

CSR Report 2016

Web Edition

Make
Your Dreams
Happen

КАНЕКА

Contents

CSR	2
Top Commitment	4
Special Features	6
Special Feature I Food Production Support	7
Special Feature II Health Care	14
Stakeholder Dialogue (Full Report)	19
Communication Is Our Start Line	24
KANEKA at a glance	27
CSR Topics 2015	29
Promoting Corporate Social Responsibility (CSR)	34
Our Corporate Philosophy and CSR	34
Our Initiatives for Social Responsibility	37
CSR Targets, Achievements, and Evaluations	38
About the Guidelines	39
Corporate Governance and Compliance	41
Promoting CSR	45
Promoting and Implementing Responsible Care	49
Kaneka Group Overview	51
Organizations Covered in This Report	54
For the Environment	56
Material Balance in Production Activities	57
Environmental Accounting	58
Addressing Climate Change	61
Environmental Management Systems	64
Reducing Waste and Preventing Pollution	67
Reducing Chemical Substance Discharge	71
Biodiversity Conservation	74
With Our Customers	76
Quality Management	78
Certification of Kaneka and Group Companies	79
With Our Business Partners	83
Sustainable Procurement	84
With our Shareholders and Investors	86
Dividend Policy and Information Disclosure	88
With Local Communities	89
Preparedness for Regional Disasters and Support for Reconstruction	90
Fostering Youth Development	93
Safety and Disaster Preparedness	94
Community Initiatives (Awards)	98
Community Initiatives (Fostering Youth Development)	99
Community Initiatives (Local Communities)	102
Community Initiatives (The Environment)	105
Community Initiatives (Global Community)	107
Community Initiatives (Others)	108
With Our Employees	110
Basic Concepts for People and the Organization	111
Respect for Human Rights	113
Employee Development System	115
Promoting Diversity & Inclusion	118
Work-Life Balance	120
Occupational Safety and Health	122
Stakeholder Communication	125
Third Party Comment	126
Third Party Verification	128
Stakeholder Feedback	129
CSR Report	131

CSR

The Kaneka Group published its CSR Report 2016 on September 28, 2016. The online version includes all disclosed information, while our Communication Book is designed to communicate to our stakeholders around the world the highlights of the CSR activities carried out by the Group.



TOP COMMITMENT

Providing Solutions for the Global Environment and Improving Quality of Life through New Value Creation



Communication Book 2016

Special Feature I

Power of science to enrich life with food worldwide

Material Story
Source of Kaneka



Special Feature II ◆ Kaneka Group and Africa

Making Smiles in Africa





This is our sustainability action!

KANEKA at a glance

JPY752	1,115,000	
millions	metric t-CO ₂	
90.6%	6,143	0.007%
	JPY10	
	millions	

CSR TOPICS 2015

Report on the Kaneka Group's CSR initiatives in fiscal 2015

Promoting Corporate Social Responsibility (CSR)

- ▶ [Our Corporate Philosophy and CSR](#)
- ▶ [Our Initiatives for Social Responsibility](#)
- ▶ [CSR Targets, Achievements, and Evaluations](#)
- ▶ [About the Guidelines](#)
- ▶ [Corporate Governance and Compliance](#)
- ▶ [Promoting CSR](#)
- ▶ [Promoting and Implementing Responsible Care](#)
- ▶ [Kaneka Group Overview / Registered Trademarks and Other Trademarks for Kaneka Group Products](#)
- ▶ [Organizations Covered in This Report](#)



[For the Environment](#)



[With Our Customers](#)



[With Our Business Partners](#)



[With Our Shareholders and Investors](#)



[With Local Communities](#)



[With Our Employees](#)

Stakeholder Communication

[▶ Third Party Comment/Response to Third Party Comment](#)

[▶ Third Party Verification](#)

[▶ Stakeholder Feedback](#)



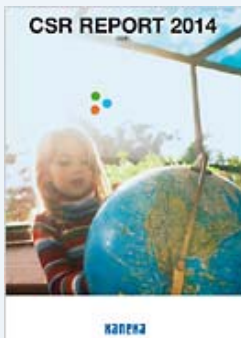
[Questionnaire on Kaneka Group CSR Communication Book 2016](#)

We would appreciate your responses to this questionnaire to further improve future CSR activities and reports.

Back Number



2015



2014



2013



2012



2011

Top Commitment



Responding to Environmental Changes and Technological Innovation

On December 12, 2015, a historic global climate deal was adopted by 196 countries at COP21 in Paris, France, that is a framework of measures against global warming beyond 2020. This Paris Agreement indicates each country's strong sense of crisis for increasing disasters of climate change worldwide. Global businesses such as ours must further advance initiatives addressing environmental issues within our future businesses.

Meanwhile, technological innovation continues to grow at an ever-accelerating pace, as we see advances that were once thought likely to take several years start to materialize before our very eyes. People's lifestyles and workstyles are being redesigned while their needs are profoundly changing.

We believe that an environment where diverse people can work proactively will be the foundation of our competitiveness. We must endeavor to make this a reality.

Achieving the Declaration of Kaneka United

As set forth in our long-term vision formulated in 2009, the Declaration of Kaneka United for the future, Kaneka is focusing on "innovation and growth", positioning research and development (R&D) and a global network as the driving force behind our growth. In fiscal 2015, we went ahead with plans to commercialize organic EL lighting, biopolymers and protein A resins. We are also strengthening our R&D in the medium to long term by establishing a regenerative medicine and cell therapy R&D center in Kobe. Creating new social value through R&D enables us to raise our corporate value and fulfill our social responsibility, resulting in our growth and development. By developing technologies and products that protect the environment and improve energy efficiency, we are moving forward in our businesses with environmentally responsible management.

In terms of a global network, after establishing our regional headquarters in Asia and America in April 2012, we established a European regional headquarter in Belgium last year. Utilizing this headquarter, we will further promote our business operations in Europe as well as in Africa and the Middle East. It is essential for us to understand the customs and culture of the countries and regions where we operate, and offer products that suit local customer needs.

Contributing to Society through Business in Key Strategic Domains

In fiscal 2016, Kaneka began implementation of a new mid-term plan.

Kaneka Group is making every effort to promote projects that can help address environmental and energy problems by bringing a solution to zero energy houses using combination of our products such as thin-film silicon photovoltaic module, insulation materials and storage batteries that serve to reduce the weight of vehicles and airplanes. In addition

to such a solution, we offer new value such as biopolymers to conserve ecosystem.

Kaneka is also making a concerted effort to utilize our expertise in the business, where human health care and food production are concerned, through bio-pharmaceuticals, regenerative medicine and cell therapy, and plant supplements. Through these products, we at Kaneka are carrying out our 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 quality of life.

“Safety First” is our Top Priority

Based on our belief that “safety is a competitive strength in itself” for manufacturers, Kaneka's management policy for all operations is “safety is our top priority.” To achieve our goal of zero accidents, we will further raise safety awareness and strengthen disaster prevention through continuous initiatives together with top management, including facility inspections by Board of Directors and CSR safety and quality inspections.

Kaneka Group joined the United Nations Global Compact in 2015. We are working on sharing our corporate philosophy to gain the trust of our stakeholders worldwide by implementing corporate initiatives in line with the Ten Principles of the UN Global Compact in the four areas of human rights, labour, the environment and anti-corruption.

We sincerely welcome your continued support.

Special Features

This section presents how we at the Kaneka Group are working on two of our four key strategic domains—food production support and health care—in our core businesses.

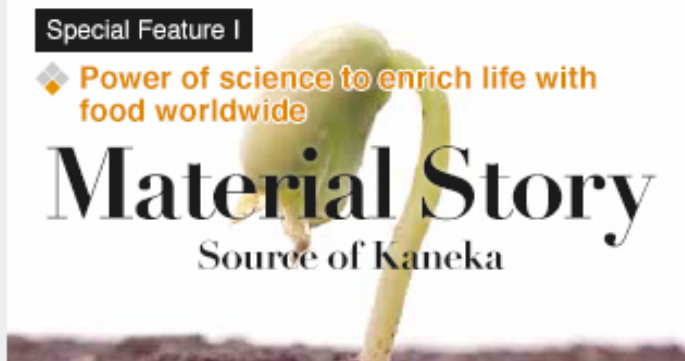
We also present the stakeholder dialogue with the Japanese Association for the World Food Programme, as well as various articles to facilitate better understanding of our CSR activities by stakeholders.

Special Feature I

◆ Power of science to enrich life with food worldwide


Material Story

Source of Kaneka



Special Feature II ◆ Kaneka Group and Africa


Making Smiles in Africa



Stakeholder Dialogue

Sixth Stakeholder Dialogue

With the Japanese Association for the World Food Programme

? >>> !

This is our sustainability action!

KANEKA at a glance

JPY752 1,115,000
metric t-CO₂

millions **83.5** JPY10 millions

90.6% **6,143** **0.007%**

CSR TOPICS 2015

Report on the Kaneka Group's CSR initiatives in fiscal 2015

▶ [Special Feature I](#)
[Food Production Support](#)

▶ [Special Feature II](#)
[Health Care](#)

▶ [Stakeholder Dialogue](#)
[\(Full Report\)](#)

▶ [Communication Is Our Start Line](#)

▶ [KANEKA at a glance](#)

▶ [CSR Topics 2015](#)

Special Feature I Food Production Support

Power of science to enrich life with food worldwide

Material Source of Kaneka Story

食
Food



Around 800 million or approximately one in nine people in the world today are starving. Meanwhile, in developed countries such as Japan, Europe and the U.S., roughly one-third of food is wasted. Food wasted by consumers, from leftovers and passed expiration dates, amounts to around 222 million tons each year. This is comparable to the total food production of sub-Saharan Africa (see note 1). Kaneka Group has initiated efforts to increase global agricultural production and reduce food waste.

Note 1: Sub-Saharan Africa's total food production is 230 million tons. Source: Global food losses and food waste – Extent, causes and prevention, FAO, 2011.

With its dedication to addressing social issues through business, Kaneka Group has been expanding its core technologies. As one of its core technologies since its establishment, the Group's fermentation technology has created functional foods such as bread yeast and coenzyme Q10. We are further expanding into products that contribute to increasing food supply, such as KANEKA PEPTIDE, a new type of fertilizer that helps address food scarcity, and an anti-freeze ingredient that helps reduce food waste by retaining the quality of frozen foods, in collaboration with universities and research institutes.

Special Feature I Food Production Support

New Fertilizer for Agriculture **KANEKA PEPTIDE**

Technology to Efficiently Produce Oxidized Glutathione (GSSG) Based on Fermentation

KANEKA PEPTIDE is a new high-performance fertilizer containing oxidized glutathione (GSSG), which provides nutrients to plants.

GSSG works as a fertilizer to make plants grow effectively. It causes corn kernels, for example, to grow larger even as the number of kernels increases. Heavy use of conventional chemical fertilizers has reached the limit of their ability to increase yield, while some have also been known to cause soil degradation. GSSG, on the other hand, stimulates the innate power of plants to further increase yield while improving the ecological profile of fertilizers.

GSSG is a natural ingredient commonly found in plants and animals, including human cells. Kaneka developed the technology to efficiently produce naturally existing GSSG. Moreover, in collaboration with the Research Institute for Biological Sciences, Okayama Prefectural Technology Center for Agriculture, Forestry, and Fisheries, which has been studying the effect of GSSG on plant growth, we are developing effective plant fertilization methods. "We use fermentation technology for glutathione production and pharmaceutical technology for the purification process, both of which are Kaneka Group's core strengths." (Taku Mohri, Bioproducts Research Group, Biotechnology Development Laboratories)



KANEKA PEPTIDE

We are targeting more than 10 billion yen in sales in 2020 by accelerating our global business development

"We need to launch
this product
simultaneously worldwide
for timely
widespread adoption."



Taku Mohri

Bioproducts Research Group
Biotechnology Development
Laboratories

Pilot Studies All Over the World Find 10% - 40% Yield Increase

Effective technology will further benefit society when it is used widely. Anticipating the global market, Kaneka Group has begun pilot studies of KANEKA PEPTIDE on various crops in collaboration with universities, agricultural experiment stations and large-scale farms in countries such as Vietnam, Thailand, India, China, Canada and the U.S. Remarkably, 10% - 40% increases in yield have been confirmed in potato, cassava, sweet potato, corn, onion, eggplant and other crops.

Another key to gaining more customers is its simple application. A method of integrating the product into existing fertilization systems has to be devised, since even a single spraying can become costly in countries such as the U.S., where efficient farming is practiced over vast land areas. Furthermore, when we expand the product's range to small-scale farms and regions where people are suffering from starvation, it is crucial that we implement awareness programs and create fertilizer formulas for spray amounts and timing. We are conducting such pilot studies to resolve each of these issues.

"Even with the limited workforce available for R&D, the food issue is such a pressing one that we are testing various methods for crops in various countries. We need to launch this product simultaneously worldwide for timely widespread adoption. With its power to enhance plant growth, GSSG has the potential to expand agricultural land to areas with poor soil or those prone to cold weather damage." (Taku Mohri)

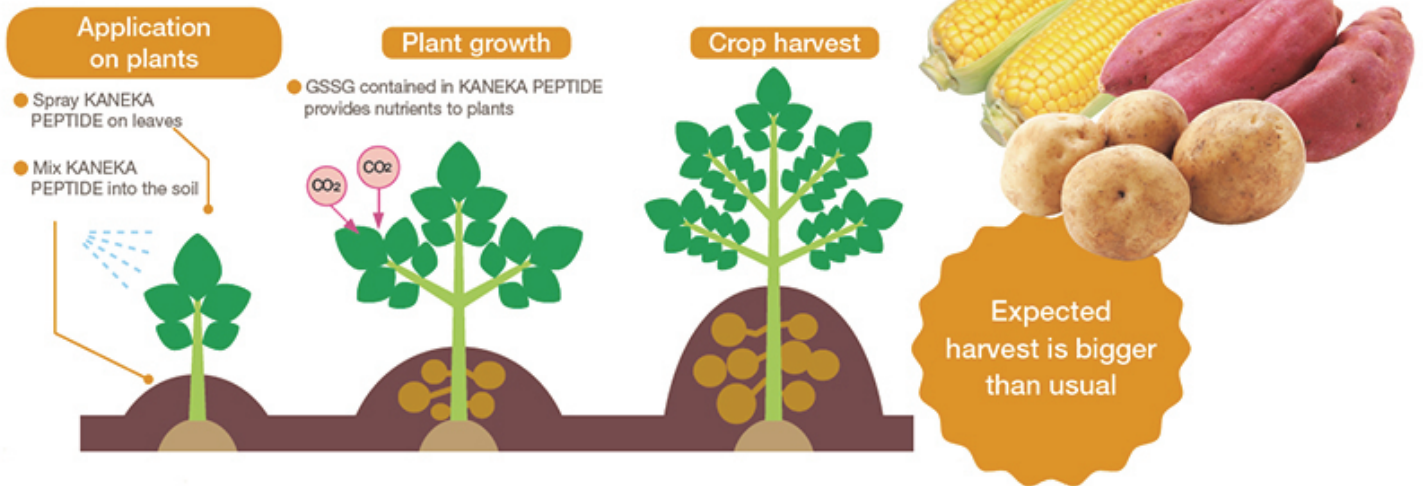
Encouraging Agriculture through Materials R&D for Plants

As the pilot studies progress in various parts of the world, an agricultural experiment station staff provided the Group with an important insight: the human body has been

extensively studied in the course of developing therapeutic drugs and supplements, while many aspects of plants are still unknown. "That's why I believe we can still make great strides with plants. We hope to encourage agriculture by developing ingredients that are useful to plants." (Taku Mohri)

Moving forward, Kaneka will continue to concentrate on technologies acquired from advanced research for food production support, one of our key strategic domains.

