

CSR REPORT 2010



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Harnessing the Power of Chemistry to Provide Solutions

Mankind has long applied ingenuity to create chemicals that underpin lifestyles and societies.

The history of chemistry has long been one of passionate visionaries. Now chemistry is in the midst of an era of global challenges: an era in which old paradigms often no longer apply.

However, this is no time to relinquish hope, as this is precisely when we must tackle new problems to keep the flames of hope alive for future generations.

At Kaneka we will continue to harness our strengths as a Japanese chemicals manufacturer in order to ensure our role in finding solutions.

Corporate Philosophy

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

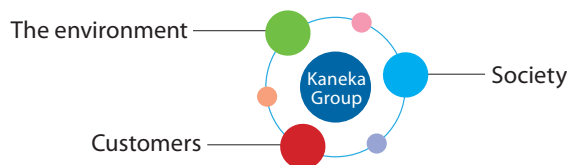
We are also committed to challenge the environmental issues of our planet and contribute to upgrade the quality of life.



Editorial Policy

In an effort to include more socially responsible content, the Kaneka Group reissued its Responsible Care Report from 1999, renaming this latest version CSR Report 2010.

This edition explains how Kaneka's business activities relate to CSR, and features information of particular interest for stakeholders, most notably the Company's environmental, customer, and social initiatives, while outlining all of its CSR activities.



In addition, there are sections specifically for stakeholders that include provision of Check & Act columns, an overview of activities for the year under review, and Plan-Do-Check-Act (PDCA) goals for highlighted issues in the coming term. Kaneka's website provides further details relating to this report in keeping with our commitment to more comprehensive disclosure.

Kaneka welcomes stakeholder feedback so it can further improve such disclosure.

Organizations Covered in this Report

This report covers Kaneka Corporation and its domestic and overseas consolidated subsidiaries.

Responsible Care activities data encompasses the parent and all 34 Group production subsidiaries.

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

Language Versions

This report and related information on our website are available in both Japanese and English.

Third-Party Verification and Opinions

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

Report Period

This issue covers fiscal 2009 (April 1, 2009 to March 31, 2010), with some additional information outside this period.

Date of Publication

August 2010

Publication of the Previous Report

August 2009

Next Report

August 2011

Reference Guidelines

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

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CSR is the starting point for all our corporate activities. We will fulfill our social responsibility through realization

Striving to become a company that brings people happiness

The world has reached a turning point of unprecedented dimensions with respect to social and economic frameworks, as we face problems such as global warming and the widening gap in income between the rich and the poor. Kaneka celebrated its 60th anniversary on September 1, 2009 in the midst of such structural transformation. On this occasion, the Company organized its principles system and announced establishment of the Declaration of Kaneka United for the future, outlining its long-term vision set to culminate in 2020.

As the first step, Kaneka's Corporate Philosophy and Corporate Ideals were set out in clear terms, underpinned by the Company's Basic CSR Policy. The ideal to which Kaneka aspires is that of a "highly perceptive and collaborative value-creating group," with emphasis on the five binding ties of "ties to the future," "ties to the world," "ties with value," "ties for innovation" and "ties with people." The Kaneka Group has a wide range of human resources and technology at its disposal. By bringing together people with people and technology with technology, and creatively joining people and technology, it is our aim to become a company that contributes to the global environment and brings about not just material wealth but also human health and security, better and more exciting circumstances, and human happiness. For the Kaneka Group, people more than anything else are the driving force that will bring about such change.

Implementing Basic CSR Policy through business activities in our four important strategic domains of focus

Kaneka's four important strategic domains of focus are defined in our vision for the future, and the Kaneka Group will concentrate its management resources in these areas and contribute to society through them. Specifically, the domains of focus are 1. Environment & Energy: for creating materials that reduce environmental impact and products that contribute to global environmental problems as a means to achieve a low-carbon society, 2. Health Care: for creating materials and products that contribute to health, medical treatment, and care, 3. Information and Communications: for supporting future societies with, for example, optoelectronics and battery materials, and 4. Food Production Support: for contributing to the global food crisis that has arisen as a result of expanding populations. Creating a steady stream of new businesses in these four strategic areas of focus is precisely how we will achieve our corporate philosophy. I believe it will also lead to the fulfillment of our Basic CSR Policy, which states that the "The Kaneka Group will fulfill its corporate social responsibility through realization of the Company's corporate philosophy with the earnest and forward-looking endeavors of every employee."

Management that is thoroughly focused on "Safety First"

In June 2009 there was an explosion and fire at our Kashima Plant that claimed the life of one of our employees. It was a tragic and heartbreaking accident. As a business, earning the trust of the local community and ensuring the safety of our

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.

on of our corporate philosophy.

employees is our number one priority. Following the accident, we established a “Safety Rebuilding and Review Committee” to identify problems through rigorous discussion, and to set out the issues to be addressed along with specific plans for implementation. As part of the resulting medium-term action plan that began in April 2010 and will continue for the next three years, the Kaneka Group will engage in thorough reforms with respect to facilities and employee awareness, in order to accomplish the aim of “Safety First” based on a solid determination to ensure that we never again have a serious accident. Accordingly, we will continue to formulate various safety measures in the months and years ahead.

Emphasizing communication with stakeholders

We established a CSR committee in March 2009, and as chairman, I have taken a management approach this past year that emphasizes CSR anew. Needless to say, the relationship with our stakeholders is of the utmost importance when looking to engage in management based on the principles of CSR. The “CSR Report 2010” is the first CSR activity report to be issued by the Kaneka Group. We will continue to place importance on communicating with each stakeholder and focus on becoming a corporate group that earns even greater trust from its stakeholders. Thank you for reading this report, and I would be very happy to receive any suggestions or comments that you may have.



Kimikazu Sugawara

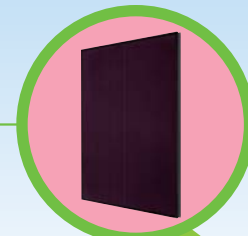
*President
Kaneka Corporation*



Kaneka's Corporate Ideals

Toward an Even More Impressive and Productive Future
 Hold in your hands the future you have always dreamed of.

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



Thin-firm "HYBRID" Solar Panels

Environment and energy: These modules deliver best-in-class conversion efficiency in terms of thinfilm silicon PV and are used as solar panels on home roofs and public facilities



Antioxidant form of Coenzyme Q10 (Kaneka QH)

Health Care: To contribute to the Quality Of Life (QOL) of people in a wide range of applications including cosmetics through food ingredients (particularly in dietary supplement applications)



Multifunctional Yeast

Food production support: Our yeast is for baking top-quality bread, meeting diverse needs and adding variety to tables



"Dreamology" is an expression coined from 'dream' and 'ology' (science). Our "Dreamology Company" is a "highly perceptive and collaborative value-creating group."

Kaneka has a target of ¥1 trillion in consolidated net sales and ¥120 billion in operating income for fiscal 2020 in keeping with the Declaration of Kaneka United in its long-term management vision. Kaneka will draw on its Basic Corporate Social Responsibility Policy to concentrate resources in four growth fields to build new value while boosting the Company's competitive edge presence in the global marketplace.

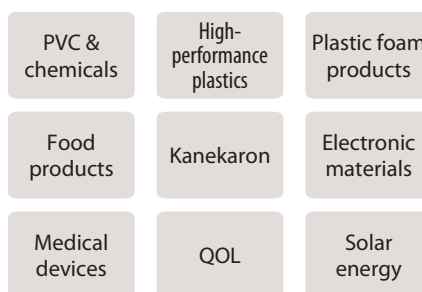
Basic Management Policy

With people and technology growing together into creative fusion, we will launch new businesses with superior competitiveness in the rapidly growing markets as we continue to move forward as a global company.

Business Targets

	2008 (actual)	2015 (target)	2020 (target)
Consolidated sales	¥449.6 billion	¥700 billion	¥1 trillion
International sales ratio	32.7%	50%	70%
Operating income	¥7.6 billion	¥70 billion	¥120 billion

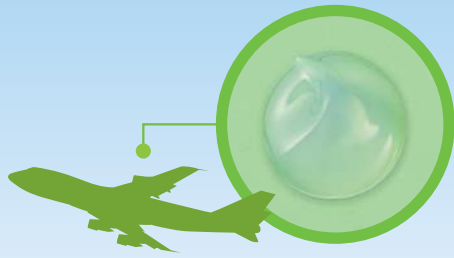
Existing Business Units



Important Strategic Domains



Structural reform - Business creation - M & A Product/organizational restructuring



Epoxy Resin Modifier

Environment and energy and information and communications:

These materials, epoxy resins in which rubber nanoparticles are pre-dispersed, are to improve toughness and durability. Diverse applications range from electronic parts to civil engineering, construction materials, and aircraft.

Thermo- and Light-Resistant Transparent Resin

Environment and energy and information and communications: For LEDs, optical parts, and information and communications components



Bioplastic

Food production support: A 100% plant-derived material. Completely biodegradable, with agricultural applications including mulch film

Business Clusters 10 Years from Now

● Environment and Energy

We will develop materials to reduce environmental impact and create products and markets that contribute to solutions to environmental problems as we seek to achieve a low-carbon society.

● Health Care

We will create products and materials that support peoples' health-related, medical treatment, and health care needs.

● Information and Communications

We will offer high-performance electronic components to support the needs of the information society.

● Food Production Support

We aim to come up with solutions to food-related problems by providing materials which support agriculture, livestock and fish culture production.



Combating global warming is a pressing issue.

International efforts are under way to formulate standards for reducing greenhouse gas emissions.

These developments have quickly raised interest in new alternatives to oil and other fossil fuels.

The Kaneka Group was swift to focus on the world's abundant solar energy.

After researching and developing cells to optimally harness solar energy, we constructed a world-class plant to produce thin-film silicon photovoltaic modules.

The plant is located in Toyooka City, Hyogo Prefecture, where the authorities are working to reintroduce an endangered stork species into the wild. This bird is symbolic of the city's efforts to harmonize environmental and economic interests.

The Kaneka Group is playing its part in such endeavors by offering advanced thin-film silicon photovoltaic modules that can help combat global warming.

Harnessing the Power of Chemistry for a Sustainable Future



**Kaneka's Environmental
Policy and Vision**

One of the Group's top priorities is the addressing of environmental issues. We will therefore fulfill our social responsibilities in several ways by reducing the environmental impact of our raw materials procurement, manufacturing, shipping, and other production processes, and of our offices. We will also draw on our chemicals expertise to offer sustainable technologies and products.



The Power to Create a World

Kaneka's Photovoltaic Modules Complement Toyooka City's Success in Reintroducing the Stork

Oriental White Stork Returns to Toyooka's Skies in Culmination of a 40-Year Artificial Breeding Program

Toyooka City is located in the northeast of Hyogo Prefecture. This small city is home to Kaneka Solartech Co., Ltd., which maintains one of the world's largest thin-film silicon photovoltaic module plants. Forests cover around 80% of the city, which is blessed by multicolored vistas in each of the four seasons. The city's main industries are agriculture, forestry and fisheries, and tourism.

Toyooka shot to prominence in Japan when endangered oriental white storks were released into the wild. These natural treasures disappeared from Japanese skies in 1971. Japan's massive postwar economic growth benefited its people financially, but at the cost of transforming the natural environs and destroying much of the storks' natural habitat. The Toyooka Basin was the last remaining preserve for these birds.

In 1955, the citizens and government of Toyooka came together to launch a joint initiative to protect the storks, and began an artificial breeding program in 1965. It took until 1989 for their efforts to come to fruition with the birth of the first chick. Storks flew again in Toyooka in 2005. This project was unparalleled worldwide in terms of its scale and success in breeding and repopulating an area. It is also of note that 2007 saw the first stork born in the wild in Japan in 43 years. The fledging survived and grew. More than 100 storks now live in Toyooka.

Habitat for Storks is Part of Toyooka's Environmental and Economic Strategy

Storks are carnivorous and are atop the food chain in the ecosystems of country towns, nesting in pine trees and dining from rice paddies, irrigation channels, and rivers. It is vital to restore this environment so these birds can

thrive. Residents thus need to change their attitudes and lifestyles, which while prizing convenience, destroy the environment and cause the storks to disappear. The initiative to return storks to the wild was also a process of Toyooka residents welcoming these creatures back into their lives. The citizens pooled their personal and material resources and knowledge to explore Toyooka's history and traditions when the environment played an intrinsic part in its existence. They came to the realization that an environment in which storks can live would also be sustainable and healthy for people.

The Toyooka City government has launched a strategy that promotes compatibility between the environment and the economy, and is currently working on a system to promote a virtuous cycle. The concept is for environmental efforts to foster the Stork Brand proposition of safe and secure agricultural products, with the economic benefits derived from the brand fueling more environmental initiatives. The return of the storks to the wild symbolizes this worthwhile Toyooka Model.

Bringing Photovoltaic Modules to the World from a City of Storks

In 1999, the Kaneka Group began operating the world's largest amorphous silicon photovoltaic module plant. We commenced working on such modules early by initiating joint research with a university laboratory in 1980. A year later we developed a photovoltaic module that offered the highest conversion efficiency in the world. We then started commercializing these modules to generate electricity.

Our success in creating thin-film microcrystalline silicon in 1993 led us to look into setting up a full-scale plant for amorphous silicon photovoltaic modules. We came across Toyooka while searching for a site for the new plant in western Japan.



A special preserve in Toyooka that is home to more than 100 oriental white storks



A rest house at the stork preserve donated by the Group featuring a roof mounted with solar panels

At the time, the city was inviting companies to its industrial complex to secure local employment and improve tax revenue. One attraction for the Kaneka Group was that a sufficiently large site was available. However, the main motivation for choosing Toyooka was the enthusiasm of its government and residents for returning the storks to the wild. We believed that photovoltaic module production complemented that vision, as these products can help safeguard the environment.

Thus, in deciding to supply the world with photovoltaic modules from a place in which wild storks could live, we were looking beyond basic business considerations toward a goal of working with communities to create a better environment. We viewed Toyooka as ideal for demonstrating that people and nature can happily coexist.

The annual production capacity of our plant totals 70 megawatts. This is equivalent to the power needs of approximately 23,000 households. We will increase capacity to 150 megawatts in the summer of 2010 when a new facility goes on line. And like a migrating bird, our Toyooka plant is shipping thin-film silicon photovoltaic modules to Europe as well as the domestic market.

Stakeholder Message

Muneharu Nakagai
Mayor of Toyooka City



The City of Toyooka is working on creating an eco-valley. Underpinning this drive is a strategy to improve both the environment and the economy. We are harnessing three concepts in our initiatives: the first is environmental sustainability; the second is self-sustainability, which means ensuring financial independence for the city based on proper use of its environmental resources; and the third concept is pride, as this suffered when our city lost its vitality. If Toyooka becomes financially independent because of its environmental initiatives, its citizens will all be very proud.

I believe that Toyooka City and Kaneka are building an auspicious relationship in promoting this strategy. It goes without saying that Kaneka's production of environmentally friendly photovoltaic modules is perfectly compatible with our goals.

Furthermore, by supplying much of its output to Europe, Kaneka is introducing our city to the world.

I look forward to more endeavors from the Kaneka Group in positioning its Toyooka facility as central to its global strategy. Somewhat unfortunately, most of Kaneka's product line is not directly linked to consumers. I believe the Group could expand its potential by increasing its exposure to consumers, just as it does with photovoltaic modules, and by actively publicizing its activities.



