

CSR REPORT 2011

PDF Version



kaneka

Kaneka, Our science makes Wishes come true.

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

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

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

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

Corporate Philosophy

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

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

Kaneka's Corporate Ideals

Toward an Even More Impressive and Productive Future

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

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



Editorial Policy

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

We are issuing digest and PDF editions from 2011. The digest is primarily for those encountering Kaneka for the first time or readers seeking an overview of our CSR efforts. The PDF edition discloses all of our CSR information.



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

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

Organizations Covered in this Report

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

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

Kaneka	
Domestic	
Overseas	

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

Language Versions

This report is available in Japanese and English. Information is also available in both languages.

Third-Party Verification and Opinions

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

Report Period

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

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September 2011

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Next Report

September 2012

Reference Guidelines

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

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About the Front Covers

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

Top Commitment

A Time for Innovation and Growth Founded on CSR Activities



Top Commitment

A Time for Innovation and Growth Founded on CSR Activities

Great East Japan Earthquake

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

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

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

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

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

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

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

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

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

Establishing a Corporate Culture of Innovation and Challenge

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

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

Positioning “Safety” as a Top Priority

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

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



Kimikazu Sugawara
President Kaneka Corporation

Meeting the Expectations of the Global Community

The Kaneka Group manufactures chemicals, functional plastics, expandable plastics and products, foodstuffs products, medical supplies and devices, electronic materials, photovoltaic modules, and synthetic fibers.

Our products are used for everything from apparel to food, housing, and pharmaceuticals.

We reorganized our operations to concentrate resources on our four important strategic domains of focus, namely Environment and Energy, Health Care, Food Production Support, and Information and Communications (see the diagram at the bottom of this page).

We aim to harness these areas to become a global entity that helps address social issues, lifting our international sales ratio to 50% by fiscal 2015 and 70% by fiscal 2020.

Localizing Human Resources is Essential to Become a Truly Global Enterprise

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

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



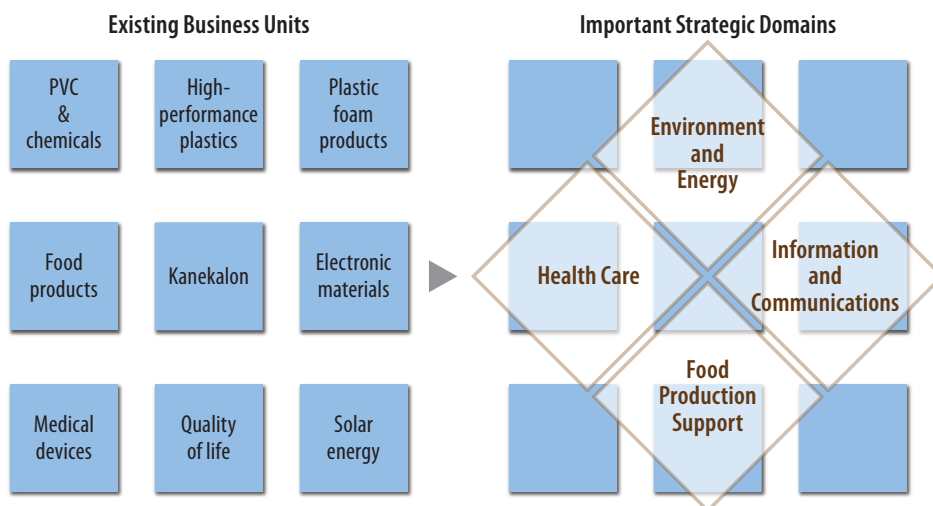
Tetsuro Hara
Member of the Board and Senior
Managing Executive Officer

Contributing to Social Sustainability

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

Existing Business Units and Important Strategic Domains

We will focus on our four important strategic domains in transforming our business structure.





Eurogentec S.A. ...3

Location: Liege, Belgium



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

Kaneka Innovative Fibers Sdn. Bhd. ...5

Location: Pahang, Malaysia



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

Kaneka India Pvt.Ltd. ...4

Location: New Delhi, India



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

Kaneka Trading (Shanghai) Co., Ltd. ...10

Location: Shanghai, People's Republic of China



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

Kaneka Belgium N.V. ...1

Kaneka Pharma Europe N.V. ...2

Kaneka (Malaysia) Sdn. Bhd. ...5

Kaneka Eperan Sdn. Bhd. ...5

Kaneka Paste Polymers Sdn. Bhd. ...5

Kaneka Singapore Co. (Pte.) Ltd. ...6

Kaneka Pharma Vietnam Co., Ltd. ...7

HiHua Fiber Co., Ltd. ...8

Kaneka Eperan (Suzhou) Co., Ltd. ...9

TGA Pastry Company Pty. Ltd. ...11

Kaneka Texas Corporation ...12

Kaneka Nutrients L.P. ...12

Kaneka America LLC ...13

Kaneka Pharma America LLC ...13



Above are the global operational highlights of four Group companies in fiscal 2010.

Dedicated to the Pursuit of Health and Happiness

Coenzyme Q10

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

CUSTOMER POLICY & VISION

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

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



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

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

The Coenzyme Q10 (Q10) was discovered in the United States in 1957. It has since emerged that this substance plays a vital role in producing energy and maintaining youthfulness. The great strength, immunity, and energy that people enjoy when they are young gradually decline with age. Q10 was adopted as a supplement to stimulate cells in around 1990 in the United States. This substance became available in Japan as a supplement in 2001. Before then, it was only dispensed on prescription for supporting the function of the heart, an organ that consumes a great deal of energy.

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



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

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

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



Coenzyme Q10



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

use it, the body had to consume a great deal of energy.

Kenji Fujii of the Scientific Affairs & Intellectual Property Group of the QOL Division says that, "Actually, everyone supposed that the oxidized and reduced versions of Q10 were equally efficacious. However, we believe that taking the reduced form of Q10 is very natural for us, because we human beings are a part of nature world."

The Ubiquinol that Kaneka was the first in the world to develop won approval as a supplement in the United States in 2006 and in Japan and Europe in 2007. Only Kaneka has the capability to currently manufacture it. Thus, if there is no need to consume energy to absorb Q10, older people with declining energy stores can benefit directly from the substance's inherent efficacy. We conducted joint research with Tokyo Women's Medical University, which oversees a care facility for the elderly. The report on this study noted that after taking 100 mg daily of Ubiquinol, many chronically lackluster patients felt energetic when walking around. Such people improved mentally, with Q10 preventing them from weakening physically. In turn, the effect lightened the workload of helpers. We conducted another study with the University of Toyama that confirmed the efficacy of Q10 in preventing influenza.



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

An Easy-to-Take Supplement with Safety Guaranteed

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



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



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



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



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

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

You Cannot Contribute to the World if Better Products are Unknown

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

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

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

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



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



Coenzyme Q10

Stakeholder Message



Professor Gian Paolo Littarru

Department of Biochemistry, Biology & Genetics
Marche Polytechnic University
Chairman of International Coenzyme Q10 Association

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



Biodiversity

Safeguarding Diverse Species

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

ENVIRONMENTAL POLICY AND VISION

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



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

Innovate by Learning from Nature

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

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



Hideo Noguchi

Technical Development Group
Technology Management Department
Kanecaron Division

Enjoying Fur's Charms without Harming Nature

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

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



Pictured is the manufacturing process for Kanecaron, which looks and feels like human or animal hair

KANECARON

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



Yukihiro Kamimura
Marketing Group I
Kanecaron Division

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

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

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

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

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



Tetsuya Kato
Marketing Group I
Kanecaron Division



KANECARON



Stakeholder Message

Ms. Kurara Chibana
Celebrity, model, and reporter
(Advertising spokesperson for Kaneka)

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

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

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



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

COMMUNITY POLICY AND VISION

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



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

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

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

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

Creating Plants that We are Proud to Show to Local People

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

One Group company at which we conducted the CSR inspections is Tatsuta Chemical Co., Ltd., which processes film sheets. Our inspections revealed that the company needed to implement measures to prevent entanglements in film rolling equipment. Tatsuta Chemical thereafter introduced several safety initiatives, including Hiyari Hatto (identifying, reporting, and eliminating worker dangers) and KYT (Kiken/Danger) (Yochi/Prediction) (Training) in its daily operations. It also high-

CSR Inspection at Takasago Plant



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

Safe Working Conditions

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

lighted all dangerous aspects of its workplace. In addition, the company put more effort into conducting morning meetings before the start of work to confirm the health of all employees, not just those in hazardous areas, to enhance their safety awareness. At the same time, it created various safety training programs. Participants noted that they received useful instruction, such as experiencing what it might feel like to be caught in machinery. These initiatives have enabled Tatsuta Chemical to maintain a zero-accident record.

Increasing safety awareness has motivated our plants' desire to proudly showcase themselves to outsiders.

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

Raising People's Appreciation of Kaneka's Involvement in the Community

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

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



Shigeru Kamemoto

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

Tatsuta Chemical Co., Ltd.



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



Safe Working Conditions

Stakeholder Message



Mr. Yukihiro Nobori

Mayor of Takasago City

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

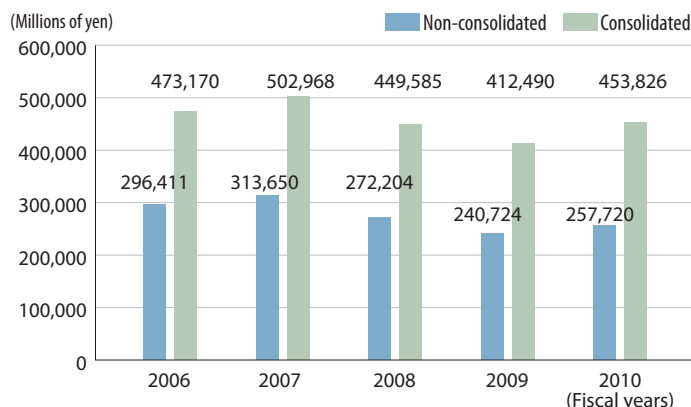
Naturally I want local plants to be free from accidents. But if problems occur, it is important for operators to be prepared to resolve issues with us to ensure the safety of the community. Kaneka promptly reports issues to us, and we value their openness. Kaneka is also helping to improve our community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

Kaneka Group Profile

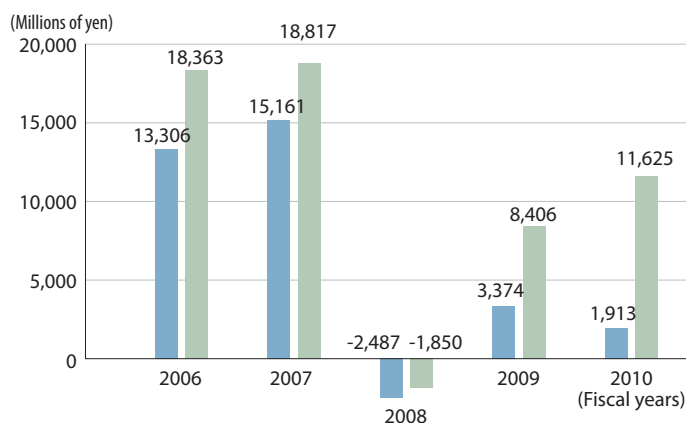
Corporate Profile

Name	Kaneka Corporation	
Head Office	3-2-4, Nakanoshima, Kita-ku, Osaka 530-8288, Japan	
Osaka Head Office	Phone: +81-6-6226-5050 Facsimile: +81-6-6226-5037	
Tokyo Head Office	1-2-31, Akasaka, Minato-ku, Tokyo, 107-6025, Japan	
	Phone: +81-3-5574-8000 Facsimile: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	¥33,046 million yen (as of March 31, 2011)	
Domestic Facilities	Sales Office	Nagoya
	Plants	Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Frontier Biochemical & Medical Research Laboratories Process Technology Laboratories Photovoltaic and Thin Film Device Research Laboratories Molding & Processing Development Center	
Main Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, Australia, China and others.	
Kaneka Group	99 subsidiaries (including 41 domestic and 25 overseas consolidated subsidiaries)	

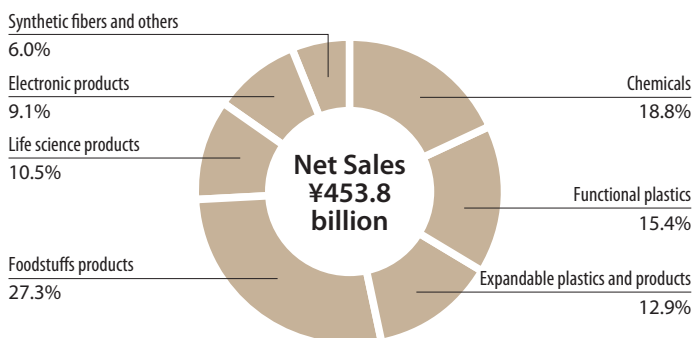
Net Sales



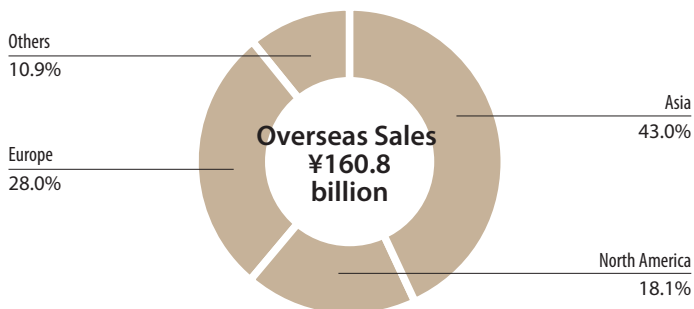
Net Income



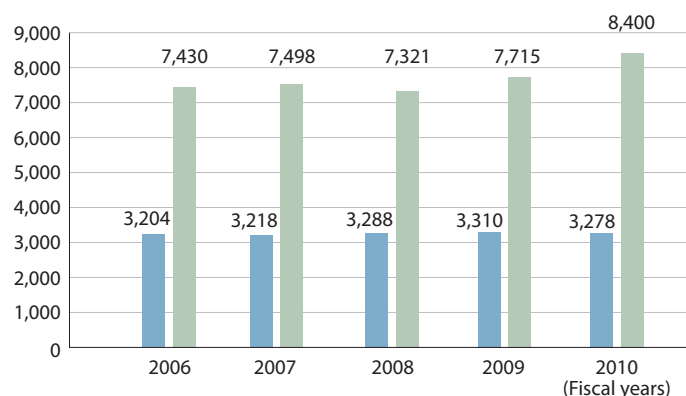
Consolidated Sales by Business Segment (Fiscal 2010)



