaluations

Item		Fiscal 2014 Targets	Fiscal 2014 Results	Results Evaluations
Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	•Create a corporate culture that expands work opportunities for female employees, supports the activities of foreign and bilingual employees, and otherwise embraces diversity.	•Positioned the participation of women as a first step toward diversity, launching support programs in the areas of promoting equal opportunities, work-life support, and corporate culture reforms. Prior to reviewing the systems, we held 33 orientations for a total of 461 employees.	○
	Work-life Balance	•Step up management of working hours while looking into deploying the necessary work-life support programs.	•As well as initiating a system for working from home, provided day-care cost subsidies and started a temporary leave system for spouses who are transferred overseas, and continued discussions between labor and management to reduce the total number of actual working hours.	○
	Labor and Management Relationships	•Continue to support the cultivation of union leaders to help maintain positive labor and management relationships.	•Continued discussions to realize joint goals for labor and management through central labor and management meetings, management conferences, meetings of representatives, and workplace labor and management gatherings and other groups.	○
	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).	•Educated 98 new employees in April 2014 and 38 newly promoted executives about human rights. Held eight inter-cultural communication classes during the year.	○
Reinforcing Occupational Safety and Health	Occupational Safety	•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 hands-on learning equipment to improve danger sensitivities at domestic Group companies.	•The Takasago Plant implemented risk assessments for targeted accidents tracked through fault tree analysis (FTA, see note 2). • E-mailed a Disaster Calendar to employees to highlight previous accidents at Kaneka. • Implemented risk awareness training at 22 sites of 11 domestic Group companies with mobile hands-on learning equipment. • The number of occupational accidents soared from the previous fiscal year to 22.	×
	Occupational Health	•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.	•Reviewed solvent handling operations and improved work environments by enhancing ventilation. •Implemented mental health training for new executives, plant managers, and people in charge of mental healthcare.	○
	Management Systems	•Revise CSR Safety & Quality Inspection to strengthen PDCA functions. •Test-deploy specialized internal environmental safety audits.	•Continuing from fiscal 2013, switched to quantitative assessments to reinforce checks. •Test-deployed specialized internal environmental safety audits at departments at four parent plants.	○

Note 1: Kaneka Global Employee Registration System.
Note 2: Fault tree analysis is a technique for analyzing product breakdowns and resulting accidents.

Developing Future Leaders Overseas as Part of Group Reforms

We are pushing ahead with efforts to cultivate global human resources to drive the Declaration of Kaneka United, which we deployed in 2009.

Training prospective leaders among Kaneka Overseas Group company employees

K D O

In fiscal 2013, we instituted the Multinational Leader Development Program for overseas Group company employees who could eventually drive our regional business strategies.

Management candidates from Europe, the United States, Southeast Asia, China, and other areas participate in the program. The four-day Phase 1 of this initiative is held in Texas and covers business case studies on global enterprises. Participants then consider and discuss the significance of these examples for the Kaneka Group. While candidates are specialists in fields such as marketing, manufacturing, and logistics in their home countries, the program enables them to broaden their perspectives to encompass different industries and techniques in other nations. On the final day of Phase 1, candidates formulate globalization activity themes that they deploy on returning to their countries. In Phase 2 of the program, which is six months later and held in Belgium, candidates make a presentation of progress and results for the activity themes in leveraging networks of Group companies and fellow candidates.

Feedback from participants has been positive. The experience of one was that the program underscored the links within the Group and the breadth of operations. Another came away keen to transform Kaneka from outside Japan, while another noted that the interaction with other candidates stimulated new ideas.

There were 12 participants in the fiscal 2013 program and 11 a year later. The projected number of candidates for the fiscal 2015 program, including those from Japan, is 14.

Another training offering is the Leadership Challenge Workshop, which Kaneka runs for managers to share leadership thinking throughout the Group.

■ Global Employee Development System (Fiscal 2014)

	Program	Content	Number of Employees
Development Training	Global Employee Development Program	Mastering practical foreign-language communication skills	1,942
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)	5
	Program for Acquiring Language Skills Abroad	Overseas experience through activities such as short-term study at a language school and homestay program	10
Language Courses	English and Chinese	Language studies essential for business management	92
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	11
	The Leadership Challenge Workshop	Acquiring and applying leadership skills	103

Multinational Leader Development Program session

On the final day, candidates present progress in their activity themes and are critiqued

Employee Feedback

Vital to harness training as a stepping stone toward developing leaders for overseas Group companies

Yoshiaki Takemasa, a global human resources manager in the Global Planning Department (on the left in the photo), says that, “Kaneka must urgently groom Japanese nationals for international leadership roles. It is similarly important to foster the growth of foreign Group company managers with a broad knowledge of its operations.”