The new Kaneka Solartech plant displays a Toyooka stork on a solar panel.

Thin-Film Silicon Hybrid Photovoltaic Module: A Key Advance in New Energy Sources

Tapping the Clean and Limitless Energy of the Sun

The Group has been working on photovoltaic modules for around 30 years to capitalize on their virtually limitless business prospects. Just one hour of sunlight delivers as much energy as mankind consumes in a year. Solar power is an inexhaustible energy supply that does not produce carbon dioxide and other toxic emissions. Japanese businesses and research institutions were swift to address the nation's almost total dependence on energy imports by exploring ways to harness sunlight. The nation thus leads the world in technologies for photovoltaic module systems. Residential installations account for roughly 80% of such systems in Japan.

Proprietary Tandem Photovoltaic Modules Layering Amorphous and Thin-Film Microcrystalline Silicon

Photovoltaic modules convert light energy directly into electricity. The basic principle is that the electrons induce an electric field to generate power by absorbing sunlight. Photovoltaic modules are composed of silicon or compound semiconductors. Our focus is on the mainstream silicon versions, of which there are two subcategories: tandem microcrystalline and amorphous silicon structures. Crystalline modules represent around 80% of the photovoltaic module market. We applied proprietary technology to develop hybrid modules composed of layers of amorphous and thin-film microcrystalline silicon that offer considerable next-generation potential.

Low Production Costs, and Shorter Energy Payback Times

Amorphous silicon absorbs ultraviolet (short) rays, while thin-film microcrystalline silicon is effective with infrared

(long) rays. The dual-layer structure of amorphous and microcrystalline silicon can capture both short and long wavelengths of the light spectrum, allowing the HYBRID to convert even more sunlight into electricity. This enhances the efficiency of power generation, and produces up to 30% higher power output than Kaneka's thin-film amorphous silicon panels. Our modules also offer diverse performance and feature several advantages.

The thickness of the silicon layer in conventional crystalline silicon modules is usually 180 to 200 microns (0.18 mm - 0.21 mm). In our thin-film silicon hybrid photovoltaic modules the silicon layer measures just 3 micron (0.003 mm). Since we form the silicon layer directly on glass or other large, inexpensive substrates, we can achieve a strong economy of scale via mass production. As the substrates require far less silicon and thus reduce costs, our thin-film silicon hybrid photovoltaic modules have massive commercial potential.

Another key benefit of our modules is their faster energy payback time compared with traditional crystalline silicon modules. The energy payback time is the period required to recoup the energy input throughout a product's life cycle (from its manufacture to disposal). The payback time for our photovoltaic modules is approximately 1.75 years (in the case of Japanese residential installations).

At present we are focusing on module development for the Japanese residential market. An example of our effort is SOLTILEX, a module that can be installed on a slate tile roof without drilling holes in the roof tiles, that offers durability as roof tiles that are impervious to water and wind, and is aesthetically pleasing. We are aiming to broaden our lineup to include modules for use with Japanese roof tiles and concrete roofs.



Large photovoltaic power system installed on a farm in Germany (photo courtesy of IBC Solar)



See-through photovoltaic modules installed at a bus terminal outside Kanazawa Station



SOLTILEX hybrid photovoltaic modules double as residential slate roofing tiles

Seeking to Break Through the 15% Conversion Efficiency Barrier

The three stages of production for our thin-film silicon hybrid photovoltaic modules are cell formation, sealing, and module assembly. In the cell formation process, a robot takes each cell substrate to a conveyor for repeated laser machining to form a thin film. Such repetition produces high conversion efficiencies (see note below). The subsequent sealing process entails coating the substrate with resin to maintain quality. The substrate is then assembled as a module, resulting in the final product. Subsidiary Kaneka Solartech Corporation forms cells in a clean room and maintains other strict environmental controls to manufacture photovoltaic modules.

We market the modules in Europe and the United States for large power installations and in Japan for residential roofs as well as, public and industrial installations.

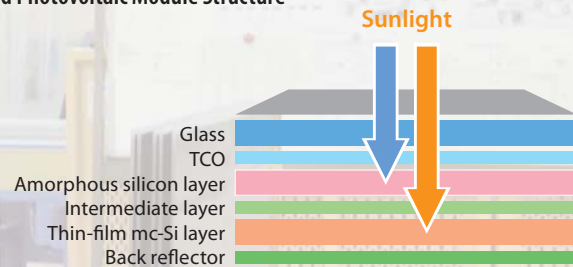
Our modules currently achieve a conversion efficiency of 12%. However, as evidenced in tests on a module having a new transparent intermediate layer placed between the two existing ones, we have been able to improve on this figure. We recently developed a 910 mm x 455 mm panel that attained a conversion efficiency of 13.4%. However, since crystalline silicon modules already exceed such performance, we formed the Kaneka Energy Solutions Joint Research Department together with Osaka University's Center for Advanced Science and Innovation for the purpose of raising the conversion efficiency to 15% by around 2015. We are also aiming to increase the aggregate annual production capacity for our thin-film silicon hybrid photovoltaic modules to one gigawatt, and to develop devices that can use the infrared spectrum to generate electricity.

The Kaneka Group will continue working towards alleviating global warming by further sharing the fruits

of its leading-edge photovoltaic module technologies with the world.

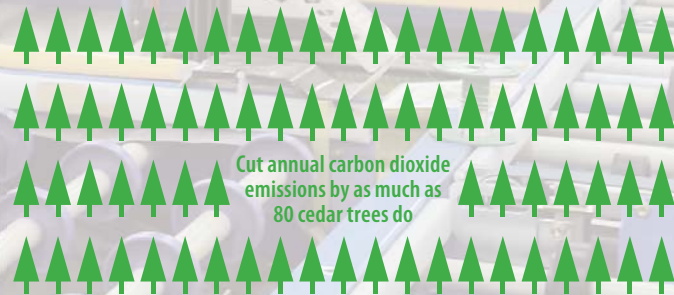
Note: Conversion efficiency is the percentage of light energy transformed into electrical energy.

Hybrid Photovoltaic Module Structure



Carbon Dioxide Reduction

Kaneka photovoltaic modules for one house can cut annual carbon dioxide emissions by an amount equivalent to 80 cedar trees.



Note: The following are assumed:

- Thin-film silicon hybrid photovoltaic module
- Total capacity of 3,002 kilowatts
- Angled at 24.23°, with zero azimuth
- Installed in Osaka
- One cedar tree can absorb 14 kilograms of carbon dioxide per year (according to the February 15, 2005 edition of Nikkei Home Research magazine)

Thin-film silicon hybrid photovoltaic module comprising amorphous silicon and thin-film microcrystalline layers





Enhancing Lifestyles by Accommodating Customer Needs

Combining Proprietary Emulsification and Crystallization Technologies

The predecessor of the Kaneka Group launched its foodstuffs products business in 1949. Work on fermentation technology led to the creation of butanol, an internal combustion engine fuel. We applied that technology to produce yeast. We then cultivated our foodstuffs products business to make bakery yeast and margarine.

We began manufacturing oils and fats for chocolates in 1961, producing a low-cost vegetable oil-based substitute for cacao butter. This product contributed significantly to better consumer living. In 1977 we entered the cream products market.

Our oils and fats stem from years of Group development. We have accumulated proprietary expertise in technologies that enable us to control the emulsification and crystallization processes that underpin the quality and performance of oil and fat products.

Producing Multipurpose Yeast that Maintains Outstanding Fermentation Activity While Satisfying Diverse Bakery Requirements

We created many of our products to address the difficulties faced by confectionery and bread manufacturers. A good example is Dorfe, a multifunctional yeast that we launched in 2006. Bread production plants previously had to use yeasts whose fermentation activities differed according to sugar content, or they had to use freeze-tolerant yeasts for frozen dough recipes. Cumbersome switching of application-specific yeasts reduced work efficiency.

Dorfe resolved these problems because it remains far more active than regular yeasts in general bread baking methods, maintaining dough shape after rising and resulting in soft, fluffy bread. Dorfe is not only freeze-tolerant but also delays mold development. Dorfe is suitable for use in all bakery products from sugarless French and low-sugar breads to baked goods with a high sugar content.



The Japanese food market has changed with the times. Consumers have sought more variety and new tastes in recent years. This has paralleled changes in social structure, with key factors being the evolution of nuclear families, an aging population, and the advancement of women. More people are thus eating out, consuming ready-made meals, or dining alone.

The traditional consumer focus on food safety has become even more challenging and complex.

The Kaneka Group is cultivating its bakery yeast, margarine, and other food businesses to anticipate and capitalize on emerging needs and enhance consumer lifestyles.

Kaneka's Customer Policy and Vision

Confectionery and bread manufacturers are among the diverse buyers of our foodstuffs. We would not be able to survive without their custom. We cater to a wide range of needs by providing quality products and services while ensuring food safety and disclosure to strengthen customer trust.

Utilizing Our Lactic Fermentation Technology to Produce Margarine that Tastes Like Butter

In 2008 we commercialized Concebeurre, a margarine that incorporates a new flavoring agent that we developed to provide the aroma and taste of real butter. The problem with conventional agents is that they lose their buttery flavor during and after baking. By adding a controlled amount of Concebeurre, bakeries can reduce their butter consumption and achieve natural results with their bread and confectionery products while retaining flavor longer. Concebeurre margarine has improved the reliability of baked goods.

Launching Two World-First Products that Taste Like Fresh Cream

The Kaneka Group launched two innovative confectionery whipping cream offerings in 2009. They are Lachente for confectionery products and Franje for cooking. Both products were world firsts, drawing on our emulsification technologies and proprietary manufacturing techniques to maintain the flavor of natural cream while adding new properties. With Franje, for example, the oils do not separate during heating or freezing, eliminating the need for stabilizers or other additives. Another advantage is that this product slashes the cost of ingredients.



"Dorfe" multipurpose yeast



"Concebeurre" margarine incorporating a new lactic flavoring



"Lachente" confectionery whipping cream

Maintaining Meticulous Standards of Food Safety while Collaborating with Customers to Create New Products



We offer practical guidance and new products to confectioners



We hold Group-wide food festivals around Japan

Adhering to ISO 9001, AIB* Good Manufacturing Practice Guidelines, and Ensuring Food Traceability

In recent years the prime issues for companies in Japan's food business have been safety and security. We have long endeavored to ensure safe food production and distribution practices. All our domestic facilities where food products are handled have therefore secured ISO 9001 certification, the international standard for quality management systems.

These facilities have also adopted the American Institute of Baking's Good Manufacturing Practice guidance and monitoring system to help manage food safety. The Institute has won renown for this system in numerous areas of the industry around the world, from food processing plants to raw materials manufacturing, warehouse logistics, and packaging materials facilities.

We are building a food traceability framework, which we consider vital to increasing peace of mind and safety for confectionery and bread manufacturers and consumers alike.

※ AIB: American Institute of Baking (see page 33 for more details)

Holding Food Festivals to Promote New Products

One noteworthy feature of our foodstuffs products business is that we have built up an integrated nationwide network spanning four sales companies that promote new offerings to confectionery and bread manufacturers.

While primarily a manufacturer and supplier, we were quick to focus on strengthening our marketing capabilities. Our sales representatives identify customer issues and needs and we apply this information when developing new products. We also gather accurate information on market requirements that we share with customers. Such efforts have resulted in numerous "hit" products.

We organize nationwide food festivals as part of our comprehensive marketing approach. These events showcase products such as our bakery yeasts, margarine, and cream. They also introduce new products incorporating such ingredients for confectionery and bread manufacturers and other food processors, the goal being to cultivate new food markets through collaboration.

By pushing ahead with technological development, we hope to strengthen our brands and new product marketing as part of a comprehensive manufacturing approach that aims to directly satisfy both confectionery and bread manufacturers and consumers.

Stakeholder Message

Seita Arakaki

President of Daiichi-Pan Co., Ltd. and Chairman of the Okinawa Bakery Business Cooperative



Our cooperative holds Bakery Technique Seminars in an effort to foster the development of the Okinawan bread manufacturing industry. Kaneka participates in these events once every three years. Food group representatives from Kaneka make presentations and show us how to make popular and seasonal products.

I have participated in many of these events as a master baker, and have found these gatherings to be very informative, as the Kaneka people explain things during the preparation and baking, and allow participants to feel the ingredients and dough during that time. More than 70 people from the cooperative typically attend these seminars. They are very keen to obtain product-making tips, and I would like Kaneka to continue staging such events.

We bakers naturally want to improve our skills. However, it is increasingly important for us to develop popular offerings that add value while keeping prices down given that customer needs are diversifying, with people preferring inexpensive items.

The Kaneka seminars are invaluable for learning about market trends, and I would like to see more such gatherings.



Sharing the Joys of Manufacturing with Children

It is vital for a manufacturer to engage continually with the surrounding community.

For this reason, the Kaneka Group opens its plant and other amenities to the public and conducts plant tours, hosts summer festivals, and runs neighborhood cleanups.

One key priority is to help educate children from elementary through high school. In one initiative, our Takasago Plant in Hyogo Prefecture arranged for representatives from the Chemistry Makes Our Dreams Come True campaign of the Japan Chemical Industry Association to conduct a class for third-year students from a nearby elementary school.

Kaneka's Social and Community Policy and Vision

We intend to engage with and contribute to the welfare of these stakeholders while making sure that our plant and other operations are safe. We will also continue to fulfill our obligations as a good corporate citizen.

Report on Plant Tour that Created 80 Budding Young Chemists

Holding Plant Tours and Providing Experiential Classes as Part of the Chemistry Makes Our Dreams Come True Campaign

The Japan Chemical Industry Association, two other industrial bodies, and four academic organizations launched Chemistry Makes Our Dreams Come True in 1993. This program is designed to educate children and foster understanding of the chemical industry's contributions to society by cultivating interest in the mysteries of chemistry while highlighting the usefulness of chemical products.

The program's numerous initiatives have included summer holiday chemistry shows, a national chemistry grand prix for high school students, and scientific experiment classes.

As a member of one of the industry bodies sponsoring Chemistry Makes Our Dreams Come True, on February 11, 2010 the Kaneka Group invited around 80 third-year students from Takasago Elementary School to tour the Takasago Plant and participate in a cake-making class.

Admiring the Automated Plant Facilities and Reveling in the Huge Salt Pile

The students and their teachers began their visit at the training center hall with a presentation from members of the plant's ELS Committee.

The ELS Committee's community activities to date have included conducting neighborhood cleanups and holding summer festivals. During the late 1990s, the Committee began organizing events for nearby elementary schools to enable students to experience the joys of chemistry and manufacturing by making cakes, artificial salmon roe, and erasers. Each member of the ELS Committee voluntarily contributes funds and time to these activities.

After the presentation, the students boarded a bus to tour the plant. Many wondered why this was necessary and were surprised to find that it was because the facility is so large. After a ride of more than 10 minutes, the group arrived at the margarine packaging factory. Peering through a special viewing window, the students were amazed at so few workers in this highly automated area and expressed admiration for the precision of the packaging systems.

After reboarding the bus, the students were taken to a huge pile of salt. They were astonished to learn from the guide that the salt was extracted from seawater shipped from Mexico, Australia, and other countries. They were further amazed to hear the guide explain that salt byproducts include caustic soda, hydrogen, and chlorine from electrolytic processes.