The Effect of KANEKA PEPTIDE



Developing formulations while studying easier dispersion and irrigation for farmers

Stakeholder Message

"I hope more young people will work in agriculture. Kaneka and I share the same motto: For the farmers."

The Okayama Prefectural Technology Center for Agriculture, Forestry, and Fisheries works on developing and promoting technologies that support agriculture, forestry and fisheries, while fostering their future leaders. At the Research Institute for Biological Sciences, we conduct basic, fundamental research in biotechnology that promotes agriculture, manufacturing and industries in the environmental field. I have studied GSSG, an ingredient in KANEKA PEPTIDE that carries an important function.

I began collaborating with Kaneka because we share the same motto and goal: For the farmers, providing products at reasonable prices. Further agricultural development requires products to be available at affordable prices to everyone.



Ken'ichi Ogawa

Also, I look forward to Kaneka's efforts to promote the effective use of KANEKA PEPTIDE.

As Japan's agricultural population declines and ages, the key to raising our food self-sufficiency rate is to improve profitability, so that young people will consider farming as their career. KANEKA PEPTIDE will certainly help increase agricultural income; actually witnessing this themselves will make more young people aspire to work in agriculture.

Dr. Sci. (Kyoto Univ.)
Director, Plant Redox Regulation
Research Group
Research Institute for
Biological Sciences
Okayama Prefectural
Technology Center for
Agriculture,
Forestry, and Fisheries

Special Feature I Food Production Support

Preserving the Quality of Frozen Food Anti-freeze Ingredients

Anti-freeze Protein Discovered in Antarctic Fish

In subzero temperatures, water freezes in the bodies of ordinary living organisms and destroys the cells. Fish, plants, insects, mushrooms and other life forms living in the Antarctic and other cold regions can survive because they have anti-freeze proteins in their bodies that protect them from freezing. Anti-freeze protein was first discovered in an Antarctic fish in 1969.

There are many benefits in applying anti-freeze protein to food products. For instance, "freezing damage," which leads to a decline in the food's taste and texture, does not occur, and the quality of the frozen food after thawing is maintained since it can inhibit the growth of ice crystals during storage. Moreover, products that were once difficult to freeze can now be stored frozen, which lengthens their shelf life and reduces food waste.

The challenge was determining which organisms have anti-freeze protein that can be extracted and how to extract it. A stable industrial production method for anti-freeze protein did not exist. Kaneka Group began communicating with one of the world's foremost authorities on ice crystals, Professor Hidehisa Kawahara of Kansai University's Department of Life Science and Biotechnology.



Anti-freeze protein
Exploring uses in frozen noodles, processed egg products, cooked rice, fish paste products and desserts

"Reducing food waste.
I believe this is
a worthwhile
project for society."



Atsushi Takaragawa

New Business Planning Group
Strategic Planning Department
Foods Division

Successful Natural Extraction and Mass Production with Open Innovation

In 2008, Kaneka Group collaborated on R&D with a joint venture company and Kansai University, which was promoting open innovation; in 2012, anti-freeze protein was successfully mass-produced from radish sprouts. Since it allows defrosted food to be savored without losing its taste, smell and physical properties by just adding a tiny amount of 0.02% - 0.2% to the food, our product has earned an excellent reputation from many food manufacturers of frozen sushi, udon noodles, kamaboko (steamed fish paste), rolled eggs, gyoza (fried ground meat dumplings) and others so far. In 2015, we launched another new product: anti-freeze polysaccharide extracted from enoki mushrooms. It is tolerant to heat and acid as it is not a protein, and is used with hamburger and deep-fried chicken. Kaneka Group currently has over 100 products using anti-freeze ingredients.

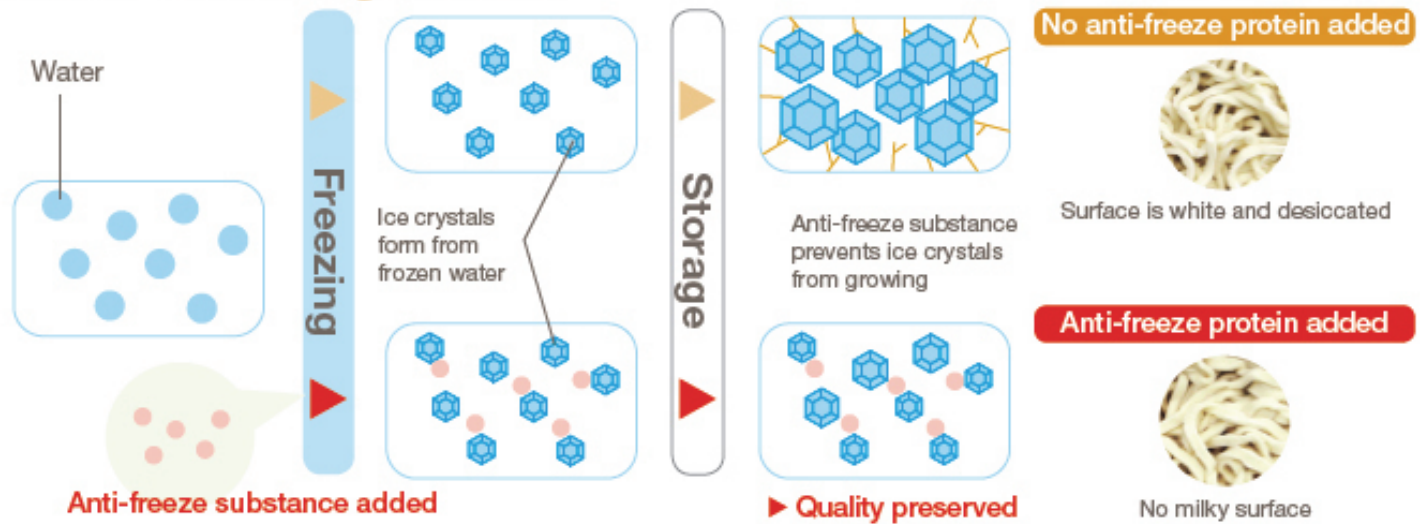
"I think Kansai University chose us as its partner in open innovation because, as a B2B company dealing with many food manufacturers in Japan, they believed that we can make anti-freeze ingredients more widespread. For this project, Kaneka Group facilitated the commercialization of the university's research seed." (Atsushi Takaragawa, Manager, New Business Planning Group, Strategic Planning Department, Foods Division)

Research on New Ingredients to Reduce Global Food Waste

In April 2015, our anti-freeze protein was awarded the 2015 Commendation for Science and Technology Prize by the Minister of Education, Culture, Sports, Science and Technology (Development Category). This prize honors the achievements of those who have invented or researched

and developed groundbreaking work that is actually used or applied to improve people's lives, society and the economy. "I believe reducing food waste is a really worthwhile project for society. Shelf life will be extended dramatically if all kinds of food can be frozen. This will allow us to get closer to nearly zero waste." (Atsushi Takaragawa)
 "A long time ago, people used to throw food out." We believe the time will surely come when we will look back and say this. Kaneka Group will continue exploring and spreading the use of new anti-freeze ingredients.

The Expected Benefit of Anti-Freeze Ingredients



With the growing need for frozen foods, we are developing simple products for the expanding market

Stakeholder Message

"The new frontier in Japanese confectionery. Freeze while still delicious; enjoy by natural thawing."

Kagetsudo makes and sells Japanese confectionery, such as freshly pounded soft rice cakes and sweets using finely ground green tea powder, named after Sakai, the birthplace of the famous master of the Japanese tea ceremony, Sen no Rikyu. We sell soft rice cakes using Kaneka's anti-freeze ingredient. Japanese confectionery such as rice cakes are best eaten fresh, as their flavor quickly deteriorates. However, when they are frozen with the anti-freeze ingredient, they retain their freshly made flavor, and our customers can enjoy this fresh taste after the natural thawing process. And because it is a natural ingredient, I can proudly inform the customer, "This is the new frontier in Japanese confectionery."
 Our first product using the anti-freeze ingredient is the One Charge S, which was



Masahiro Maeda
Kagetsudo

developed for athletes. We wanted to create a product that can easily supply energy to people participating in sport, who lead busy lives with work and so forth. With this product, people can stock up when they have time. While playing sport, they can then easily get their supply of energy just by thawing the product naturally. With such safe ingredients provided by Kaneka, we hope to devote all our efforts into expanding and introducing new rice cake desserts in the future.



The rice cake dessert
One Charge S

Special Feature II Health Care



Over 30 years have passed since Kaneka Group started exporting fiber for hair accessory products. We are not just another raw materials manufacturer. We have built a relationship based on trust by being deeply involved with the market and offering products that fit our customers' needs.

We have also been donating part of our sales to the school meal program of the World Food Programme (WFP) since 2013, thereby helping improve school attendance rates of children in Africa.



Wigs Made of Kanekalon

Kanekalon is a modacrylic fiber closely resembling the texture of human hair. Currently capturing the largest market share in Africa, wigs made of 100% Kanekalon are widely known for their high quality.

Africa's Hair Goods Market

Women in Nigeria and other countries in sub-Saharan Africa generally enjoy dressing up by adorning their heads with colorful cloths, or adding hair extensions and wigs. Kaneka Group has helped improve women's quality of life through safe and high quality beauty products offered in partnership with wig manufactures, beauty salons and our women end-users.

Special Feature II Health Care

Improving Women's Quality of Life in Africa

Kanekalon, a Brand for Women Exploring Their Future

"When I was fitting a young girl with a wig for the first time in her life, her face lit up the moment she saw herself in the mirror, as if she was saying: *I can't believe this is really me!* It was also a wonderful moment for me. Kanekalon is a brand that makes a difference to women exploring their future." (Yukiyo Oda, Technology Management Department, Kanekalon Division)

Kanekalon's wigs can be styled in various ways, because they are light, easy to braid and is naturally beautiful. The hairs of African women are difficult to comb through because of their curls; wigs enable them to realize their gorgeous and elegant self. In the spirit of helping women working hard toward their dreams, we held the Miss Kanekalon beauty pageant in Nigeria in 2015. The winners, who were chosen based on the two selection criteria of inner and outer beauty, gave speeches about their ideas on African beauty and their dreams. "Forming the women's self-identities is the same as creating a culture. In the future, we plan to expand the Miss Kanekalon beauty pageant to cover the whole of Africa." (Koshi Imazu, Marketing Group II, Kanekalon Division)

From among more than 3,000 applicants, the top three winners are expected to actively work in many fields as Kanekalon brand ambassadors for one year.

Taking Root in African Countries, Supporting the Value Chain

Kaneka Group started cultivating the African market more than 30 years ago, in the early 1980s. An employee, staying at New York for a business trip, saw a Senegalese buying large quantities of Kanekalon wigs, and was prompted to fly to Africa to study the market. Confirming that there was a potential market in Africa, we entered the Senegalese market together with our business partner in the U.S. Today, we cover the market over the whole of sub-Saharan Africa in partnership with various wig manufacturers.



Yukiyo Oda

Technology Management
Department
Kanekalon Division

Kanekalon's business model is unique, as we have built our own value chain instead of just being upstream as a raw materials manufacturer. For hairdressers working in beauty salons, we hold training seminars on correctly assessing quality and new styling methods, and styling beauty pageants. For wig manufacturers, we have introduced new styles in the African market by providing advice on quality control and proposing plans for marketable products based on our market research.

Supporting Job Creation

Kaneka Group is joining hands with a group partner, a wig manufacture in Kenya, who has been assisting local hairdressing schools for many years. "To deliver the message of Kanekalon's quality and attractiveness to end-users, it is important to send out to the world more hairdressers with the right knowledge and skills. Training professionals in hairdressing schools also supports job creation and economic independence for the youth." (Yukiyo Oda)

Kaneka is also planning to start initiatives that are more deeply rooted in Africa as soon as possible. "In 2016, Kaneka Group will establish the Kaneka Africa Liaison Office. With the new base close to our partners and end-users, we can further collaborate with various stakeholders and capture the constantly changing trends in Africa to meet people's and community's various needs." (Koshi Imazu)

We will further strive to be trusted by our stakeholders through new job creation and other efforts for the community while strengthening our value chain by offering products and creating frameworks to meet local needs.

Koshi Imazu
Marketing Group II
Kanekalon Division



(1) (7) Yukiyo Oda and Koshi Imazu visiting local stores to explore market trends
 (2) (3) (6) Miss Kanekalon beauty pageant. Over 700 people from the hair industry and corporate partners attended, including hairdressers
 (4) Local hairdressers holding a Kanekalon product (5) A lively Ghana market
 (8) Smiling local woman wearing a Kanekalon wig

Stakeholder Message

"Kaneka is like family to us, spreading high-quality hair goods together."

The FC Group of Companies provides safe and high-quality beauty to Ghanaian women through the management of beauty salons and hairdressing schools, and production and sales of related products. Also, the beauty salon association, which I chair, is composed of about 100 salons, and endeavors to maintain and improve the standards of the beauty industry.

Kaneka's wigs do not just provide a variety of styles to Ghanaian women; they also have a high-quality feel and do not easily fade and discolor under light. We trust Kaneka like family; they train local staff well and share useful information with us. We are looking forward to Kaneka's future products and services that will contribute to African women's health and beauty.



Ms. Grace Amey-Obeng
CEO, FC Group of Companies
President, Professional Cosmetologists and Beauticians Association of Ghana

Special Feature II Health Care

As a WFP Corporate Partner

Since 2013, Kaneka has been supporting the World Food Programme (WFP) school meal program in Africa, where Kanekalon business operates.

Improving People's Living Standards Leads to Steady Business Growth

As a WFP corporate partner, Kaneka supports the school meal program in Sierra Leone, one of Kanekalon's markets.

By donating part of our sales of Kanekalon to this program, we supplied school meals to about 700,000 elementary school children in total from 2013 to 2015. We decided to continue our support for this program from 2016 until 2018. In areas where the elementary school dropout rates of girls are high, we are also providing rice and vegetable oil to girls whose families lack food.

We received the following feedback from a child in the elementary school supported by the program: "(Because of the WFP school meal program,) I can eat breakfast and lunch at school every day. I can concentrate in class and actively take part in the discussions. My grades are also better and I don't get sick. I am thankful for the WFP and its supporters."

Enjoying lives at school, studying and gaining knowledge allows the children to dream of their future. Dreams support children to grow up to play key roles in helping develop a future society. As a WFP corporate partner, Kaneka will continue to help improve the living standards in communities we operate, which will lead to steady growth of our businesses.



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©WFP



©Mayumi.Rui



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Special Feature II Health Care

Sixth Stakeholder Dialogue (Summary)

Kaneka holds dialogues with various stakeholders to exchange different perspectives and opinions to deepen mutual understanding, and collaborate by sharing common issues.