Mr. Takemasa adds that, “Our challenge is to provide opportunities for tomorrow’s executives to be active worldwide as part of Kaneka after embracing the great value of collaboration through the Group.”

Keisuke Araki, who works in global human resources for the Global Planning Department (on the right in the photo), says that, “We’ve begun sending a manager from Belgium to Japan and are also sharing best practices from Europe and the United States with Japanese and other operations. Our program is gradually beginning to bear fruit.”

Cultivating a Corporate Culture of Individual Responsibility for Safety

Nurturing a corporate culture in which accidents are one's own responsibility and not someone else's issue is vital to attaining zero occupational accidents. Kaneka cultivates awareness among all Group companies by broadening opportunities for safe danger simulations.

Providing mobile hands-on learning to each Group company

K D O

The Takasago Plant was Kaneka's first operation to provide hands-on learning (see note 1). Such initiatives thereafter expanded to the Osaka, Shiga, and Kashima plants and Group company Tochigi Kaneka. Although Group company members are permitted to participate in these classes at each of the business sites, many of them found it difficult to do so because of location or time issues.

Therefore, the Production Technology Division produced mobile hands-on learning equipment and began taking it around business sites for classes from December 2013. The three-hour course comprises one hour on what happens when people are caught in machinery, one hour of hands-on learning, and an hour on taking precautions to prevent falls. Group company presidents, plant managers, and full-time and contract employees take part in mobile hands-on learning. As of the end of March 2015, we had conducted 28 courses for 867 employees at 13 Group companies.

Feedback from hands-on learning course participants at Kanto Styrene Co., Ltd.

Yoshihiro Morijiri (left) says that, "I had gotten used to operating machinery without turning it off for many years. The course demonstrated the horrible consequences of acting habitually." Hitomi Otake (right) says that, "I'd been going through the motions with near-misses, and the course drove home the importance of continuing to keep all of us aware of what can happen."

We plan to provide hands-on learning throughout Japan during fiscal 2015. We look to extend such initiatives to overseas group companies.

Through hands-on learning, class participants learned about situations in which accidents are likely to occur

Participants stand on one leg for several seconds to check their balance and confirm their own physical capabilities so they can prevent themselves from falling

Employee Feedback

You can always catch up if you miss a production target but a life lost can never be recovered

Kouji Oonaka
Environmental Protection & Safety Group,
Responsible Care Department,
Production Technology Division

If you miss a production volume target, you can catch up if everyone pitches in. But if someone is injured or dies as a result of being caught in machinery or through some other mishap, you cannot undo the damage or loss of life. In hands-on learning, we emphasize that we want people to notice the dangers in advance rather than realize them once an accident has occurred.

Safety is about preventing injury and illness and avoiding workplace accidents.

What's important in these mobile hands-on learning classes, which we began in 2013, is that you should repeat the learning. I think it's important for supervisors and colleagues to keep disseminating safety messages to ensure that all of our people maintain the right safety mindset. My fundamental message to new employees joining the group every year is that carelessness is the enemy of safety.

Note 1: Feel free to read Kaneka's CSR Report 2014, which presents hands-on learning on the Highlight page of the Caring for Our Employees section.

Caring for Our Employees

K KANEKA
D DOMESTICS
O OVERSEAS

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.
In fiscal 2014, we deployed a new policy to promote opportunities for women as part of our human resources diversity initiatives.**

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. Through our personnel system, we will foster the Kaneka Spirit and cultivate challenge takers, people with strong organizational skills, diversity, and inquiring minds.

Our People and Organizational Approaches

K D O

We aim to cultivate people who can work globally by swiftly bolstering our education and training programs, stepping up training rotations, and undertaking strategic hiring activities.

In fiscal 2014, we conducted future leader training for domestic general managers and Group company presidents, as well as overseas future leader training for prospective executives of overseas Group companies. In Japan and abroad, we also expanded the leadership challenge workshop program that we started in fiscal 2013.