To make the world of chemistry feel a little more familiar, the organizers asked the children to try racing to the top of the salt pile. They enthusiastically complied. Some made it to the top, while others slid down along the way, but all thoroughly enjoyed themselves. Before boarding the bus again, the students each received a plastic bag so they could take home some salt to wash and dry, then sprinkle on their meals.

Making Cakes with Our Whipped Cream Proves a Big Hit

After returning to the training hall, the students took part in the third event of the day's tour: cake making using whipping cream manufactured by the Kaneka Group. We have held cake-making sessions for many years so participants can experience the joys of making something themselves.

Each student received a sponge cake to decorate as desired with the cream. They set about their tasks with smiles and squeals of delight, packed their creations in gift bags, and completed their tour.



Watching the margarine production process



Reveling in a huge pile of salt



Making cakes using Kaneka's whipped cream

The Kaneka Group will continue to participate in the Chemistry Makes Our Dreams Come True campaign to encourage children's interest in chemistry and manufacturing.

Stakeholder Message

Hiroko Kita

Head Teacher of Third-Year Students at Takasago Elementary School



Takasago Elementary School is just down the road from Kaneka's Takasago Plant. The chimney stacks are a daily sight for our students, so Kaneka is very much part of their lives.

Our school began participating in the company's experiential classes more than a decade ago. Kaneka normally invites third-year students every February to visit its facilities to make cakes and erasers. The students find this encounter with chemistry refreshing, exciting, and valuable.

We had to halt class trips this year, largely because of influenza concerns, but we asked Kaneka if it could arrange a plant tour for our students. We were so grateful that it readily agreed to such a sudden request. The automated packing facility, salt pile, and cake making all proved a great thrill for the children. We would dearly love Kaneka to continue holding its experiential classes. I also think it would be fantastic if students from other year levels could participate in other types of experiences, such as attending lectures by Kaneka staff on the company's environmental initiatives as part of a new experiential class program.

Diverse Initiatives for Children

Chemistry Makes Our Dreams Come True is just one of several initiatives through which the Kaneka Group stimulates the curiosity of the young and cultivates their knowledge. Some of our other initiatives are listed below.

For example, we help run Hyogo Prefecture's annual TRY-yaru Week, which provides five days of work experience for second-year junior high school students. They come to our facilities to learn how to bake bread and cakes, learn about our Kanecaron modacrylic fiber and pharmaceuticals, collect and deliver items within our sites, and work in shops.

We sponsor a Manufacturing Fair at which local companies exhibit their wares or showcase their research and development outcomes and technologies to the public. We presented our photovoltaic modules and other offerings at the most recent event.

The Takasago Plant holds the Kaneka Fun Plant Experience for students of neighboring elementary schools. The program in fiscal 2009 featured a chemistry class on photovoltaic modules.

Kaneka's Activities for the Young in Fiscal 2009

[The Takasago Plant provided work experience for junior high school students during TRY-yaru Week.](#)

[The Osaka Plant sponsored the Manufacturing Fair at the Osaka Polytech Center.](#)

[The Takasago Fun Plant Experience featured a chemistry class for local elementary school students](#)

[All domestic Kaneka plants \(in Takasago, Shiga, Osaka, and Kashima\) and subsidiaries such as Tochigi Kaneka Corporation, Kaneka Solartech, Kaneka Medix Corporation, Kaneka Belgium N.V., Kaneka Texas Corp., Kaneka Singapore Co. \(Pte\) Ltd., and Kaneka \(Malaysia\) Sdn. Bhd. conducted plant tours for local students, held classes on the environmental benefits of photovoltaic modules, provided experiential learning about safety, and offered seminars on the chemical industry.](#)

[Kaneka Texas awarded scholarships for the 15th consecutive year to local high school graduates.](#)

[Kaneka Belgium, Kaneka America LLC, Kaneka Texas, and Kaneka \(Malaysia\) continued donating money to local schools.](#)

Kaneka Group Profile

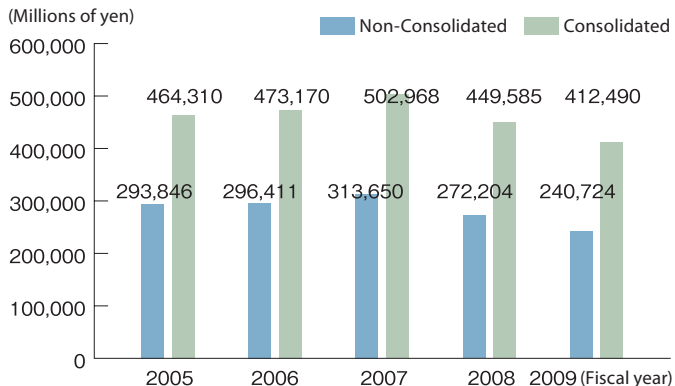
Corporate Profile

Name	KANEKA CORPORATION
Head Office	
Osaka Head Office	3-2-4, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Phone: +81-6-6226-5050 Facsimile: +81-6-6226-5037
Tokyo Head Office	1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan Phone: +81-3-5574-8000 Facsimile: +81-3-5574-8121
Date of Establishment	September 1, 1949
Paid-in Capital	33,046 million yen (as of March 31, 2010)

Domestic Facilities	Sales Office Plants	Nagoya Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Frontier Biochemical & Medical Research Laboratories Process Technology Laboratories Photovoltaic and Thin Film Device Research Laboratories Molding & Processing Development Center	
Main Overseas Facilities	U.S.A, Belgium, Singapore, Malaysia, Australia, China, and others	
Kaneka Group	79 subsidiaries (including 37 domestic and 15 overseas consolidated subsidiaries)	

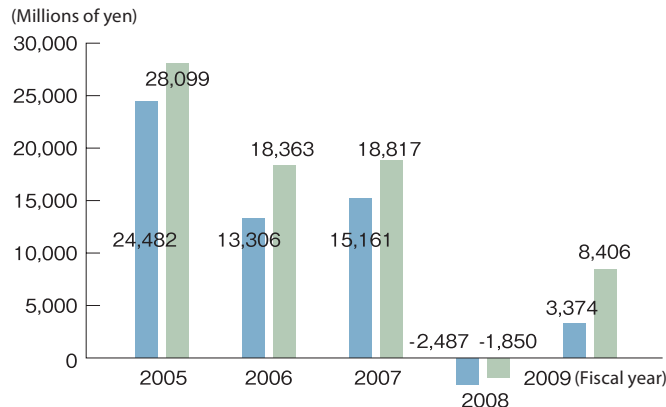
Net Sales

(Millions of yen)

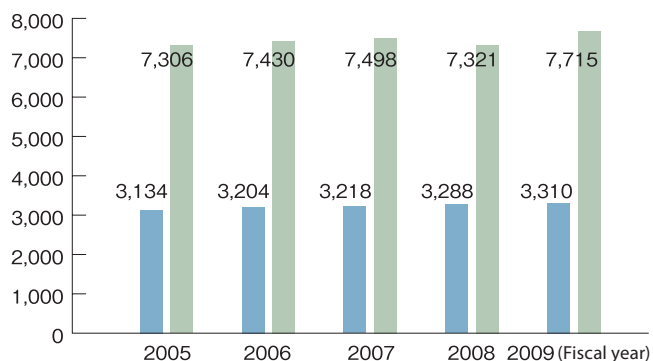


Net Income

(Millions of yen)

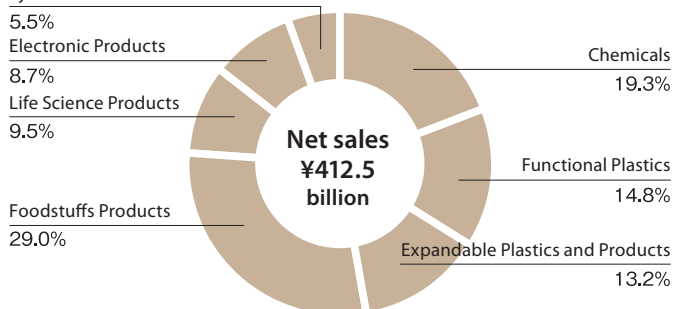


Number of Employees



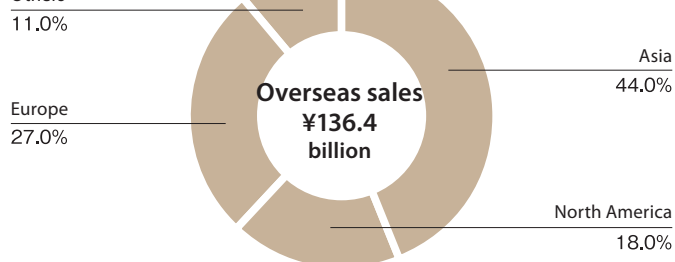
Consolidated Sales by Business Segment (Fiscal 2009)

Synthetic Fibers and Others



Consolidated Overseas Sales by Area (Fiscal 2009)

Others



CSR Approach of the Kaneka Group

CSR Positioning

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

Management philosophy

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

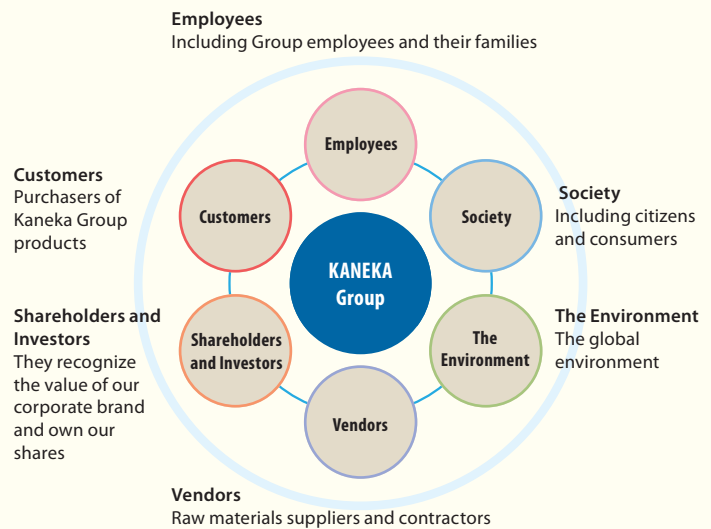
Structure of Kaneka United



Stakeholders

Our key stakeholders are our employees, society, customers, the environment, shareholders and investors, and vendors.

In order for us to improve our enterprise value, Group CSR efforts aim to increase the satisfaction of our stakeholders through business activities.

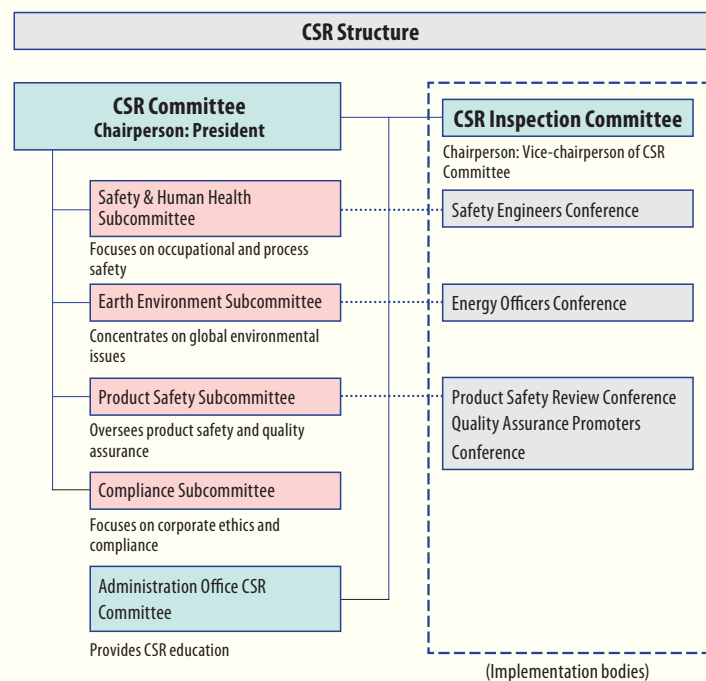


CSR Structure

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

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

In April 2010 we set up the CSR Inspection Committee to assess and encourage CSR endeavors. The Earth Environment Committee now focuses on biodiversity efforts.



Corporate Governance and Compliance



Further details are available on our website.

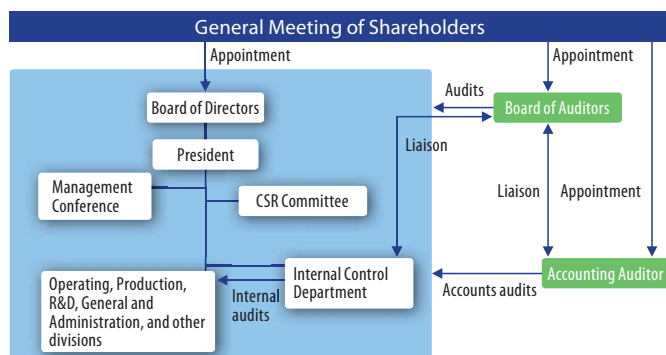
Corporate Governance Structure

Our corporate philosophy states that, "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 accordingly believe that corporate governance is vital to increasing enterprise value.

Our Board of Directors meets at least once a month to discuss important issues and oversee implementation of operations. We have limited the number of directors to 13 and their terms to one year in order to ensure clarification of management responsibilities.

We established an executive officer system to more flexibly address changes in the business climate. Division managers appointed by directors have extensive authority over daily operations to ensure mobility. Directors are responsible for multiple divisions. The Internal Control Department reports directly to the President and independently monitors the operations of each division.

The Board of Auditors comprises four people, two of whom are external. Auditors attend meetings of the Board of Directors and other important gatherings, and also inquire about operational implementation and visit head offices and plants for evaluation and assess the directors' work. The Board of Auditors coordinates with other relevant parties. For example, it may request the Internal Control Department to report on the status of internal audits and have the accounting auditors explain their work.



Compliance Structure

One of our top management priorities is to ensure that directors and employees comply with laws, regulations, and corporate statutes when conducting business as described below.

- (1) The responsibilities of the Compliance Committee, which falls under the CSR Committee, include overseeing and tracking companywide plans, verifying compliance, and setting up and running consulting and reporting contact desks.
- (2) Administrative departments (see note 1 below) prepare

compliance-based rules, develop and implement training programs, plan and promote self-assessments and other activities, and audit compliance.

(3) Several other organizations formulate plans to address companywide challenges. Operating under the CSR Committee are the Central Committee on Environment, Safety & Human Health, the Earth Environment Committee, and the Product Safety Committee. The Plant Management Committee reports directly to the president.

(4) 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.

(5) We ensure the reliability of our financial reports by maintaining and enhancing internal controls, and by having the Internal Control Department monitor the relevant processes.

Note 1: Administrative departments supervise specific parent and Group business functions, and include the Personnel, General Affairs, and Finance and Accounting Departments.

Ensuring Complete Compliance Awareness

We formulated the Ethical Code of Conduct for all Group directors and employees. All Group companies can access this document through our intranet. Also on our intranet is our Compliance Guidebook, which we revised in October 2009 to reflect changes in the legal and social climate.

We offer education on compliance when training new or promoted employees, people within divisions or at Group companies, or people preparing for an overseas assignment. We regularly train sales, purchasing, and business development managers (see note 2 below) on the requirements of the Antimonopoly Act, and require each of them to submit a written oath of compliance.