On February 26, 2016, we held a dialogue with the Japan Association for the World Food Programme to discuss the importance of continuing support and their expectations from corporate support.

The World Food Programme (WFP)

The World Food Programme (WFP) is the world's largest humanitarian agency fighting hunger worldwide, which is part of the United Nations, and is voluntary funded. The Japan Association for the World Food Programme is a certified nonprofit organization supporting it in Japan. WFP is in charge of logistics and telecommunication; in emergencies, aiming to bring food and other relief supplies to the field within 48 hours, with 70 airplanes, 5,000 trucks and 20 ships for this purpose.



©WFP/Hukomat Khan



©WFP/Lou Dematteis

"Solving social problems takes a long time. Continuous support is needed."

WFP works toward a world without hunger in Africa and various other regions. Almost none of its programs end in a single year. We are truly grateful to Kaneka for its long-term commitment to help the communities of Sierra Leone for a total of six years.

From Kaneka

We will continue our commitment to support the development of African countries in our own way, which we believe will strengthen the communities' trust on us and support our business growth.



Kunio Suzuki

Executive Officer
Japan Association for
the World Food Programme

"We hope Kaneka will teach children about the situation on global food and hunger."

At an event held by one of our sponsor companies in Japan, we conducted a food tasting of the corn-based porridge supplied to the local people in Africa. Through the event children's attitude toward food changed: They had more appreciation for their food. I believe talking about the global food situation at corporate events also educates the children about food.

From Kaneka

At our 65th anniversary event held in 2014, we introduced the school meal program and conducted fund-raising activities. We will continue working on awareness programs in the future.



Yuji Kotera

General Manager
Business Development
Japan Association for
the World Food Programme

Please read [the Stakeholder Dialogue \(Full Report\)](#) for more details.

Stakeholder Dialogue (Full Report)

As a WFP Corporate Partner

Kaneka holds dialogues with various stakeholders to exchange different perspectives and opinions to deepen mutual understanding, and collaborates by sharing common issues.

As the first partner of the WFP (see note 1) corporate program, we held a dialogue with the Japan Association for the World Food Programme (JAWFP) in February 26, 2016.

Note 1: The World Food Programme (WFP) is the world's largest humanitarian agency fighting hunger worldwide. It is part of the United Nations and is voluntarily funded. The Japan Association for the World Food Programme is a certified nonprofit organization that supports the WFP in Japan.



At the Japan Association for the World Food Programme, February 26, 2016

Participants



Kunio Suzuki
Executive Officer
Japan Association for
the World Food
Programme



Yuji Kotera
General Manager
Business Development
Japan Association for
the World Food
Programme



Minetoshi Marufuji
Executive Officer
General Manager CSR
Division
Administration Office
CSR Committee
Kaneka Corporation



Kiyotaka Kondo
Manager
Administration Office
CSR Committee
Kaneka Corporation



Mika Fujii
Assistant Manager
Administration
Office
CSR Committee
Kaneka
Corporation

**“Solving social problems takes a long time.
Continuous support is needed.”**

(Mr. Kunio Suzuki, JAWFP)

• **Please tell us why you started the WFP corporate program.**

Mr. Kotera: The WFP corporate program facilitates partnerships between companies and WFP, so that the companies can provide their continuous support over a period of three years. Although companies had occasionally offered us assistance, it was difficult to obtain continuous support. WFP works toward a world without hunger in Africa and various other regions. Almost none of its programs end in a single year. Continuous support enables people working on the ground to continue their initiatives with confidence.



**“Steady market growth requires improved quality
of life of the people in the region.”**

(Minetoshi Marufuji, Kaneka)

**“Kaneka is committed to regional development
in the long term.”**

(Mr. Kunio Suzuki, JAWFP)

• **Kaneka supported school meals in Sierra Leone from 2013 until 2015, and will give further support for another three years from 2016. What caused you to begin supporting this program?**

Marufuji: For more than 30 years, Kaneka has been expanding its Kanekalon wig business in Africa. The Kanekalon brand has gained an excellent reputation in sub-Saharan countries such as Sierra Leone, Nigeria and Ghana. We hope to continue steadily expanding our business in Africa in the future. However, this requires the improvement of living standards in African countries. Countries develop when their children, who are the country's future, attend school to learn then go on to enter the workforce. If we can contribute to achieving this in some way, then it will certainly be a welcome development for the people of Africa, and it will also be welcome for Kaneka because it will lead to market growth. Hence, we decided to join the WFP corporate program and support the school meal program. Considering that such programs will not be effective in only one year, we decided to provide school meal support in Sierra Leone for three years.

Mr. Kotera: Education is the foundation of a country's development. Although impoverished families cannot provide money for school meals, parents will make their children go to school if the school provides them with free meals. The low school attendance rate of girls is another issue, because girls shoulder the burden of domestic work. In addition to school meals, we also implement a program that allows girls who reach a certain percentage of attendance to bring food home to their family. Through this program, the girls' school attendance rates

have greatly increased to almost the same rates as boys. By going to school, the children can study, acquire knowledge, and dream of their future. Dreams support children as they grow up. We have been continuing this initiative for many years with the hope of raising many such children.

Marufuji: Although Kaneka conducts business based on the B2B model (business between companies), just ahead of B2B is the customer. As the world changes, we believe that we should always be aware of customer trends in our work. We think that engaging in these kinds of wide-reaching initiatives is important for us to know the hopes, desires and needs of consumers in the regions where we conduct business.

Mr. Suzuki: Kaneka is committed to regional development in the long term because our business in this region does not end in one year. Through the school meal program, we are also attempting to improve communities in the long term, so I believe we have mutual needs.

Kondo: Aside from the WFP corporate program, we also had the opportunity to support the WFP essay contest and aid the Ebola virus disease emergency system in 2014. In the same year, the Japan ambassador for WFP and Kaneka celebrity endorser, Ms. Kurara Chibana, came to give a talk and raise funds at a company event attended by employees and their families. From here on, we would like to focus on gaining the understanding of our stakeholders outside the company.

“The ultimate goal of WFP is to end world hunger, and to end the need for WFP.”

(Mr. Kunio Suzuki, JAWFP)

● **From the standpoint of collecting donations, what is WFP promoting?**

Mr. Kotera: WFP is still unfamiliar to many people; we have to keep sending out the message that we provide food and emergency assistance. Our strength is that all the aid we receive can be delivered to the destination without fail. In emergencies, WFP works with the aim of delivering food and other relief supplies to the field within 48 hours.

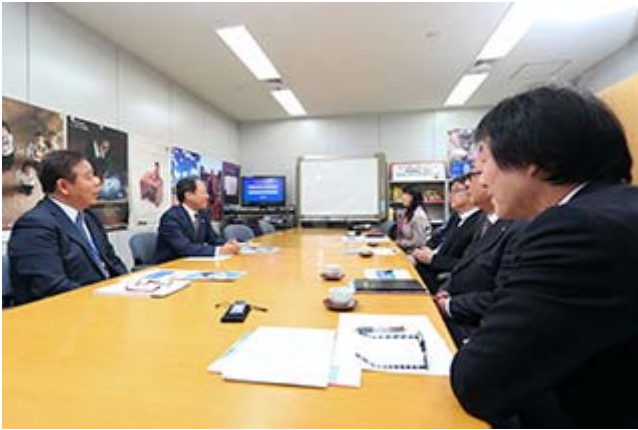
Mr. Suzuki: Each division of the UN has its own role and responsibility. For example, after devastating earthquakes, the UNICEF (see note 2), as well as WFP, take action. In the case of refugees, the UNHCR (see note 3) takes action. WFP is in charge of transportation and communication; we go in first to establish a base, secure the means of communication, survey the situation, and dispatch information on the necessary food provisions, medicine, medical staff and so on.

Mr. Kotera: In order to deliver the necessary relief supplies and such, we have 70 airplanes, 5,000 trucks and 20 ships. All of these are currently employed somewhere around the world, which is actually very sad. If WFP does not have to act, then it means we have a world where nobody lacks food.

Mr. Suzuki: The ultimate goal of WFP is to end the need for WFP.

Note 2: The United Nations Children's Fund

Note 3: The Office of the United Nations High Commissioner for Refugees



“We hope Kaneka will teach children about global food and hunger.”

(Mr. Yuji Kotera, JAWFP)

• **What do you require from corporations?**

Mr. Kotera: Mr. Kondo talked about this a while ago. You promoted WFP among your employees and their families in Kaneka's anniversary event two years ago. We request supporting companies to promote their participation in WFP activities at company events and other occasions.

Fujii: Our employees' families, including mothers and children, participated in the anniversary event. When we described the current situation where many people are starving in Africa, most of the mothers told their children "It's important to remember that not all children in the world are happy." The children also gave us feedback such as "I wish the children in Africa could go to school." I realized once more the importance of talking face-to-face, and how it stays in their hearts.

Mr. Kotera: Last year we set up a WFP booth in the exhibition space of a wholesale food company that supports us. We held a food tasting event where we served the corn-based porridge supplied to the local people, and similar to Kaneka, I saw how the children's attitudes toward food changed. They had more appreciation for their food. The head of that company told me that, "WFP not only provides food aid in developing countries, but it also educates people about food in countries like Japan." Based on that insight, we are now creating educational materials, because children's attitudes change if they learn about the global food situation at corporate events or while eating their school lunch.

“I believe Kaneka is aiming to improve people's quality of life and bring happiness to humanity through its businesses.”

(Mr. Kunio Suzuki, JAWFP)

“With WFP and the regional community as our partners, we will continue to build a win-win-win relationship.”

(Minetoshi Marufuji, Kaneka)

• **How do you rate Kaneka's initiatives?**

Mr. Suzuki: I believe Kaneka is aiming to improve people's quality of life and bring happiness to humanity through its businesses. Also, you clearly express that all the stakeholders should be able to enjoy the benefits. Your actions are highly convincing, and I feel that you have

drawn a persuasive framework for your stakeholders as well. Increasing agricultural production is a big issue, and Kaneka produces fertilizers. In Asia and Africa in particular, developing self-reliance in agricultural production gives local people a chance to escape starvation. We are truly grateful to Kaneka for its desire for people living where it operates to enjoy their lives, its wish to move forward together, and for its long-term commitment to helping the communities of Sierra Leone for a total of six years.

Marufuji: In Kaneka's corporate philosophy, we have stated our commitment to "contribute to the global environmental issues and upgrading the quality of life." It is important that rather than Kaneka, the local people themselves feel that their quality of life has improved. This means improvements in the quality of their clothes, food and housing. We will patiently work on the various issues with the power of science and carry out our management philosophy. We also believe that our capability is greater than you imagine. It is difficult for us, for example, to directly address the issue of food for children. However, by partnering with WFP and lending our support, we can build a win-win-win relationship together with local communities.

Communication Is Our Start Line

True to our goal of leveraging science to "make your dreams happen" we at the Kaneka Group have strived to fulfill people's dreams through our diverse range of businesses.

In the process, we highly value communication with all our stakeholders.

Through proactive discussions, we draw out people's desires and needs to provide them with new values.

In this article, we present some of our achievements along with the initiatives to make them possible.

Dream 1: Accelerate R&D to Enable Practical Use of Regenerative Medicine and Cell Therapy!

Centers Integrating R&D Divisions

In November 2015, Kaneka Group set up R&D centers for regenerative medicine and cell therapy in the Kobe MI R&D Center and Kobe International Business Center. Both centers are now fully operational, and the previously scattered R&D divisions have been integrated to allow us to conduct work all the way from basic research to commercialization.

Regenerative Medicine and Cell Therapy Project

At the R&D centers, we focus our work on cell preparation for disease treatment, drug discovery technologies using induced pluripotent stem (iPS) cells, and devices for cell separation and cell culture. Situated at the hub of regenerative medicine and cell therapy, we aim to contribute to healthcare and medicine in the future by developing technologies in collaboration with RIKEN and other related medical institutions.

"Directly overseen by Kaneka's president, the Regenerative Medicine and Cell Therapy Project was launched in April 2016 to further speed up our activities. Kaneka has a wealth of knowledge cultivated from our business in pharmaceuticals and medical devices. We will continue our efforts to help advance regenerative medicine by developing and applying our life science technologies."



Takayuki Miyamoto (right)
Tomohisa Kato (left)
 (at that time)
 Regenerative Medicine and Cell
 Therapy Project



Kobe Molecular Imaging R&D Center,
 the hub of regenerative medicine and
 cell therapy



Programmable closed circuit cell culture
 system, for simple and safe cell culture

Dream 2: Is it Possible to Further Reduce CO₂ Emissions from Homes for the Global Environment?

Materials for the Net Zero Energy House

To reduce CO₂ emissions from homes, the Japanese government is promoting the net zero energy house (ZEH), with a vision to make it the standard for newly built houses by 2020. Kaneka manufactures and sells diverse materials that are necessary for ZEHs.

This is what we do!



Jun Ikegami

Administration of J-Project
Corporate Planning Department

Our ZEH Solution as a Measure to Address Climate Change

Kaneka manufactures and sells materials necessary for ZEHs, such as thermal insulators and photovoltaic modules, as well as organic EL lighting. We also offer the Solar Circuit construction method, which has superior environmental performance, and in fiscal 2016, we began selling storage batteries for residential use. We also launched the cross-divisional J-Project in 2015, and actively develop Group-wide solutions.

"ZEH design entails expertise and complicated documentation, which is why it is not making headway in the housing industry. Kaneka began offering specific ZEH solutions for the housing industry. We believe that our efforts to help build more ZEHs will lead to less CO₂ emissions, which will benefit society."



Exhibit at the Eco House and Eco Building Expo, March 2016



Kaneka products utilized in ZEH

Dream 3: Do You Have any Effective Fertilizers for Agricultural Produce?

Development of a New High-Performance Fertilizer

KANEKA PEPTIDE is a new high-performance fertilizer that integrates various Kaneka technologies. With the anticipated food shortage from the growing global population, Kaneka Group has set food production support as one of its key strategic domains.

This is what we do!



Ran An

Food Production Support Group
New Business Development Division

Testing KANEKA PEPTIDE Around the World in All Kinds of Climates, Crops and Soils

A KANEKA PEPTIDE pilot study conducted in Hebei Province, China enabled many farmers to experience its effectiveness first-hand. Conventional chemical fertilizers require application by the ton, while overuse degrades the soil. In contrast, environmentally conscious KANEKA PEPTIDE does not leave unnecessary residue in the soil.

"In China, we are promoting its use with the recognition and support of the relevant government authorities in charge of fertilizer registration. KANEKA PEPTIDE's success will not only bring higher income to farmers, it will also mean more food supply to communities experiencing food shortages. Promoting its use with confidence, I also hope to contribute to the development of my home country, China."



KANEKA PEPTIDE, a high-performance fertilizer containing yeast-derived oxidized glutathione



Responding to farmers expectations by integrating our technologies

Dream 4: We Want to Support Women to Explore Their Future with a Smile!

Beauty, Health and Independence to Women in Africa

Kaneka Group has been operating the Kanekalon wig business in the African market for more than 30 years. We have achieved a high brand value by providing safe beauty products in partnership with wig manufacturers, beauty salons and female consumers.