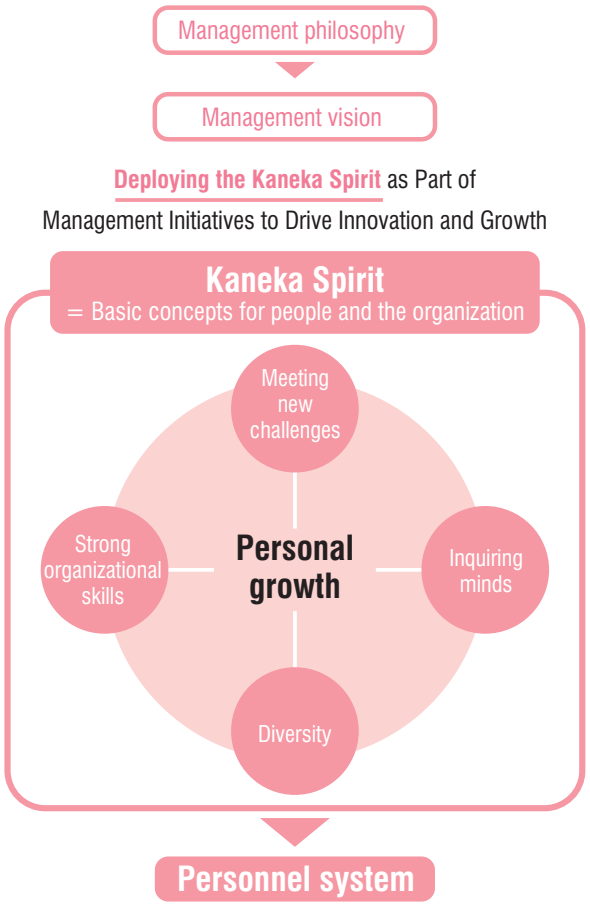
Career and Life Development Support

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 support career development. We also offer programs to support self-advancement. We are continuing the Global Employee Development Program to quickly cultivate internationally minded people and bolster overall language skills.

In 2014, we reviewed our profession-specific program to strengthen awareness and foster career development and augmented our self-advancement support programs with applied training courses.

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



■ The four elements of the Kaneka Spirit

Meeting new challenges	Embrace new challenges
Strong organizational skills	Build a robust organization that integrates the strengths of individuals
Diversity	Create workplaces that can attract, cultivate, and properly deploy diverse human resources
Inquiring minds	Cherish a free and open culture

Caring for Our Employees

Cultivating Human Resources and Creating Comfortable Work Environments

K KANEKA
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Promoting Opportunities for Women

K D O

In fiscal 2013, we established a working group within the Human Resources Department that embarked on efforts to promote opportunities for women. One issue is the lag in deploying women more actively in the workplace. Both management and labor representatives agreed to support the interests of female employees by fostering equal opportunities, work-life balance, and a corporate culture that embraces reforms to create a company in which highly motivated female employees can thrive.

Specifically, we look to abolish the managerial career track and regional executive categories to help all employees develop and promote their talents, while deploying programs for working from home, taking leave while their spouses are transferred abroad, or for subsidizing child-raising. We plan to fully launch these initiatives in fiscal 2015.

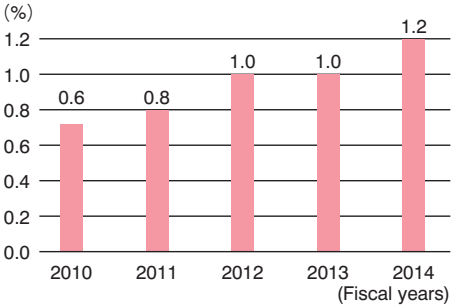
During fiscal 2014, we conducted briefings for organizational administrators and regional executives at all domestic business sites to build employee acceptance of our commitment to promoting opportunities for women. At the same time, we held seminars in which external lecturers addressed managers with female subordinates about ways to transform the corporate culture. We plan to have female employees undertake external training as part of efforts to create leadership development opportunities for them.

Attendees at a seminar for managers with female subordinates

■ Employee Briefings and Other Events to Promote Opportunities for Women

	Number of times	Number of attendees
Briefings for organizational administrators and evaluators	21	297
Regional executive briefings	12	164
Seminars for managers with female subordinates	6	176

■ Percentage of Managers who are Female



Ratio of female managers to all managers.

Employing and Encouraging Foreign Employees

K D O

We actively employ foreign nationals. Consultation desks for these people at each business site help them to adapt as swiftly as possible. Our ongoing support extends to offering Japanese language courses to reinforce communication skills.

Employing People with Disabilities

K D O

Kaneka's rate of hiring people with disabilities in fiscal 2014 was 1.83%, which was below the legal requirement of 2.0%. In fiscal 2015, we plan to actively employee such people and expand their occupational categories while stepping up efforts to enhance their work environments, as well as supporting hiring of these individuals at Group companies.

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 are reviewing the system for senior contract employees, and offer employment to existing and interested employees up to the age of 65. We intend to provide new training through the Career Design 50 and 55 programs, which will offer opportunities for senior employees to swiftly and systematically develop the skills they need to find value in their work and maintain their high productivity.