Consolidated Overseas Sales by Area (Fiscal 2010)



Number of Employees



CSR Approach of the Kaneka Group

CSR Positioning

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

Management Philosophy

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

Stakeholders

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

Employees

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

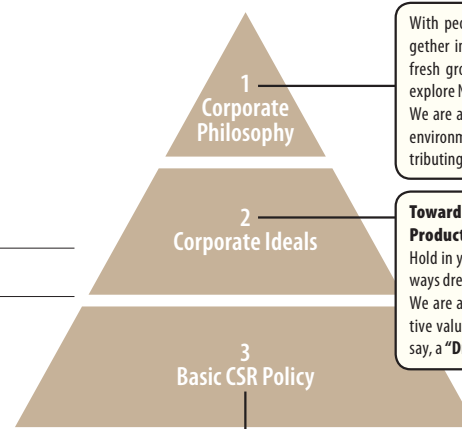
Customers

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

Shareholders and Investors

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

Management Philosophy Structure "Declaration of Kaneka United"



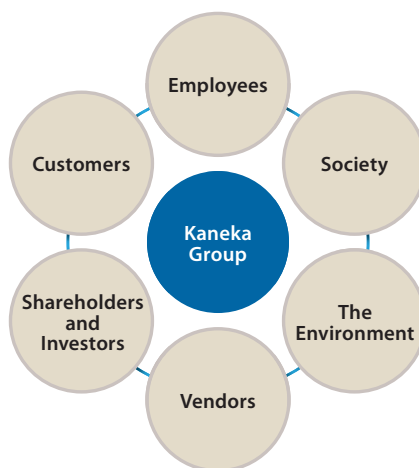
With people and technology growing together into creative fusion, we will break fresh ground for the future and tie in to explore New Values. We are also committed to challenging the environmental issues of our planet and contributing to upgrading the quality of life.

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

Basic CSR Policy

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

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



Society

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

The Environment

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

Vendors

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

CSR Approach of the Kaneka Group

CSR Structure

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

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

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

CSR Inspections

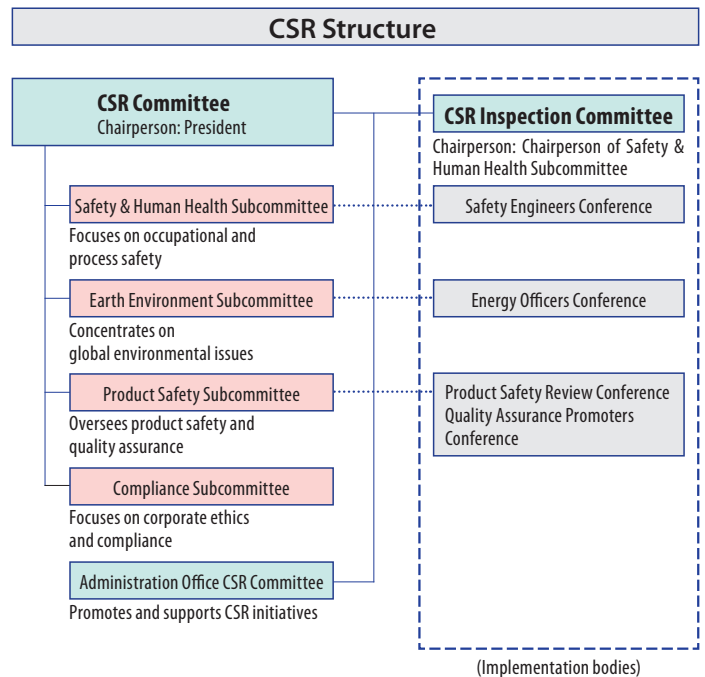
K ANEKA **D** DOMESTIC **O** OVERSEAS

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

CSR Education

K ANEKA **D** **O**

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



CSR education as part of training for new executives



We provide stakeholder-specific training for new employees

Corporate Governance and Compliance

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

Corporate Governance Structure

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

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

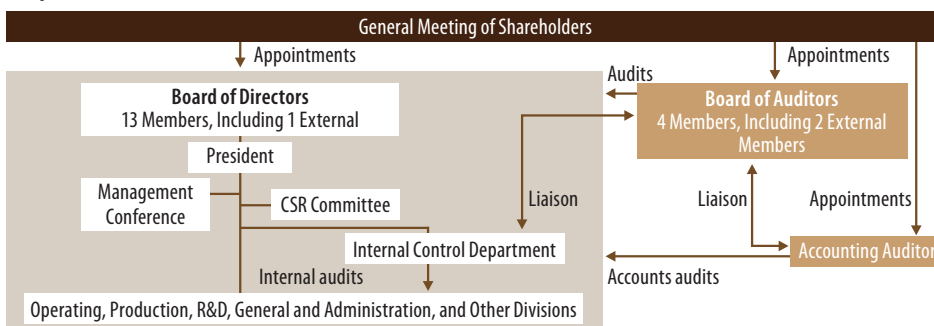
The Board of Auditors comprises four members, two of whom are external. It coordinates with the Accounts Auditor and the Internal Control Department. Auditors regularly exchange opinions with directors and attend meetings of the Board of Directors, the Management Conference, which decides on implementation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

We segregate the implementation and overseeing of operations to strengthen these roles and ensure that we can respond swiftly and flexibly to changes in the business climate. Executive officers appointed by the Board of Directors and division managers have extensive authority over daily operations. Directors are responsible for multiple divisions to ensure overall coordination. Divisional managers meet monthly and each one reports directly on their progress to the Board of Directors and the Board of Auditors. The Internal Control Department, which the president directly oversees, independently monitors the operations of each division.

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

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

Corporate Governance Structure



Corporate Governance and Compliance

Compliance

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

We posted our Compliance Guidebook on our intranet. This document contains our Ethical Code of Conduct for all Group executives and employees and provides simple explanations of laws, ordinances, and regulations. We explained our stance in training and meetings to ensure understanding and adherence to compliance within the Group.

We regularly train sales, purchasing, and business development managers on the requirements of the Antimonopoly Act, and require each of them to submit a written oath of compliance. In 2010, we distributed the Antimonopoly Act Don't Card in Japanese and the COMPETITION COMPLIANCE CARD in English for those engaging in similar work to that of overseas affiliates.

We maintain internal compliance consultation desks and also offer consulting through external law firms so we can swiftly respond to and resolve compliance issues.

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

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

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

Responsible Care and Management

We created basic policies for Responsible Care and safety.
We use a Plan-Do-Check-Act (PDCA) cycle in our Responsible Care efforts.

Group Management

K A N E K A D O M E S T I C O V E R S E A S

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

Since fiscal 2005 we have conducted CSR 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.

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:

Basic Policies for Responsible Care

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

Positioning of Policies, Rules, Manuals, and Standards



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

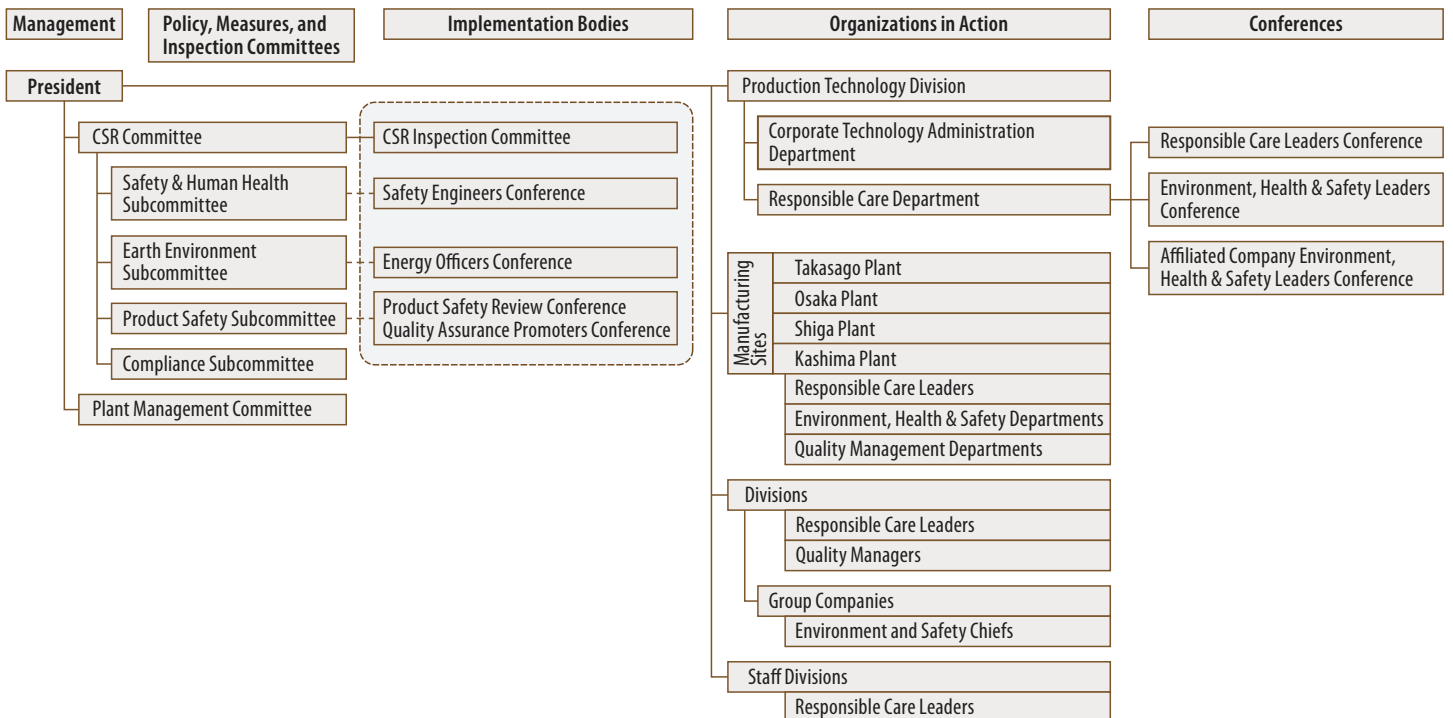
Responsible Care Organization



We began undertaking Responsible Care initiatives in 1995. We act in keeping with a basic Responsible Care organization that covers the following six areas: environmental protection, process safety and disaster prevention, occupational safety and health, chemical and product safety, distribution safety, and communication with society. Kaneka's president chairs the CSR Committee, which directly oversees four subcommittees. These bodies deliberate and determine Group policies and measures, and examine related activities.

The 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 acts companywide. The Environment, Health & Safety Leaders Conference and the Quality Assurance Leaders Conference share information and discuss issues. The Affiliated Company Environment, Health & Safety Leaders Conference shares Group company policies and goals and undertakes groupwide Responsible Care efforts.

Responsible Care Organization



Audits and Inspections

K ANEKA **D** OMESTIC **O** VERSEAS

Kaneka undertakes ongoing internal audits covering Responsible Care, environmental safety, ISO 14001 and 9001, occupational safety and health management systems, and CSR inspections. Members of the CSR Inspection Committee assess progress and compliance in areas such as environmental safety. Inspections in fiscal 2010 covered our four parent plants and another 25 plants of 24 domestic and overseas 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

K ANEKA **D** OMESTIC **O**

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

Report Coverage

(Scope of Responsible Care Activities Data)

This report covers Kaneka and 35 Group manufacturing companies.





Kaneka	
Takasago, Osaka, Shiga, and Kashima Plants	
Domestic Group Companies (26)	Overseas Group Companies (9)
Hokkaido Kaneka Co., Ltd.	Kaneka Belgium N.V.
Sanwa Kaseikogyo Co., Ltd.	Kaneka Texas Corp.
Hokkaido Kanepearl Co., Ltd.	Kaneka (Malaysia) Sdn. Bhd.
Kyushu Kanelite Co., Ltd.	Kaneka Eperan Sdn. Bhd.
Tatsuta Chemical Co., Ltd.	Kaneka Eperan (Suzhou) Co., Ltd.
Showa Kaseikogyo Co., Ltd.	Kaneka Paste Polymers Sdn. Bhd.
Monbetsu Kasei Co., Ltd.	Kaneka Singapore Co. (Pte) Ltd.
Shibetsu Kasei Co., Ltd.	HiHua Fiber Co., Ltd.
Koto Co., Ltd.	Kaneka Nutrients L.P.
Tsukasa Co., Ltd.	
Miyagi Jushi Co., Ltd.	
Kanto Styrene Co., Ltd.	
Kitaura Jushi Kogyo Co., Ltd.	
Cosmo Kasei Co., Ltd.	
Toyo Styrol Co., Ltd.	
Hanepack Co., Ltd.	
Kaneka Food Co., Ltd.	
Tokyo Kaneka Food Co., Ltd.	
Kaneka Sun Spice Co., Ltd.	
Taiyo Yushi Co., Ltd.	
Nagashima Shokuhin Co., Ltd.	
Kaneka Medix Corporation	
Osaka Synthetic Chemical Laboratories, Inc.	
Kaneka Solartech Co., Ltd.	
Tochigi Kaneka Corporation	
Sanvic Inc.	

Responsible Care Activities



















Our Responsible Care activity targets and results for fiscal 2010 and our targets for fiscal 2011 are as follows.