Providing High Value to Our Stakeholders in Beauty Product Market

In the African market where flammable, cheap and inferior wig products are sold, Kaneka Group has been providing safe beauty products while strengthening relationships with wig manufacturers, local beauty salons and female consumers. Ms. Grace Amey-Obeng (photo center), president of the Professional Cosmetologists and Beauticians Association of Ghana, is involved with evaluation of our products. "Kanekalon's ideal is to provide safe and high-quality beauty to women. Collaborating with associations of beauty salons, as well as our direct customers such as wig makers, we stay abreast of market needs and find difficulties that even consumers do not realize from our perspective as a maker. Our goal is to serve Africa by developing higher quality products."

This is what we do!



Hiroshi Seko (right)
Charlotte Kumi (left)
Kaneka Africa Liaison Office



Kaneka Africa Liaison Office established in Ghana to meet local needs



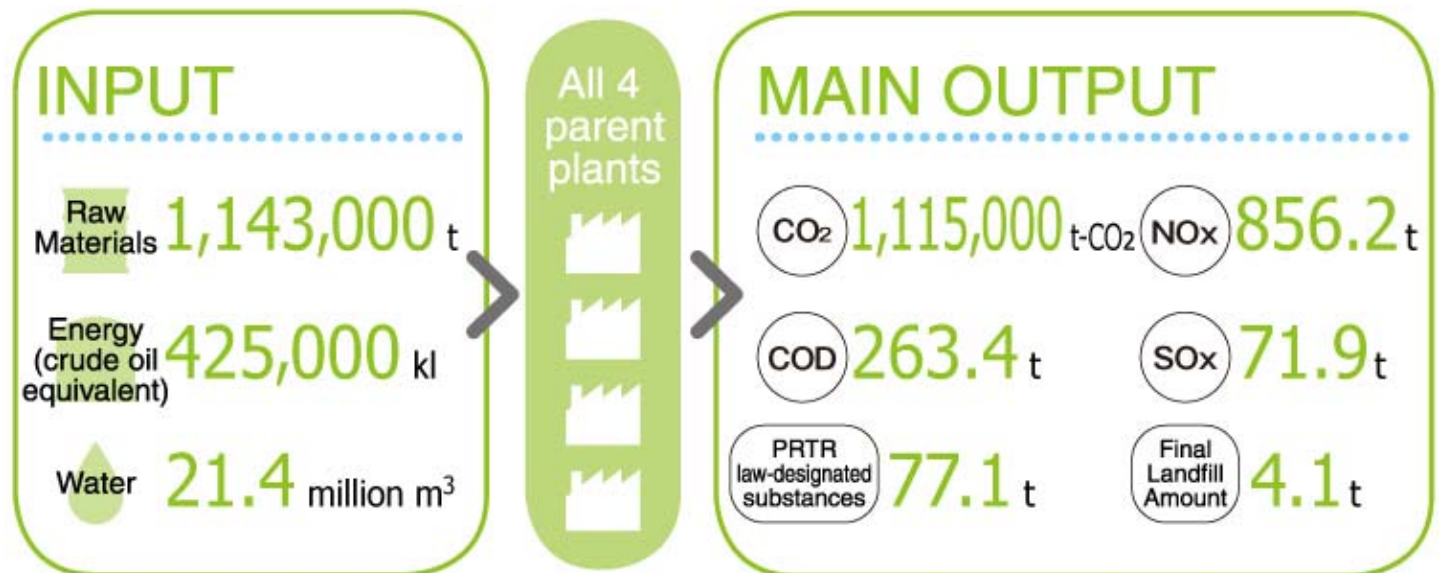
Earning strong brand recognition from local wig stores

KANEKA at a glance

The results of our major CSR activities in fiscal 2015 are presented below.

Materials Balance (FY2015)

We summarized the resources and materials used and the emissions and products that resulted from manufacturing at all four parent plants in fiscal 2015.



Participants in CSR Briefings

320

Since fiscal 2014, CSR Briefings have included Group companies in Japan. In fiscal 2015, we held briefings at 16 locations of six companies.

[▶ Promoting CSR](#)

Energy Intensity

83.5

Energy saving efforts combined with increased production allowed us to reach our goal. We achieved an overall decrease of 2.9% from the previous year.

[▶ Addressing Climate Change](#)

Environmental Investments

JPY 752 millions

Breakdown: Air quality: 44.8%, Work environment: 23.8%, Water quality: 19.6%, Noise reduction: 6.8%, Dust: 2.7%, Odor reduction: 2.3%
Total: 12.8 billion yen (FY2000-FY2015)

[▶ Environmental Accounting](#)

Final Landfill Disposal Rates

0.007%

Of the 67,856 tons of total waste generated, only 4.7 tons were disposed of in landfill. This marks the tenth consecutive year of reaching our zero emissions goal.

[▶ Reducing Waste and Preventing Pollution](#)

CO₂ Emissions Intensity

77.8

For all four parent plants. We achieved our fiscal 2015 goal, far exceeding our fiscal 2020 goal of 74.

▶ [Addressing Climate Change](#)

ISO 9001 Certification

41

divisions and group companies

Obtained the international certification for quality management to improve customer satisfaction.

▶ [Certification of Kaneka and Group Companies](#)

Safety improvements in potential unsafe areas

90.6%

The Osaka Plant worked on logistics safety improvement, resulting in improvements in 48 out of 53 potential unsafe locations.

▶ [Sustainable Procurement](#)

Consolidated Payout Ratio

28.6%

For the period ended on March 31, 2016, targeting a stable, consistent consolidated payout ratio of 30%.

▶ [Dividend Policy and Information Disclosure](#)

Support after the Kumamoto Earthquake

JPY 10 millions

Donated to aid people affected by the April 2016 Kumamoto earthquake in their recovery efforts. We also donated 1,000 sheets of Kanelite Foam insulation in response to a request from the area.

Initiatives for the Global Community

Six-year participation in TFT

Since 2010 we have participated in the Table for Two (TFT) program, with 20 yen per meal from each of the cafeterias at four business operation sites going to support school lunches in Africa.

▶ [Community Initiatives \(Global Community\)](#)

Participants in Start-of-Day Emergency Drills

6,143

Implemented emergency drills especially for the safety confirmation sequence, calling out the names of participants and examining emergency hotlines.

▶ [Safety and Disaster Preparedness](#)

CSR Topics 2015

Report on the Kaneka Group's CSR initiatives in fiscal 2015.

Topics 01: Tohoku Recovery Support Supplying Polystyrene Foam to Reconstruct Roads in Tohoku



Soil Blocks work behind the scenes. Although unseen, they support roads and reclaimed land as embankment material



Kazuhiko Kurobe
Soil Environment Division
Kaneka Kentech Co., Ltd.

In areas affected by the 2011 earthquake and tsunami in Tohoku, Japan, many roads are still waiting to be restored. In such cases, it is important to quickly restore strong, resilient roads economically. Kaneka Kentech Co., Ltd. supplies Soil Blocks to these road reconstruction projects. Soil Blocks are large polystyrene foam blocks made for civil engineering works. They are water resistant and strong enough to withstand structural loads while being light, and are particularly effective for embankment works on soft ground and steep slopes. Formed by expanding 1-mm diameter particles to 50 times their size, they are also environmentally friendly. With the use of lightweight Soil Blocks, road subsidence due to heavy weight can be avoided. They are also easy to work with, making it possible to shorten the construction period. In the long term, Soil Blocks enable an economical construction method by saving a lot of time and effort for repair. We have supplied Soil Blocks for up to 100,000 m³ of reconstructed roads, particularly those on soft ground. Road reconstruction helps disaster-affected areas by providing routes for emergency evacuation and goods transport, and creating tourist routes. Through such products and technology, we look forward to contributing more to the recovery efforts.

Topics 02: Acting on Climate Change Group of Materials Help Lighten Vehicles



The red areas show where Kaneka products are used (bumper, dashboard and seat core material)

Amid the trend for tackling climate change, automakers' efforts to reduce vehicle weight are increasing as they strive to cut CO₂ emissions by improving fuel efficiency. The use of plastics for auto parts is one such example.

Kaneka's resin products have been used to make plastic for various auto parts because of their exceptional heat resistance, strength and moldability. Recently, they have also been noted as excellent lightweight materials. For example, the engineering resin for injection molding, Kaneka Hyperite JP, is used widely for its low liner thermal expansion (elasticity) properties and dimensional stability to lighten the exterior parts such as slide rail covers, rear spoilers and pillar garnish. Also, a molding method for polypropylene foam made using the bead method, Eperan PP, was successfully developed to achieve high strength while being lightweight, and is now used for lighter interior seats. We also developed a modifier to enhance the toughness of epoxy resin, Kane Ace MX, and other modifier to improve the moldability of polypropylene-based resin for further lighten vehicles.

In January 2016, we showcased our unique technological solutions at the Automotive Lightweight Technology Expo in Japan. We will continue the material development to satisfy the sophisticated needs of customers and to contribute to the sustainable society.

Topics 03: Support for Raising the Next Generation Participating in the 2015 Children's Chemistry Show



Letting children experience the "wonders of science"



Children make their "one and only eraser in the world," listening closely to the explanation of the staff

The Children's Chemistry Show, a Chemistry Day event for experimenting with chemistry, was held at the Kyocera Dome in Osaka on October 24 and 25, 2015, and was sponsored by the Dream Chemistry 21 Committee. Chemistry Week celebrations are held annually during the week of October 23, the date of Chemistry Day, which commemorates the Avogadro constant (see note 1). This was the third show held in the Kansai region, with the first two shows held in 2014.

Around 4,300 people attended the two-day event, with approximately 330 children visiting Kaneka's booth for eraser making. The children were given 25 minutes each to experiment with creating their "one and only eraser in the world" in three different colors. Drawing on the assistance from the staff, the children and their parents were absorbed in making their very own eraser.

We will continue to show children the power of science through the wonders of chemistry. We look forward to continuing our support for educating the next generation at the next Children's Chemistry Show to be held in Kansai in fiscal 2016.

Note 1: The proportionality factor that relates the amount of substance in one mol and the number of constituent particles (molecules, atoms, ions, etc.) it contains. It is named after the Italian chemist Amedeo Avogadro.

TOPIC 04: Contributing to Improved Quality of Life Functional Food Products to Help Lower BMI



Employees of Your Health Care Co., Ltd., a mail-order company selling functional food items (from left: Hiromi Tomioka, Ikuko Miyake and Ayako Yoneda)



The functional food Glavonoid, available since 2011, was recently re-labeled as a Foods with Function Claims product

In recent times consumers have been increasingly seeking products to improve their health and quality of life. In support of this trend, in April 2015, Consumer Affairs Agency, Government of Japan introduced a new labelling system for Foods with Function Claims (FFC), in addition to the existing programs for Foods for Specified Health Uses and Foods with Nutrient Function Claims.

In September 2015, Your Health Care Co., Ltd., a Group company, began mail-order sales of Glavonoid as a Foods with Function Claims product. Glavonoid is a supplement containing fat-soluble polyphenols derived from licorice root, extracted using our own unique technology, to produce the functional food item licorice extract containing 3% Glabridin (product name: Kaneka Glavonoid). This product helps consumers maintain a healthy lifestyle; it has been scientifically demonstrated to assist with improvements in BMI (see note 2) by reducing excess visceral fat, which is known to contribute to various diseases.

As a mail-order sales company of dietary supplements such as reduced foam of coenzyme Q10, Your Health Care aims to further promote a healthy society in the future by increasing its product line of scientifically reliable FFC products.

Note 2: Body Mass Index (BMI) is a numerical value used to indicate the degree of obesity: $BMI = (\text{body weight [in kg]}) \div (\text{height [in m]})^2$ The Japan Society for the Study of Obesity defines a standard BMI as being between 18.5 ~ 25, with a value of 25 or higher indicating obesity.

TOPICS 05: Helping Innovate Digital Device Technology Polyimide Film Wins the 47th Ichimura Prize

Kaneka Group conducts R&D on materials to meet the growing need for enhanced performance and smaller and slimmer information devices arising from the evolution of electronic products.

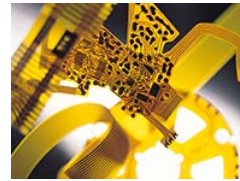
One such material is our ultra-heat-resistant polyimide film, Pixeo, which was developed using our unique manufacturing process. Widely used primarily in flexible printed circuit boards (FPC) for smartphones and tablets, it is more reliable than previous FPC and makes slimmer devices possible.

The three engineers involved in developing Pixeo were awarded the 47th Ichimura Prize in Industry from the New Technology Development Foundation (see note 3), in recognition of their development of a



groundbreaking technology and its commercial success. In addition, the product was developed using Pixeo and Apical, with the European Organization for Nuclear Research (CERN) from Kaneka and then Kaneka High-Tech Materials, Inc. receiving the 61st Award of the Society of Polymer Science, Japan.

As one of our key strategic domains, we will continue actively pursuing research and product development related to the information and communications field.



High-performance film boasting top performance in heat (400°C) and cold (-180°C) resistance among commercially available plastic films

Note 3: The Ichimura Prize is awarded to technological developers for achievement in developing outstanding technology in Japan that contributes to the advancement of science and technology, industrial growth, improving culture and national welfare and safety.

**TOPICS 06: Providing Global Product Technology Reflecting Local Needs
Establishing a Three-Hub Structure from America and Asia to Europe**

Kaneka Group recognizes the importance of global businesses rooted in local communities. In October 2015, the Group established Kaneka Europe Holding Company N.V. in the Belgian capital of Brussels, as its regional hub for Europe, Africa and the Middle East. The hub is mainly engaged in studying and planning regional business strategies, R&D, human resources, legal affairs and governance, and to enhance those functions and promote our business operations in the region.

Before this, we have established Kaneka Americas Holding, Inc. in the U.S. and Kaneka Asia Co., Ltd. in China as regional hubs in 2012. With this current addition in Europe, we now have a three-hub global structure. This brings us steadily closer to realizing our Basic CSR Policy to 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.



Aiming to increase sales in the Middle East and Africa with regional hub establishment

**TOPICS 07: Toward a Safe Manufacturing Site
Expanding Sensory Learning to Group Companies in China**



Kaneka Eperan (Suzhou) employees learn first hand the danger of an accident on a device to experience a hand becoming caught



HiHua Fiber employees experience the danger of falling

Sensory learning is a safety-training program to improve danger sensitivity by safely experiencing accidents and hazards in the workplace. The danger of accidents and hazards are physically felt by trainees through simulating a hand accident using a gloved dummy arm at the end of a stick or showing experiments on accident mechanisms of dust particle explosions.

From 2015, we began sensory learning at three company sites in China: HiHua Fiber Co., Ltd., Kaneka Eperan (Suzhou) Co., Ltd., and Kaneka (Foshan) High Performance Materials Co., Ltd. "It deeply impressed in me that 'always' staying safe is important. Carelessness is the enemy of safety." (Shu Jing, HiHua Fiber) "I learned the importance of keeping safe." (Ya Yun Feng, Kaneka (Foshan)) "Safety means protecting yourself. Avoiding injuries due to inattentiveness means protecting the company." (Niu En Ling, Kaneka Eperan (Suzhou))

Repeated training is important to improve and maintain safety consciousness. We are committed to creating a culture of safety by continuous sensory learning in the future.