■ Number of Foreign Employees (New graduates)

Fiscal Year Employed	Technology	Administration	Number Hired
2011	1	2	3
2012	3	6	9
2013	1	2	3
2014	4	2	6
2015	2	2	4

■ Percentage of Employees with Disabilities

Fiscal Years	Kaneka's Rate of Hiring People with Disabilities	Legally Required Rate
2010	1.73%	1.80%
2011	1.67%	1.80%
2012	1.86%	1.80%
2013	1.90%	2.00%
2014	1.83%	2.00%

Caring for Our Employees

Cultivating Human Resources and Creating Comfortable Work Environments

K KANEKA
D DOMESTICS
O OVERSEAS

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.

On top of that, in fiscal 2014 we introduced a work-at-home program as part of efforts to provide more opportunities for women. We plan to expand on our flexible working programs.

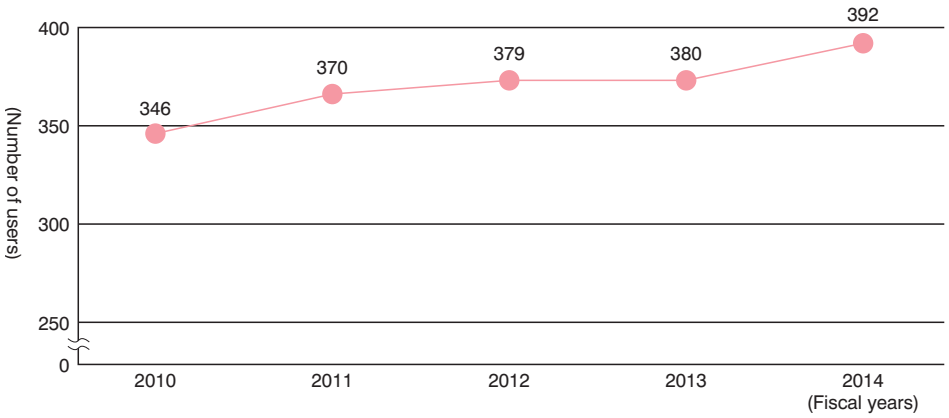
Childcare and Family Care Leave Programs to Help Employees Balance Their Professional and Private Lives

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.

In fiscal 2014, we inaugurated the Child-Raising Subsidy program to help employees balance their work and family care commitments. We also extended eligibility for programs in which employees can enjoy shorter working hours, flextime, or stagger their commuting times to look after children up to the first year of junior high school.

■ Discretionary Work System Users



■ Number of Childcare Program Users

Fiscal 2014	Females	Males
Shorter working hours system	43	2
Childcare leave	38	1

The Kurumin Mark is awarded to companies recognized for supporting employees with child-raising

We plan to fully deploy these benefits in 2015.

We also established a program that exceeds legal requirements in providing ongoing support for employees needing to balance their work and nursing care commitments.

Employee Feedback

A Noteworthy Success for Female Employees

Receiving the President's Award for Workplace Reforms that Draw on Female Perspectives

Procurement Department recipients of the President's Award

Since 2008, the Procurement Department has maintained a women's task force in which female procurement employees brainstorm ideas for business process improvements. They discuss ways to procure better quality items at lower costs and more efficiently, and explore improvement measures as part of efforts to change work approaches. Ideas from the task force have been incorporated comprehensively in various tools and in the internal procurement infrastructure. The efforts of this group in dramatically improving procurement procedures as a result of five years of effort led to the task force receiving the President's Award.

The task force will deepen collaboration with domestic and overseas Group companies in pushing ahead with further business process reforms.

Caring for Our Employees

Cultivating Human Resources and Creating Comfortable Work Environments

K KANEKA
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Reinforcing Ties within the Kaneka Group through the 65th Anniversary Event and other Activities

K D O

After reaching its 65th anniversary on September 1, 2014, Kaneka celebrated by holding events at the Osaka Municipal Central Gymnasium and the Makuhari Event Hall. Around 3,200 people from Kaneka and about 1,500 employees of Group companies and their family members enjoyed these events. Attendees strengthened group ties by taking part in sports events and attractions and viewing DVD videos featuring contributions from employees at 41 domestic Group companies.

March 2015 saw the Takasago Plant hold the Kaneka Group Ekiden, a long-distance relay race, at its running course. The 70 competing teams further reinforced ties between Kaneka Group people through this event.

As we continue to expand domestically and abroad, we look to keep holding events to strengthen ties within the Group.

More than 1,600 people, including those from 18 Group companies, gathered at Makuhari Event Hall in December 2014

Employees strengthened their relationships through a long rope jumping competition at the Osaka Municipal Central Gymnasium in November 2014

Employees all took part in a quiz based on information on the front and back of a brochure

The Kaneka Group Ekiden in fiscal 2014 attracted 70 teams

Caring for Our Employees

Cultivating Human Resources and Creating Comfortable Work Environments

K KANEKA
D DOMESTICS
O OVERSEAS

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.