04-1

Evaluations:

-  Significantly outperformed
-  Achieved/nearly achieved
-  Underperformed
-  Significantly underperformed

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

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

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

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

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

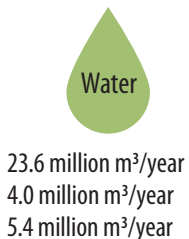
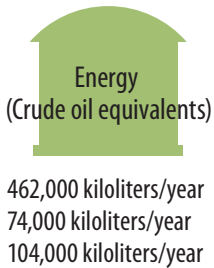
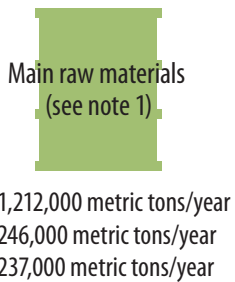
Item		Fiscal 2011	Long-Term
Environmental Protection	Reduction of Chemical Discharges	Lower the VOC emissions target to 2,000 metric tons (63% less than the fiscal 2000 baseline).	By fiscal 2012, cut VOC emissions by 65% below the fiscal 2000 level to 1,900 metric tons in 2012.
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Set zero emissions targets for domestic Group companies.	Keep the final landfill rate to below 0.2% for all parent plants. Domestic Group companies to achieve zero emissions.
		Continue to comply with laws and regulations. Expand the use of electronic manifests. Streamline site inspections of waste disposal companies.	Continue to comply with laws and regulations. Use electronic manifests.
	Prevention of Global Warming	Reduce energy intensity by at least 1% annually. Reduce carbon dioxide emissions intensity for fiscal 2008 through 2011 by 20% from the fiscal 1990 level.	Reduce energy intensity by at least 1% annually. Reduce carbon dioxide emissions intensity for fiscal 2008 through 2012 by 20% from the fiscal 1990 level.
Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures.		Reduce the energy intensity for logistics by around 1% annually by coordinating with the relevant departments to plan and promote efficiency measures.	
Process Safety and Disaster Prevention		Implement measures to reduce key risks (explosions, fire, and other major disasters) and increase accident responsiveness.	Reduce risks, primarily through risk assessments, as part of ongoing efforts to eliminate risks.
Occupational Safety and Health	Occupational Safety	Step up support to Group companies and check and follow up on safety levels through CSR inspections.	Continue to reinforce the safety activities of Group companies.
	Management Systems	Train internal inspectors to ensure ongoing risk assessment of major hazards and to properly monitor systems.	Continue to improve occupational health and safety based on occupational safety and health management systems.
	Occupational Health	Deploy measures to maintain mental health and combat lifestyle diseases and implement measures to prevent the spread of infectious diseases.	Continue to improve employee mental health and workplace environments.
Distribution Safety		Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks, thereby enhancing safety.
		Continue holding emergency response drills for transportation.	Continue holding emergency response drills for transportation.
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Specify the major quality risks for each business site and create management techniques to reduce these risks to tolerable levels.	Position product safety and quality assurance risks as the key focus of management.
	Chemical Substance Management	Respond to the second implementation stage of the revised Chemical Substances Control Law. Gather and share information on revised domestic and overseas laws and respond appropriately.	Identify trends in regulatory revisions in Japan and abroad and improve chemical substances management.
	Product Safety	Prepare inspection rules and information-gathering frameworks, choose new advisor candidates, and broaden the scope of inspections while reinforcing product safety inspections.	Enhance advisor capabilities in line with the Group's expanding business scope and bolster product safety inspections.
Communication with Society		Publish a CSR report and post it on our website. Engage in dialogue with stakeholders.	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue.
		Issue site reports for all Kaneka plants and post them on our website.	Continue to issue site reports for all Kaneka plants.
		Prepare for participation in regional Responsible Care dialogues in fiscal 2012.	Continue to participate in regional Responsible Care dialogues.
Management Audits and Inspections		Implement audits and inspections of our four parent plants, 14 plants of 11 domestic group companies, and 3 plants of 3 overseas Group companies.	Continue to implement audits and inspections.

Materials Balance in Production Activities

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

K ANEKA D DOMESTIC O OVERSEAS

INPUT Energy and Resources



Domestic Group Companies
26

Overseas Group Companies
9

Legend (from top)

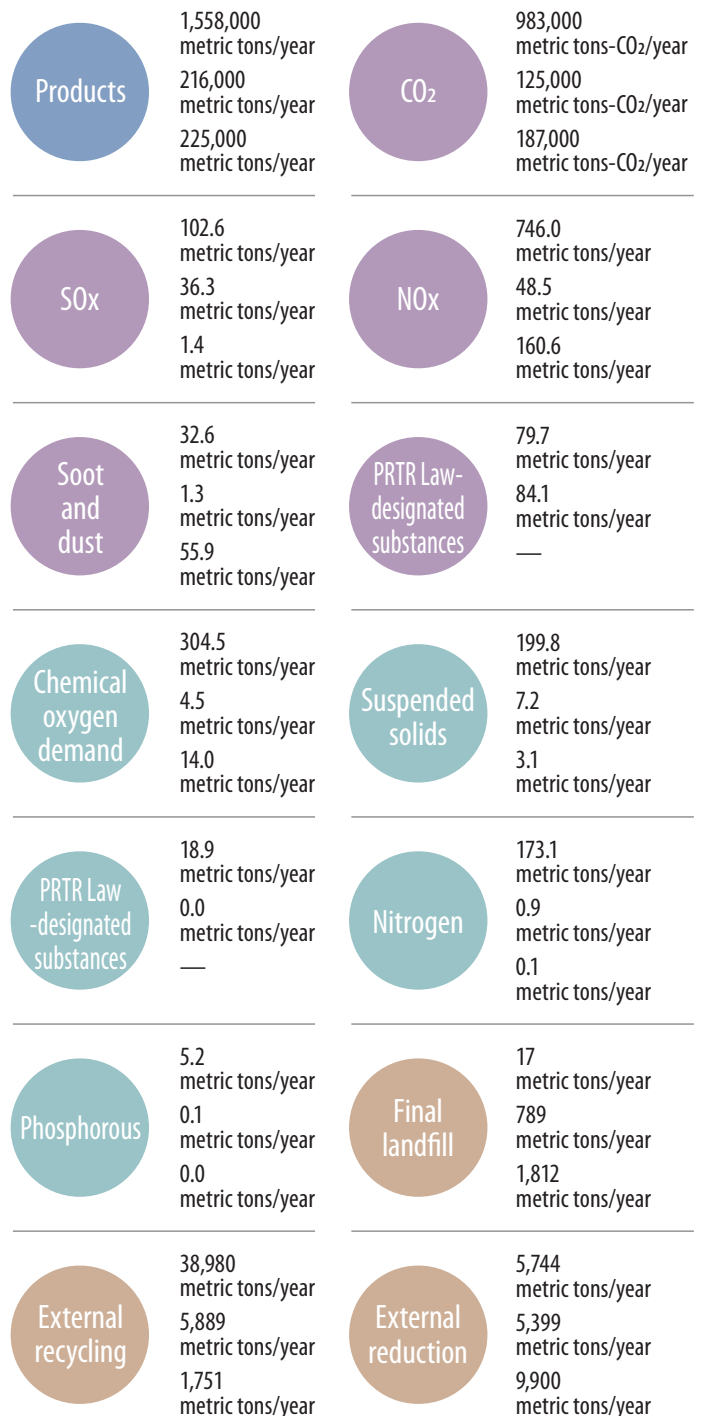
Kaneka
Domestic Group companies
Overseas Group companies

Notes:

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

OUTPUT Discharges, Recycling, and Products

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



Environmental Accounting

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

Results of Environmental Accounting for Fiscal 2010



Nonconsolidated research and development costs rose around ¥1.4 billion, while pollution prevention and resource recirculation costs together declined approximately ¥80 million. Net environmental conservation costs thus rose ¥1.32 billion. We reduced costs through resource conservation and improvements in energy index units by around ¥240 million, with net benefits from conservation declining approximately ¥330 million.

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

Environmental Accounting Costs

Millions of yen

Cost Classifications	Main Efforts	Fiscal 2009				Fiscal 2010			
		Nonconsolidated		Consolidated		Nonconsolidated		Consolidated	
		Investments	Expenditure	Investments	Expenditure	Investments	Expenditure	Investments	Expenditure
Business Area		701	4,623	842	5,192	518	4,540	581	5,230
Pollution Prevention	Air and water pollution prevention		2,949		3,217		2,772		3,069
Environmental Conservation	Global warming prevention and energy saving		–		17		–		8
Resource Circulation	Waste processing, recycling, and reduction		1,674		1,958		1,768		2,153
Upstream and Downstream	Product recycling, collection, and processing	0	192	0	279	0	184	0	254
Management Activities	Environmental education for employees and environmental impact monitoring and measurement	0	372	0	410	0	371	2	424
Research and Development	Research and development of products contributing to environmental conservation	–	2,355	–	2,356	–	3,759	–	3,760
Social Activities	Greening, beautification, and disclosure of environmental information	0	38	0	57	0	41	16	62
Environmental Damage	Payment of sulfur oxide emission charges	0	8	0	11	0	9	0	11
Total		701	7,589	842	8,305	518	8,905	598	9,740

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

Quantitative Impact of Environmental Conservation Efforts

Category	Initiatives	Items	Units	Fiscal 2009	Fiscal 2010	Difference
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Metric tons	69.5	102.6	33.1
		NOx emissions	Metric tons	626.4	746.0	119.6
		Chemical oxygen demand	Metric tons	271.5	304.5	33.0
		PRTR Law-designated chemical emissions	Metric tons	73.7	98.6	24.9
Environment	Lower greenhouse gas emissions	CO ₂ emissions	Thousands of metric tons	93.3	98.3	5.0
	Use less energy	Crude oil equivalents	Thousands of kiloliters	42.5	46.2	3.7
Resource Recycling	Reduce final landfill	Final landfill	Metric tons	19	17	-2
	Increase external recycling	Amounts recycled	Metric tons	34,871	38,980	4,109

Note: Totals for Kaneka only.

Economic Impacts of Environmental Measures

Millions of yen

Measures	Fiscal 2009		Fiscal 2010	
	Nonconsolidated	Consolidated	Nonconsolidated	Consolidated
Revenue from Recycling	22	114	81	176
Cost Reductions by Resource Conservation and Energy Index Units	463	643	228	381
Waste Disposal Cost Reductions by Recycling	49	112	6	52
Cost Reductions by Energy Conservation	599	712	484	551
Total	1,133	1,580	799	1,160

Note: The totals figures for fiscal 2009 cover Kaneka and 25 domestic Group companies. Fiscal 2010 totals cover Kaneka and 26 domestic Group companies.

Environmental Accounting

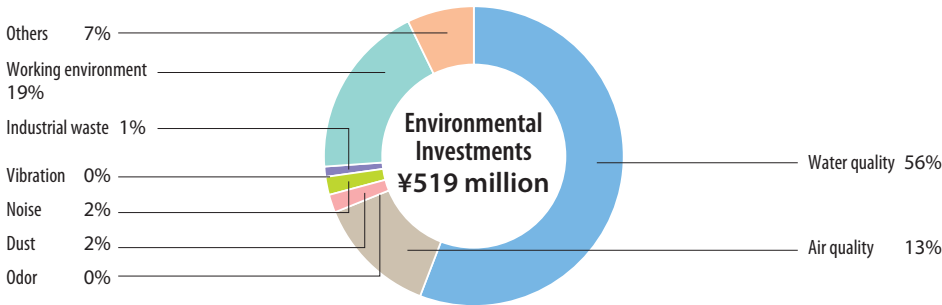


Environmental Investments

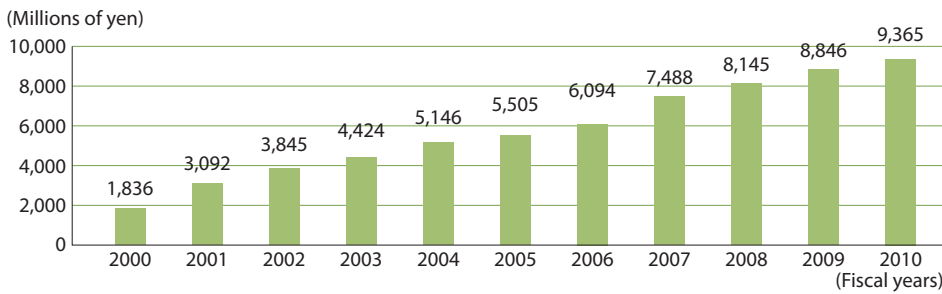


During the year, efforts to enhance wastewater processes and otherwise improve water quality accounted for approximately 56% of environmental investments. Allocations to reduce carbon dioxide emissions and otherwise boost air quality represented around 13%. Environmental investments totaled approximately ¥9.3 billion in the 11 years through to fiscal 2010. Air quality investments accounted for 47% of the total, followed by allocations for water quality at 23%, with work environments constituting 12%.

Environmental Investments in Fiscal 2010



Cumulative Environmental Investments



Measures to Prevent Global Warming and Conserve Energy

In fiscal 2010, Kaneka deployed an internal capital investment program to drive energy conservation. We also participated in the Japanese government's domestic emissions trading market to conserve energy and reduce carbon dioxide emissions as part of our efforts to reduce global warming.

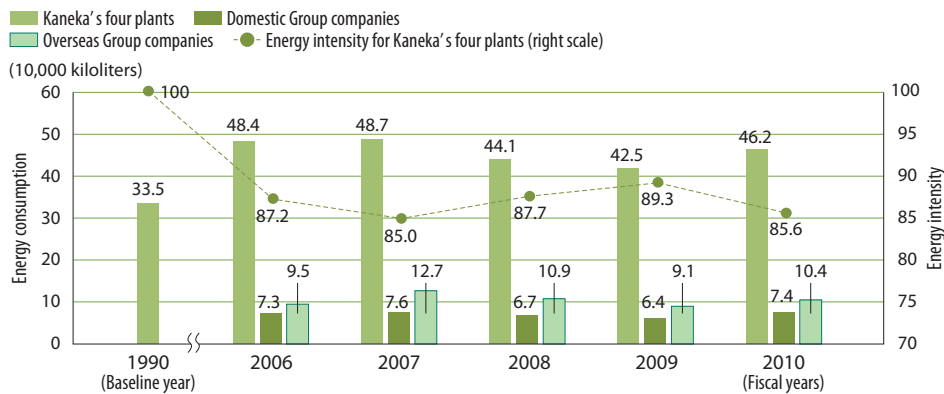
Measures to Conserve Energy and Combat Global Warming

K ANEKA D O M E S T I C O V E R S E A S

Kaneka is acting to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). Our energy intensity declined 4.1% in fiscal 2009 to 85.6%. The five-year average was down 0.5%. Neither figure matched our targets. Energy consumption increased 8.8%, however, to 4,620,000 kiloliters.