Promoting Corporate Social Responsibility (CSR)

Kaneka Group's corporate philosophy, as expressed in the "Declaration of Kaneka United" is dedicated to breaking fresh ground for the future and tie in to explore New Values. We are also committed to challenge the environmental issues of our planet and contribute to upgrade the quality of life. In keeping with these ideals, we continually strive to be a global corporate citizen for growth and innovation through providing valuable products, technologies and services.

320

participants
(CSR Briefings for Group companies in Japan)

Briefing sessions were held throughout Japan to share information from our "CSR Report 2015" and "Employee Handbook on Corporate Social Responsibility: Practical Guide." In fiscal 2015, sessions were held at 16 operation sites of six companies.

▶ [Our Corporate Philosophy and CSR](#)

▶ [Our Initiatives for Social Responsibility](#)

▶ [CSR Targets, Achievements, and Evaluations](#)

▶ [About the Guidelines](#)

▶ [Corporate Governance and Compliance](#)

▶ [Promoting CSR](#)

▶ [Promoting and Implementing Responsible Care](#)

▶ [Kaneka Group Overview / Registered Trademarks and Other Trademarks for Kaneka Group Products](#)

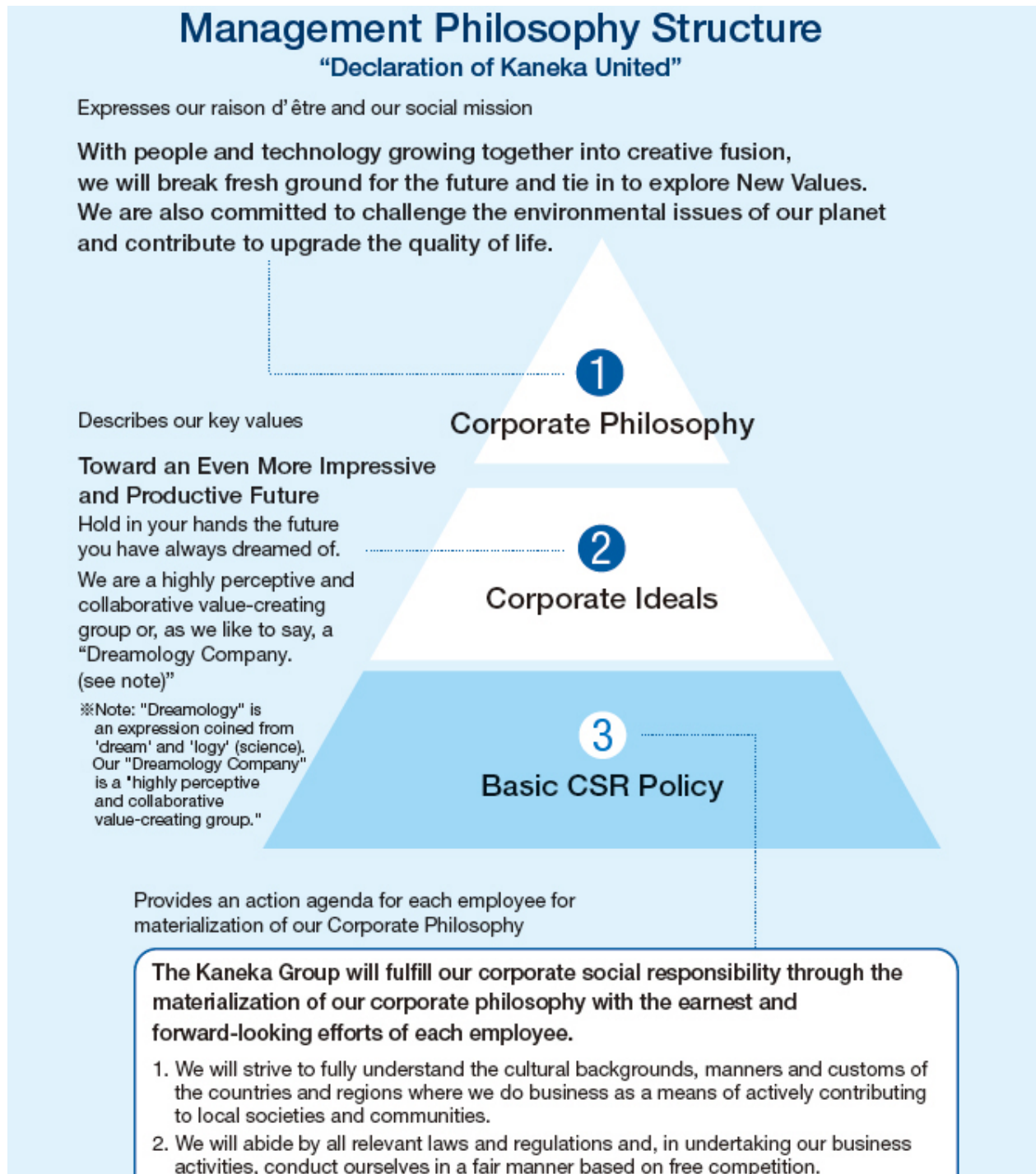
▶ [Organizations Covered in This Report](#)

Our Corporate Philosophy and CSR

Kaneka Group defines its Basic CSR Policy as a guideline for action for each employee and the foundation of its management philosophy, the Declaration of Kaneka United.

Guided by this policy, we strive to improve our social responsibility performance as well as our corporate value to further improve the satisfaction of our key stakeholders—employees, society, customers, the environment, shareholders and investors, and vendors.

■ Management Philosophy Structure “Declaration of Kaneka United” and Kaneka Group’s Stakeholders



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.

**Kaneka Group's
CSR Activities**

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

Kaneka Group's Stakeholders

Employees

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

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.

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.

Employees

Society

Customers

**Kaneka
Group**

The
Environment

Shareholders
and
Investors

Vendors

**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.

**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.

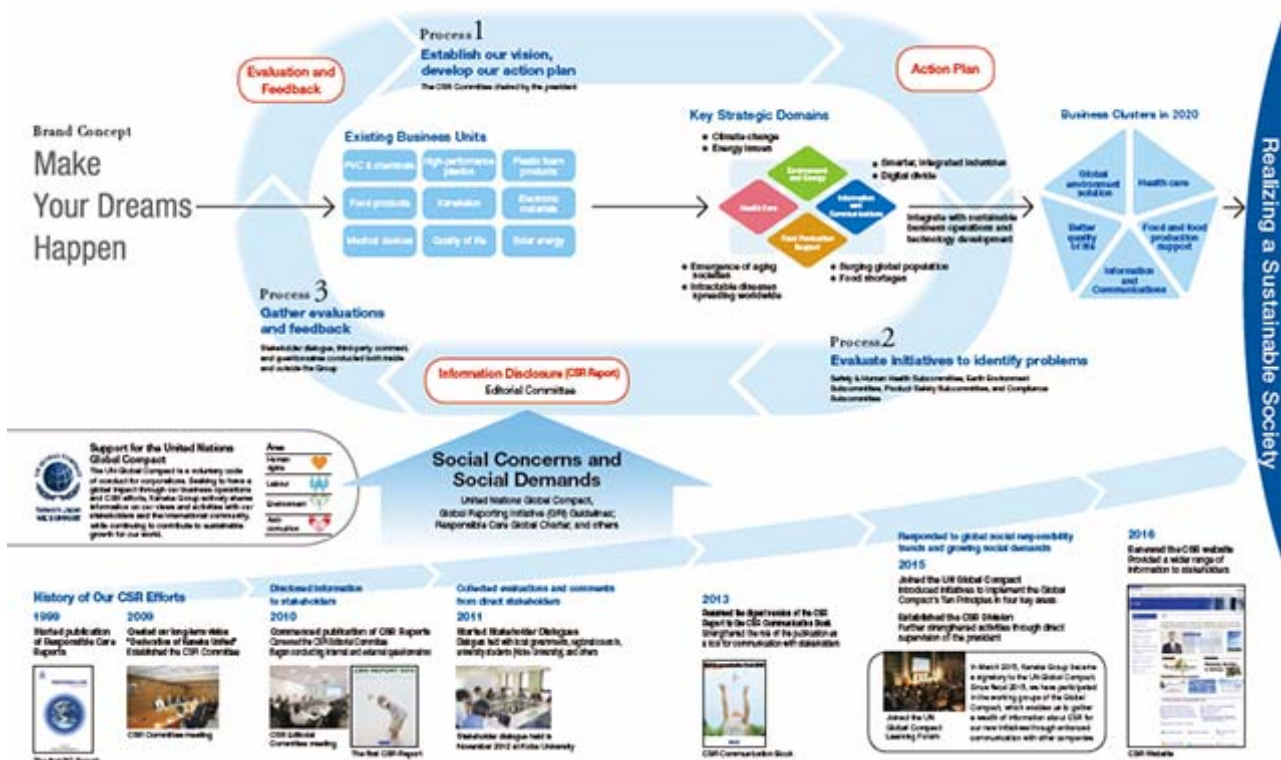
Our Initiatives for Social Responsibility

Through our CSR efforts, Kaneka aims to contribute to society as a corporate citizen.

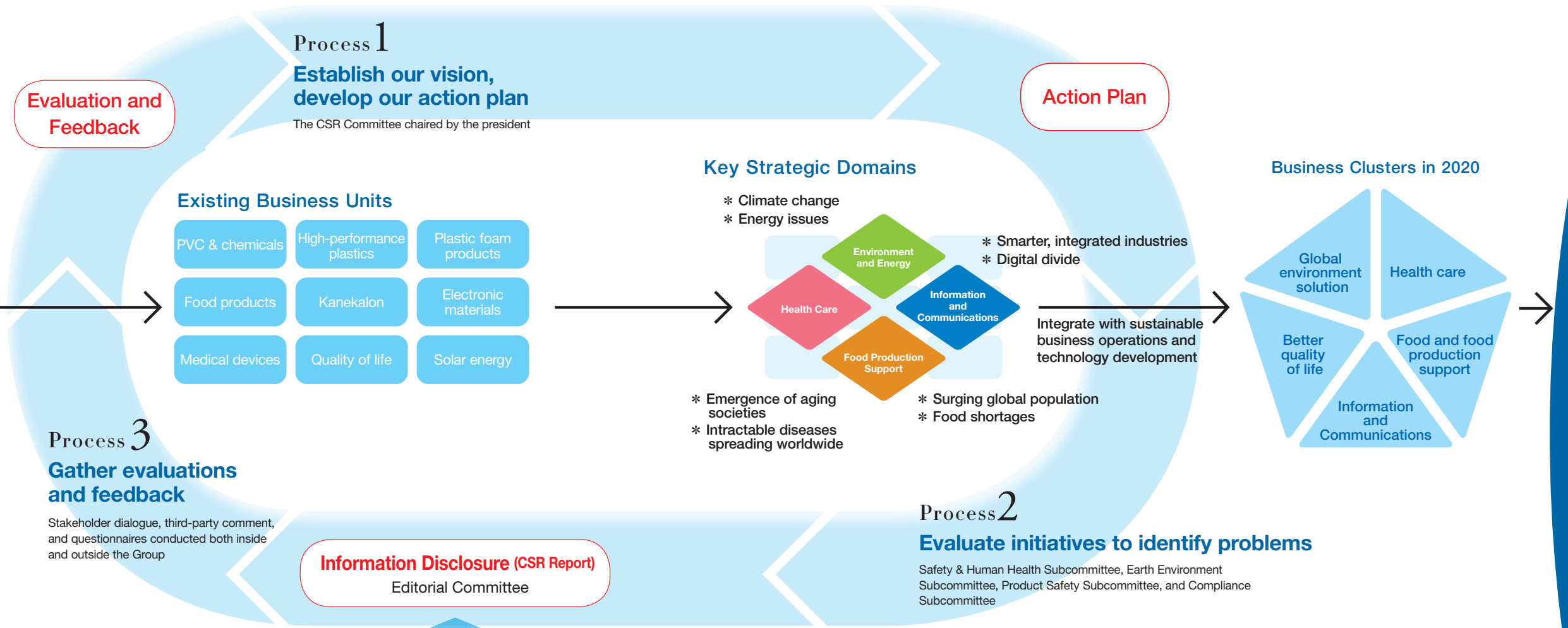
We have identified four key strategic domains through which we leverage our strengths, such as through our research and development efforts, to help solve societal challenges by offering new technologies and products.

We are also guided by the goals of the United Nations Global Compact, which we joined in March 2015, and the Fourth Edition of the Global Reporting Initiative (GRI) guidelines.

Our Initiatives for Social Responsibility



Brand Concept
**Make
 Your Dreams
 Happen**



Realizing a Sustainable Society



Support for the United Nations Global Compact
 The UN Global Compact is a voluntary code of conduct for corporations. Seeking to have a global impact through our business operations and CSR efforts, Kaneka Group actively shares information on our views and activities with our stakeholders and the international community, while continuing to contribute to sustainable growth for our world.

- Area**
- Human rights
 - Labour
 - Environment
 - Anti-corruption

Social Concerns and Social Demands

United Nations Global Compact, Global Reporting Initiative (GRI) Guidelines; Responsible Care Global Charter, and others

History of Our CSR Efforts

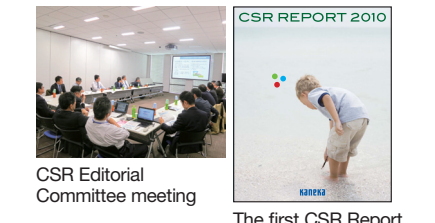
1999
Started publication of Responsible Care Reports

2009
Created our long-term vision "Declaration of Kaneka United"
 Established the CSR Committee



The first RC Report

2010
Commenced publication of CSR Reports
 Convened the CSR Editorial Committee
 Began conducting internal and external questionnaires



The first CSR Report

2011
Started Stakeholder Dialogues
 Dialogues held with local governments, regional councils, university students (Kobe University), and others



Stakeholder dialogue held in November 2012 at Kobe University

2013
Renamed the digest version of the CSR Report to the CSR Communication Book
 Strengthened the role of the publication as a tool for communication with stakeholders



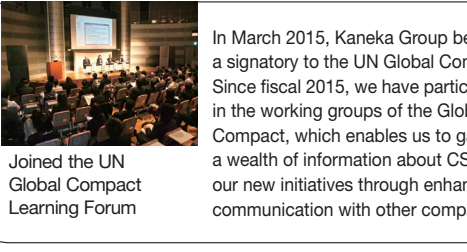
CSR Communication Book

2015
Responded to global social responsibility trends and growing social demands

2016
Renewed the CSR website
 Provided a wider range of information to stakeholders

Joined the UN Global Compact
 Introduced initiatives to implement the Global Compact's Ten Principles in four key areas

Established the CSR Division
 Further strengthened activities through direct supervision of the president



Joined the UN Global Compact Learning Forum



CSR Website

CSR Targets, Achievements, and Evaluations

Our fiscal 2015 targets, achievements, and evaluations, fiscal 2016 targets, and medium- to long-term goals are outlined below.