Employee Satisfaction Survey

K D O

We introduced a self-reporting system and conduct annual surveys of all employees to measure workplace and job satisfaction.

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 formulated a Personal Information Protection Policy that covers the management and handling of private information on customers, employees, and other parties, as part of efforts to comply with legislation and related laws and ordinances. 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 2014	Contents
Training for 98 new employees during the year	Explains such issues as sexual and power harassment and nationality/racial discrimination.
Training for 38 newly appointed managers during the year	Human rights instruction from outside experts.

Introductory training session for new employees

CHECK & ACT

One planned diversity effort in fiscal 2015 will be to follow up on initiatives under our program to promote opportunities for women and keep undertaking enlightenment activities.
We also plan to deploy specific measures for the key themes of bolstering our education and training programs, stepping up training rotations, and undertaking strategic hiring activities.

Caring for Our Employees

Occupational Safety and Health Efforts

K KANEKA
D DOMESTICS
O OVERSEAS

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 2014, there were 22 occupational accidents, of which 14 resulted in work time losses and eight did not. As there were many incidences of people being caught in machinery or falling, we are reinforcing oversight to minimize dangers and are educating employees to enhance their safety sensitivities to prevent such occurrences and reduce the overall number of occupational accidents.

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, and have continued initiatives to enhance such systems. They plan to validate and modify their activities as part of ongoing improvements.

In 2014, our key CSR safety and quality inspection initiative was to expand quantitative evaluations to identify the strengths and weaknesses of CSR activities. This initiative was launched in fiscal 2013 to encompass all plants, including those of group companies.

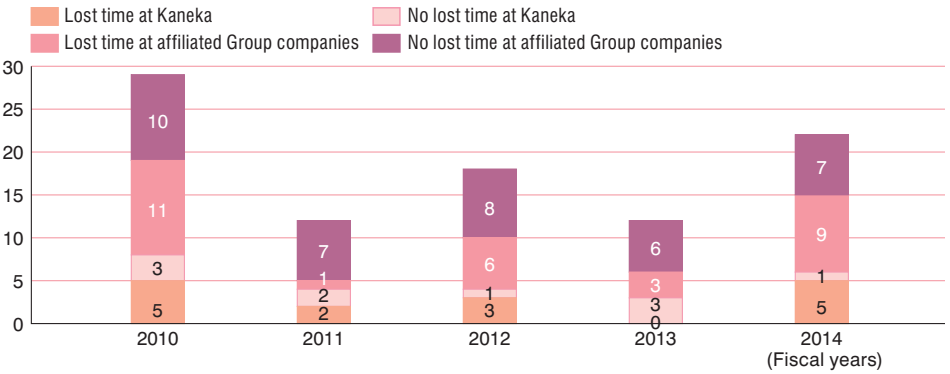
■ Zero Accident Principles

◆ 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

Plant	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	
	Years	2013	2014	2013	2014	2013	2014
Employees of Kaneka and Group Companies	Frequency Rate	0.19	0.84	0.00	0.38	0.30	1.12
	Accident Severity Rate	0.01	0.02	0.00	0.01	0.01	0.03

Caring for Our Employees

Occupational Safety and Health Efforts

K KANEKA
D DOMESTICS
O OVERSEAS

Tokyo Kaneka Foods Corporation Receives Award for 1.43 Million Consecutive Accident-Free Hours (Around Four Years) of Operations

K D O

Tokyo Kaneka Foods Corporation produces commercial margarine, whipped cream, and other products at a facility in Iruma-gun, Saitama Prefecture, with around 200 employees. Safety activities include risk prediction training and risk assessments. The company also prioritizes hands-on learning through simulations to increase sensitivity to risk. These activities enabled the facility to record 1.43 million accident-free hours, representing around four years of operations. The company received an award from the Tokorozawa Federation of Labour Standards Associations for this achievement. It will continue undertaking safety activities to maintain its accident-free record.

Safety award ceremony (photo on left) and board displaying the number of consecutive accident-free days (photo on right)

Mental Health Care

K D O

Kaneka conducts ongoing training to more swiftly identify and prevent mental illness and enhance the mental health of employees. In fiscal 2014, each business site conducted line care training for managers of all levels. We also extended such training to domestic Group companies, providing everything from basic knowledge to conducting case study sessions for key mental health leaders at each of those operations as part of a wide-ranging training program. The entire Kaneka Group will continue striving to maintain the physical and mental wellbeing of its employees.