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

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



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

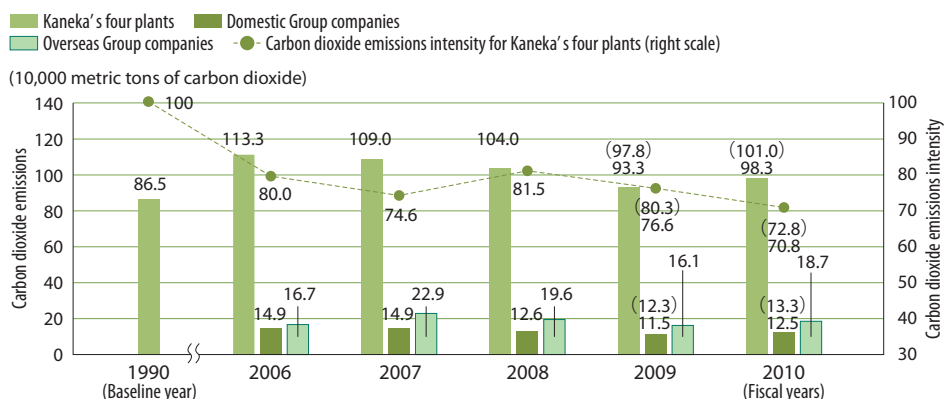
Reducing Carbon Dioxide Emissions

K ANEKA D O M E S T I C O V E R S E A S

In fiscal 2010, our carbon dioxide emissions intensity from the energy consumed during production decreased 7.5% to 70.8%. At the same time, we emitted 983,000 metric tons of carbon dioxide from these activities, a rise of 5.3%. Despite a 13.9% increase in activity volume (see note 3), we were able to suppress increases in carbon dioxide emissions by cutting our carbon dioxide emissions intensity.

Note 3: Activity volume is a benchmark for production volume.

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



Note 4: Calculated in keeping with the Act on Promotion of Global Warming Countermeasures, although it does not match published figures because of boundary differences. Since fiscal 2009, we have adopted adjusted figures for the carbon dioxide emissions intensity of purchased electricity.

The figures in parentheses represent the actual intensities. We retrospectively revised the basis for energy intensity calculations.

Measures to Prevent Global Warming and Conserve Energy

Investments in Energy-Conserving Facilities



Kaneka has undertaken ongoing initiatives to reduce its energy and carbon dioxide emissions intensities, and in fiscal 2009, we began investing in energy conservation facilities under a government promotional system.

We invest ¥200 million annually each in small and medium-sized initiatives with relatively long-term returns on investment. We have conducted efforts to identify challenges and have taken part in the Domestic Emissions Trading System and other related activities to address issues.

Results of Internal Capital Investment Program to Drive Energy Conservation

	Fiscal 2009	Fiscal 2010
Investments	¥200 million	¥200 million
Number	23	30
Carbon Dioxide Reductions	14,000 metric tons of carbon dioxide annually	4,000 metric tons of carbon dioxide annually

Logistics Energy Conservation Efforts

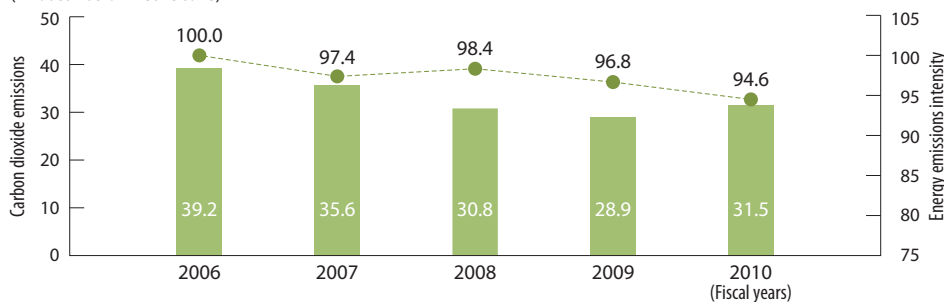


In fiscal 2010, we continued to employ modal shifts, increase cargo load ratios, and use larger vehicles to streamline and reduce the environmental impact of our logistics operations. Management and the relevant departments collaborate to enhance our logistics efficiency in keeping with the requirement under the revised Law Concerning the Rational Use of Energy to cut annual energy intensity by 1%. Our energy intensity in fiscal 2010 therefore decreased 2.3% from the previous year. Our logistics operations, however, generated 31,500 metric tons of carbon dioxide, up 9.0% or 2,600 metric tons.

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

■ Carbon dioxide emissions ● Energy emissions intensity (right scale)

(Thousands of metric tons)



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

CHECK AND ACT

Kaneka has made energy emissions intensity its prime benchmark for combating global warming. We are drawing on our experience in participating in the activities of the Japan Chemical Industry Association, of which we are a member, and from our trial efforts in the Japanese government's Domestic Emissions Trading System, in order to pursue carbon dioxide emissions intensity targets for fiscal 2011 and 2012.

Measures to Prevent Global Warming and Conserve Energy

HIGHLIGHT

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



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

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

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

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

Investments in Energy-Conserving Facilities

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

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

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

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

Takahiro Toda

Energy Department
Takasago Plant



Environmental Management Systems and Environmental Efficiency Indices

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

Environmental Management Systems

KANEKA **D**OMESTIC **O**VERSEAS

The Kaneka Group maintains systems based on ISO 14001 and the Eco-Action 21 standards in order to prevent or swiftly address environmental problems.

Parent and Group Company Certification under ISO 14001

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

Eco-Action 21 Certification

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

Environmental Compliance

KANEKA **D**OMESTIC **O**VERSEAS

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, diluted sulfuric acid and hydrochloric acid leaked into the sea from the Takasago Plant in fiscal 2010. This incident caused considerable distress among local residents. We have acted decisively to prevent recurrences.

Environmental Management Systems and Environmental Efficiency Indices

Environmental Efficiency



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

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

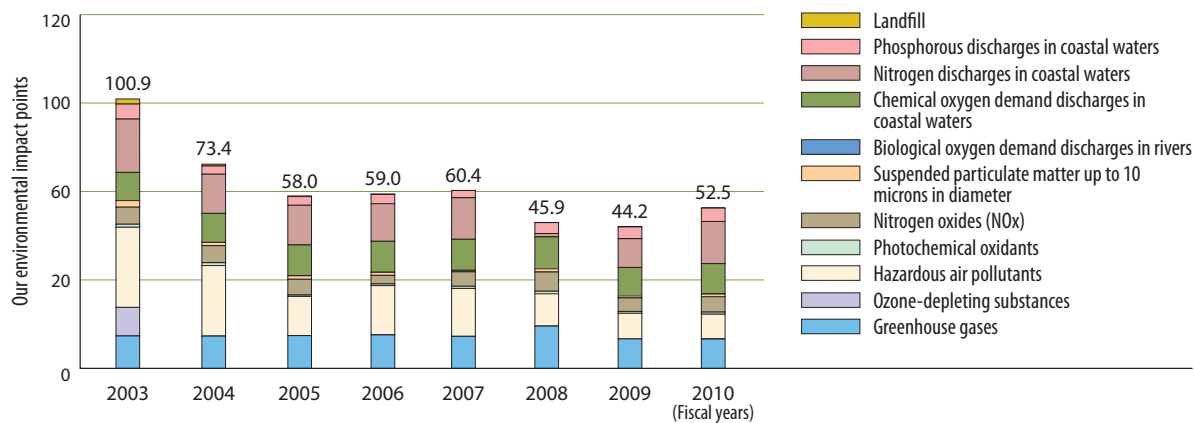
Environmental Efficiency

(Yen/total environmental impact)



Environmental Impact Points

(Hundred million/total environmental impact)



CHECK AND ACT

Our Environmental Impact Points increased in fiscal 2010 due to higher carbon dioxide emissions. In fiscal 2011, we aim to reduce these emissions by conserving energy and upgrading facilities that recover hazardous air pollutants, thereby lowering our Environmental Impact Points and enhancing our environmental efficiency.

Reducing Waste and Preventing Pollution

We cut industrial waste disposal and recycled resources while reducing final disposal. We thereby achieved zero emissions at all four domestic plants for the fifth consecutive year. We are adhering rigorously to legal requirements and compacts with local governments and other bodies to prevent pollution.

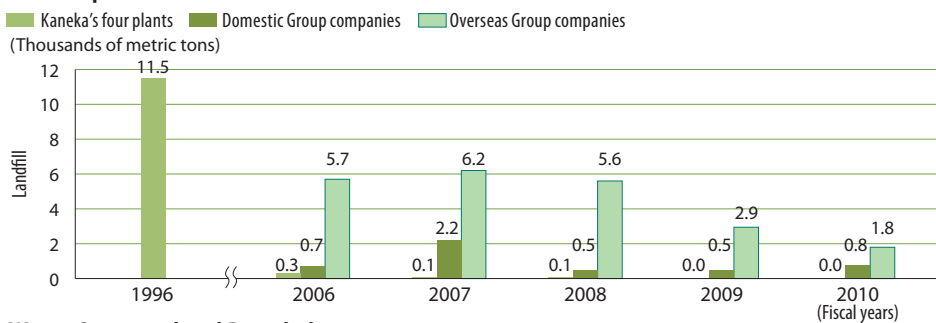
Cutting Industrial Waste and Landfill

K ANEKA D O M E S T I C O V E R S E A S

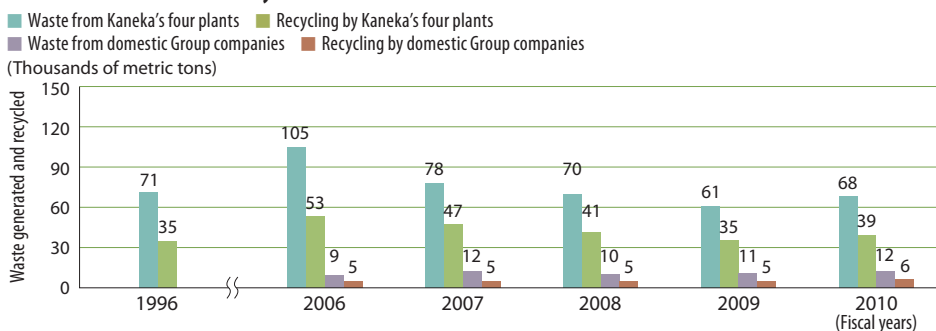
In fiscal 2010, Kaneka reduced final disposal by 10% to 17 metric tons. We thereby achieved zero emissions at all four domestic plants for the fifth consecutive year (see note below). The final disposals of domestic Group companies increased 68% to 789 metric tons. We will continue our efforts to cut disposals.

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

Final Disposal Amounts



Waste Generated and Recycled



Overseeing Industrial Waste Disposal

K ANEKA D O M E S T I C O

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

Recycling Waste

K ANEKA D O M E S T I C O

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 Waste and Disposal Methods at Kaneka's Four Plants in Fiscal 2010