Evaluation: Well above target Achieved/almost achieved Not achieved Significantly underperformed

Key Stakeholder	Item	Fiscal 2015 Targets	Fiscal 2015 Achievements	Evaluation	Fiscal 2016 Targets	Medium- to Long-Term Targets	
All Stakeholders	CSR Management	Bolster Governance and Compliance	<ul style="list-style-type: none"> •Make compliance a part of our culture. •Continue the CSR audit. •Extend the e-learning program to cover the Group companies in Japan. •Maintain the whistleblowing system. •Continue improving internal control to ensure financial reporting credibility and for other purposes. 	<ul style="list-style-type: none"> •Conducted the CSR audit at Kaneka and Group companies in Japan, the U.S. and Europe. •Studied potential systems to set up a Group-wide e-learning program in Japan. •Responded to five cases reported to the Kaneka consultation desk. •Started a training program related to the Anti-Monopoly Act for the Group companies in Japan. •Increased the number of independent external directors from one to two. •Prepared a basic policy on corporate governance and made the required disclosure. 		<ul style="list-style-type: none"> •Make compliance a part of our culture. •Continue the CSR audit. •Launch the e-learning program for the Group companies in Japan. •Maintain the whistleblowing system. •Continue holding training courses at group companies in Japan. •Detail specific actions concerning the operation of the newly established Appointment and Remuneration Advisory Committee and the meeting of independent external directors, and actions regarding evaluation of the effectiveness of Board of Directors' meetings. 	Step up corporate governance and compliance to improve enterprise value for the entire organization.
		CSR Implementation	<ul style="list-style-type: none"> •Convene CSR Committee meetings at least three times a year and hold meetings of the four subcommittees as planned. •Disseminate information regularly to enhance employees' understanding of CSR. •Set up a new CSR training program in addition to job-specific and other training courses. Continue the briefings for Group companies in Japan. 	<ul style="list-style-type: none"> •Held two CSR Committee meetings and meetings of the four subcommittees as planned. •Renewed the intranet system. Enhanced employees' understanding of CSR by sending out information regularly and using the CSR Handbook. •Conducted 17 training courses. Held briefings for 6 Group companies (16 sites) in Japan. 		<ul style="list-style-type: none"> •Convene CSR Committee meetings at least twice a year, and hold meetings of the four subcommittees as planned. •Disseminate information regularly to enhance employees' understanding of CSR. •Hold briefings for Group companies in Japan in addition to various training courses. 	In line with the Declaration of Kaneka United, share basic CSR policies for the Group to implement all corporate activities.
		Management CSR Safety and Quality Inspection	<ul style="list-style-type: none"> •Conduct CSR safety and quality inspections by management for: all parent plants, one research center, 16 Group companies in Japan (16 plants), and six Group companies outside Japan. 	<ul style="list-style-type: none"> •Conducted CSR safety and quality inspections by management as planned. 		<ul style="list-style-type: none"> •Continue CSR safety and quality inspections by management (covering all parent plants, 14 Group companies in Japan [15 plants], and three Group companies outside Japan). 	Continue to implement management inspections and audits.
		Reinforce Risk Management	<ul style="list-style-type: none"> •Reinforce understanding of risk management rules via the handbook. •Strengthen crisis management to prevent problems escalating after accidents. 	<ul style="list-style-type: none"> •Prepared and distributed a simple handbook within the Group. •Held a company-wide drill to check the procedures for safety confirmation and communication. 		<ul style="list-style-type: none"> •Ensure that everyone in the Group is familiar with the risk management handbook, and improve risk management awareness. 	Ensure the use of business continuity plans and pursue ongoing improvements to enhance risk management.
The Environment	Environmental Protection Improvement (reducing environmental impact)	Prevention of Global Warming	<ul style="list-style-type: none"> •Reduce the energy intensity index (see note 1) by at least 1% annually. •By fiscal 2020, bring the CO₂ emissions intensity index to 74 or below, using fiscal 1990 as the baseline (=100). The target for fiscal 2015 is 77.8. •Reduce the transport-related energy intensity index (see note 2) by 1% annually. 	<ul style="list-style-type: none"> •Reduced the energy intensity index (see note 1) to 83.5, down 2.9% from fiscal 2014. Achieved the reduction target on a five-year average basis by scoring 1.5%. •CO₂ emissions intensity index: 77.8 (target achieved). •Reduced the transport-related energy intensity index (see note 2) by 11.1% from fiscal 2014 (target achieved). Also achieved the target on a five-year average basis (3.4% reduction). 		<ul style="list-style-type: none"> •Reduce the energy intensity index (see note 1) by at least 1% annually. •By fiscal 2020, reduce the CO₂ emissions intensity index to 74 or below, using fiscal 1990 as the baseline (=100). The target for fiscal 2016 is 77.0. •Reduce the transport-related energy intensity index (see note 2) by 1% annually. 	Reduce energy intensity index (see note 1) by at least 1% annually. Reduce the carbon dioxide emissions intensity index target for fiscal 2020 to 26 or below the fiscal 1990 level. Reduce the average energy intensity index (see note 2) for logistics by at least 1% annually by planning and promoting energy efficiency measures.
		Reduction of Industrial Waste	<ul style="list-style-type: none"> •Keep the final landfill rate at 0.2% or below for all parent plants. Achieve zero emissions by reducing waste and final landfill volumes from Group companies in Japan. •Monitor the level of waste produced per unit output at all parent plants. •Regularly check the compliance status of waste disposal companies. 	<ul style="list-style-type: none"> •Achieved a final landfill rate of 0.007% (target achieved). The figure for Group companies in Japan also declined to 0.06% from 0.07% in fiscal 2014. •Checked the compliance status of contractors and confirmed the absence of problems. 		<ul style="list-style-type: none"> •Keep the final landfill rate at 0.2% or below for all parent plants. Achieve zero emissions by reducing waste and final landfill volumes from Group companies in Japan. •Continue checking the compliance status of waste disposal companies. 	Keep the final landfill rate to 0.2% or below for all parent plants. Maintain zero emissions at Group companies in Japan. We will confirm compliance among waste disposal companies.
		Reduction of Volatile Organic Compound (VOC) Emissions	<ul style="list-style-type: none"> •Continue VOC emissions reduction measures and maintain emissions at 1,800 tons or lower. 	<ul style="list-style-type: none"> •Actual volume was 1,702 tons, which was within the target figure of 1,800 tons. 		<ul style="list-style-type: none"> •Continue VOC emissions reduction measures and maintain emissions at 1,800 tons or below. 	Continue to cut VOC emissions in line with domestic trends.
		Preservation of Biodiversity	<ul style="list-style-type: none"> •Continue priority initiatives under the biodiversity guidelines with a main focus on community initiatives. 	<ul style="list-style-type: none"> •Implemented initiatives as part of community initiatives, mainly at the Takasago and Osaka Plants. 		<ul style="list-style-type: none"> •Continue priority initiatives under the biodiversity guidelines mainly focusing on community initiatives. 	In line with our biodiversity activity policy, we will continue to focus on this area.
		Customer Satisfaction (ensuring quality and product safety)	<ul style="list-style-type: none"> •Improve daily management, which is the foundation for expanding operations and diversifying businesses. •Comply with and respond to laws and regulations on chemical substances in Japan and abroad and collect and share information on amendments (in the U.S., Asia, etc.). •Reinforce the chemical substance database and expand the coverage. 	<ul style="list-style-type: none"> •Prepared and widely shared the Technological Transfer Guidelines. •Checked and confirmed proper management of product certifications. •Completed Phase 1 registration of existing substances in Taiwan. Shared information to respond to amendments to the Industrial Safety and Health Act. •Continued developing the chemical substances database and set up two workflows within the system. 		<ul style="list-style-type: none"> •Ensure safety of products in new business domains. •Collect and share information on amendments of laws related to chemical substances in Japan and abroad (the U.S., Asia, etc.). •Make the chemical substance database available to a broader range of users. 	Practice quality management that accommodates an expanding business scope. Identify trends in regulatory revisions in Japan and abroad to improve chemical substance management.
Vendors	Proper Procurement	Green Procurement	<ul style="list-style-type: none"> •Conduct testing of all existing raw materials and in the order of priority to check the contamination of prohibited substances. •Initiate studies to assess the feasibility of CSR procurement. 	<ul style="list-style-type: none"> •Formulated the plan and initiated the activities. •Revised the Green Procurement Standards twice in line with amendments of laws and regulations. 		<ul style="list-style-type: none"> •Based on the plan, conduct tests to check the contamination of prohibited substances in the order of priority and covering all raw materials. •Continue studies to assess the feasibility of CSR procurement. 	Based on the Basic Procurement Policy, step up CSR procurement from the perspective of green procurement throughout the entire Kaneka Group to consider global environmental perspectives.
		Bolstering Distribution Safety	<ul style="list-style-type: none"> •Prepare and revise Yellow Cards and ensure that people carry them when required. •Continue compliance checks and voluntary inspections of mobile tanks. •Continue holding emergency response drills for transportation. 	<ul style="list-style-type: none"> •Conducted site patrol with transportation companies to: check whether Yellow Cards are being carried (Takasago Plant); and to identify unsafe aspects and propose improvements in cargo handling (Osaka Plant). •Jointly conducted compliance checks and voluntary inspections of mobile tanks. •Together with transportation companies, reconfirmed the emergency contact networks (Kashima Plant), and conducted product-specific training concerning risks involved in transportation (Takasago Plant). 		<ul style="list-style-type: none"> •Prepare and revise Yellow Cards as required and ensure that people carry them when required. •Continue compliance checks and voluntary inspections of mobile tanks. •Continue holding emergency response drills for transportation. 	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.
		Timely and Appropriate Disclosure	<ul style="list-style-type: none"> •Issue securities reports, financial results, interim reports for shareholders and investors, and other investor relations materials. 	<ul style="list-style-type: none"> •Issued reports as planned. 		<ul style="list-style-type: none"> •Issue securities reports, financial results, interim reports for shareholders and other investors, and other materials relating to investor relations. 	Make disclosure speedy, timely, and appropriate to foster understanding of the Kaneka Group and build trust and meet the expectations of investors.
Society	Improving Communication with Society	<ul style="list-style-type: none"> •Issue a CSR report and post it on our website. •Issue a booklet on the Group's social service activities. •Continue holding stakeholder dialogues and youth events. •Have all parent plants issue a site report, which will be posted on the website. 	<ul style="list-style-type: none"> •Issued the CSR report and posted it on our website. •Issued booklets on the Kaneka Group's environmental and social activities and shared them within the Group companies in Japan. Posted the booklets on our website. •Held stakeholder dialogues and youth events. •All parent plants issued site reports, which were posted on our website. 		<ul style="list-style-type: none"> •Issue a CSR report and post it on our website. Change the format of the detailed version from PDF to HTML format, which is search engine friendly. •Continue holding stakeholder dialogues and youth events. •Have all parent plants issue site reports, and post them on our website. 	Extensively disclose information on our CSR activities to stakeholders and engage them in dialogue. Continue to issue site reports for all parent plants.	
		Reinforcing Process Safety and Disaster Prevention	<ul style="list-style-type: none"> •Review the rules for risk assessment and re-train employees to ensure reliable risk assessment. •Evaluate reaction hazards at the four parent plants. •Continue safety checks in regard to powder dust explosions, static ignition, and other risks. 	<ul style="list-style-type: none"> •Conducted seven training sessions on chemical risk assessment. •Conducted site-specific risk assessments at the four parent plants. •Evaluated reaction hazards in the four parent plants. •Conducted safety checks in regard to powder dust explosions, static ignition, and other risks. •Fire incidences occurred at Takasago and Kashima Plants. 		<ul style="list-style-type: none"> •Check how the weaknesses identified through process safety assessment have been addressed. •Implement effective risk-reduction measures in readiness for a severe disaster or accident. 	Reduce risks, primarily through risk assessments, undertaking ongoing efforts to minimize risks.
Employees	Emphasis on Diversity	Employing, Training, and Recruiting Diverse People	<ul style="list-style-type: none"> •Ensure that the measures developed in fiscal 2014 to promote active participation of women are widely implemented. Continue to educate employees to foster diversity in the workplace. 	<ul style="list-style-type: none"> •Sent 50 employees to training courses for future women leaders. The newly created day-care cost subsidies scheme was used by 22 employees, and the temporary leave system for staff accompanying spouses assigned overseas was used by one employee. 		<ul style="list-style-type: none"> •Based on the action plan under the law to promote women in the workplace, accelerate efforts to promote the women's networking scheme and to increase female recruits. 	Based on the Kaneka Spirit of fostering personnel reforms and growth, we will overhaul mechanisms for employment, education, and rotation.
		Work-life Balance	<ul style="list-style-type: none"> •Consider introducing specific measures to maintain a balance between work and nursing care commitments. Ensure management of work hours once again. 	<ul style="list-style-type: none"> •Expansion of the work-at-home program to include a broader range of circumstances, and extension of the shorter working hours system. Lights are switched off at 19:00 at Osaka Head Office to encourage shorter working hours. 		<ul style="list-style-type: none"> •Pursue better work-life balance by revisiting the corporate working culture and through a new management system for attendance. 	Consider introducing and running systems that enhance the work environment and enable people to fulfill their professional and personal commitments.
		Labor and Management Relationships	<ul style="list-style-type: none"> •Continue supporting personnel development for future union leaders and maintain good labor and management relationships. 	<ul style="list-style-type: none"> •Discussions held at various meetings to reach agreement on a common goal for labor and management. 		<ul style="list-style-type: none"> •Continue supporting personnel development for future union leaders and maintain good labor and management relationships. 	Based on joint labor and management targets, both parties will work together to ensure employee growth and enhance lifestyles.
	Respect for Human Rights	<ul style="list-style-type: none"> •Continue training for new employees and executives on human rights and intercultural communication through the KG System (see note 3). 	<ul style="list-style-type: none"> •Conducted training on human rights targeting new employees and newly promoted executives. 		<ul style="list-style-type: none"> •Continue training for new employees and executives on human rights. 	We will position human rights as a fundamental commitment that the Kaneka Group and employees must respect. We will educate employees through training and other tools to accept diverse values, respect personalities and individuality, and reject discrimination.	
	Reinforcing Occupational Safety and Health	Occupational Safety	<ul style="list-style-type: none"> •Produce good practice case studies from Kaneka's environmental, health and safety activities to improve the quality of the activities. •Improve safety awareness through training focused on hands-on learning in the workplace and group discussion. 	<ul style="list-style-type: none"> •The number of occupational accidents was 13, which was lower than fiscal 2014, although it remained more or less steady over the five-year period. •Produced good practice case studies on safety activities and distributed within the Group companies in Japan. •Conducted hands-on training and group discussions on safety. •Training courses were held at 11 Group companies in Japan (with 761 participants) focusing on accidents caused by being caught in machines. 		<ul style="list-style-type: none"> •Conduct effective management training to ensure a corporate culture of putting safety first. •Continue improving safety standards by revising and using the good practice case studies booklet. 	Continue to reinforce the safety activities of Group companies.
Occupational Health	<ul style="list-style-type: none"> •Set up a stress check mechanism for the Group and develop manuals to reinforce support for employees returning to the workplace. 	<ul style="list-style-type: none"> •Set up a stress check mechanism for the Group. •Prepared a manual for employees returning to the workplace after extended leave. 		<ul style="list-style-type: none"> •Conduct stress checks and create a worker-friendly environment. 	Continuously improve the mental health of employees and the workplace environment.		
Management Systems	<ul style="list-style-type: none"> •Reinforce check and action aspects of the PDCA cycle through CSR safety and quality inspections and apply quantitative assessment methods. •Implement specialized internal environmental safety audits through process auditing tests. 	<ul style="list-style-type: none"> •Conducted CSR safety and quality inspections by applying quantitative assessment methods. •Conducted specialized internal environmental safety audits by applying the process auditing method in one section each of the four parent plants. 		<ul style="list-style-type: none"> •Continue the use of quantitative assessment methods. •Review the criteria for specialized internal environmental safety audits and reinforce the checking mechanism based on internal criteria. 	Continue to improve occupational health and safety based on occupational safety and health management systems (OSHMS).		