Managers and supervisors at a training session

CHECK & ACT

Despite vigorously undertaking occupational health and safety initiatives to eliminate accidents, statistics on incidents for the five years from 2010 showed that while numbers had leveled off, we were still far from our target. In light of repeated incidences of people being caught in machinery or falling, we will push forward with initiatives to make safety awareness our top priority and reinforce the implementation of rules.

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.

Supplying environmentally friendly materials that make automobiles lighter and safer

Kaneka (Foshan) High Performance Materials Co., Ltd.

Kaneka (Foshan) High Performance Materials Co., Ltd. was established in May 2011 and began operations in October 2013. This subsidiary manufactures and sells expandable plastic products mainly for automotive parts in southern China and for electronic equipment packaging and transportation materials.

China is urgently pushing ahead with a national drive to improve the environment. Reducing the weight of vehicles is central to cutting exhaust emissions, so manufacturers are deploying various alternative materials to that end.

The polypropylene and polyethylene foam “Eperan” that Kaneka produce using the bead technique are extremely strong, and customers have lauded them as materials that can deliver both lightness and safety.

Eperan is attracting considerable attention as a recyclable and energy-conserving material that is good for the environment because air is the prime component of this product.

We seek to leverage such strengths to contribute to better environments in China and throughout the solidly developing Southeast Asian region.

Automotive parts materials

Contributing to progress in the food industry by providing safe and reliable confectionary and baking ingredients

PT. Kaneka Foods Indonesia

We jointly established PT. Kaneka Foods Indonesia with Mitsubishi Corporation in 2013 as the first overseas operation for our food business. This subsidiary began operations in 2014, focusing on processed oils and fats for fillings.

With 250 million people, Indonesia has the world’s fourth largest population. Its middle class is fast growing against a backdrop of stable GDP growth. The market for confectionary and bread is thus steadily expanding. Although traditionally rice and noodles have been staples of the Indonesian diet, demand for bread and pastries has emerged in recent years in line with the westernization of tastes and progress in mini marts and other retailing channels.

We are leveraging the expertise that we have cultivated in Japan in a steady effort to contribute to Indonesia’s food industry by supplying tasty and functional confectionary and bread ingredients that are safe and reliable.

We are looking to expand throughout Southeast Asia from our base in Indonesia. We aim to continue accommodating local needs, pleasing customers by contributing to taste.

Sharing Japanese confectionery and bread techniques with local employees

Enhancing living standards in Brazil by cultivating products that match local market needs

Kaneka South America Representative Ltd.

We established Kaneka South America Representative Ltd. in Sao Paolo, Brazil in 2013 as our first Latin American business unit. This subsidiary employees four people. Their role is to promote Kaneka’s products, conduct market research, and provide technical services to customers.

Brazil is a particularly large country in Latin America that is home to around 400 million people. Domestic demand is solid in Brazil, which has a big ethnic Japanese population. This makes Brazil a particularly attractive market for Japan despite the distance, and we look forward to the country’s ongoing economic development.

While focusing on developing products as a market insider to accommodate Brazilian tastes, we are endeavoring to create demand and penetrate the market to drive our corporate progress and contribute to Brazilian national life. In functional plastics, we are cultivating new applications beyond existing architectural ones. In areas in which we have yet to build operations, we aim to help improve lifestyles in terms of health, beauty, and food through market research and referrals from time to time.

We aim to become a company that can contribute to Brazil’s people and society by continuing to engage in proactive development and sales activities.

Kaneka Group

Domestic Group Company Initiatives

Developing new medical devices that alleviate the burden on health care workers and patients

RIVER Co., Ltd.

River Co., Ltd. is a medical equipment manufacturer based in Okaya, Nagano Prefecture. The company became part of the Kaneka Group in 2013.

River engages in original design and manufacturing, focusing on endoscope treatment units. Demand is increasing for such instruments as new surgical tools.

Since its establishment in 1988, the company has focused on developing new medical equipment to alleviate the burden on health care workers and patients. During that time, numerous medical professionals have consulted the company for its advice. River is currently developing new products that draw on the techniques and expertise that Kaneka has cultivated in catheters. It looks to keep developing products that can contribute to health care progress.

Strengthening support for developing local products for local consumption and collaborating in domestic agricultural promotion

Kaneka Foods Corporation

Kaneka Foods East Japan Logistics Center

Kaneka Foods Corporation was created in July 2013 by integrating four Group food sales companies.

We sell an array of ingredients and related supplies, including Kaneka Group ingredients, primarily for commercial confectionary and bread making. As a food ingredients wholesaler with annual sales exceeding about 100 billion yen, our company leverages its nationwide sales and logistics bases to supply customers around Japan.