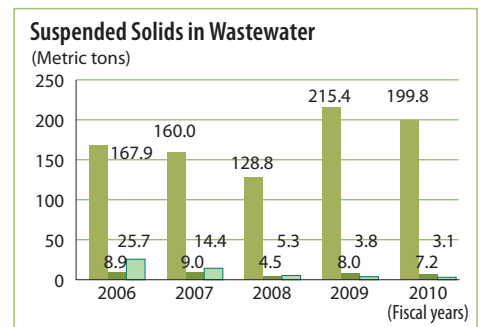
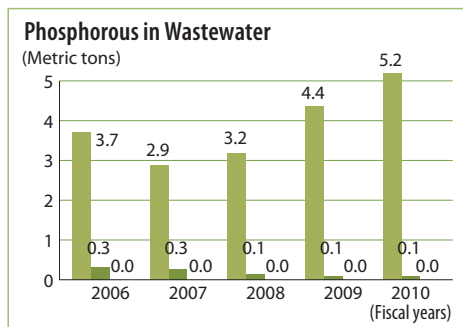
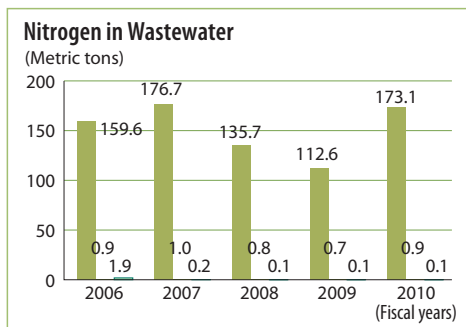
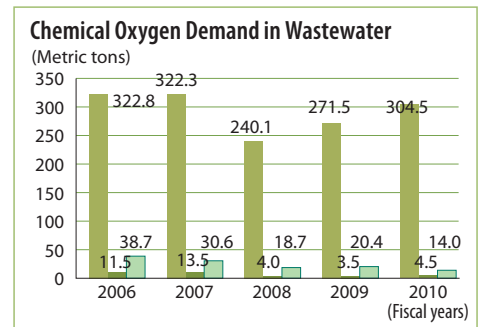
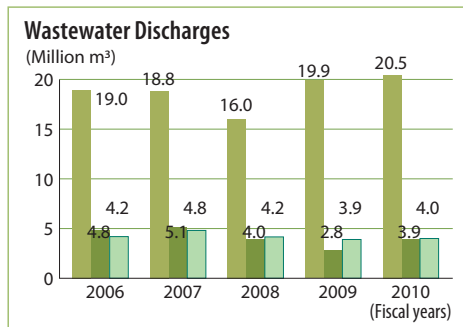
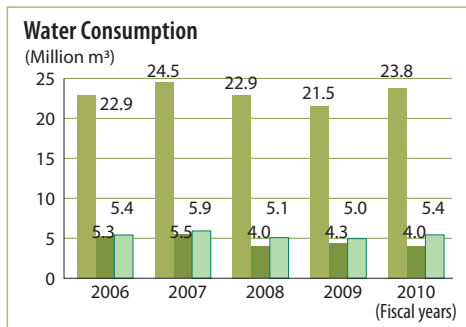
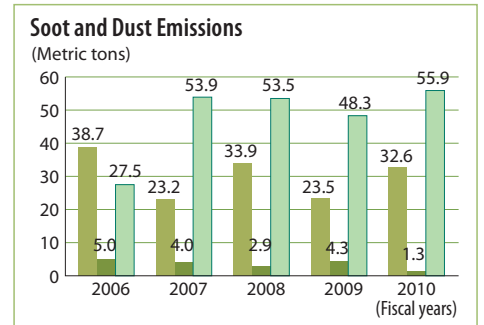
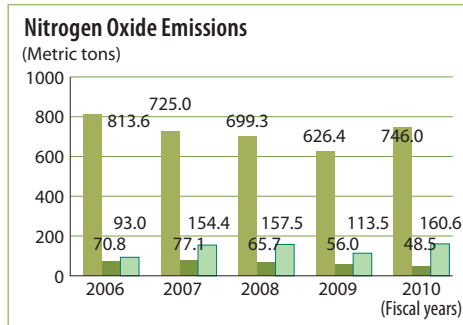
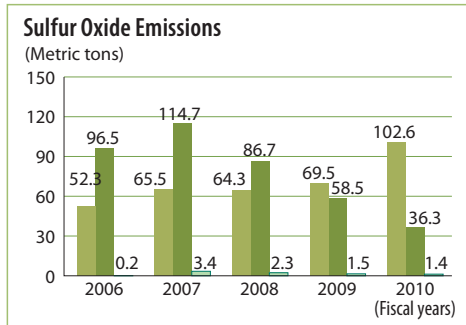
Reducing Waste and Preventing Pollution

Preventing Air and Water Pollution

KANEKA **D**OMESTIC **O**VERSEAS

Of Kaneka's four plants, there were rises in some air and water categories of environmental impact due to higher production in fiscal 2010, although domestic Group companies reduced their impact on the air. We will continue efforts to reduce environmental impact.

■ Kaneka's four plants ■ Domestic Group companies ■ Overseas Group companies



CHECK AND ACT

We recycled 57.4% of waste in fiscal 2010, a rise of 0.7 percentage points over the previous year's figure of 56.7%. We will continue to recycle waste internally and through our contractors in fiscal 2011.

We will continue to comply with laws and ordinances in relation to the impact of our operations on air and water supplies. Our priorities are to step up efforts to reduce leaks into the sea and cut chemical oxygen demand in wastewater.

Cutting Chemical Emissions

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

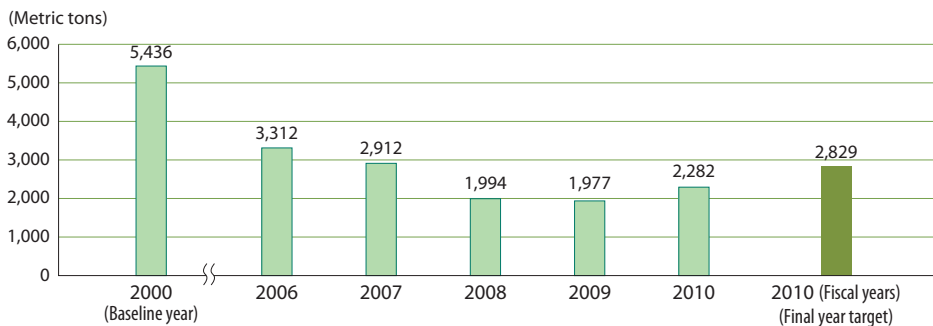
Voluntarily Reducing Volatile Organic Compound Discharges



Volatile organic compounds (see note) are known causes of photochemical smog. We are endeavoring to reduce discharges of these compounds. At 2,282 metric tons, our discharges of volatile organic compounds in fiscal 2010 were 58% lower than in the baseline year of 2000. This result was significantly better than our targeted 48% reduction to 2,829 metric tons by fiscal 2010.

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

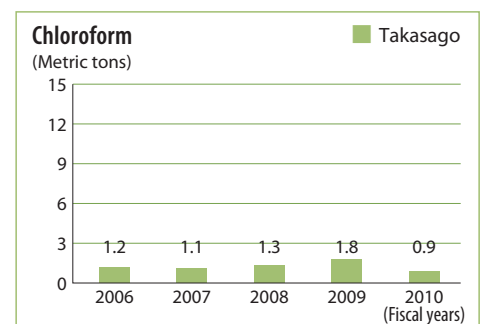
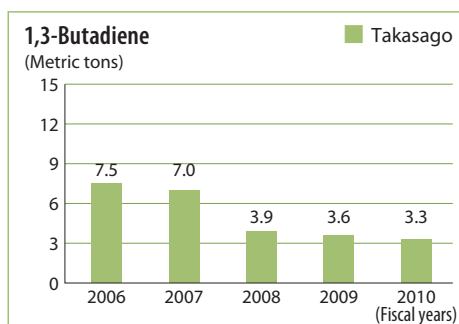
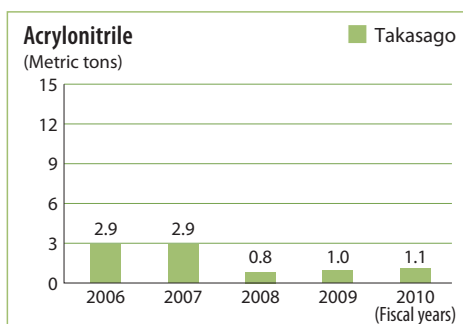
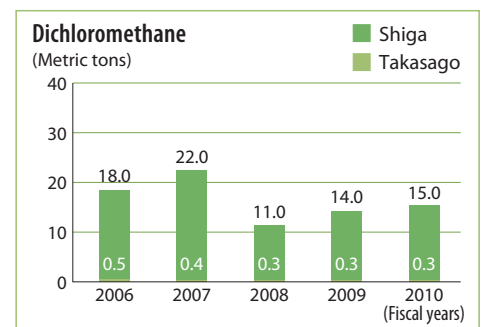
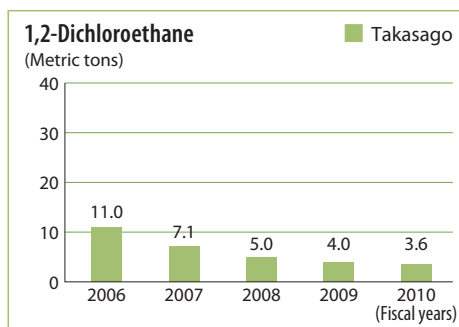
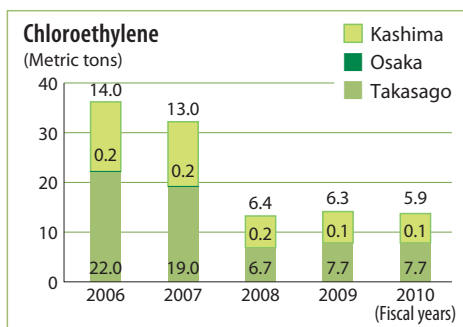
Voluntary Plan to Cut Volatile Organic Compound Discharges



Harmful Atmospheric Pollutants



We established a plan to voluntarily reduce discharges of six of these substances, as shown in the graphs below. Aggregate emissions decreased 2% in fiscal 2009, and were down 95% from the fiscal 1999 baseline. We will push ahead with efforts to improve recovery ratios and lower discharges.



Cutting Chemical Emissions

Substances Subject to the Pollutant Release and Transfer Register Law



Kaneka is endeavoring to reduce emissions of chemical substances that are subject to the Pollutant Release and Transfer Register (PRTR) Law. With the increase in the number of substances subject to this law, discharges rose around 24.9 metric tons in fiscal 2010 to 98.6 metric tons. We will continue striving to lower emissions.

Fiscal 2010 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law (see note 1)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Chemical Substances	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	<Fiscal 2009>	Total	
Large Discharges of 10 Substances	186	Dichloromethane	15,320	0	0	0	15,320	<14,300>	466,000
	94	Chloroethylene	13,730	210	0	0	13,940	<14,440>	700
	240	Styrene	8,301	39	0	0	8,340	<7,140>	4,510
	275	Sodium dodecyl sulfate (see note 2)	0	8,300	0	0	8,300	-	0
	392	Normal hexane (see note 2)	8,080	0	0	0	8,080	-	804,020
	232	N,N-dimethylformamide	5,700	790	0	0	6,490	<4,850>	500,000
	134	Vinyl acetate	5,100	0	0	0	5,100	<5,000>	37
	420	Methyl methacrylate	4,460	2	0	0	4,462	<4,061>	18
	157	1,2-dichloroethane	3,600	0	0	0	3,600	<4,000>	0
	7	Acrylic acid butyl (see note 2)	3,501	0	0	0	3,501	-	849
Total Apart from the 10 Substances Above		11,927	9,534	0	0	21,460	<19,871>	229,271	
Grand Total for All Substances		79,719	18,875	0	0	98,593	<73,662>	2,005,405	

Notes: 1 Kaneka handles 60 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

Notes: 2 Subject to the Pollutant Release and Transfer Register Law since fiscal 2010.

Fiscal 2010 Domestic Group Company Discharges and Transfers of Chemical Substances Subject to the Pollutant Release and Transfer Register Law (see note 3)

(Kilograms)

Designated Number under Ordinance	Chemical Substances	Emissions						Chemical Substances	
		Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Waste Taken to Landfill Sites	Total	<Fiscal 2009>	Total	
Large Discharges of 10 Substances	232	N,N-dimethylformamide	40,000	0	0	0	40,000	<40,000>	5,000
	300	Toluene	27,900	0	0	0	27,900	<35,600>	330,000
	80	Xylene	8,000	0	0	0	8,000	<11,000>	0
	186	Dichloromethane	3,800	0	0	0	3,800	<6,400>	76,000
	392	Normal hexane (see note 4)	2,000	0	0	0	2,000	-	46,000
	53	Ethylbenzene	1,900	0	0	0	1,900	<1,800>	0
	127	Chloroform	400	0	0	0	400	<210>	7,600
	355	Bis(2-ethylhexyl) phthalate	61	0	0	0	61	<214>	632
	333	Hydrazine	0	31	0	0	31	<0>	0
	56	Ethylene oxide	0	0	0	0	0	<0>	0
Total Apart from the 10 Substances Above		1	0	0	0	1	<0>	24,379	
Grand Total of All Substances		84,062	31	0	0	84,093	95,224	489,611	

Notes: 3 Kaneka's domestic Group companies handle 25 of the 462 substances subject to the Pollutant Release and Transfer Register Law.

Notes: 4 Subject to the Pollutant Release and Transfer Register Law since fiscal 2010.

CHECK AND ACT

Discharges increased in fiscal 2010 owing to additions of substances subject to the PRTR Law in this year. We will continue to improve our facilities and recovery ratios to lower discharges.

Product Safety and Quality Assurance

We formulated our basic policies and goals for product safety and quality assurance and established the Product Safety Subcommittee under the CSR Committee to coordinate our companywide quality assurance structure. The Product Safety Review Conference and the Quality Assurance Promoters Conference continue to provide support.

Product Safety Activities

K ANEKA D O M E S T I C O V E R S E A S

We formulated Product Safety Management Rules and are endeavoring groupwide to ensure product safety in keeping with laws and ordinances. While adhering to related regulations, the Kaneka Group strives to ensure the safety of its products from the research and development stage through to the manufacturing stage in terms of raw materials, byproducts, and waste materials.

Product Safety Review Conference

K ANEKA D O M E S T I C O V E R S E A S

The Product Safety Review Conference meets to discuss potential safety issues for new products and applications or for products whose production processes have dramatically changed. The conference gathers opinions from outside experts as part of its diverse assessments and focuses on medical equipment and food products that could affect the human body. It will gradually broaden its efforts in keeping with the expansion of our business domains.

Chemical Substance Management

K ANEKA D O M E S T I C O V E R S E A S

We adhere rigorously to domestic and overseas regulations for our products. We also provide labels based on the Globally Harmonized System of Classification and Labeling of Chemicals, Material Safety Data Sheets, technical materials, catalogs, and other chemical substances information. We comply fully with Japan's revised Chemical Substance Control Law (see note) 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: The Chemical Substance Control Law covers the production, import, and use of hazardous chemicals.

Quality Assurance and Risk Management

K ANEKA D O M E S T I C O V E R S E A S

We established the Product Safety Subcommittee to oversee and enhance the effectiveness of the Quality Assurance Promoters Conference, divisional quality assurance committees, and site quality management committees. We have obtained ISO certification for core offerings, and are strengthening product management while implementing action to minimize quality risks.