Note 1: Energy intensity index 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 as 100.

Note 2: The transport related energy intensity index is a value indexed against the energy intensity of fiscal 2006, the baseline year (=100).

Note 3: KG system: Kaneka Global Employee Registration System.

About the Guidelines

The Kaneka Group pursues CSR activities in keeping with the principles of the UN Global Compact, which we signed in March 2015, and the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Our CSR Report provides information relevant to all of the Ten Principles of the UN Global Compact.

■ Relationship between the Ten Principles of the UN Global Compact and the GRI Guidelines.

UN Global Compact Principles	Global Reporting Initiative guidelines	Website locations:
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights.	Sub-Category: Human Rights (all Aspects) Sub-Category: Society · Local Communities	<ul style="list-style-type: none"> ▶ CSR Targets, Achievements, and Evaluations ▶ Respect for Human Rights ▶ Commitment to Safety and Disaster Preparedness
Principle 2 Businesses should make sure that they are not complicit in human rights abuses.	Sub-Category: Human Rights (all Aspects)	<ul style="list-style-type: none"> ▶ CSR Targets, Achievements, and Evaluations ▶ Respect for Human Rights
Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11 Sub-Category: Labor Practices and Decent Work · Labor/Management Relations Sub-Category: Human Rights · Freedom of Association and Collective Bargaining	<ul style="list-style-type: none"> ▶ Securities Report (Japanese only) ▶ Respect for Human Rights
Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	Sub-Category: Human Rights · Forced and Compulsory Labor	—
Principle 5 Businesses should uphold the effective abolition of child labour.	Sub-Category: Human Rights · Child Labor	—
Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10 Sub-Category: Labor Practices and Decent Work (all Aspects) Sub-Category: Human Rights · Non-discrimination	<ul style="list-style-type: none"> ▶ Kaneka Group Overview / Registered Trademarks and Other Trademarks for Kaneka Group Products ▶ Promoting Diversity & Inclusion ▶ Site Reports (Environmental Reports for each plant) (Japanese only) ▶ CSR Targets, Achievements, and Evaluations
Principle 7 Businesses should support a precautionary approach to environmental challenges.	Category: Environmental (all Aspects)	<ul style="list-style-type: none"> ▶ For the Environment ▶ Community Initiatives (environmental activities)

Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	Category: Environmental (all Aspects)	<ul style="list-style-type: none"> ▶ For the Environment ▶ Community Initiatives (environmental activities)
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Category: Environmental (all Aspects)	<ul style="list-style-type: none"> ▶ For the Environment ▶ Community Initiatives (environmental activities) ▶ Communication Is Our Start Line ▶ CSR Topics 2015
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Sub-Category: Society <ul style="list-style-type: none"> · Anti-corruption · Public Policy 	<ul style="list-style-type: none"> ▶ Corporate Governance and Compliance

Corporate Governance and Compliance

Guided by our Corporate Vision, we at Kaneka aim to fulfill our corporate social responsibility and achieve good corporate governance, which will allow us to provide shareholders and investors with sustained corporate growth and improved corporate value over the medium and long term, while maintaining good relationships with our stakeholders, including our customers, the communities where we operate, our business partners, and our employees.

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Corporate Governance Structure

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(1) Basic Principles of Corporate Governance

The Board of Directors, on behalf of the shareholders, is responsible for the company's sustainable growth and for increasing corporate value in the medium to long term through efficient and effective corporate governance. The Board of Directors exercises its oversight functions on overall management to ensure fairness and transparency, as well as appoint management positions, evaluate and determine remuneration, evaluate serious risks and determine strategies to counter them, and make the best decisions on important business operations.

(2) Corporate Governance Structure

We currently have two independent external directors and two independent external auditors. Since both the overseeing of business operations by the Board of Directors and auditing by the Board of Auditors are functioning well, Kaneka has chosen to be a Company with Board of Auditors under the Companies Act.

The Board of Directors makes resolutions on important matters related to the management of the Kaneka Group after deliberation by the Management Committee, which includes the president. There are at most 13 board members. Of these, two are independent external directors to strengthen the oversight function. Directors serve for a period of one year to clearly define management responsibilities.

(3) Internal Audit

Auditors and the Board of Auditors, on behalf of the shareholders, are responsible for ensuring healthy and sustainable corporate growth, and for establishing a structure with good corporate governance that can gain social trust by checking on the performance of directors in regard to their duties. The Board of Auditors comprises four members, two of whom are independent external auditors in principle, and performs audits in coordination with the Accounting Auditor and the CSR Division's Internal Control Department. Auditors are given a space to periodically exchange views with the president, and monitor the state of business operations at least once a year, by attending key meetings of the Board of Directors and those of the Management Committee, which decides on the implementation of important matters, and division head meetings.

Moreover, independent external director's meetings are held and an appointment and remuneration advisory committee will be created as an ad-hoc committee to make full use of independent external directors.

Kaneka has adopted the executive officer system to separate the oversight function of directors from the implementation function of business operations, which also facilitates decision-making and clearly defines roles. The Board of Directors decides on key management strategies and business operations of the entire Kaneka Group, while executive officers handle business operations in their respective areas of responsibility.

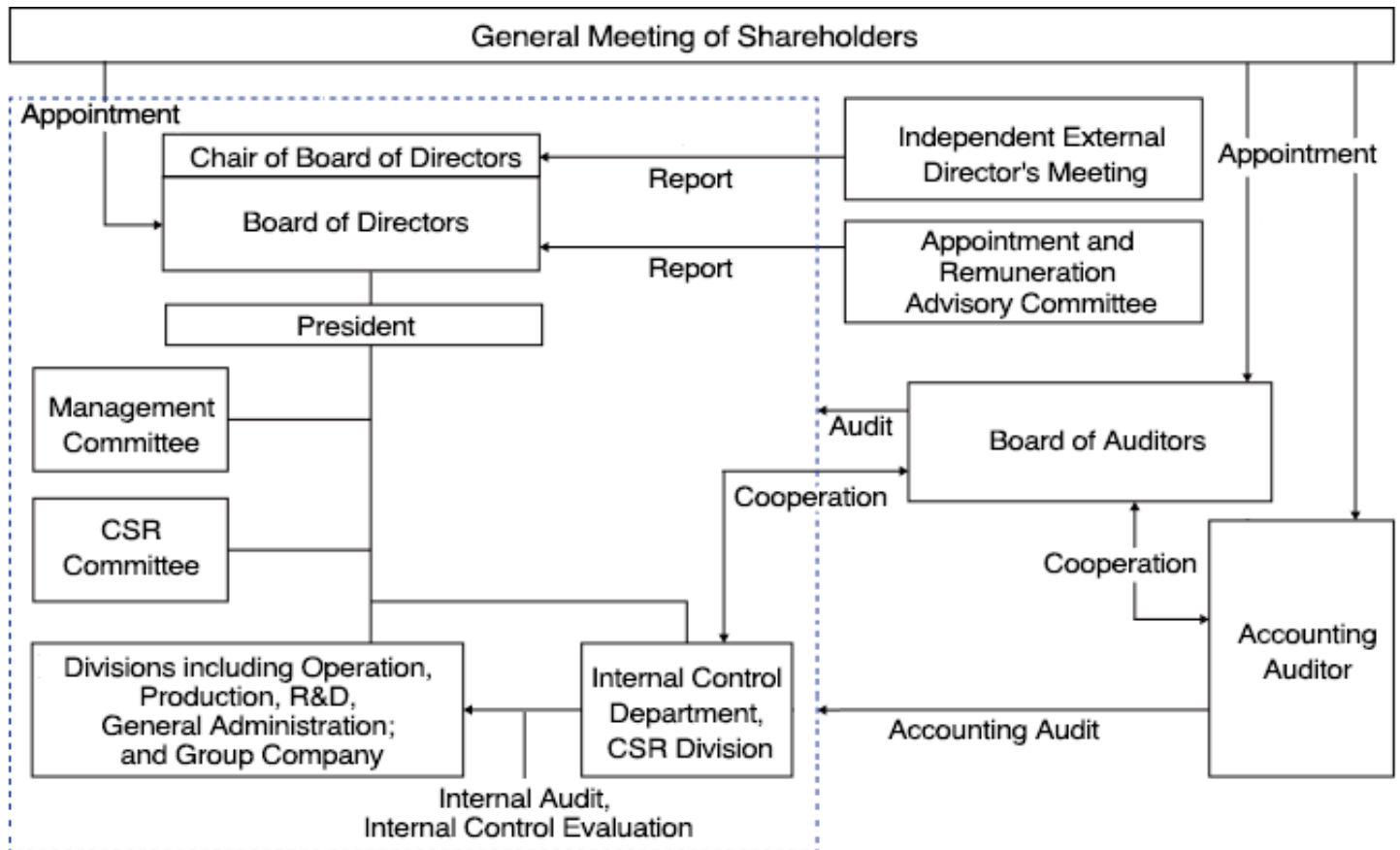
Division heads, as well as executive officers appointed by the Board of Directors, exercise extensive authority over daily

operations. However, directors handle several divisions to ensure overall coordination and hold monthly division head meetings to enable the directors and auditors to directly hear progress reports from each division head. The Internal Control Department of CSR Division evaluates the effectiveness of internal control and conducts an internal audit.

(4) Corporate Governance and CSR

Chaired by the president, the CSR Committee was established to ensure that we adhere to laws and regulations, are accountable to our stakeholders, and are engaged in activities that contribute to sustainable social progress. The CSR Division was created in April 2015 as a division that directly reports to the president to reinforce CSR initiatives.

■ Corporate Governance Structure



Compliance

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Compliance with relevant laws and regulations is important to our corporate management as well as to all directors and employees at the Kaneka Group.

Our corporate Intranet provides ready access to our Compliance Guidebook, which provides a clear explanation of our Ethical Code of Conduct as well as the laws and regulations to be observed by all of our directors and employees. Additionally, a variety of training sessions and meetings, and activities of the Compliance Subcommittee ensure that we strictly adhere to our compliance policies.

The compliance online course for all employees, launched in 2014, was also conducted during fiscal 2015, and in fiscal 2016 it will be extended to Group companies in Japan. Training sessions on the Antimonopoly Act are conducted

regularly with all of our managerial officers involved in sales, purchasing, and business development, all of whom are required to submit a pledge. Additionally, CSR evaluation audits were carried out for all Group companies in Japan, the U.S. and Europe. We also started site visits of Group companies in Japan for antitrust-related training. Moreover, we set up compliance consultation hotlines both internally and with outside law firms in order to answer inquiries from those within the Group. We strive to respond quickly to provide a rapid resolution to any concerns that may arise.



A compliance training session

■ Basic Policy on Our Internal Control System

Systems for ensuring proper execution of duties by the Board of Directors and employees adherence with laws, regulations and articles of incorporation.

- (1) Appointment of a minimum of two independent external directors to strengthen the supervisory function of the Board of Directors.
- (2) Establishment of an Appointment and Remuneration Advisory Committee as an advisory committee to the Board of Directors in order to ensure sound corporate governance practices.
- (3) Facilitation of an independent external director's meeting, comprised of independent external directors and independent external auditors, to discuss corporate governance-related matters, and to report to the Chair of the Board of Directors any issues and improvement measures.
- (4) Establishment of the CSR Committee, chaired by the president, to lead our CSR efforts and Responsible Care activities.
- (5) General responsibility of the Compliance Subcommittee, which falls under the CSR Committee, to oversee the Group's corporate ethics and compliance programs and procedures; including coordinating programs; monitoring progress; verifying business compliance, establishing and operating appropriate consultation and creating a whistleblowing mechanism.
- (6) Consolidation of special bodies to oversee programs to address company-wide issues, including the subcommittees under the CSR Committee, namely the Safety & Human Health Subcommittee, the Earth Environment Subcommittee, and the Product Safety Subcommittee.
- (7) Relevant internal regulations to ensure compliance with laws; and education and training programs, self-checks and audits to ensure such regulations are fully understood and complied with.
- (8) Implementation of strict measures to ensure that the Group as a whole has absolutely no relationship with any anti-social elements, as well as to reject any illegal or improper demands. In addition, we established an in-house office that is responsible for the collection and management of relevant information and that cooperates with external organizations, including the police, to undertake and strengthen measures to prevent the influence of any anti-social elements.
- (9) Undertaking of the necessary monitoring activities by the Internal Control Department to ensure the reliability of financial reporting, as well as put in place internal controls over financial reporting.

Promoting CSR

Kaneka Group established a CSR Committee to promote the Group's Corporate Social Responsibility (CSR) activities. This committee, chaired by the president, oversees four subcommittees: the Safety & Human Health Subcommittee, the Earth Environment Subcommittee, the Product Safety Subcommittee and the Compliance Subcommittee.