Note 2: We held nine such sessions in 2009, with 243 people attending, including Group company presidents.




Compliance Guidebook

Consultation Desks

Internal consultation desks and external law firms respond to concerns about Group compliance and endeavor to swiftly resolve any problems.

Responsible Care and Management

 Further details are available on our website.

●●● Basic Policies for Responsible Care

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

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

● Responsible Care Organization

Responsible Care is a voluntary chemical industry initiative spanning 45 countries. Participant companies that manufacture or handle chemical substances agree to maintain and improve environmental and safety efforts in all aspects of product life cycles, from development to production, distribution, use, final consumption, and disposal.

We have strengthened our Responsible Care endeavors as a member of the Japan Responsible Care Council since its establishment by the Japan Chemical Industry Association in 1995. Efforts made through the organization in the chart below cover the following six areas: environmental protection, process safety and disaster prevention, occupational safety and health, chemical and product safety, distribution safety, and communication with society.

Kaneka's president chairs the CSR Committee, which directly oversees the Central Committee on Environment, Safety & Human Health, the Earth Environment Committee, the Product Safety Committee, and the Compliance Committee. These bodies deliberate and determine Group policies and measures, and examine related activities.

The Plant Management Committee focuses on Responsible Care activity issues that are specific to manufacturing sites. The Production Technology Division's Responsible Care Department and Corporate Technology Administration Department disseminate activity conference-based policies and measures throughout the Group.

The Responsible Care Leaders Conference comprises officials from each division, and acts companywide. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference, which focuses on the quality and safety of our chemical products, share information and discuss issues. The Affiliated Company Environment, Health & Safety Leaders Conference shares Group company policies and goals covering environmental and product safety and quality assurance, as well as undertaking group-wide Responsible Care efforts.

●●● Group Management

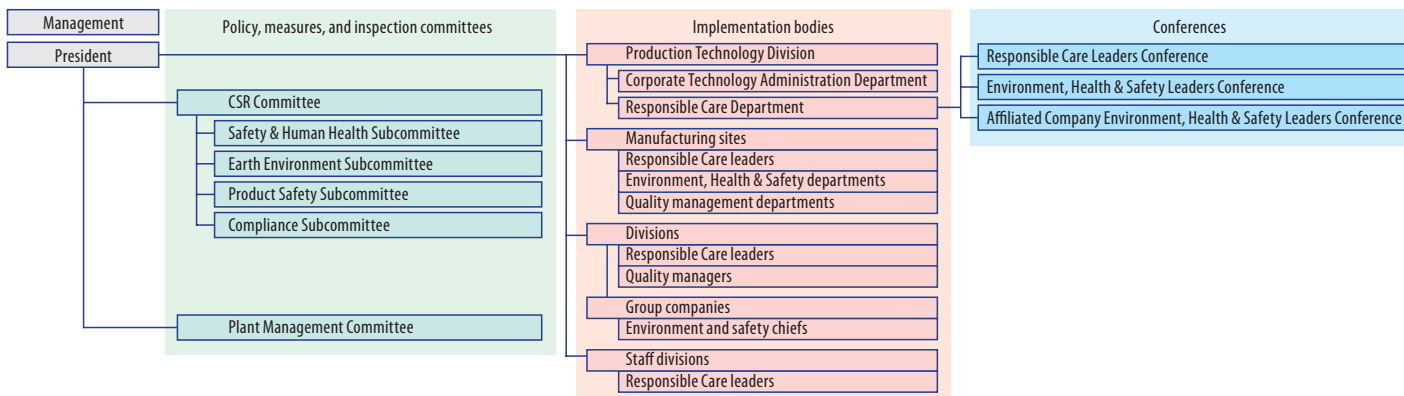
Kaneka shares and acts on Responsible Care concepts and strategies with Group companies.

Since fiscal 2005 we have conducted comprehensive inspections of environmental protection, occupational safety, product safety aspects of quality assurance, and compliance at all Group companies.


In fiscal 2007 we produced and deployed plans for all domestic Group companies to obtain ISO 14001 environmental management systems and Eco-Action 21 certification.

Our Environmental Safety and Health Management Rules detail Group company obligations and encourage employee vigilance in these areas. The rules aim to reduce environmental impact and occupational accidents while increasing our responsiveness to natural disasters, product-related accidents, and other crises.

Responsible Care Organization



Responsible Care Activities

 Further details are available on our website.

● CSR Structure

Since becoming a member of the Japan Responsible Care Council in 1995, we have addressed environmental issues and created a PDCA framework. We reorganized our Responsible Care approach in 2009 to incorporate the two other triple bottom line elements of the economy and society as part of a broader focus on corporate social responsibility. We renamed the Responsible Care Report the CSR Report beginning with the 2010 version in line with this change.

● Audits and Inspections

Kaneka adheres to the Responsible Care guidelines in its PDCA cycle by undertaking ongoing internal audits covering Responsible Care, environmental safety, ISO 14001 and 9001, occupational safety and health management systems, and completing CSR inspections.

Under its chairperson, the CSR inspection Committee assesses management progress in such areas as environmental protection, occupational safety, and the quality assurance aspects of product safety. Inspections in fiscal 2009 covered four parent plants and another 14 plants of 12 domestic Group companies. The checks found that these facilities had endeavored to reduce significant risks and had strictly adhered to a set of standards encompassing tidiness, orderliness, and cleanliness. Top management began its own inspections of these manufacturing sites in January 2010.

● Responsible Care Education

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




















Training for new executives

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


Item		FY2009 Targets
Environmental Protection	Reduction of Chemical Discharges	Maintain volatile organic compound (VOC) emissions at the fiscal 2008 level of 1,994 metric tons.
	Reduction of Industrial Waste	Maintain zero waste emissions at all parent plants (for a final landfill disposal rate of less than 0.5%).
		Continue to comply with waste substance laws and regulations. Inspect sites and evaluate ratings as part of ongoing efforts to reduce risks. Increase use of electronic manifests.
Prevention of Global Warming	Reduce energy intensity by at least 1% over the fiscal 2008 level. Reduce the energy intensity for logistics by 1% annually.	
Process Safety and Disaster Prevention		Develop strategies to reduce the risk of explosions/fire and natural disasters, reduce process accidents and incidents, and improve accident response capacity.
Occupational Safety and Health	Occupational Safety	Continuously confirm the status of internal auditing at affiliated companies through safety inspections and other means and encourage them to regularly hold Affiliated Company Environment, Health & Safety Leaders Conferences and Manufacturing Leaders Conferences.
	Management Systems	Regularly and thoroughly assess risks and safety measures for major hazards.
	Occupational Health	Actively promote measures to maintain mental health and strengthen responsiveness to a possible outbreak of a new strain of influenza.
Distribution Safety		Continue to create new Yellow Cards and ensure that people carry them whenever required. Continue to implement compliance and voluntary inspections of mobile tanks. Continue holding emergency response drills for transportation.
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Raise risk assessment levels and prevent major quality problems.
	Chemical Substance Management	Push ahead with registration tasks relating to the European Union's Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH). Gather and share information to ensure proper compliance with revised domestic and foreign laws.
	Product Safety	Strengthen product safety examinations for new and existing products whose manufacturing methods or applications have changed significantly.
Communication with Society		Publish a CSR report containing detailed and improved content on our social initiatives and post it on our website. Issue site reports for all Kaneka plants and post them on our website.
Management Audits and Inspections		Continue to implement audits and inspections of the four parent plants, 14 plants of 12 domestic group companies, and two overseas Group companies.

Evaluation  Significantly outperformed targets  Achieved/nearly achieved targets  Underperformed  Significantly

FY2009 Results	Evaluation	FY2010 Targets	Long-Term Targets	Relevant page numbers
Our VOC emissions totaled 1,977 metric tons, or 17 metric tons lower than in fiscal 2008. This amount was well below the 2,829 metric tons initially targeted in the final year of our plan.		Lower the VOC emissions target to 2,500 metric tons (to 48% less than the fiscal 2000 baseline of 2,829 metric tons).	Revise and improve on final year (fiscal 2010) targets and cut VOC emissions by 65% below the fiscal 2000 level to 1,900 metric tons in 2012.	31
We maintained zero waste emissions at all parent plants for the fourth consecutive year, with a final landfill disposal rate of 0.03%.		Keep the final landfill disposal rate at below 0.2% for all parent plants. Domestic Group companies to establish zero waste emission targets.	Keep the final landfill disposal rate at below 0.2% for all parent plants. Domestic Group companies to achieve zero waste emissions.	30
We inspected waste disposal company sites and used the intranet to confirm compliance. We also began preparations to extend the use of electronic manifests to the Osaka Plant.		Continue to comply with laws and regulations and expand the use of electronic manifests. Streamline site inspections of waste disposal companies.	Continue to comply with laws and regulations and expand use of electronic manifests.	
Energy intensity increased by 2.2%, with the five-year average increasing 1.1% (see note 1 below).		Reduce average annual energy intensity by at least 1%.	Reduce average annual energy intensity by at least 1%.	29
We continued to reduce the energy intensity for logistics, with carbon dioxide emissions resulting from distribution declining 1,978 metric tons and energy consumption intensity dropping by 1.6%.		Reduce the energy intensity for logistics by around 1% annually by planning and promoting efficiency measures.	Reduce the energy intensity for logistics by around 1% annually by coordinating the relevant departments to plan and promote efficiency measures.	
We continued to perform group-wide risk assessments while examining and dealing with the deterioration of electrical facilities at Group companies.		Strengthen risk assessments and implement measures to prevent the risk of explosions, fire, and other major disasters while improving accident response capacity.	Continue to deploy zero-accident initiatives as key risk assessment activities.	39
Safety and follow-up inspections confirmed that affiliated companies audited their own activities and held Affiliated Company Environment, Health & Safety Leaders Conferences and Manufacturing Leaders Conferences.		Undertake CSR inspections and other activities as part of ongoing efforts to confirm the status of auditing within Group companies and encourage them to regularly hold Affiliated Company Environment, Health & Safety Leaders Conferences and Manufacturing Leaders Conferences.	Continue to strengthen groupwide safety activities.	38
We conducted thorough ongoing assessments of major occupational safety and health risks and continued implementation of safety measures.		Cultivate internal inspectors to ensure thorough ongoing risk assessments of major hazards and properly monitor systems.	Continue to improve occupational health and safety based on the occupational health and safety management system.	
We conducted mental health training 23 times for executives and regular employees. We also formulated policies to deal with a possible outbreak of a new strain of influenza and strengthened measures at each business site.		Promote policies to maintain employee mental health and properly implement measures to prevent the spread of infection resulting from a new strain of influenza, food poisoning, or other cause.	Continue to improve employee mental health and workplace environments.	
We created one new Yellow Card, and checked that Group and transportation company drivers carried their cards. We also implemented legal compliance and voluntary inspections of mobile tanks.		Create and revise new Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	Create and revise new Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks and thoroughly ensure safety.	39
We held emergency response drills with transportation companies.		Continue holding emergency response drills for transportation.	Continue holding emergency response drills for transportation.	
We educated Group companies to reduce quality risks and endeavored to enhance quality assurance through seminars at Kaneka plants.		We specified the major quality risks for each business site and created management techniques to reduce these risks to tolerable levels.	Make product safety and quality assurance risks the key focus of management.	
We collected information on substances for preliminary registration under REACH and supply chain information. The relevant business units shared information on the revised Chemical Substances Control Law.		Comply with the revised Chemical Substances Control Law and register substances under REACH. Gather and share information on revised domestic and foreign laws.	Identify trends in regulatory revisions in Japan and abroad and improve chemical substances management.	33
The Product Safety Committee increased the number of meetings in order to obtain more information, in particular on medical equipment and functional foodstuffs.		Establish product safety inspection rules and information-gathering frameworks, and broaden the scope of assessment while reinforcing product safety inspections.	Enhance advisor capabilities in line with the Group's expanding business scope and bolster product safety inspections.	
We published a CSR report presenting results based on our basic CSR policy (and posted it on our website).		Publish a CSR report and post it on our website.	Extensively disclose information on our CSR activities to stakeholders and promote communication with them.	—
We issued site reports for all Kaneka plants and posted them on our website.		Issue site reports for all Kaneka plants and post them on our website.	Continue to issue site reports for all Kaneka plants.	
We implemented safety inspections (see note 2 below) at the four parent plants and 14 plants of 12 domestic group companies, and at two Group companies overseas. Overseas Group companies responded to influenza outbreaks. We also conducted special inspections of food and medical equipment production units.		Implement audits and inspections of the four parent plants, 16 plants of 15 domestic group companies, and nine overseas Group companies.	Continue to implement audits and inspections.	24 33

Notes: 1. Average for fiscal 2005 through 2009.
2. "Safety inspections" changed to "CSR inspections" in April 2010.

Material Balance in Production Activities

 Further details are available on our website.

INPUT

Energy and Resources

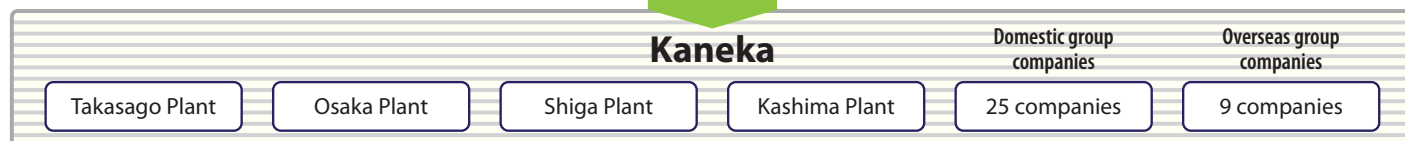
Kaneka	1,127,000 metric tons/year
Domestic group companies	252,000 metric tons/year
Overseas group companies	224,000 metric tons/year

Main Raw Materials (see note 1)	
Kaneka	1,127,000 metric tons/year
Domestic group companies	252,000 metric tons/year
Overseas group companies	224,000 metric tons/year

Energy (Crude oil equivalent)	
Kaneka	425,000 kiloliters a year
Domestic group companies	64,000 kiloliters a year
Overseas group companies	90,000 kiloliters a year

Water	
Kaneka	21.52 million m ³ /year
Domestic group companies	4.34 million m ³ /year
Overseas group companies	4.95 million m ³ /year

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



OUTPUT

Discharge, Recycling, and Products

Products (see note 2)

	Products
Kaneka	1,476,000 metric tons/year
Domestic group companies	195,000 metric tons/year
Overseas group companies	198,000 metric tons/year

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

Into the Atmosphere

	CO ₂
Kaneka	934,000 metric tons-CO ₂ /year
Domestic group companies	115,000 metric tons-CO ₂ /year
Overseas group companies	159,000 metric tons-CO ₂ /year

	SO _x
Kaneka	69.5 metric tons/year
Domestic group companies	58.5 metric tons/year
Overseas group companies	1.5 metric tons/year

	NO _x
Kaneka	626.4 metric tons/year
Domestic group companies	56.0 metric tons/year
Overseas group companies	113.5 metric tons/year

	Soot and dust
Kaneka	23.5 metric tons/year
Domestic group companies	4.3 metric tons/year
Overseas group companies	48.3 metric tons/year

	PRTR Law-designated substances
Kaneka	66.5 metric tons/year
Domestic group companies	95.2 metric tons/year
Overseas group companies	—

Into Water Systems

	Chemical oxygen demand
Kaneka	271.5 metric tons/year
Domestic group companies	3.5 metric tons/year
Overseas group companies	20.4 metric tons/year

	Suspended solids
Kaneka	215.4 metric tons/year
Domestic group companies	8.0 metric tons/year
Overseas group companies	3.8 metric tons/year

	PRTR Law-designated substances
Kaneka	7.2 metric tons/year
Domestic group companies	0.0 metric tons/year
Overseas group companies	—

	Nitrogen
Kaneka	112.6 metric tons/year
Domestic group companies	0.7 metric tons/year
Overseas group companies	0.1 metric tons/year

	Phosphorous
Kaneka	4.4 metric tons/year
Domestic group companies	0.1 metric tons/year
Overseas group companies	0.0 metric tons/year


As Waste

	Final landfill
Kaneka	19 metric tons/year
Domestic group companies	469 metric tons/year
Overseas group companies	2,901 metric tons/year

	External recycling
Kaneka	34,871 metric tons/year
Domestic group companies	5,212 metric tons/year
Overseas group companies	1,542 metric tons/year

	External reduction
Kaneka	5,537 metric tons/year
Domestic group companies	5,051 metric tons/year
Overseas group companies	14,044 metric tons/year

Environmental Accounting

 Further details are available on our website.