Product Safety and Quality Assurance

ISO 9001 Certification of Kaneka and Group Companies

Division or Group Company	Major Products	Registry Organization and Registry Number
High Performance Polymers Division	Polyvinyl chloride modifier (Kane Ace)	LRQA / 0927477
	Weather-resistant methyl methacrylate film (Sunduren)	LRQA / 4004220
	Modified silicone polymer (Kaneka MS Polymer), polymer-based adhesive (Silyl)	LRQA / 0927505
Electrical & Electronic Materials Division	Ultra-heat-resistant polyimide films (Apical, Pixeo), optical film (Elmech)	LRQA / YKA0935762
Expandable Plastic Products Division	Bead technique-based polyolefins (Eperan, Eperan PP)	JCQA / JCQA-1292
	Bead technique-based expandable polystyrene (Kanepearl)	JCQA / JCQA-1407
	Extruded polystyrene foam board (Kanelite Super E)	JCQA / JCQA-0673
Hokkaido Kaneka Co., Ltd. Kyushu Kanelite Co., Ltd. PVC & Chemicals Division	Caustic soda, hydrochloric acid, sodium hypochlorite, chlorine, vinyl chloride monomers, polyvinyl chloride, polyvinyl chloride paste, heat-resistant polyvinyl chloride	JCQA / JCQA-1263
Foods Division Kaneka Food Co., Ltd. Tokyo Kaneka Food Co., Ltd. Nagashima Shokuhin Co., Ltd.	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, fermented milk products, frozen dough, cooking fillings, yeasts, yeast foods, and yeast cultures	JQA / JQA-QMA10274
New Business Development Department	Highly heat-resistant and light-resistant transparent plastics	DNV / 01635-2006-AQ-KOB-RvA/JAB
Solar Energy Division Kaneka Solartech Co., Ltd.	Photovoltaic modules	JQA / JQA-QMA13200
Tochigi Kaneka Corporation	Bonded magnets (Kaneka Flux), vinyl pipes	LRQA / YKA0958035
Showa Kaseikogyo Co., Ltd.	Plastic compounds	ASR / Q0556
Sanwa Kaseikogyo Co., Ltd.	Bead technique-based polyolefins (Eperan, Eperan PP)	JMAQA / JMAQA-729
Kanto Styrene Co., Ltd.	Styrene foam products	JACO / QC03J0233
Tatsuta Chemical Co., Ltd.	Plastic film, plastic sheet	Bureau Veritas Certification / 541003
Hokkaido Kanepearl Co., Ltd.	Polystyrene foam products for engineering and construction	LRQA / 4002793
Kaneka Sun Spice Co., Ltd.	Spices, secondary processed foods	JQA / JQA-QMA11351
Osaka Synthetic Chemical Laboratories, Inc.	Pharmaceutical intermediates, industrial organic chemicals	JCQA / JCQA-0444
Taiyo Yushi Co., Ltd.	Margarine, shortening	JACO / QC08J0096
Sanvic Inc.	Synthetic resin sheets and films	JMAQA / JMAQA-1824
Kaneka Belgium N.V.	Polyvinyl chloride modifier (Kane Ace), bead technique-based polyolefins (Eperan, Eperan PP), modified silicone polymer (Kaneka MS Polymer)	AIB-VINCOTTE / BE-91 028f
Kaneka Texas Corp.	Ultra-heat-resistant polyimide films (Apical, Pixeo)	ABS QE / ABS33959
	Polyvinyl chloride modifier (Kane Ace), chlorinated polyvinyl chloride, modified silicone polymer (Kaneka MS Polymer)	BSI / FM72722
Kaneka (Malaysia) Sdn. Bhd.	Polyvinyl chloride modifier (Kane Ace)	SIRIM QAS / AR2321
Kaneka Eperan Sdn. Bhd.	Bead technique-based polyolefins (Eperan, Eperan PP)	SIRIM QAS / AR2598
Kaneka Paste Polymers Sdn. Bhd.	Vinyl chloride paste resin	SIRIM QAS / AR2609
Kaneka Eperan (Suzhou) Co., Ltd.	Bead technique-based polypropylene (Eperan PP)	UL DQS Inc. / 439438 QM08

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

Division or Group Company	Main products	Registry Organization and Registry Number
Medical Equipment Division	Lixelle, Liposorber, catheters	TÜV SÜD / Q1N 10 05 24736 016
Kaneka Medix Corporation	Silascon, ED coil	

ISO 22000 (see note 2) Certification of Kaneka

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

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

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

Product Safety and Quality Assurance

Audits and Inspections

K DOMESTIC O

We comply with Japan's Food Sanitation Law and other food-related legislation. We also undergo regular audits from several external organizations based on ISO 9001, the American Institute of Baking (see note 1), the Hazard Analysis and Critical Control Point system (see note 2), and other requirements. In September 2010, the Takasago Plant's Pharmaceuticals Manufacturing Department received certification under the ISO 22000 standard for food safety management for its Coenzyme Q10. We prevent product mishaps by having the CSR Inspection Committee conduct internal assessments and share its findings with relevant corporate officials.

Note 1: We maintain an educational guidance and auditing system based on the International Integrated Quality System of the American Institute of Baking. We established the system to maintain food product safety (GMP) and hygiene management at plants.

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

Change Management

K ANEKA DOMESTIC O

We formulated our Change Management Guidelines in fiscal 2008, and have since encouraged understanding and the use of change management procedures among each of our four parent plants and domestic Group companies. We plan to begin employing these guidelines in overseas Group companies in fiscal 2011.

CHECK AND ACT

We will strengthen risk management and educate employees about our requirements to prevent significant product complaints and quality problems.

OPINION Matching the Quality Demands of Our Customers

The Shiga Plant makes electronic materials. Our team conducts quality assurance for raw materials, product inspections, and in response to product complaints. We have greatly reduced the number of complaints by working with manufacturing personnel to strengthen quality risk management and otherwise implement improvements.

At the moment, I am focusing on the management of environmentally hazardous substances. As quality demands increase from the standpoint of ROHS directives and other environmental requirements, we will continue striving to improve quality to the satisfaction of our customers without compromising the overseeing of products, including the supply chain.

ROHS: The European Union's Registration, Evaluation, Authorization and Restriction of Chemical Substances regulation.



Naoki Egawa
General Certified Public
Measurer
Quality Assurance Team
Shiga Plant

Ensuring that Suppliers Fulfill their Environmental and Social Responsibilities

We have built a transparent procurement framework in keeping with our commitment to fair and equitable business practices, and have strengthened communication with business partners.

Basic Policy on Supplies Procurement

K ANEKA D O MESTIC O V E R S E A S

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

Photovoltaic Modules Business Holds Workshops for Installation Engineers

K ANEKA D O

The photovoltaic modules business is strengthening its consumer operations. It is vital to properly install equipment so customers can be sure that it will work as expected.

Kaneka therefore holds regular workshops for engineers who install our photovoltaic module systems. Once monthly, the training center at the Osaka Plant offers a two-day workshop covering everything from handling to installing photovoltaic panels.

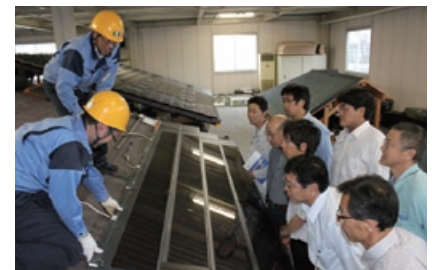
We will reinforce ties with housing makers and construction firms so we can supply top-quality services nationwide to ensure that installations always match our precision requirements.

Supplies Procurement Management Rules

Basic Policy

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

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



Photovoltaic module installation engineers participating in a workshop

CHECK AND ACT

We will further engage in CSR procurement by building a procurement network encompassing Group companies while building solid relationships with business partners.

We will strengthen follow-up for photovoltaic module installation engineer workshops so we can deliver higher-quality services nationwide.

Ensuring that Suppliers Fulfill their Environmental and Social Responsibilities

HIGHLIGHT

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



Numerous people visited the Kaneka booth



Our biopolymers were particularly popular among visitors. Europe's tough restrictions on chemical products have heightened demand for chemistry based on innovative technical development, prompting research and development people from various industries to drop by our booth

From October 27 through November 3, 2010, Kaneka exhibited its wares at K2010 in Dusseldorf, Germany. This international trade fair for plastics and rubber is the largest of its type, and is held every three years. Numerous companies devote considerable energy to preparing for the event, which is an important vehicle for Kaneka to exchange information with its customers from around the globe. Since the fair also presents an excellent opportunity for us to promote our newest technologies, we began planning six months ahead of the 2010 event.

Because of the event's location in Europe, where environmental consciousness is particularly high, our booth focused thematically on products and technologies that can help protect the environment. We showcased numerous offerings. They included XMAP, our AONILEX biopolymer, photovoltaic modules, KANE ACE MX (a toughener that can help lighten automobiles and aircraft), EPERAN, and thermal solution materials for IT equipment.

More than 3,000 companies from 57 countries participated in the 14-hall fair, which was a challenge for visitors to cover in a single day. Attracting more than 220,000 visitors, K2010 underscored tremendous interest in chemicals.

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

OPINION **K2010: Looking towards the Future**

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

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



Dividend Policy and Disclosure

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

Shares and Shareholder Composition

K ANEKA **D** DOMESTIC **O** OVERSEAS

As of March 31, 2011, Kaneka had 350 million shares issued and outstanding and 20,300 shareholders. Domestic financial institutions accounted for 50.6% of the total, with foreign companies owning 24.0%, individuals representing 16.1%, and other companies and financial instruments firms constituting the balance.

Shareholder Composition

Financial instruments firms

3,535,779 shares
57 shareholders
1.0%

Foreign companies

84,124,110 shares
372 shareholders
24.0%

Other companies

28,888,728 shares
307 shareholders
8.3%

Financial institutions

177,226,207 shares
106 shareholders
50.6%

Individuals and others

56,225,176 shares
19,458 shareholders
16.1%



Dividend Policy

K ANEKA **D** **O**

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. The payout ratio for the year ended March 31, 2011 was 46.7%. We harness retained earnings to ensure financial stability and address dramatic changes in the operating climate in order to generate sustainable growth.

Disclosure and Investor Relations

K ANEKA **D** **O**

We are dedicated to providing the timely and proper disclosure of corporate information that our investors need. We convene regular meetings after disclosing our second-quarter and annual operating results. Our top managers explain medium-term business plans and other initiatives on these occasions. The chief financial officer holds teleconference briefings after announcement of results for the first and third quarters. Our website presents our financial results, annual report, and other investor information.



Investor relations briefing in May 2011

Renewed Business and Annual Reports for Shareholders and Other Investors

We issue semiannual business reports to our shareholders, making this information publicly available through our website. In 2010, we redesigned the cover and included a top management interview while making the content easier to read. We also redesigned the cover of our English-language annual report, and maintain an investor relations section in English on our website. We will continue making efforts to enhance investor understanding of our business.



CHECK AND ACT

In fiscal 2011, we will continue to build on our fiscal 2010 efforts to ensure proper disclosure to shareholders and investors.



Kaneka's Community and Social Contribution Initiatives

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

Assisting Victims of the Great East Japan Earthquake

KANEKA DOMESTIC OVERSEAS

Kaneka extends its deepest sympathies to victims of the Great East Japan Earthquake.

The Company donated ¥30 million to assist earthquake victims and aid restoration efforts. In collaboration with our labor union, Group employees raised an additional ¥18.65 million in donations, of which ¥7 million went to the Foundation for International Development/Relief.

Kaneka distributed 250 carpets made of Kanekalon acrylic synthetic fiber, as well as Kanelite foam insulating material, to provide some relief from the cold for people staying in the refugee centers. We also provided 100 emergency solar generating system units to areas where swift restoration of electricity seemed unlikely.

Subsidiary Taiyo Yushi Co., Ltd. sent 650 cases of soap and shampoo.



Kanekalon carpet



Our emergency solar generating system

Key Social Contributions

KANEKA DOMESTIC OVERSEAS

International Contributions

- Taiyo Yushi Co., Ltd.: We joined with Shapla Neer, an international nongovernment organization, to assist with efforts to improve the quality of soap in Bangladesh and Nepal.
- Kaneka Belgium N.V.: We contributed to the Waterloo Festival and helped preserve local structures of cultural and historical importance and contributed to environmental protection.
- Kaneka Malaysia Sdn. Bhd.: We conducted a plant tour for teachers and students from the University of Malaysia, Pahang. We also participated in a national disaster drill with the Gebeng disaster team, fire department, and other government institutions.

Awards

- Kaneka: SOLTILEX, our thin-film hybrid photovoltaic module used as cosmetic roof tiling, won a Good Design Award for its outstanding appearance.
- Kaneka Solartech Co., Ltd.: This subsidiary won a grand award from the Hyogo Prefecture Liaison Conference for Air Environment Conservation for outstanding contributions to protecting the atmosphere.
- Cosmo Kasei Co., Ltd.: This company received the Award for Outstanding Business Site Industrial Safety from the Mie Prefecture Kumano-Owase Labor Standards Association.
- Kaneka: Our labor union received the Hyogo Prefectural Citizens' Voluntary Activities Award from the prefectural governor in recognition of their engagement for more than five consecutive years in potato digging activities with local children.
- Tochigi Kaneka Corporation: This subsidiary received the Tochigi Governor's Award at the Tochigi Prefectural Statistics Convention for supplying materials accurately and swiftly in collaboration with the prefecture's statistical operations.
- Sanvic Inc.: This company received the Hosoe District Safe Driving Management Association Award from the Traffic Section of the Hosoe Police Station in Shizuoka Prefecture. This company also received a commendation for contributing to the prevention of road accidents by staying accident-free during the holding of a Traffic Accident Prevention Contest.
- Kaneka Texas Corp. and Kaneka Nutrients L.P.: These companies won a 2010 industry award for their contributions to the local economy, leadership in nonprofit organization activities, and philanthropic efforts. Also received was an outstanding service prize in the safety category from the Texas Chemical Council.