We have built an information systems network that harnesses IT technologies and swiftly accommodates customer needs as part of our objective of creating a structure in which we can deliver exactly what customers around Japan desire when they want it.

The company currently provides support in the development of local products for local consumption. It is drawing on our branch network in an effort to strengthen planning and sales around Japan for distinctive agricultural and marine products.

In keeping with our motto of always making surprising and tasty products available, we aim to become a specialty wholesaler of inspirational and delicious food ingredients to customers, contributing to the creation of a new food culture.

Providing resource-conserving products and engaging in environmentally friendly manufacturing to contribute to social sustainability

Kaneka Kanto Styrol Co., Ltd.

Kaneka Kanto Styrol Co., Ltd. was established in 1963 to manufacture and sell polystyrene foam products. The company became part of the Kaneka Group in 2001, and manufactures containers for fish and vegetable products.

Polystyrene is a commonly used material that conserves resources and is environmentally friendly. More than 88% of containers made with this material are recycled. Kaneka Kanto Styrol promotes the reuse of resources by functioning as a recycling center for the Japan Expanded Polystyrene Association.

The company obtained Eco-Action 21 certification in October 2009 and has engaged extensively in environmental protection initiatives. In fiscal 2013, it reduced its carbon dioxide emissions by 34% below the base year of 2007.

Kaneka Kanto Styrol will continue making efforts to address social sustainability through its business activities.

Third-Party Verification

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

CSR Report 2015
Independent Verification—Opinions

June 25, 2015

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 2015.

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 Takasago 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 Takasago 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 global management and global CSR initiatives. It conducts CSR Safety and Quality Inspections for parent and domestic and overseas Group companies and promotes CSR and Responsible Care activities throughout the entire Group.
- In the year ended March 31, 2015, Kaneka generated a final landfill rate of 0.006% for all parent plants, attaining zero emissions for nine consecutive years. Domestic Group companies posted a final landfill rate of 0.07%, thus maintaining zero emissions.
- The Kaneka Group strives to achieve zero accidents by installing mobile experiential systems in hands-on learning and safety programs to improve safety consciousness among domestic Group companies and reinforces risk assessments, mainly to reduce the potential for explosive fires and equipment defects.
- Kaneka created a chemical substances database that it looks to use to consolidate companywide information about these substances.
- The Takasago plant continues to engage with the community, reinforce safety and environmental management, and foster local youth to build public confidence.

4) The characteristics of the Report:
- Kaneka edited this report, including materiality and stakeholder content, to prepare for the next report, which will refer to GRI G4 Sustainability Reporting Guidelines.

Third-Party Opinion

My Impressions from Reading CSR Report 2015

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.

The Role of a CSR Report is to Convey a Company's Stance as well as Provide their Standards and Foster Stakeholder Understanding

This is my third third-party opinion for Kaneka. When reviewing the report this time it became even more evident to me that the role of a CSR report is to convey a company's stance. I found that the report endeavored to clearly convey Kaneka's stance by presenting a variety of information. This was particularly noticeable to me in the ongoing efforts to disseminate environmental data. Corporate activities have an environmental impact at the raw materials procurement, manufacturing, logistics, and other stages. I think that the company deserves great praise for its ongoing efforts to gather, process, and disclose data on its efforts to lower its environmental impact. If there were anything I would like improved, it would be to explain the backdrop for the standards that the company uses for its numerical targets and self-assessments. I think that this would enable the company to convey its ongoing endeavors to more people and gain their understanding.

Meriting Praise for a Structure Focused on Key Strategic Fields

I also read the Communication Book, which is even more compact than the previous version. I assume that the goal here was to relate Kaneka's social contributions through business activities to its four key strategic fields, presenting special features that highlighted two of those fields. Many B2B companies have numerous products that are hard to understand even if presented comprehensively, with the end result that the information ironically does not get across. In that light, I think that readers will easily understand Kaneka's direction and technologies from its sharp focus in its priority fields. To top it off, the special spotlighted such topical areas as regenerative medicine and next-generation lighting, so I read with interest about Kaneka's specific approach to contributing to social progress through its new technologies.

Looking for Further Social Contributions from Kaneka as a Signatory to the UN Global Compact

I also noted in the report that it included a section on Kaneka signing the UN Global Compact. Unfortunately, the section did not spell out how the company would contribute to the international community by taking part in this initiative. I have heard of examples of other companies making an effort by identifying new CSR activities as part of their overseas business deployments. Thus, since Kaneka only became part of the UN Global Compact in spring 2015, specific activities and contributions lie ahead. I would like the company to deploy and share its specific contributions with the international community while pushing forward with its activities.