●●● Results of Environmental Accounting for Fiscal 2009

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. 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	FY2008				FY2009			
		Nonconsolidated		Consolidated		Nonconsolidated		Consolidated	
		Investments	Expenditure	Investments	Expenditure	Investments	Expenditure	Investments	Expenditure
Business area		656	5,143	792	5,627	701	4,623	842	5,192
① Pollution prevention	Air and water pollution prevention		3,143		3,322		2,949		3,217
② Environmental conservation	Global warming prevention and energy saving		-		-		-		-
③ Resource circulation	Waste processing, recycling, and reduction		2,000		2,303		1,674		1,958
Upstream and downstream	Product recycling, collection, and processing	0	200	0	258	0	192	0	279
Management activities	Environmental education for employees and environmental impact monitoring and measurement	0	363	0	398	0	372	0	410
Research and development	Research and development of products contributing to environmental conservation	-	2,236	-	2,236	-	2,355	-	2,356
Social activities	Greening, beautification, and disclosure of environmental information	0	58	0	66	0	38	0	57
Environmental damage	Payment of sulfur oxide emission charges	0	8	0	37	0	8	0	11
Total		656	8,008	792	8,622	701	7,589	842	8,305

Note: The total figures for fiscal 2008 and 2009 cover Kaneka and 25 domestic group companies but do not include R&D and conservation costs.

Economic Impacts of Environmental Measures

Millions of yen

Measures	FY2008		FY2009	
	Nonconsolidated	Consolidated	Nonconsolidated	Consolidated
Revenue from recycling	56	162	22	114
Cost reduction by resource conservation and improvements in energy index units	515	709	463	643
Waste disposal cost reduction by recycling	29	53	49	112
Cost reduction by energy conservation	60	156	599	712
Total	659	1,080	1,133	1,580

Note: The total figures for fiscal 2008 and 2009 cover Kaneka and 25 domestic group companies but exclude anticipated and incidental impacts.

● Comments on Fiscal 2009 Results

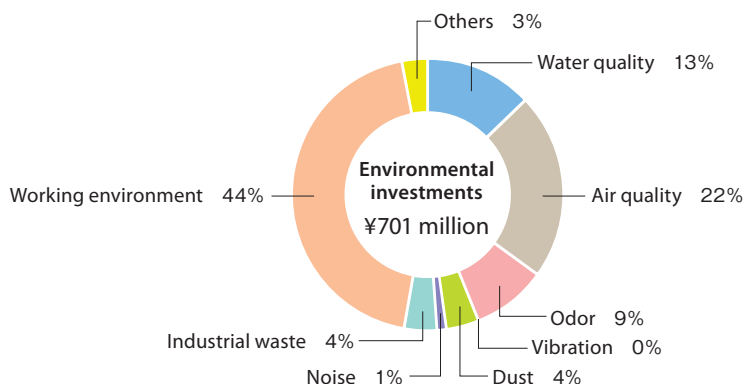
Nonconsolidated research and development costs rose around ¥120 million in fiscal 2009, while pollution prevention and resource recirculation costs together declined approximately ¥520 million. Net environmental conservation costs thus decreased ¥420 million. Energy savings increased by around ¥540 million in consolidated terms, with net benefits from conservation rising by approximately ¥470 million.

● Environmental Investments

During the year, efforts to reduce organic solvent exposure accounted for 44% of environmental investments, while allocations to reduce carbon dioxide emissions and otherwise improve air quality represented approximately 22%.

Environmental investments totaled around ¥8.8 billion in the 10 years through to fiscal 2009. Air quality investments accounted for 49% of the total, followed by allocations for water quality at 20%, with work environments constituting 12%.

Environmental Investments in Fiscal 2009



Environmental Management Systems and Environmental Efficiency Indices



Further details are available on our website.

Environmental Management Systems

The Kaneka Group maintains systems based on ISO 14001 and the Eco-Action 21 standards in order to prevent or swiftly address environmental problems. As at the end of March 31, 2010, 33 business sites at 28 Group companies had obtained certification under these standards.

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 Corporation	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
Kaneka Belgium N.V.	October 3, 1997	97EMS002b
Kaneka (Malaysia) Sdn. Bhd.	January 12, 2007	K021300001
Kaneka Paste Polymers Sdn. Bhd.	February 15, 2008	ER0570
Kaneka Eperan Sdn. Bhd.	February 15, 2008	ER0571

Eco-Action 21 Certification

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

Environmental Compliance

The Kaneka Group conducts regular internal ISO 14001 and Responsible Care audits of compliance with environmental laws and regulations and agreements with local governments and other bodies. Unfortunately, there was a chlorine leak at the Osaka Plant during fiscal 2009, and heavy oil from a Group company spilled into a river. Both incidents caused considerable distress among local residents. We have acted decisively to prevent recurrences of these incidents.

Environmental Efficiency

We use the Japan Environmental Policy Index (see note 1) to rate the impact of our business in terms of Environmental Impact Points. We also employ these points to assess environmental efficiency (see note 2) from the perspective of social sustainability.

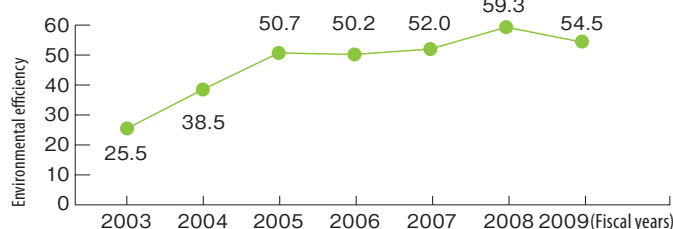
In fiscal 2009, even though we reduced carbon dioxide emissions and lowered the number of points, our environmental efficiency deteriorated. We are thus making a concerted effort to improve our performance in those areas of environmental impact that greatly affect our score.

Notes:

1. The Japan Environmental Policy Index calculates the eco-factor coefficient for environmentally hazardous substances. The coefficient is based on the ratio of targeted annual emissions under Japan's national environmental policy to actual results. The eco-factor is then multiplied by each environmental impact to score Environmental Impact Points. The Japan Environmental Policy Index Project calculates and publicly discloses these eco-factors. The Japanese-language website is: www.jepix.org.
2. Kaneka uses environmental efficiency as the benchmark for its efforts to sustainably minimize environmental impact and maximize value. The formula is sales (in yen) divided by the total environmental impact.

Environmental Efficiency

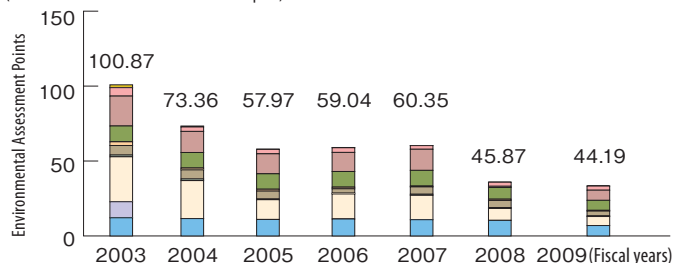
(Yen/total environmental impact)



Our Environmental Impact Points

- Greenhouse gases
- Ozone-depleting substances
- Hazardous air pollutants
- Photochemical oxidants
- Nitrogen oxides/NOx
- Suspended particulate matter up to 10 microns in diameter
- Biological oxygen demand discharges in rivers
- Chemical oxygen demand discharges in coastal waters
- Nitrogen discharges in coastal waters
- Phosphorous discharges in coastal waters
- Landfill

(Hundred million/total environmental impact)



CHECK & ACT

We reduced our Environmental Impact Points in fiscal 2009 by cutting carbon dioxide emissions.

In fiscal 2010, we aim to further reduce these emissions and conserve energy by upgrading the facilities that recover hazardous air pollutants, thereby lowering our Environmental Impact Points and enhancing our environmental efficiency.

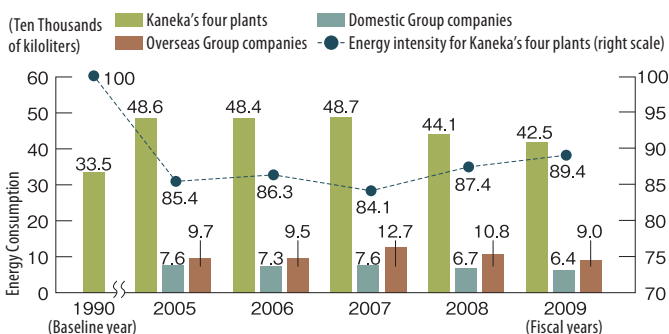
Measures to Prevent Global Warming and Conserve Energy

Further details are available on our website.

Measures to Conserve Energy and Combat Global Warming

Kaneka has implemented various measures to conserve energy and otherwise prevent global warming by reducing energy intensity. Unfortunately, our energy intensity (see note 1) rose 2.2% in fiscal 2009 to 89.4, and the five-year average increased 1.1%. However, energy consumption declined 3.6% to 4,250,000 kiloliters.

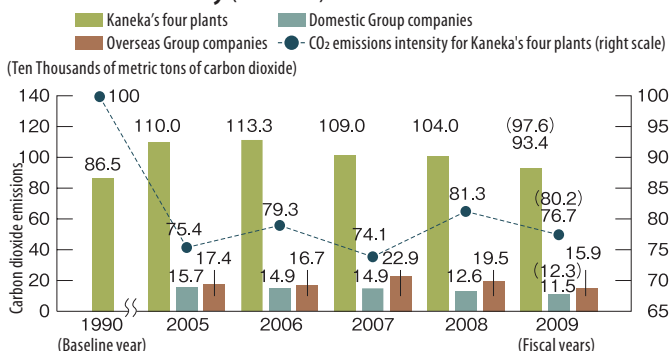
Energy Consumption (Crude Oil Equivalents) and Energy Intensity (see note 2)



Reducing Carbon Dioxide Emissions

In fiscal 2009, 934,000 metric tons of carbon dioxide were emitted during production, which represents a drop of 10.3% over the previous year. This reduction stems from our efforts to conserve energy, and is tied to a decrease in production volume and electric power purchases in a bid to cut our carbon dioxide emissions coefficient. As a result, our carbon dioxide emission intensity decreased 5.7% to 76.7 while our energy intensity increased.

Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity (see note 3)



Carbon Life Cycle Analyses (cLCA)

We launched cLCA in order to quantitatively identify and evaluate carbon dioxide emissions and reductions resulting from all product processes, ranging from raw materials

extraction, production, logistics, and usage through to disposal.

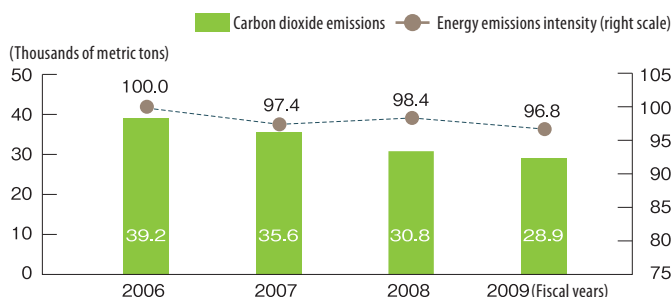
We know that even though manufacturing processes generate carbon dioxide, it is possible to cut product usage emissions. Some prime examples from Kaneka's lineup are building insulation materials and photovoltaic modules. We will continue to perform cLCA to pinpoint emissions savings and fulfill our social responsibilities by undertaking further initiatives to combat global warming.

Logistics Energy Conservation Efforts

We have long streamlined and reduced the environmental impact of our logistics operations. Some of our past initiatives include employing modal shift, which entails choosing alternative means of transportation, increasing cargo load ratios, and using larger vehicles. Since fiscal 2007, management and the relevant departments have collaborated to enhance our logistics efficiency in keeping with the requirement under the revised Law Concerning the Rational Use of Energy to cut annual energy intensity by 1%.

As a result, our energy intensity in fiscal 2009 decreased by 1.6% over the previous year. Our logistics operations generated 28,900 metric tons of carbon dioxide, down 6.4% or 1,900 metric tons.

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



Notes:

1. Energy intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass and indexed against the baseline year of fiscal 1990.
2. Calculated in line with a voluntary action plan formulated by the Japan Chemical Industry Association. The calculations comply with the Japanese government's Act on Promotion of Global Warming Countermeasures, although they do not match the values published under this law because the boundaries differ.
3. Since fiscal 2009 we have adopted adjusted figures for the carbon dioxide emissions intensity of purchased electricity. The figures in parentheses represent the actual intensities.
4. Fiscal 2006 is the baseline year for logistics energy intensity.

CHECK & ACT

We failed to attain our energy intensity targets in fiscal 2009, due mainly to the fact that Japan's recession dampened production output and our product mix changed. We aim to reach our goals in the coming year by strengthening our energy investment policies and drawing on consultants to identify relevant issues.

Reducing Waste and Preventing Pollution



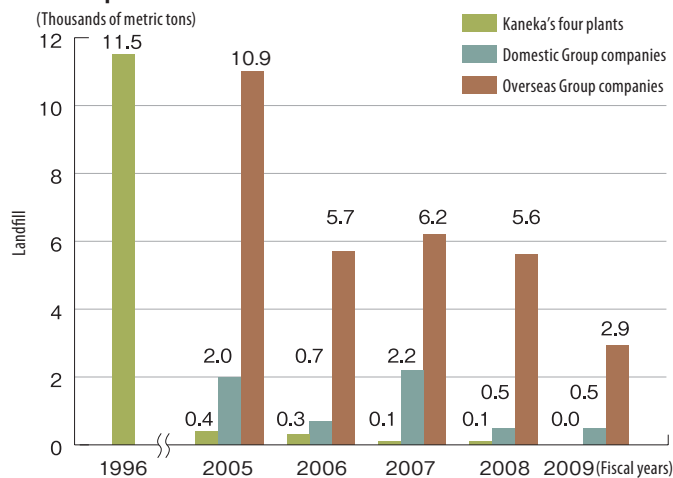
Further details are available on our website.