We are helping to improve the quality of soap products in Bangladesh and Nepal



SOLTILEX won a Good Design Award



Digging potatoes with local children

Kaneka's Community and Social Contribution Initiatives

Key Social Contributions

KANEKA **D**OMESTIC **O**VERSEAS

Fostering Youth

- Takasago Plant and Takasago Service Center Co., Ltd.: These business units held an exhibition and plant tour for third-year students of Takasago Elementary School as part of the Chemistry Makes Our Dreams Come True campaign.
- All Kaneka plants, Showa Kaseikogyo Co., Ltd., Kaneka Sun Spice Co., Ltd., and Nagashima Shokuhin Co., Ltd.: They accepted internships from local junior and senior high school students.
- All Kaneka plants, Sanwa Kaseikogyo Co., Ltd., and Tokyo Kaneka Foods Corporation: They provided experiential learning at their plants for local elementary and junior and senior high school students.
- Kaneka Texas Corp. and Kaneka Nutrients L.P.: These companies conducted chemical industry classes and held plant tours for local junior high school students, and also engaged voluntarily in local community and school events.
- All Kaneka plants, Tatsuta Chemical Co., Ltd., Tochigi Kaneka Corporation, and Kaneka Solartech Co., Ltd.: They visited elementary and junior and senior high schools to conduct classes on global warming and photovoltaic modules.
- Taiyo Yushi Co., Ltd.: This subsidiary held more than 100 seminars and workshops for cooperatives and organizations.
- Kyushu Kaneka Shokuhin Corporation: This subsidiary taught confectionary and bread-making to help intellectually challenged people live independently.

Regional Contributions

- All Kaneka plants, Kanto Styrene Co., Ltd., Tokai Kaneka Shokuhin Corporation, and Hanepack Co., Ltd.: They participated in local events, such as festivals, ball-game tournaments, and sports festivals, providing free drinks and parking on their premises.
- All Kaneka plants, Kaneka Medix Corporation, Tsukasa Co., Ltd., Kaneka Foods Corporation, and Toyo Styrol Co., Ltd.: They participated in local cleaning activities.
- Kaneka Shokuhin Corporation: This subsidiary installed panels for social welfare purposes at Jujo Railway Station for the Kyoto Physically Disabled and Parents Association.
- All Kaneka plants, Koto Co., Ltd., Kaneka Insurance Center Co., Ltd., and Kaneka America LLC: These operations donated to local causes.
- Kaneka Pharma Vietnam Co., Ltd.: It contributed to a fund to provide relief for victims of heavy floods in central Vietnam.
- HiHua Fiber Co., Ltd.: This subsidiary donated RMB 10,000 to a fund for victims of an earthquake in Qinghai Province.



The Shiga Plant provides internships to local technical high school students



One of our American subsidiaries holds chemistry classes for junior high school students during summer camps



Around 5,000 people enjoyed the Kaneka summer festival



Kaneka employees participating in local cleanup activities

Kaneka's Community and Social Contribution Initiatives

Donating Photovoltaic Modules to UNEP Office in Kenya

K D O V E R S E A S

The United Nations Environment Programme (UNEP) was launched in 1972. Its six regional offices around the world engage in UN initiatives and international cooperation in relation to the environment. In September 2009, UNEP asked the Kaneka Group to donate photovoltaic modules for a new office in Nairobi, Kenya. The facility was to be constructed in the following year. We agreed to donate modules with a total capacity of 154 kilowatts in September 2010. This was the first such donation for a Japanese company. Module installation was completed in early 2011. An opening ceremony for the office took place at the end of March.



UN Secretary-General Ban Ki-moon (second from left) and Achim Steiner, UNEP Executive Director (far right)

Kaneka Texas Receives Chamber of Commerce Award

K D O V E R S E A S

Each year the La Porte-Bayshore Chamber of Commerce in Houston recognizes one company for its outstanding contributions to the local community. In fiscal 2010, it awarded Kaneka Texas Corporation a prize for contributing to the local economy and for engaging extensively in charity and non-profit organization initiatives.



Before the awards ceremony

Sponsoring the Kaneka Organic Electroluminescent Lighting Design Competition

K A N E K A D O

With organic electroluminescent lighting, a panel of organic substances glow in response to an electric charge. Expectations are rising for lightweight and thin lighting devices that conserve considerable energy. Kaneka was the first in the world to attain five colors for such lighting. We decided to sponsor a design competition using such flexible lighting devices. Nearly 500 people entered the contest. We held an awards ceremony for the winners of the Grand Prize, Excellence Award, and Idea Award and for three recipients of the Merit Award. The entry of Grand Prize winner Ayako Morita, a housewife from Saitama Prefecture, will be exhibited at Milano Salone 2011, one of the world's premier design shows. We hope that our completion is helping to cultivate new talent and revolutionize the world of lighting.



Grand Prize winner Ayako Morita (on the right)

Participating in TABLE FOR TWO Social Contribution Initiatives

K A N E K A D O

In order to enhance employee health and contribute to society, Kaneka began participating in TABLE FOR TWO in April 2010. The goal is essentially for a person to share meals with another individual. We donate ¥20 from items on the TABLE FOR TWO menu at company cafeterias to fund school lunches in Africa. TABLE FOR TWO originated in Japan as an effort to resolve the two issues of starvation in developing nations and obesity and lifestyle diseases in developed countries. Only the Shiga Plant and the Tokyo head office are involved at this stage. We aim to expand our participation by attracting more involvement through additional publicity and better menu variations.



Employee cafeteria at the Shiga Plant

CHECK AND ACT

We continued to undertake a range of social contribution activities in fiscal 2010 as part of our efforts to grow and progress in tandem with regions and society. We plan to engage extensively with local residents through dialogue.

OPINION Fostering Youth Environmental Awareness through Education on Photovoltaic and Other Sources of Energy



Since fiscal 2007, we have held environmental classes at elementary schools near Kaneka Group sites. The classes teach students about global warming by highlighting solar batteries and other energy devices. The idea is to enhance the environmental awareness of students and deepen their understanding of how they can help mitigate global warming. By the end of fiscal 2010, we had held classes for around 5,000 students at 63 elementary schools.

The photo shows a class held for 140 fifth grade students at the Shimosakamoto Elementary School near the Shiga Plant. Students experimented with hand-made batteries and demonstrated wind and solar power generation. We hope through such initiatives that children can enjoy the mysteries of science and learn about the importance of technology and the environment.



Yoshiteru Nitta
Lecturer
Doctor of Engineering
Solar Energy Division

Cultivating Human Resources and Creating Comfortable Work Environments

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

Basic Concepts for People and the Organization



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

Maintaining Systems to Support Personal Growth

Personnel System



In fiscal 2010, Kaneka deployed a new personnel system that places priority on seeking the right people in keeping with the four basic concepts of the Kaneka Spirit in our long-term vision for cultivating personal growth.

We held orientation sessions for more than 3,000 employees before introducing the system, and held seminars for 1,300 people on improving assessment capabilities. We will continue to provide such training to ensure that our personnel system functions properly.

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



Cultivating Internationally Minded People



We are focusing on fostering human resources to underpin our accelerating global expansion based on the Kaneka United Declaration.

A key component of our focus is our global employee registration system, through which we provide opportunities for advancement to those wishing to extend their professional horizons worldwide. As of the end of March 2011, more than 700 employees had registered with the system.

Global Employee Development Program

Training Programs		Details
Development Training	Global Employee Registration System	This system is the centerpiece of our Global Employee Development Program. Our people volunteer to take training and undertake language and cultural learning to enhance their business skills.
Overseas Experience	Overseas Trainee System	This system provides overseas experience for young employees who take language classes for a month prior to working at a foreign subsidiary for a year. It is aimed at corporate staff, as well as people from manufacturing and market development. Six people took part in fiscal 2010.
	Short-Term Overseas Trainee System	Under this system, employees choose an area on which they plan to focus, then apply it while working at a foreign subsidiary for three months. Two people took part in fiscal 2010.
Self Development	Overseas Training System	This system involves training overseas. In fiscal 2010, ten people took part in the following: <ul style="list-style-type: none"> • Short-term business school in the United States • English-language instruction in the United States • Studying in China
	Selective English and Chinese Courses	This system provides conversation classes for people in our Global Employee Registration System. In fiscal 2010, 200 employees took such classes.
Personnel Exchanges	Short-Term Trainee System in Japan	Under this system, employees of overseas subsidiaries undertake training in Japan. Its goals are to develop internationally minded people and foster cross-border personnel exchanges.

OPINION Developing Cosmopolitan People

Through my exchange experience, I became acutely aware of the importance of communicating and being diplomatic. The thinking overseas is that if you don't say otherwise, something becomes your responsibility, so I learned how to stand my ground by speaking in a forthright and logical manner. I found that people overseas are incredibly keen to learn, and it worried me that the world is leaving Japan behind.



Hiroaki Jikihara (third from right)
Frontier Biochemical & Medical Research Laboratories

Cultivating Human Resources and Creating Comfortable Work Environments

Career and Life Development and Self-Advancement Support Programs



We maintain programs to support career life development for employees in their 40s, 50s, and those nearing retirement. We also assist employees wanting to better themselves by offering programs that enable them to take correspondence courses, acquire new qualifications, and study overseas on technology scholarships.



Distance learning program for employees seeking self development

Diversity Initiatives

Hiring Foreign Nationals



We are diversifying our hiring in keeping with the globalization of our business. We began recruiting through the Boston Career Forum in 2007, the goal being to attract Japanese nationals studying overseas. In fiscal 2010, we made fully fledged efforts to attract foreign nationals. In fiscal 2011, we hired three such people—two Chinese and one Vietnamese—out of an intake of 57 university graduates.



Foreign nationals hired in fiscal 2011

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. The number of employees retiring is increasing and should peak in fiscal 2013. In 2011, we therefore began overhauling our retirement system to assist those who may not have pension coverage after fiscal 2011.

Employing People with Disabilities



Kaneka views increasing its hiring of people with disabilities to the legally required rate of 1.8% as a corporate social responsibility, and it is our desire to make their working environments more attractive. In fiscal 2010, we were unable to employ enough employees with disabilities, who accounted for 1.73% of our total work force.



New employee training session

Cultivating Human Resources and Creating Comfortable Work Environments

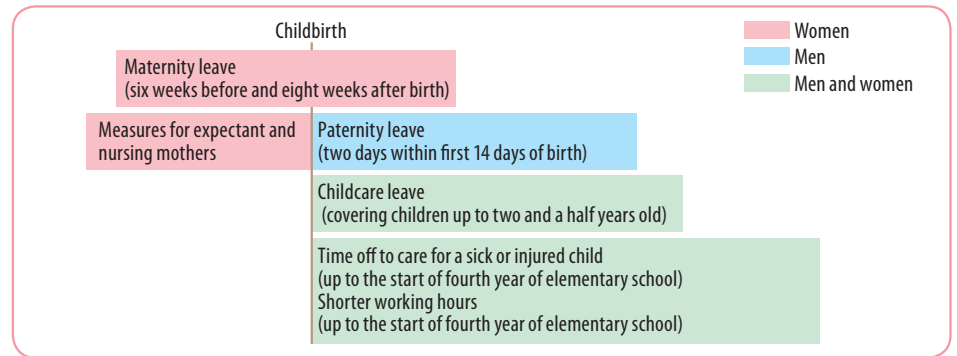
Helping Employees to Balance Work-Life Commitments

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



We established childcare and family care leave programs that exceed regulatory requirements. In fiscal 2009, we received the Kurumin mark, which is awarded to companies that provide childcare support to employees. In fiscal 2010, 21 employees used our shorter working hours system and 26 took advantage of our childcare leave program.

Childcare Support Programs



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

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 2011, 346 employees are using this new system.

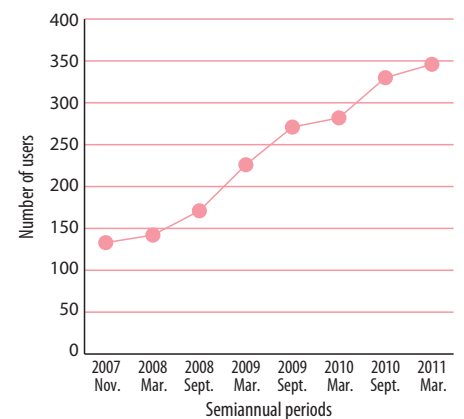
Comprehensive Basic Initiatives

Human Rights Education



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

Discretionary Work System Users



Professor Suehiro Kitaguchi of Kinki University lecturing on Human Rights Education

Cultivating Human Resources and Creating Comfortable Work Environments

Labor and Management Relationships



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

Protecting Personal Information



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

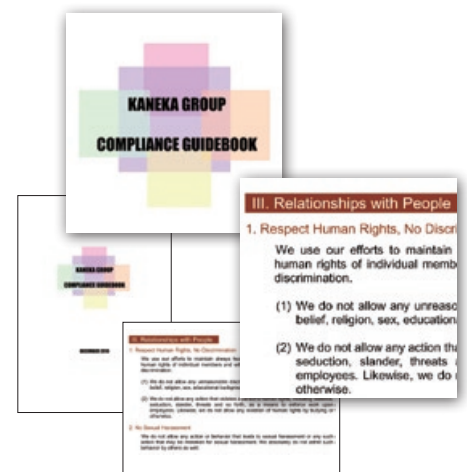
Preventing Sexual and Power Harassment



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

CHECK AND ACT

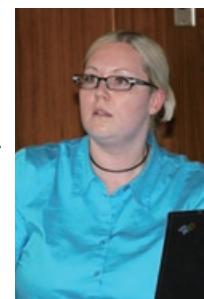
We will push ahead with efforts to cultivate employees with an international mindset and foster diversity. We will also plan and deploy programs to support employees seeking to meet new challenges and strengthen Group human resources.



A page in the Compliance Guidebook

OPINION Exchanging Personnel from Overseas Business Units

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



Elizabeth A. Mercer
HR Manager
Kaneka Texas Corporation

Occupational Safety and Health and Disaster Prevention

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

Occupational Safety and Health Efforts

K ANEKA **D** DOMESTIC **O** OVERSEAS

There were eight employee accidents in 2010. Of these, one resulted in work time losses at our Company and three did not. The other four accidents occurred at affiliated companies and resulted in work time losses. The principle causes of these mishaps were failures to meet basic task requirements (not properly conducting basic operations, or not fully observing rules or ignoring them) and a lack of risk management (failing to identify or underestimating risks). We will formulate measures to prevent recurrences and similar mishaps, undertaking initiatives for all employees as part of our efforts to enhance safety awareness.