To date, B2B enterprises have set about establishing businesses by communicating with direct customers. As globalization evolves, however, companies will have to engage more with societies as they deploy products and technologies in different fields. I hope that Kaneka can more broadly convey to stakeholders how its products and technologies are used and how they contribute to society in keeping with the company's goal of seeking to make wishes come true through science.

Suggestions and Improvements from the 2014 Version

Kaneka made the following improvements in response to Professor Minami's suggestions regarding the 2014 version.

1. Kaneka needs to explain its criteria for establishing its CSR activity targets and self-assessments.	→ In the PDF version, we presented the bases for setting the standards in the text and endeavored to add an explanation of the self-assessments. In particular, we included explanations in areas where content was lacking.
2. I expect the company will more broadly communicate a globally valid message.	→ From the 2015 version, we ensured that the content was even more relevant for an overseas readership. Having become a signatory of the UN Global Compact, we will present stronger messages through the CSR report.

Third-Party Opinion

Stakeholder Feedback

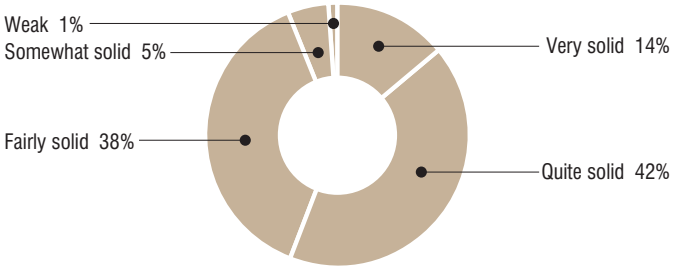
Below we present feedback from readers of the Kaneka Group CSR Report 2014.

Overview

Questionnaire implementation period	August 1 through October 23, 2014
Period analyzed	August 1 through October 23, 2014
Materials covered by questionnaire	Kaneka Group CSR Report 2014
Number of valid responses	598

Q.1

What were your impressions of the Kaneka Group CSR Report 2014?



Q.2

What interested you most about the Kaneka Group CSR Report 2014?
What articles impressed you the most (pick all that apply)?

Key Opinions

Q.3

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

- I think that specific business case studies would promote greater understanding of the company.
- I would like the company to step up its earthquake reconstruction efforts.
- I would like the company to do more in terms of areas such as work-life balance and diversity.

Q.4

What did you think about the special features?

Special Feature I Benefiting Customers

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

- I learned that the company is creating vital functions to improve the user feel for smartphones and other popular devices.
- I came away with a desire to find out the other benefits of this technology in addition to its application to smartphones.

Special Feature II Safeguarding the Environment

Protecting the Environment by Creating Advanced Manufacturing Sites

- I found that corporate policies have penetrated all aspects of the organization.
- Energy conservation efforts are vital to Japan, and I would like the company to keep up its thorough efforts in this direction.

Special Feature III Fulfilling Our Social Responsibilities

Contributing to Malaysia's growth by cultivating our manufacturing prowess and human resources

- I think that Kaneka will have a positive impact on Japan's relationships with Malaysia by cultivating operations there. I would like it to keep up the good work.
- Both Kaneka and communities can benefit synergistically from the company cultivating local human resources.

Third-Party Opinion

Editorial Afterword (Response to Third-Party Opinion)

Editorial Afterword (Response to Third-Party Opinion)

The 2015 version of our CSR Report carries special features that spotlight our thinking and activities in contributing to society through Health Care and the Environment and Energy, two of the company's key strategic fields. In presenting examples from Information and Communications and Food Production Support, we had in mind the notion of materiality in keeping with the fourth-generation of our Global Reporting Initiative guidelines that are set for formal deployment. Near the beginning of the report, we presented the "How? CSR" section in a question-and-answer format to illustrate how best to deliver corporate value to all stakeholders.

Professor Chieko Minami, who wrote the Third-Party Opinion, pointed out several areas in which she would like to see improvements. One is that Kaneka needs to explain its criteria for establishing its CSR activity targets and self-assessments, and the other is that she would like to see how we engage with the international community as a signatory to the UN Global Compact. We will endeavor to reflect her views in our next report.

We aim to increase the satisfaction of all stakeholders by conveying our specific CSR initiatives through our business activities. We would appreciate your sharing your impressions, requests for improvements or corrections, or other feedback on this report.

Finally, we appreciate you taking the time to read this report.

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

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- KANEKALON
- KANECARON
- 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
- KANEKA Q10
- KANEKA Hip Protector
- ILLUMIKA
- CellEffic
- KANEKA PEPTIDE