● ● ● Cutting Industrial Waste Landfill

In fiscal 2009, Kaneka reduced final disposal by 73% to 19 metric tons. We thereby achieved zero emissions at all four domestic plants for the fourth consecutive year (see note below). Domestic Group companies lowered their final disposals by 9% to 469 metric tons. We will continue our efforts to cut disposals.

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

Final Disposal Amounts



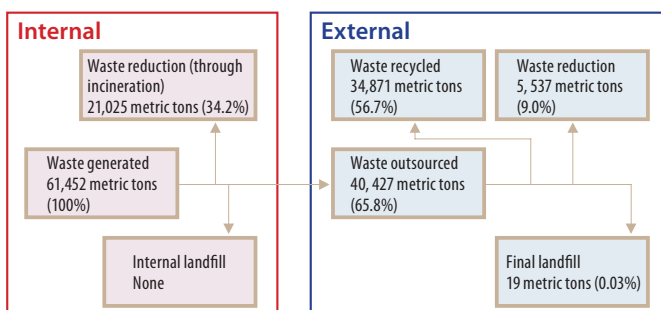
● Overseeing Industrial Waste Disposal

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

● Recycling Waste

We established the Responsible Care Technical Group to drive plastic waste recycling. This body is developing technologies to process the waste from parent and Group company plants.

Industrial Wastes and Disposal Methods at Kaneka's Four Plants in Fiscal 2009



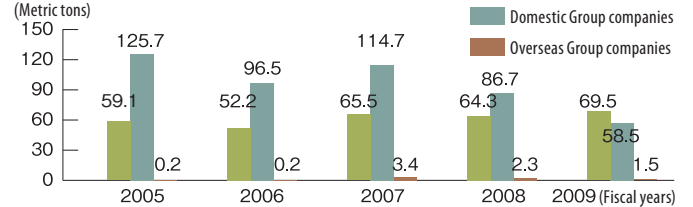
● ● ● Preventing Air and Water Pollution

Of Kaneka's four production facilities, the Takasago Plant increased some types of air and water pollution in fiscal 2009. In fiscal 2010, we will do our utmost to constrain our environmental impact, adhering rigorously to legal requirements and compacts with local government and other bodies.

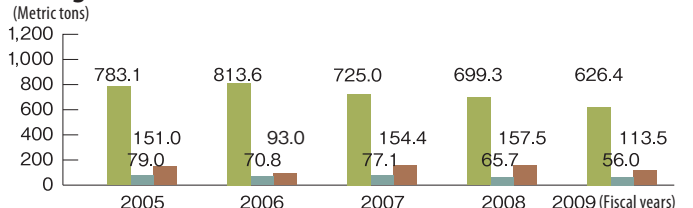
Domestic Group companies are continuing to improve their air quality and will harness their environmental management systems to reinforce efforts to reduce their ecological impact.

Environment, health, and safety leaders at Kaneka's Osaka Head Office are taking refresher courses in pollution prevention management to increase their environmental and compliance awareness and understanding of pollution legislation. We will utilize such activities to enable us to more effectively combat pollution.

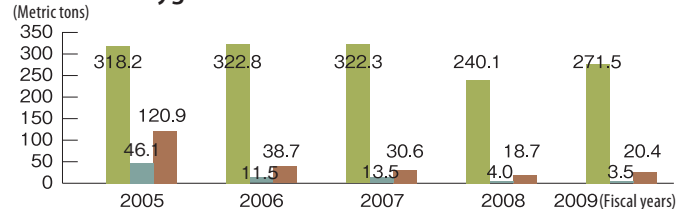
Sulfur Oxide Emissions



Nitrogen Oxide Emissions



Chemical Oxygen Demand in Emissions




CHECK & ACT

We recycled 56.7% of waste in fiscal 2009, down 1.9 percentage points over the previous year. We are aiming for a rate of 60% for fiscal 2010, stemming from ongoing efforts to recycle waste internally and through our contractors.

We will continue to lower the impact of our operations on the air and water supplies. One priority in particular is the reduction of chemical oxygen demand and nitrogen concentrations in wastewater, and we plan to formulate and implement relevant policies. In order to more effectively reduce pollution, we will step up communication at Osaka Head Office and plants and improve internal Responsible Care audits.

Cutting Chemical Emissions

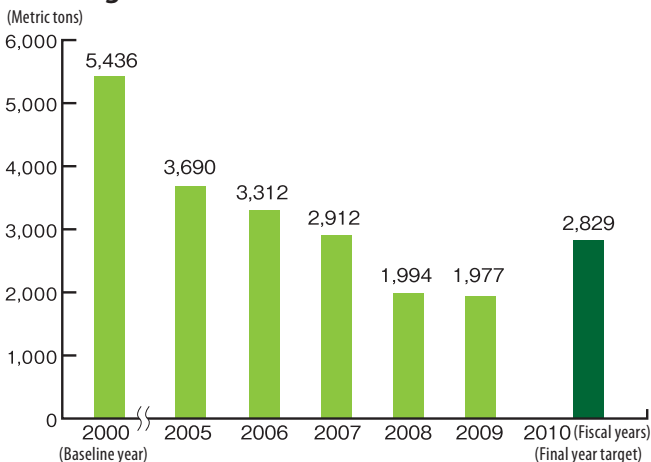
 Further details are available on our website.

●●● Voluntarily Reducing Volatile Organic Compound Discharges

Volatile organic compounds (see note below) are known causes of photochemical smog. We are endeavoring to reduce discharges of these compounds. In fiscal 2009 we achieved a 64% reduction in such emissions from the baseline year to 1,977 metric tons by developing manufacturing techniques that eliminate the need for these substances. This result was significantly better than our targeted 48% reduction to 2,829 metric tons by fiscal 2010.

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

Voluntary Plan to Cut Volatile Organic Compound Discharges



●●● Substances Subject to the Pollutant Release and Transfer Register Law

Kaneka is working to reduce emissions of chemical substances that are subject to this Law. Fiscal 2009 emissions were down by approximately 3 metric tons to 74 metric tons, and were 94% lower than in the baseline year of fiscal 2003.

More substances will become subject to the Pollutant Release and Transfer Register Law in fiscal 2010. We expect our emissions to rise, although we will continue our efforts to achieve reductions.

Fiscal 2009 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law

	Atmospheric emissions	Emissions in public waterways	Onsite soil emissions	Onsite landfill disposal	Total releases	(FY2008)	Total transfers
Total for all 44 substances (see note below)	66,492	7,169	0	0	73,662	<76,570>	1,708,288

Note: Kaneka reports on 44 of the 354 emissions subject to the Pollutant Release and Transfer Register Law.

Fiscal 2009 Domestic Group Company Emissions Subject to the Pollutant Release and Transfer Register Law

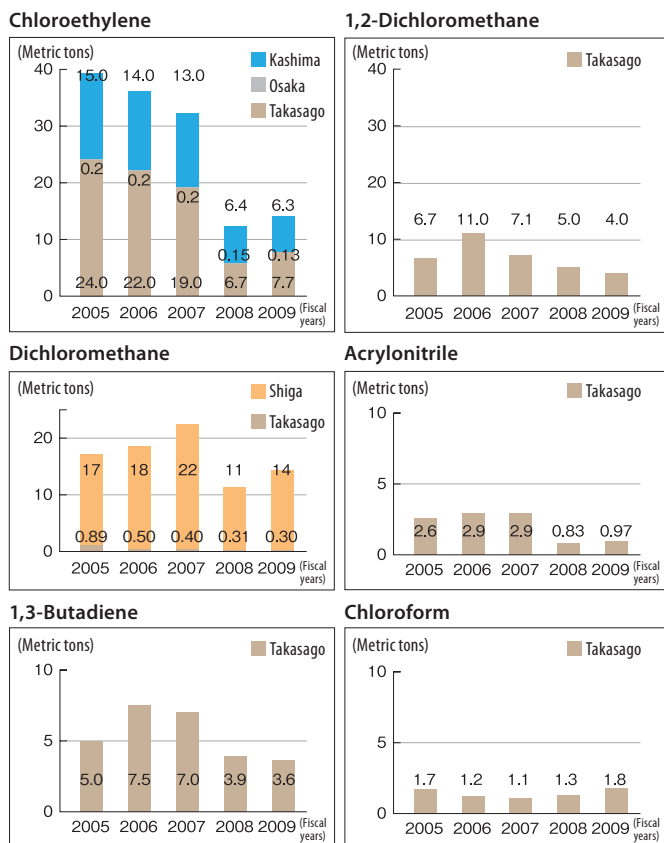
	Atmospheric emissions	Emissions in public waterways	Onsite soil emissions	Onsite landfill disposal	Total releases	(FY2008)	Total transfers
Total for all 21 substances (see note below)	95,224	0	0	0	95,224	<106,414>	394,820

Note: Domestic Group companies report on 21 of the 354 emissions subject to the Pollutant Release and Transfer Register Law.

●●● Harmful Atmospheric Pollutants

We established a plan to voluntarily reduce discharges of six of these substances, as shown in the graphs below. Aggregate emissions increased 9% in fiscal 2009, although they were down 95% from the fiscal 1999 baseline. The rise was due largely to increased production. We will push ahead with efforts to improve recovery ratios and lower discharges.

Emissions of Six Harmful Atmospheric Pollutants



CHECK & ACT

Fiscal 2009 emissions of these chemical substances generally proceeded as planned. Even though more substances will become subject to the Pollutant Release and Transfer Register Law in fiscal 2010, we are aiming to reduce emissions by improving recovery rates and expanding the number of manufacturing techniques that eliminate the need for volatile organic compounds.

(Unit: kg)

Dividend Policy and Disclosure

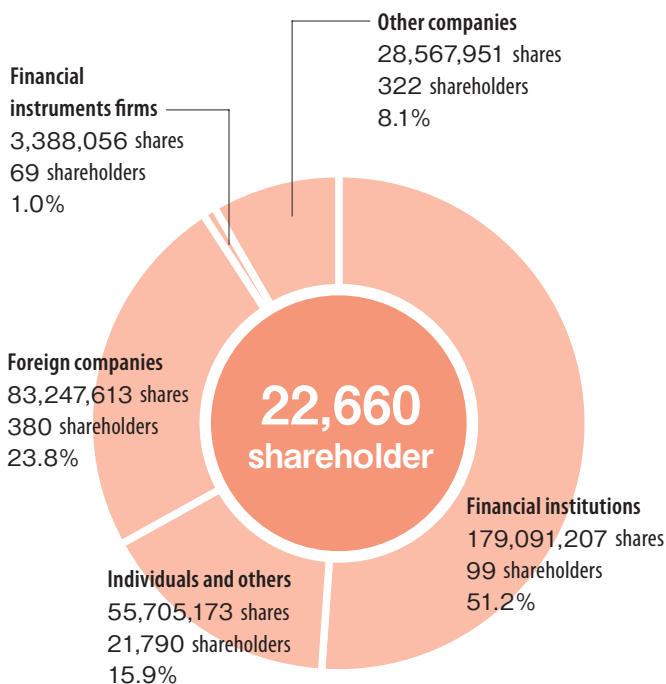
●●● Basic Stance

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.

● Shares and Shareholder Composition

As of March 31, 2010 Kaneka had 350 million shares issued and outstanding and 22,660 shareholders. Domestic financial institutions accounted for 51.2% of the total, with foreign companies owning 23.8%, individuals representing 15.9%, and financial instruments firms constituting the balance.

Shareholder Composition



● Dividend Policy

One of our top management priorities is to return profits to shareholders and boost earnings while strengthening our corporate foundations. Our basic policy 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.

We harness retained earnings to ensure financial stability

and address dramatic changes in the operating climate in order to generate sustainable growth.

● Disclosure

We are fully aware that timely and proper disclosure of corporate information is the bedrock of a healthy securities market, and we are dedicated to accommodating the needs of our investors. We have taken the following steps to optimize disclosure:

- The Finance and Accounting Department oversees corporate information disclosure
- Various sections of the Company are designated to handle disclosure on decision-making, emerging facts, and operating results, with the Compliance Committee overseeing these activities.

● Investor Relations

Regular briefings for analysts and institutional investors

We convene regular meetings after disclosing our second-quarter and annual operating results. Our top managers also explain medium-term business plans and other initiatives on these occasions. In addition, the chief financial officer holds teleconference briefings after announcement of results for the first and third quarters.



Investor relations information website

This site presents our flash, financial, quarterly, and annual reports, results briefing materials, and other information.

CHECK & ACT

In fiscal 2010, we will continue to build on our fiscal 2009 efforts to ensure proper disclosure to shareholders and investors.

Product Safety and Quality Assurance



Further details are available on our website.

●●● Product Safety Activities

Kaneka conducts risk assessment of products and raw materials, byproducts, and waste materials from development through to manufacture.

We ensure strict compliance with laws and regulations in keeping with our Product Safety Management Rules, and undertake group-wide initiatives to ensure product safety.

● Product Safety Committee

We conduct multifaceted inspections of new products and existing offerings whose applications have changed significantly to identify potential safety concerns. The Product Safety Committee meets on an as-required basis to gather opinions from outside experts and conduct high-level inspections to ensure safety. Such initiatives are primarily for new medical equipment and functional food products because of their immediate human impact. We also conduct regular interviews, inspections, and other checks to ensure that the items determined as a result of such examinations are being properly implemented.

● Chemical Substance Management

We ensure that customers properly handle our products by providing labels based on the Globally Harmonized System of Classification and Labeling of Chemicals, Material Safety Data Sheets, technical materials, catalogs, and other chemical substances information.

We fully comply with relevant domestic and overseas legislation, including Japan's revised Chemical Substance Control Law (see note 1 below) and the European Union's Registration, Evaluation, Authorization and Restriction of Chemical Substances regulation, and respond as necessary to legal amendments in the United States and Asia.

Note 1: The Chemical Substance Control Law covers the production, import, and use of hazardous chemicals.

●●● Quality Assurance and Risk Management

Our efforts to ensure stable supplies of products that match customer quality requirements are underpinned by two internal organizational approaches: all business divisions and plants maintain quality assurance and quality control committees chaired by divisional and plant heads. The decisions of quality assurance committees prioritize considerations such as customer satisfaction, while the quality control committees deliberate on and oversee plant-specific initiatives. We regularly convene the Quality Assurance Promoters Conference to share information between all business divisions and plants and otherwise improve collaboration.

We have acquired ISO 9001 certification for all key products.

For medical equipment, we have received certification under ISO 13485, which covers the comprehensive management system requirements for the design and manufacture of such equipment. We have also established a system for pharmaceuticals, medical equipment, and other healthcare lines that ensures compliance with specific regulations and legislative revisions around the world.



Kaneka Sun Spice receiving an S-HACCP (Hazard Analysis and Critical Control Point) certificate from Yukiko Kada, Governor of Shiga Prefecture.

● Audits and Inspections

We comply with Japan's Food Sanitation Law and other food-related legislation. We also undergo regular audits from several external organizations based on ISO 9001, the American Institute of Banking (see note 2), the Hazard Analysis and Critical Control Point system (see note 3), and other requirements.

We act decisively to prevent product mishaps by auditing business sites several times a year, and by having the CSR Inspection Committee assess all Group production sites and share its findings with relevant corporate officials.

Notes:

2. We maintain an educational guidance and auditing system based on the International Integrated Quality System of the American Institute of Baking. The standard applies to food product safety and hygiene management at plants.