Enhancing Our Occupational Safety and Health Management System

K ANEKA **D** DOMESTIC **O** OVERSEAS

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

CSR Inspections

K ANEKA **D** DOMESTIC **O** OVERSEAS

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

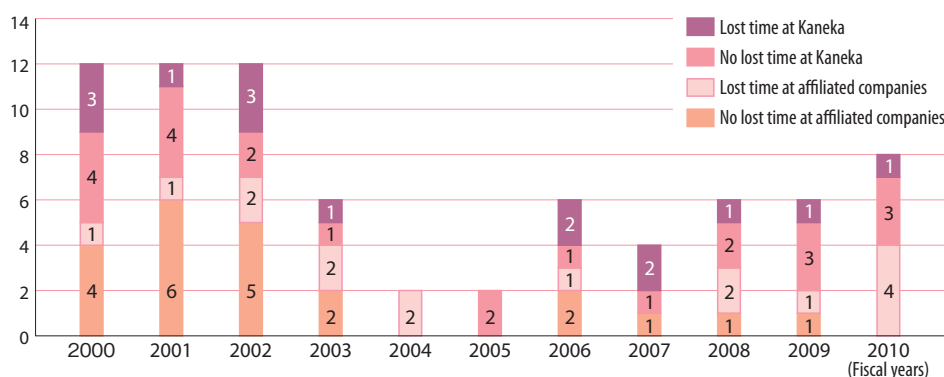
Zero Accident Principles

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

OSHMS Certifications

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

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



Accident Severity Rates

Area	All Kaneka Group Companies		Parent Company		Domestic and Overseas Group Companies		
	2009	2010	2009	2010	2009	2010	
Parent and Group Company Employees	Calendar year	2009	2010	2009	2010	2009	2010
	Frequency rate	0.62	0.73	0.2	0.19	0.95	1.13
Affiliated Company Employees	Accident severity rate	0.68	0.01	1.49	0.004	0.02	0.01
	Frequency rate	0.21	1.50	0.28	1.15	0	2.54
	Accident severity rate	0.02	0.05	0.02	0.04	0	0.10

Occupational Safety and Health and Disaster Prevention

Hands-On Learning to Improve Sensitivity to Danger

K ANEKA **D** OMESTIC **O**

Employees receive hands-on experience at the Takasago Plant by trying equipment installed for this purpose within the training center. The facility also provides hands-on training to other Group and external companies on request, thus contributing to improving overall health and safety standards. In fiscal 2010, the Osaka, Shiga, and Kashima Plants installed equipment to provide hands-on experience with gas and dust explosions and of being caught in machinery. This move was part of efforts to ensure that all plants can offer similar levels of hands-on training.

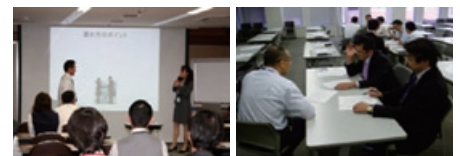


Experiential training sessions

Mental Health Care

K ANEKA **D** OMESTIC **O**

As well as prioritizing physical health, Kaneka places importance on the mental health of employees, endeavoring to more swiftly identify and prevent mental illness. In fiscal 2010, we conducted 12 mental health training classes for managers, regular employees, and affiliated companies. We appointed a clinical psychologist and began providing counseling and assisting employees seeking to return to work.



Employees attending a mental health seminar

Process Safety and Disaster Prevention Initiatives

Targeting Zero Process Accidents

K ANEKA **D** OMESTIC **O** VERSEAS

The Kaneka Group has long affirmed that safe and stable operations form the foundations of manufacturing by pursuing zero process accidents. Unfortunately, there were eight process accidents in 2010, four of which occurred at parent plants, with the other four at Group companies. Two cases occurred at the Takasago Plant and involved spillages into coastal waters. We are determined to clarify and resolve the causes of such mishaps to prevent recurrences.

Initiatives to Prevent Transportation Disasters

K ANEKA **D** **O**

Based on annual plans, we again collaborated with transportation contractors in fiscal 2010 to ensure compliance with 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 a transportation accident would be severe. Measures 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 and risk prediction training.

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.

Occupational Safety and Health and Disaster Prevention

Disaster Prevention Drills

K ANEKA D DOMESTIC O OVERSEAS

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

Plant Safety Initiatives

K ANEKA D DOMESTIC O OVERSEAS

On June 22, 2009, there was a fatal explosion in the expandable plastics section of Kaneka's Kashima Plant. In September that year we launched initiatives to ensure plant safety. These efforts entailed comparative assessments of safety levels at similar production sites, as well as clarifying and addressing the safety measures needed at each site. Internal specialists participate in the initiatives, which focus on risk assessment, to ensure underlying safety at all business sites, including domestic Group companies.

Comprehensive Disaster Drills in Fiscal 2010

Plant	Date	Approximate Number of Participants	Program Details
Takasago Plant	December 21, 2010	1,200	We assumed a tank leak following an earthquake and conducted a drill jointly with Takasago City. We also held a media drill in collaboration with the head office response center.
Osaka Plant	May 24, 2011 (see note below)	500	This drill with the fire department of Settsu City assumed a butane leak following an earthquake with an outbreak of fire.
Shiga Plant	January 14, 2011	250	This drill for our disaster response team was based on a fire breaking out after an earthquake. We also conducted drills to contain leaks of organic solvents into the lake.
Kashima Plant	December 15, 2010	200	We assumed a leak from a hazardous substances tank following an earthquake, resulting in a fire. Two joint disaster response teams from the Kashima participated in the drill.

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



Comprehensive disaster drill at the Takasago Plant

Accidental Coastal Spillages at Takasago Plant

Takasago Plant in Takasago, Hyogo Prefecture incurred two accidental coastal spillages designated as below the pH5 level under the Water Pollution Control Law.

1. On July 18, 2010, a diluted sulfuric acid pipe broke, leaking a 60% solution of this material. The vinyl chloride pipe was part of the chemical products electrolysis system for the Chemicals Manufacturing Department. The acid leaked into the coastal area through the plant's general drainage as a discharge below the pH5 level.

Cause of Accident and Recurrence-Prevention Measures

- The variable flow pump operated for long hours with the diluted acid transfer line pump valve shut off. This caused the temperature of the sulfuric acid to rise, thermally expanding and breaking the pipe. There were also delays in diverting the discharge from general plant drainage to a cushion tank once the pH levels in the electrolysis drainage pit reached abnormal levels.
- We implemented several hardware measures, such as employing an auto shutoff when there are no loads on the variable flow pump and diverting material to the cushion tank when pH levels are unusual. We also revised abnormality treatment standards and reeducated operators.

2. On October 2, 2010, a pipe for transferring hydrochloric acid to neutralize water discharges in the west plant broke down, causing leakage of a 9% hydrochloric acid solution. The material traveled through a discharge line into the general water channel and then into coastal waters finally to the marine area as a discharge below the pH5 level.

Cause of Accident and Recurrence-Prevention Measures

- The hydrochloric acid pipe fractured because of aging, and the drain terminal isolation valve did not shut off when the pH reached an abnormal level.
- We overhauled the piping and replaced the defective parts. We confirmed that the isolation valve will shut off automatically in response to abnormally high pH levels. We also revised abnormality treatment standards and reinforced our operational management structure.

CHECK AND ACT

The number of health and safety incidents did not decline in fiscal 2010 despite intensive efforts to achieve a reduction. There were eight process accidents, unchanged from a year earlier. On top of this, some incidents had grave impacts on government bodies and local residents. In fiscal 2011, the parent and Group companies will endeavor to ensure safe and secure working environments for each of their workers while making fully fledged engineering safety efforts to address risks while deploying initiatives that heighten awareness of safety as a top priority. The Kaneka Group will strive concertedly to become free of major accidents and undertake measures to reduce the risks of explosions, fires, discharges, and other major accidents while improving responsiveness to mishaps.

Overseas Group Company Initiatives

Group companies practice CSR in Japan and abroad.

While initiatives have a local focus, they all share the same objective of contributing to society through chemistry.

Contributing to Further Progress and Improvement Eurogentec S.A.

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

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



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

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



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

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



Domestic Group Company Initiatives

Delivering Superior Quality Products that Save Energy and Protect the Environment

Hokkaido Kaneka Co., Ltd.

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

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



Safeguarding the Environment while Ensuring Safety and Security

Hokkaido Kanep pearl Co., Ltd.

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



Manufacturing Multilayered Ultra Insulators that Protect Equipment in a Hostile Space Environment

Tochigi Kaneka Corporation

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



H II Transfer Vehicle
Photo courtesy of JAXA/NASA

Domestic Group Company Initiatives

Providing Safe and Secure Services through Its Well-Maintained Distribution Center and System Construction

Kaneka Shokuhin Corporation

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

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



Providing Footwear that Prevents Diabetic Foot Lesions

Kaneka Medix Corporation

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

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



Pursuing Comfort for Residents and Contributing to the Community

SC Housing System Corporation

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



Third-Party Verification



レスポンスフル・ケア

Mr. Kimikazu Sugawara
President Kaneka Corporation

CSR Report 2011 Independent Verification—Opinions

June 23, 2011

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 2011” (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 Takasago Plant, we conducted investigations into the rationality of the calculation methods of values reported to the corporate head office and the accuracy of those values as well as the accuracy of other non-quantitative information. We conducted investigations 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 Takasago 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 on the causes of, and responses to, a coastal spill at the Takasago Plant. We were pleased that the Company allocated part of its facilities budget to Plant Safety Initiatives and also deployed detailed measures that included risk assessments focusing on processes.
 - The Company merited praise for all four plants generating final landfill of 17 metric tons, for a rate of 0.03%, and for maintaining zero emissions for five consecutive years. We hope that Kaneka’s domestic and overseas Group companies also push forward with waste reduction activities to reach zero emissions.
- 4) Report features:
 - It was a good experiment to present employee views in Opinions columns.
 - It was also a good idea to include the stakeholder survey results in the Report. We look for the Company to enhance its survey, notably by finding out what stakeholders want from the Company.

Third-Party Opinion

My Impressions from Reading CSR Report 2011

Professor Toshihiro Kanai

Dean of the Graduate School of Administration at Kobe University

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



What Should Change or Remain the Same?

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

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

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

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

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

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

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

A Report that Reflects Stakeholder Opinions

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

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

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

Suggestions and Improvements from the 2010 Report

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

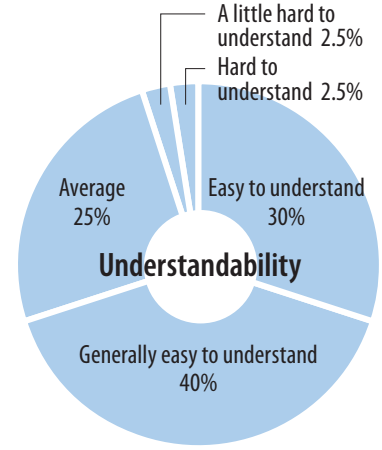
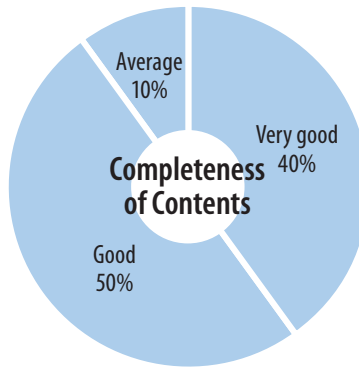
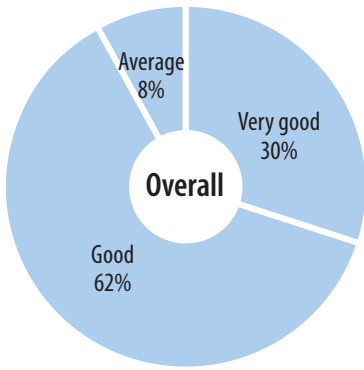
1. Showcasing employees → We presented employee opinions on many of the pages including the Special Features.
2. Pleasantly surprising stakeholders → We made the printed edition a digest and made the PDF edition the more detailed version.
3. Some of the information would have benefited from indices →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

Stakeholder Feedback

Below we present feedback from readers of the Kaneka Group CSR Report 2010.

Q.1

What were your impressions of the Kaneka Group CSR Report 2010?



Q.2

What interested you most about the Kaneka Group CSR Report 2010? What articles impressed you most (pick all that apply)?

- | | |
|--|-------|
| 1. Special Feature I: Kaneka and the Environment | 15.6% |
| 2. Special Feature II: Kaneka and its Customers | 9.8% |
| 3. Special Feature III: Kaneka and Society | 7.4% |
| 4. Kaneka Business Operations | 7.4% |
| 5. Top Commitment | 6.6% |
- The greatest interest was in the special features for 33% of respondents. After the top five articles, Responsible Care Activities and Social Contribution Initiatives were the next most popular articles.

Q.3

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

- I'd like to see your frontline people featured more prominently in the report. I'd also like to see more of what motivates employees beyond the Company and social relationships and in terms of interpersonal ties.
- I want to see more quantitative benchmarks that enable readers to objectively assess Kaneka's social contribution activities regarding the environment.
- I would find it very interesting to see more information, notably on business unit initiatives relating to Kaneka's long-term vision and perhaps a special feature covering manufacturing operations and customers.

Editorial Afterword (Response to Third-Party Opinion)

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

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

I wonder what you think of the content and format of the 2011 report. We did our best to improve it in light of Professor Kanai's suggestions for the 2010 version and in response to reader responses to our questionnaire. Professor Kanai directed us to tackle the challenge of what should be new for readers and what we need to do to attract stakeholder opinions—both heavy responsibilities.

We will consider ideas over the coming year and attempt to reflect Professor Kanai's suggestions in future reports.

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



Meeting between CSR Committee members and Professor Kanai

CSR Committee
Kaneka Corporation