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

● Change Management

We began employing guidelines in fiscal 2008 to formulate and apply change management procedures that are specific to each of our four parent plants. We have met with representatives of domestic Group companies to explain the guidelines for eastern Japan and Hokkaido, convey the importance of change management, and encourage the use of relevant procedures. We will convene more such gatherings in fiscal 2010.

CHECK & ACT

We will face the challenges of ensuring regular risk management from the risk assessment stage and educating quality assurance employees to enable prevention of significant product complaints and quality problems.

Ensuring that Suppliers Fulfill their Environmental and Social Responsibilities

● Food Business Traceability

The Oils and Fats Section of the Takasago Plant's Foodstuffs Department deployed a traceability system in 2005 in response to increasing interest in food safety. The plant makes margarine that is vital to commercial bread and confectionery manufacturing.

Kaneka imports palm oil and other raw materials for its oils and fats. After these materials land in Takasago Port in Hyogo Prefecture, the plant refines them to produce margarine and other products, distributing them nationally through four sales companies or directly to confectionery and break manufacturers.

Upon receipt of the raw materials, we input information such as the producer name, receipt date, and allergy data into personal computers and lots and barcodes to manage the materials.

This approach makes it easier to retrieve information and respond swiftly to customer requests. Other key advantages are that we can eliminate preparation errors and provide products safely.

The Quality Assurance Department at Osaka Head Office handles some product specifications documentation processes online with customers. We will continue efforts to increase product security and safety without compromising supply stability.



Monitor showing traceability information



Integrating raw materials information using barcodes

● Providing Safety Education to Transportation Contractors

The Chemicals Production Department of the Takasago Plant holds annual safety classes and disaster drills for its transportation contractors to ensure that they properly deliver and ship caustic soda, hydrochloric acid, and other hazardous materials.

The safety class in December 2009 was for all 43 tanker

drivers serving the facility. This event introduced several safety tools and presented accident case studies. In February 2010, the department conducted joint disaster drills that simulated leaks following a traffic accident. To improve practical responsiveness, this exercise featured tankers, a disaster team, and fire engines for added realism.

We will continue to conduct regular drills of this sort to ensure operational safety.



Safety class for tanker drivers from Tsukuda-Unyu Co., Ltd.



A disaster drill featured tankers and fire trucks for more practical learning

● Introducing an Electronic Data Interchange (EDI) System for Supplies Purchasing

Electronic data interchange systems facilitate the exchange of information based on standard formats. Kaneka deployed such a system for supplies purchasing in September 2008. This networked setup covers data on everything ranging from orders and estimates to payments, deliveries, and shipments.

We have been able to ensure highly transparent and equitable purchasing by switching from paper to electronic transactions. This setup also allows us to integrate purchases of small items, increasing purchasing speed and efficiency by streamlining processes.

We aim to build a global electronic data interchange-based purchasing network for the entire Group to facilitate even more efficient work practices.

CHECK & ACT

We have conducted food traceability dealing online with some customers since 2006. In fiscal 2010, we will employ our proprietary system to ensure safety and peace of mind.

We will continue to provide safety education to transportation contractors. We will construct a global network for purchasing supplies to enhance efficiency.

Kaneka's Community and Social Contribution Initiatives

●●● Basic Concept

Kaneka Group companies undertake grassroots social contribution initiatives in keeping with our Basic Corporate Social Responsibility Policy.



column

Providing Vinyl Chloride for the Asae Soya Painting Exhibition in Shiseido Gallery

The Kaneka Group sponsors modern artist Asae Soya, who uses our vinyl chloride films and floor materials as painting media. We have supplied materials from Tatsuta Chemical Co., Ltd. and Fusogosei Co., Ltd., which use our resins.

One of Ms. Soya's works is Naru Oto (The Sound of Colors), which we used in a corporate philosophy poster for the Declaration of Kaneka United that we distributed among Group companies.



● International Contributions

- ▶ January 2007: We conducted joint research with the School of Renewable Energy Technology at Thailand's Naresuan University.
- ▶ September 2009: Kaneka Belgium N.V. donated a photovoltaic module system composed of 72 see-through panels to the Province of Antwerp.
- ▶ January 2010: We donated ¥1,126,334 in earthquake relief to Haiti.

● Awards

- ▶ March 2009: The Mayor of Takasago City issued a certificate of appreciation to the Takasago Plant for its support of the local fire department.
- ▶ May 2009: KANEKA XMAP® received the 61st Chemical Technology Prize from the Kinki Chemical Society.
- ▶ June 2009: SIBSTAR received a Special Technology Prize in the 41st Annual Technology Awards from the Japan Chemical Industry Association for highly innovative technology.
- ▶ September 2009: The Kingdom of Belgium conferred the Commander of the Order of the Crown on Masatoshi Takeda, Takeda's chairman.
- ▶ September 2009: The Osaka Plant received an award of excellence in the Green Curtain Contest at the 2009 Settsu Citizen Environmental Festival.
- ▶ January 2010: Takasago City recognized the Takasago Plant for outstanding firefighting preparedness in light of their daily disaster prevention activities.
- ▶ Kaneka Texas Corporation received awards in 2009 for safety and environmental preservation from the Texas Chemical Council.

● Regional Contributions

- ▶ October 2009: Employees at a company housing residents' association facilitated preparations for a summer festival at Takasago Shrine.
- ▶ October 2009: We participated in a project to utilize a former company housing site by organizing a festival for kindergarten children and youths from a facility for the intellectually challenged to harvest sweet potatoes at the site.
- ▶ October 2009: Following a property exchange, the Shiga Plant created and donated a park on relocated land.
- ▶ December 2009: The Osaka Plant donated table-tennis tables to a local junior high school.
- ▶ January 2010: The Osaka Plant collaborated with Settsu City by offering to dispatch firefighters in case of a disaster.
- ▶ All Kaneka plants, Kaneka Solartech Co., Ltd., and Kaneka Medix Corporation participated in neighborhood cleanups.
- ▶ All Kaneka plants, Kaneka Solartech Co., Ltd., Kaneka Belgium N.V., and Kaneka (Malaysia) Sdn. Bhd. participated in local events such as cherry-blossom viewings, festivals, ball-game tournaments, and sports festivals, and provided free drinks and parking on their premises.
- ▶ At Kaneka (Malaysia) Sdn. Bhd. an employee from the Environmental Safety Department registered as a member of a citizen's defense team.

CHECK & ACT

In fiscal 2010 we will build on our fiscal 2009 community involvement by pushing ahead with Group company plans.

Cultivating Human Resources and Creating Comfortable Work Environments



Further details are available on our website.

Basic Approach

Kaneka respects human rights, diversity, and individuality. We comply with laws and regulations and eschew discriminatory practices. We do not tolerate sexual harassment or any other conduct that violates human rights or mutual respect.

Human Rights Education

Respect for human rights is a fundamental requirement for Kaneka and its employees, as explicitly stated in our Rules of Employment and Ethical Code of Conduct. We spread awareness of the importance of human rights in many other ways, such as through training for new and promoted employees. In fiscal 2009, 39 new executives and 122 recruits at Kaneka's four plants attended human rights classes. We also have employees participate in local government-sponsored human rights seminars and conferences.

Protecting Personal Information

We take the utmost care in managing the personal information of customers and employees. We are improving our capabilities through ongoing education based on the Information Security Guidebook that we produced in fiscal 2006.

Preventing Sexual and Power Harassment

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

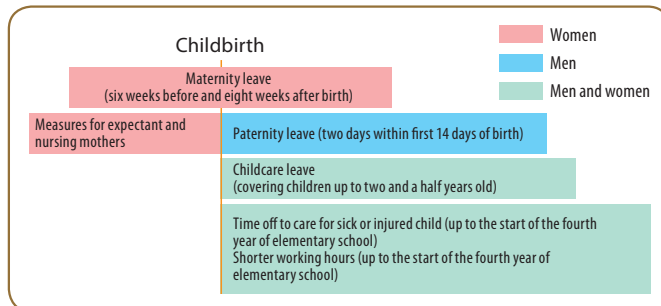


A page in the Compliance Guidebook

Helping Employees to Balance their Professional and Personal Commitments

Our childcare and family care support systems exceed legal requirements. In fiscal 2009, 16 employees used our shorter working hours system and 23 took advantage of our childcare leave program. We obtained Kurumin certification during the year, which is an accreditation that recognizes companies that provide childcare support to their employees.

Childcare Support Programs



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

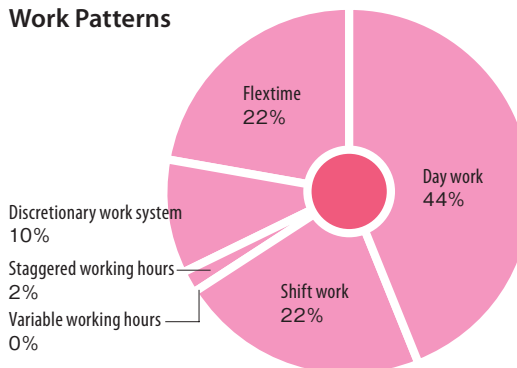
Family Care Programs

Family Care Leave	Employees can take up to one year of unpaid leave to care for family members defined under the program
Shorter Working Hours	Employees can work up to two hours less per day to care for family members
Family Care Relief	Employees can receive 40% of their base salary for up to six months when taking time off under the Family Care Leave program.

Flexible Working Systems

Over the years we have introduced flextime as well as staggered and variable working hour programs. We introduced the discretionary work system in 2007 to encourage employees to look at work as being more than just putting in time, and to help them demonstrate their independence and creativity. As of the end of March 2010, 289 employees are using this new system.

Work Patterns

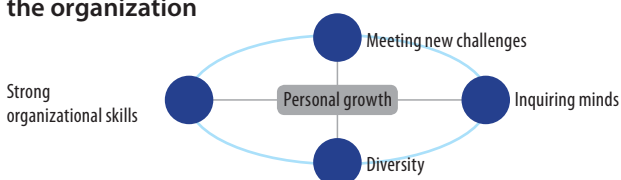


●●● Personnel System

Kaneka overhauled its personnel system in fiscal 2010. Our new setup aims to foster personal growth by embracing four key attributes in keeping with the Kaneka Spirit defined in our long-term vision. The Spirit encompasses meeting new challenges, strong organizational skills, diversity, and inquiring minds.

The new system reflects the needs of both employees and management. We held orientation sessions for all employees prior to its introduction.

Kaneka Spirit = Basic concepts for people and the organization



● Cultivating Internationally Minded People

At Kaneka, we aim to build our international operations. Under the Global Employee Registration System that we introduced in fiscal 2009 for prospective expatriates, we trained 307 employees, registering another 431 in fiscal 2010.

The Overseas Trainee System is for young employees. We dispatched six such people in fiscal 2009, and have further expanded this system. We plan to send another six employees abroad in the coming year.

In fiscal 2010, we deployed the Short-Term Trainee System and other new programs, accepting applications to broaden our pool of internationally minded people.

● Career and Life Development Programs

We maintain the following training programs in order to support employees' life planning. In fiscal 2009, 105 employees attended My Plan 40 seminars, 65 participated in My Plan 50 gatherings, and another 100 attended My Plan 60 seminars.

Career and Life Development Support Programs

	Goals and Contents	Target Employees ages
MP40	To comprehensively review life planning by considering career and life design	Early 40s
MP50	To look ahead at the remainder of your working life to broadly consider the scope of activities and explore life design.	Early 50s
MP60	To provide useful post-retirement information and motivate people to meet new challenges after leaving the organization	Nearing retirement

● Self-Advancement Support Programs

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

In fiscal 2009, one employee studied abroad under our technology scholarship program, and three people received awards for outstanding research.

● Reemployment System

We introduced Senior Reemployment and Senior Appointment systems that comply with the Revised Law Concerning Stabilization of Employment of Older Persons to retain talented employees.

	FY2007	FY2008	FY2009
Number of retirees	88	86	72
Number of people reemployed	74	72	54

● Employing People with Disabilities

Kaneka views hiring people with disabilities as a corporate social responsibility, and goes beyond satisfying the legally required employment rate for such employees in order to make their working environments more attractive.

In fiscal 2009, employees with disabilities accounted for 1.88% of our total work force, exceeding the legally required rate of 1.8%.

●●● Labor and Management Relationships

Labor and management representatives meet daily to discuss and exchange opinions concerning joint targets. Engagement is conducted through gatherings such as management meetings, central labor and management conferences, and conferences of representatives.

Joint Targets

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

column

60th Anniversary Commemoration

To commemorate Kaneka's 60th anniversary, 4,300 Group employees and their families attended celebrations at two venues in Tokyo and Osaka.

CHECK & ACT

We introduced a new personnel system in fiscal 2010 to foster cultivation of the Kaneka Spirit.

Occupational Safety and Health and Disaster Prevention



Further details are available on our website.

Occupational Safety and Health Efforts

In order to achieve zero occupational accidents, Kaneka implements various occupational safety and health measures that reflect specific workplace conditions at each business site. Unfortunately, there were six employee accidents in 2009, one of which was fatal. Three of the accidents did not result in work time losses although one at a Group company did. We are redoubling our efforts to prevent accidents, particularly those similar to the one that led to the loss of life.

Zero Accident Principles

- ◆ All people, you and me, are indispensable; we ensure everyone is working safe. Pledge of safety
- ◆ Safety is everyone's responsibility; we do not miss sparing 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 a possibility of an accident; we do not allow every little chance of negligence. 99%, yet 0%

Enhancing Our Occupational Safety and Health Management System

We introduced our occupational safety and health management system (OSHMS) in fiscal 2006. All of our plants acquired OSHMS certification from the Japan Industrial Safety & Health Association in fiscal 2007. In fiscal 2009, we reinforced our OSHMS by stepping up auditing and assessing risks more thoroughly. In view of the fatality at the Kashima Plant, however, we decided not to seek OSHMS certification during the year.

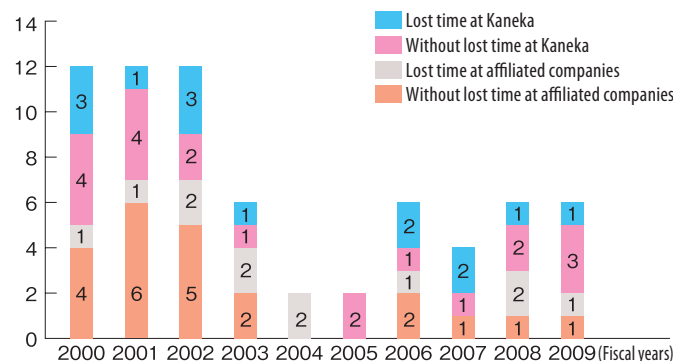
OSHMS Certifications

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

CSR Inspections

We implement improvements to occupational safety and health by conducting CSR inspections once every two years at all Group companies. In fiscal 2009 we inspected Kaneka's four plants and 14 sites of 12 domestic Group companies. The checks focused on improving measures to eliminate serious risks, including those for worker and process accidents, in light of a fatal incident at one of the plants. We will continue conducting such inspections to prevent accidents and disasters.

Number of Group Employee Accidents Resulting in or without Lost Time



Hands-On Learning to Improve Sensitivity to Danger

Specialists within each department conduct hands-on training sessions for around 800 employees at the Takasago Plant. This facility trains specialists for Group companies and provides hands-on training to other companies on request, thus contributing to improving health and safety standards across the Company.

The Shiga Plant installed hands-on training facilities in each workplace that offer realistic training experiences to improve worker's sensitivity to danger. All employees at the Shiga plant are required to undertake training, including new recruits and young employees who receive additional retraining one year after commencing work.

Mental Health and Flu Measures

As well as prioritizing physical health, Kaneka places importance on the mental health of employees. We employ clinical psychotherapists and organize mental health training sessions in a bid to more swiftly identify and prevent mental illness. In fiscal 2009, we held 18 seminars for 603 regular employees, five for 136 executives, and three for 68 Group company employees. We also conduct seminars when otherwise possible, notably for newly promoted people.

We implemented various measures at our domestic and overseas sites to combat an outbreak of a new strain of influenza. We dispatched industrial physicians to Group companies in Southeast Asia and distributed anti-viral medication to expatriates and their families.



Employees attending a mental health seminar

●●● Process Safety and Disaster Prevention Initiatives

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.

● Targeting Zero Process Accidents

Kaneka has long affirmed that safe and stable operations from the foundations of manufacturing by pursuing zero process accidents. Nonetheless, there were seven such incidents (five at parent plants and two at Group companies) in fiscal 2009. An explosion that killed a worker at the Kashima Plant was particularly tragic, and deeply saddened us all. We have redoubled efforts to clarify and resolve essential safety issues to prevent a recurrence.

● Disaster Prevention Drills

In fiscal 2009 we held comprehensive disaster drills at all Kaneka plants, as shown in the table below. Group companies also regularly conduct such drills and train employees in fire extinguisher use.

●●● Initiatives to Prevent Transportation Disasters

We introduced the following measures as defined

Plant	Date	Approximate Number of Participants	Program Details
Takasago Plant	December 10, 2009	250	We assumed a tank leak and conducted a drill jointly with Takasago City. We also held a media drill in collaboration with the head office response center.
Osaka Plant	March 9, 2010	500*	A drill with the fire department of Settsu City assumed that a fire broke out after an earthquake.
Shiga Plant	November 11, 2009	250	This drill was with the fire department of Otsu City, based on a fire breaking out after an earthquake and encompassing the rescue of injured people.
Kashima Plant	December 7, 2009	200	We assumed that an isobutylene tank in the west facility leaked following an earthquake, resulting in a fire. Our west and east disaster response teams participated in the drill.

*Includes the number of participants in emergency drills.

under the High Pressure Gas Safety Law, Poisonous and Deleterious Substance Control Law, and the Fire Services Act in collaboration with transportation contractors since the impact of an accident on these contractors would be particularly severe. These initiatives include providing safety education training for vehicle crews, checking that the crews carry Yellow Cards, which prescribe accident reporting and other response procedures, and implementing disaster response training for transportation contractors based on annual plans. We make every effort to reconfirm work procedures for distribution safety, and to improve practical responses for taking prompt and appropriate action in the event that an accident occurs during transportation.

Explosion and Fire at the Expandable Plastics Section of Kashima Plant

Outline

At 11:13 a.m. on June 22, 2009, there was an explosion during the drying process in the expandable plastics section of Kaneka's Kashima Plant in Kamisu City, Ibaraki Prefecture. One employee died after suffering severe burns to his entire body.

We were unable to identify air, water, or any other contributing environmental factors.

Identifying Causes

Immediately after the incident, Kaneka established a task force that included external specialists to identify the causes and review preventive measures. The team found that prior to the explosion the manhole in the expandable plastics storage tank had been opened because of insufficient internal air displacement, which caused the

level of butane gas concentration to rise above the minimal level for explosion. An anti-explosion torch triggered electric sparks, which ignited the gas and caused the explosion.

Preventing Recurrence

We took immediate steps with hardware to prevent a recurrence, including installation of an air displacement monitoring system inside the storage tank. We also established a committee to consider rebuilding companywide safety measures.

In order to prevent reoccurrence of such a terrible tragedy from ever occurring again, we identified various issues and formulated and deployed several measures. These include steps to increase safety awareness, reform systems, and improve onsite professionalism.

Domestic Group Company Initiatives

● Developing and Commercializing Environmental Materials Based on Three-Dimensional Embossing

Tatsuta Chemical Co., Ltd.

Tatsuta Chemical's ethos is to pursue the infinite potential of sheet film, and it produces various plastic resin films and sheets for molding. The company has successfully developed high-quality textured sheets based on three-dimensional embossing. These environmentally friendly alternatives to wood materials and paint can be used in a range of applications including information and communications devices and household fixtures. As the sheets look so realistic, they are ideal for use as materials such as wood, metal, and fabric.

Koga City in Ibaraki Prefecture, where Tatsuta Chemical's plant is located, has obtained ISO 14001 certification as part of a program to enhance the local environment. Tatsuta Chemical is collaborating in several ways, notably by conserving energy and reducing waste.



Realistic reproduction of wood grain on a cellular phone sheet

● Helping Resolve Energy and Environmental Issues with Insulating Materials

Kaneka Kentec Co., Ltd.



Kanelite Foam is a fluorocarbon-free insulating material that offers enhanced thermal resource usage and interior comfort

Kaneka Kentec sells and develops general construction materials. As part of Kaneka's expandable plastics and products business, Kaneka Kentec specializes in insulating materials.

Homeowners who purchase the highly regarded Kanelite Foam insulating material qualify to receive eco-points from the government. Use of this product is popular in freestanding houses, condominiums, and commercial and public buildings. Kanelite Foam is fluorocarbon-free, and benefits the environment because it is made with a gas that has a very low global warming potential. The product has become a frequent choice in recent years for structures with exterior insulation, offering many benefits including reduced utilities costs and prevention of condensation.

Kaneka Kentec will continue to help customers overcome environmental and energy challenges by selling insulation and related items and performance construction materials.

● Increasing Food Safety and Reliability while Protecting the Environment

Taiyo Yushi Co., Ltd.

Taiyo Yushi's goal is to help improve society by developing and refining technologies and providing outstanding products. Its main raw materials are natural oils and fats for food processing applications, and for soaps that are free of synthetic surfactants. In oils and fats for food processing, the company aims to enhance food safety and reliability in line with HACCP and ISO 9001 standards by swiftly and accurately accommodating customer needs.

For soaps and other household products, the company is creating systems that involve contractors to ensure that production and quality controls comply with the Pharmaceutical Affairs Law.

Taiyo Yushi convenes study groups and lectures on soap features and their environmental and human impacts in keeping with a desire to help safeguard nature. The company will further refine its activities to contribute to social health.



Visiting a nearby public elementary school for a soap-making class

Overseas Group Company Initiatives

● Positioning Regulatory Compliance as Central to Operations

Kaneka Belgium N.V.

This subsidiary is undertaking activities in an effort to make full compliance with European Union regulations a top priority. Daily efforts in keeping with the Registration, Evaluation, Authorization and Restriction of Chemical Substances regulation are one such example. Before initial registration deadlines, Kaneka Belgium undertakes exhaustive steps in keeping with the Regulation on Classification, Labelling, and Packaging (see note 1 below) to formulate Materials Safety Data Sheets for the Globally Harmonized System of Classification and Labelling of Chemicals.

The company has implemented measures to optimize energy consumption, and will upgrade and construct facilities in order to further enhance the effectiveness of their energy-conservation efforts under the Ecodesign Directive on energy-related products (see note 2 below), which came into effect at the end of 2009.

Kaneka Belgium donated solar panels to the Province of Antwerp as part of its community contribution program.

Notes:

1. The Regulation on Classification, Labelling, and Packaging is a European regulation.
2. The Ecodesign Directive on energy-related products is the expansion of a previous version.



● Harnessing Technological Innovation to Significantly Reduce Environmental Waste

Kaneka Singapore Co., (Pte) Ltd.



This subsidiary celebrated its 30th anniversary in 2008. Its main products are HPG and DS pharmaceutical intermediates for antibiotics. Since its inception, Kaneka Singapore has increased capacity 20-fold while improving its technological capabilities. One innovation was to switch from chemical to enzyme reactions in 1990, greatly reducing environmentally harmful wastes such as mineral salts, organic substances, and nitrogen oxides.

Kaneka Singapore aims to undertake more energy-saving and environmentally friendly initiatives. It plans to obtain ISO 14001 certification in 2011 and qualify in 2012 for OHSAS 18001, an occupational health and safety standard.

● Improving Recycling Rates through the Clean Production Program

HiHua Fiber Co., Ltd. (China)

In 2003 we established HiHua Fiber, a collagen fiber production unit in Qingdao City, which is located in the northeast of the People's Republic of China. This company has since added synthetic fibers to its lineup. Fiscal 2009 sales were more than four-times those of fiscal 2006, the first year of full operation. HiHua Fiber continues to expand.

It is mandatory in China for companies to undertake clean production practices, entailing efforts to conserve energy, labor, and other resources and reduce waste. In fiscal 2009, HiHua Fiber raised its recycling rate by around 11% from a year earlier by reintroducing defective fibers into its production process to cut waste. This subsidiary will continue its resource conservation efforts.

In the area of CSR, HiHua Fiber has built public basketball and mini-soccer facilities to deepen community engagement through sport.



Third-Party Verification (Responsible Care Verification)



Mr. Kimikazu Sugawara
President Kaneka Corporation

CSR Report 2010 Independent Verification—Opinions

June 21, 2010

Japan Chemical Industry Association
Chief Director
Responsible Care Verification Center
Saburo Nakata

■ Purpose of verification

The purpose of this verification is to express informed opinions as chemical industry specialists on the following matters concerning the “CSR Report 2010” (hereafter called “the Report”) that was compiled by Kaneka Corporation.

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

■ Verification procedure

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

■ Opinions

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values:
 - Rational methods were used to calculate and collect numerical values for both the corporate head office and the Shiga Plant.
 - As far as was investigated, performance values are accurately calculated and collected.
- 2) The accuracy of the information presented in the Report:
 - The information presented in the Report was confirmed to be accurate. At the stage of drafting the Report, a few comments were made concerning the suitability of some expressions and the readability of some sentences; however, these issues have been rectified in the final Report. As a result, no points remain to be rectified as of now.
- 3) Responsible care activity details:
 - We laud the Company for properly reporting negative information, including accidents that caused lost labor time and environmental mishaps. We hope that the number of occupational accidents declines in the years ahead.
 - The Shiga Plant merited a solid appraisal for being the first of Kaneka’s four plants to achieved zero emissions and for maintaining a final landfill rate of less than 0.1% in the four years thereafter. Also praiseworthy were that plant’s consistent efforts to reduce the environmental impacts of atmospheric and wastewater discharges by deploying exhaust gas combustion equipment, converting to city gas, and rigorously managing wastewater discharges into Lake Biwa.
- 4) Report features:
 - It was a good idea to include stakeholder messages in the report. We look for the Company to elaborate on that approach by creating a mechanism to reflect stakeholder opinions.
 - We deemed it positive that the Company provided a special feature treatment for such high-priority areas as the environment, customers, and communities.

Third-Party Opinion (My Impressions from Reading CSR Report 2010)



Professor Toshihiro Kanai, Dean of the Graduate School of Administration at Kobe University

Professor Kanai graduated from Kyoto University with a degree in Education. After obtaining a Doctor of Business Administration at Kobe University, he obtained his Ph.D. in Management at the Massachusetts Institute of Technology.

Professor Kanai's research centers on leadership, motivation, creative management, networking, and career dynamics as part of an exploration of new organizational and management approaches that ensure creativity and unity.

Ties that Bind Are Fundamental to CSR

The concept of “ties” is central to the Kaneka Group’s Corporate Social Responsibility Report 2010. Living is about making connections, and leadership is the skill of making connections. When one considers society or the environment, one is looking at how one’s work or lifestyle relates to a larger system. I think that the ties that form the Group’s Corporate Ideals in its long-term vision are deeply significant.

The special feature articles in the report exemplify this because they present both what the Group is doing and the views of stakeholders, notably a mayor, a bakery business cooperative chairman, and a school educator. Kaneka’s existence made these connections possible. The articles showed that the company truly does take its accountability to stakeholders seriously in the words and figures that it presented. The sections outlining Kaneka’s business and key strategic fields used illustrations and other tools to convey the close ties between Kaneka’s diverse technologies and lifestyles.

Peter Senge (see note below) talks about world sustainability being ultimately an issue of individuals being aware of the extent to which they affect the earth. I think that this is pivotal to practicing CSR.

The world is at a turning point. More

than ever before, we must all think harder about what we can do as individuals to achieve social sustainability. Most of us are part of organizations, such as families and companies. We are part of industries, societies, nations, and the world. If we have the will, we can pool our collective wisdom to explore ways to build a truly sustainable future.

While in general these “ties” are not discussed explicitly, this report nonetheless shows linkages that notably convey a message of contribution to social sustainability as a CSR goal. I would like to see Kaneka continue to present these highly desirable relationships between business and society in future CSR reports.

Creating a More Surprising Report

I found the report visually easy to understand. There was a lot of data, which aided clarity, although I think some of the information would have benefited from indices. For example, 23 employees used the childcare leave program in fiscal 2009. I would suggest benchmarking this against global averages. The report states that 122 recruits attended human rights classes: what percentage of the total is that? In this way I would like to see Kaneka make a little more effort with its data presentation. It is not a matter of including numbers for their own sake but of using

them, even when small, to demonstrate solid effort, or of presenting numbers that are quite unusual. Truly powerful visions use numbers to convey ideals, tell stories, and position these stories within larger systemic contexts.

I was a little disappointed that the report did not showcase any employees. The Top Commitment noted that people are the Kaneka Group’s engine. I think that spotlighting employees would underpin that statement, boost morale, and help improve corporate activities.

I believe that stakeholders want companies to pleasantly surprise them by exceeding expectations. Some say that companies should only make what consumers want. There are however plenty of examples of companies that have no idea what their customers seek but have gone well, in fact exceeding expectations and creating products that have brought joy to their customers. In the same way, CSR reports should not limit themselves to conveying just what companies think stakeholders want. I would like to see Kaneka’s next edition provide more surprises.

Note:
Peter Senge is the author of *The Fifth Discipline: The Art & Practice of the Learning Organization*, a global best seller. He is a senior lecturer at the Massachusetts Institute of Technology and is the founding chairperson of the Society for Organizational Learning.

Editorial Afterword (Response to Third-Party Opinion)

The Kaneka Group’s first fully fledged Corporate Social Responsibility Report was the fruit of a lot of effort. To achieve this, we established the CSR Committee, which studied various aspects of the relevant initiatives. One ongoing consideration was how best to reflect CSR concepts in the work and lifestyles of all employees. Kaneka is largely a business-to-business enterprise, so another goal was to deepen stakeholder understanding of how the products we make and sell relate to people’s lives. It was highly significant that Professor Toshihiro Kanai lauded our efforts in these regards.

Professor Kanai essentially pointed out that we ought to present more figures and other data, even if no in-house explanations are necessary, to communicate our story better to external stakeholders.

Meeting of CSR Committee members



We had not considered this perspective before, and our next report will reflect his suggestion.

Professor Kanai also noted the great challenge of exceeding expectations. We recognize that people will not continue to read our reports if the content falls short in that regard, and we will pursue improvements.

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

CSR Committee Members
Kaneka Corporation



kaneka

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