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Implementing CSR

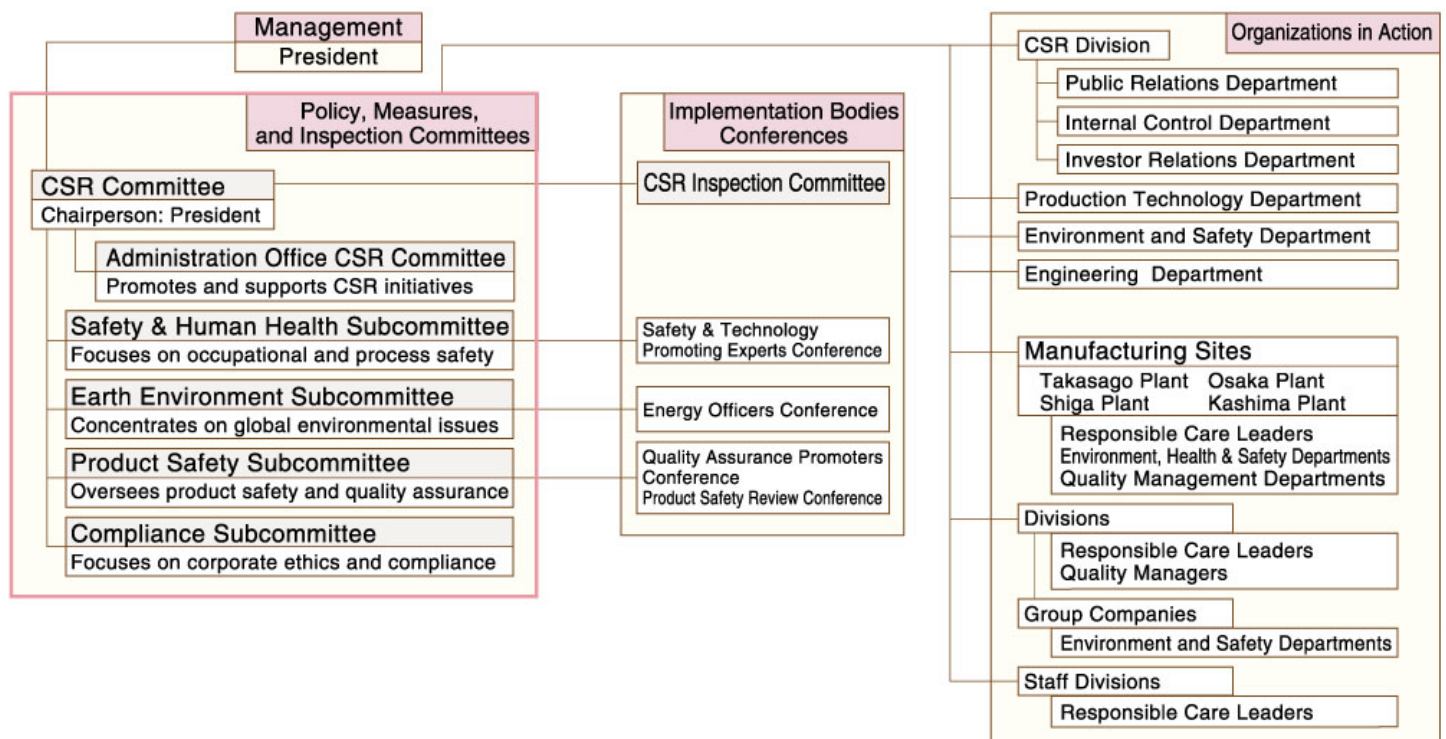
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In order to strengthen its organizational problem-solving capacities related to CSR matters, Kaneka Group created the CSR Committee in March 2009.

The CSR Committee determines and revises the basic policies that provide direction for the Group to fulfill its responsibility as a good corporate citizen. The Committee also develops comprehensive strategic plans and produces action plans for CSR activities, and assesses their implementation status.

In fiscal 2015 the CSR Committee met twice, and the Safety and Human Health subcommittee once, and each of the Earth Environment, Product Safety, and the Compliance Subcommittees twice.

■ CSR Structure



CSR Inspections

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To ensure that the Kaneka Group is fully in conformance with the relevant laws and regulations, as well to pursue increased performance for occupational safety and health, CSR safety and quality inspections by the CSR Inspection Committee are conducted every year at all four parent plants, and once every two years at all Group companies around the world.

In fiscal 2015, we conducted CSR safety and quality inspections focusing on conformity with applicable regulations, countermeasures against major risks and prevention of accidents and hazards, and the status of change management frameworks at all four parent plants and one research center, 16 sites of 16 Group companies in Japan, and at six sites of six Group companies outside Japan.

In addition, we conducted CSR evaluation audits to assess compliance with labor laws (including regulations for HR management) for 43 Group companies in Japan. We also carried out audits relating to competition laws including the Antimonopoly Act for all of the business operations divisions, 24 Group companies in Japan and four outside Japan. We will continue to conduct such audits to improve our CSR performance.

CSR Education

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We at Kaneka conduct CSR trainings for employees at all levels, based on our CSR Handbooks covering fundamental and practical aspects. In fiscal 2015, training sessions were held twice for new employees and twice for mid-career entrants, as well as one time each for those newly promoted to managerial and supervising positions.

We also held 17 sessions to explain our CSR activities, including at meetings of Group company presidents and at briefing sessions held for newly appointed corporate heads and new employees at Group companies in Japan.

We strive to fulfill our responsibility and be a good member of the local community by having everyone in our Group consciously implement CSR activities through our businesses.

Booklet on Community Initiatives

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We at the Kaneka Group place great importance on our outreach and communications activities.

As part of such efforts, we issued a booklet that highlights our community initiatives as a good corporate citizen. Distributing these booklets mainly to our external stakeholders will promote a greater appreciation and understanding of our Group and help improve our corporate brand.



Booklet on Kaneka Group
Community Initiatives

CSR Briefings (For Kaneka and Group companies in Japan)

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As part of our ongoing education activities starting in fiscal 2014, CSR Briefing sessions were held for employees of Kaneka and Group companies in Japan using our CSR Report 2015 and the CSR Handbook: Practical Guide in fiscal 2015 at six companies in a total of 16 locations. These sessions helped to assure better understanding of top commitment, our long-term vision, the Declaration of Kaneka United, our health, safety and environmental initiatives, and our goals for our CSR activities. 320 people participated in these sessions.

Thus far, such sessions have cumulatively reached 30% of Group companies in Japan.

■ Fiscal 2015 CSR Briefings for Group companies in Japan

Date	Company Name	Number of Participants
November 10, 2015	Kaneka Foods Manufacturing Corporation	28 (president and employees)
November 19	Ako Second Plant, Osaka Synthetic Chemical Laboratories, Inc.	31 (plant manager and employees)
November 20	Yanahara Plant	30 (plant manager and employees)
November 26	Nishinomiya Headquarters	54 (president and employees)
December 8	Taiyo Yushi Corporation	38 (president and employees)
January 14, 2016	Kaneka Medix Corporation (Tokyo, Kanagawa)	24 (employees)
January 15	Nagashima Shokuhin Co., Ltd.	58 (employees)
February 1	Kaneka Kentech Co., Ltd. (Headquarters and seven other locations)	57 (employees)



CSR Briefing for Kaneka Foods Manufacturing Corporation

Support for the United Nations Global Compact





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In March 2015, the Kaneka Group became a signatory to the United Nations Global Compact. The UN Global Compact is a voluntary code of conduct through which the top management of signatory companies commit themselves to take action aimed at achieving ten principles in the four areas of Human Rights, Labour, Environment, and Anti-Corruption. Starting in fiscal 2015, the Group has participated in the working groups of the Global Compact, which enables us to gather a wealth of information about CSR for our new initiatives through enhanced communication with other companies.

As a group with a global network, we actively share information about our commitment to global sustainable growth as a responsible corporate citizen with our stakeholders and the international community.

United Nations Global Compact's Ten Principles



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



The United Nations Global Compact Learning Forum

Promoting and Implementing Responsible Care

Responsible Care is important to the Kaneka Group. We have put in place policies governing safety and Responsible Care, as well as internal regulations to ensure proper implementation of the Responsible Care approach.

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Group Management

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All members of the Kaneka Group share a commitment to Responsible Care (RC) (see note 1), and all of our activities are managed in keeping with Responsible Care principles.

We carry out CSR safety and quality inspections for all Group companies in and outside Japan. These address considerations related to environmental protection, occupational health and safety, product safety and quality assurance, and compliance. We also actively monitor the progress of implementation of the relevant policies and actions. Kaneka's Environmental Health and Safety Management Regulations and Quality Management Regulations clearly define the actions and responsibilities expected from Group companies. Employees of Group companies are urged to be proactive, and together we endeavor to reduce the environmental impact and risks of occupational accidents, as well as to improve our capacity to respond to natural disasters or product-related accidents that may occur.

Note 1: Responsible Care refers to actions undertaken on a voluntary basis by the chemical industry to promote improvements in aspects of environmental, safety, and health performance, throughout the entire process from the development of chemical products to their manufacture, usage and disposal. The initiatives and achievements are communicated to the public to raise public confidence in their operations. Kaneka has been actively promoting this approach since 1995 as a founding member of the Japan Responsible Care Council (which merged with the Japan Chemical Industry Association in fiscal 2012).

Basic Policies for Responsible Care

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In keeping with our corporate philosophy, we at the Kaneka strive to ensure the conservation of resources and reduce environmental impact throughout the entire product lifecycle, while working to help realize the sustainable development and prosperity of society.

■ Basic Policies for Responsible Care

1	<p>Protect the natural ecosystem and reduce environmental impact</p> <p>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.</p>
2	<p>Offer safe products and information</p> <p>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.</p>

3	<p>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.</p>
4	<p>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.</p>
5	<p>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.</p>
6	<p>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.</p>

Implementing Responsible Care

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At Kaneka, we carry out a range of Responsible Care activities to further promote measures that can be taken by the chemical industry to protect human health and safety and preserve the environment. To ensure progress with respect to the six RC codes (environmental protection, process safety and disaster prevention, occupational safety and health, chemicals and product safety, distribution safety, and interaction/communication with the public), Kaneka has set up a system to guide its initiatives.

The CSR Committee, chaired by the president and its four subcommittees, provides venues for the consideration and establishment of policies governing the operations of the Kaneka Group as a whole, as well as for monitoring related progress. Such venues are also used for information sharing and discussions to solve problems.

Responsible Care Education

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At Kaneka, we conduct Responsible Care education activities in a thorough manner tailored to each of our facilities and employees' areas of responsibility. RC training is provided to staff members in their third year and to newly promoted executives, in order to deepen their understanding of, and to enable them to act on, our company's activities related to the RC codes: such as environmental protection; process safety and disaster prevention; occupational safety and health; and chemicals and product safety.

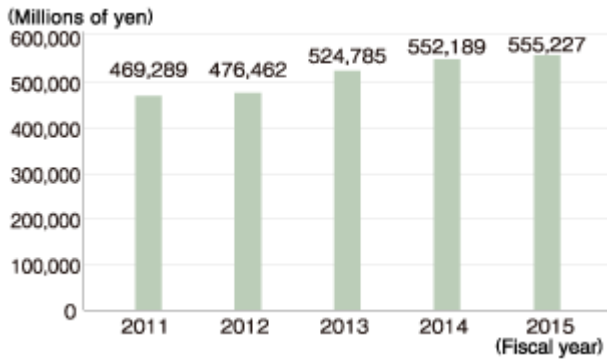
Kaneka Group Overview / Registered Trademarks and Other Trademarks for Kaneka Group Products

Kaneka Group Profile

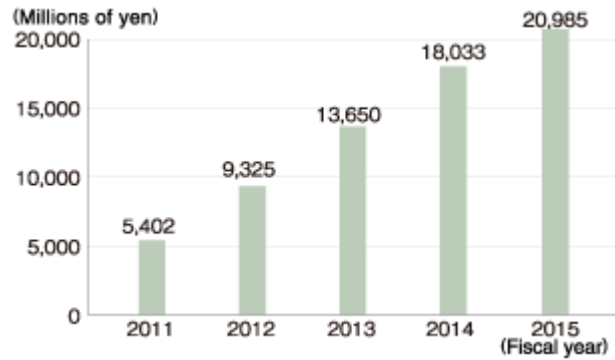
■ Corporate Profile

Name	KANEKA CORPORATION
Head Office	
Osaka Head Office	2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037
Tokyo Head Office	1-12-32, Akasaka, Minato-ku, Tokyo 107-6028, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121
Date of Establishment	September 1, 1949
Paid-in Capital	33,046 million yen (as of March 31, 2016)
Facilities in Japan	Sales Office Nagoya Plants Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories, Medical Device Development Laboratories, Biotechnology Development Laboratories, Photovoltaic & Thin-Film Device Research Laboratories, Molding & Processing Development Center, Thin-Film Process Technology Development Center, and Process Technology Laboratories
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, Brazil, and others
Kaneka Group	104 subsidiaries (including 40 (in Japan) and 35 (outside Japan) consolidated subsidiaries)

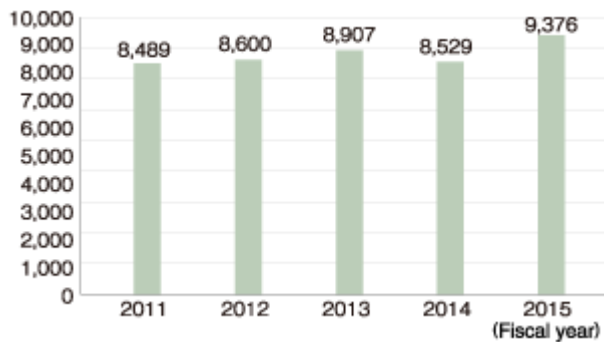
■ Net Sales (Consolidated)



■ Net Income (Consolidated)

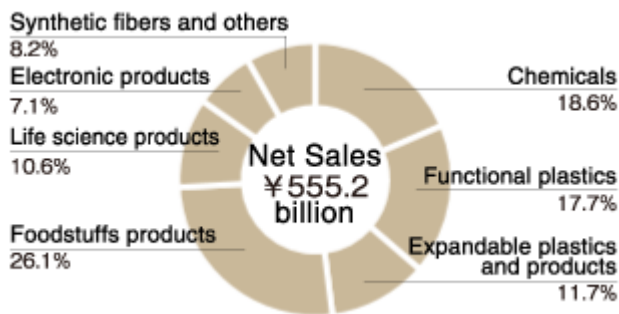


■ Number of Employees (Consolidated)

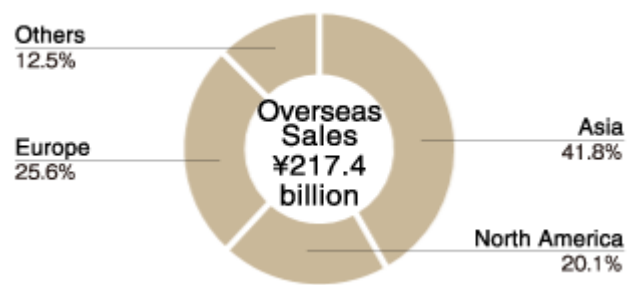


*From fiscal 2014, we changed the basis on which we calculate the number of employees at Group companies (excluding temporary employees).

■ Consolidated Sales by Business Segment (Fiscal 2015)



■ Consolidated Overseas Sales by Area (Fiscal 2015)



Kaneka Group Product Registered Trademarks and Other Trademarks

The following product names in the CSR Report 2016 are registered trademarks of the Company or Group.

APICAL

EPERAN

EPERAN PP

KANE ACE

KANE ACE MX

Kaneka Glavonoid

KANEKA Q10

KANEKA Surfactin

KANEKA PEPTIDE

KANEKA TELALLOY

KANEKA FLUX

KANEKALON

KANEKA MS POLYMER

KANEKA TA POLYMER

KANEPEARL

Kaneparl Soil Block

KANELITE

KANELITE FOAM

Glavonoid

SILYL

SUNDUREN

Kaneka Hyperite

PAX NATURON SUHADA RECIPE

LIXELLE

LIPOSORBER

ELMECH

Graphinity

KANEKA QH

KANEKA XMAP

PIXEO

SIBSTAR

Organizations Covered in This Report(Scope of Responsible Care activities data as of March 31, 2016)

This report covers Kaneka and 43 Group manufacturing companies.

Kaneka	Takasago Plant
	Osaka Plant
	Shiga Plant
	Kashima Plant
Group companies (in Japan) (28)	Kaneka Hokkaido Styrol Co., Ltd.
	Kaneka Tohoku Styrol Co., Ltd.
	Kaneka Kanto Styrol Co., Ltd.
	Kaneka Chubu Styrol Co., Ltd.
	Kaneka Nishinippon Styrol Co., Ltd.
	Kanto Styrene Co., Ltd.
	Kochi Styrol Co., Ltd.
	Kaneka Foam Plastics Co., Ltd.
	Hokkaido Kanelite Co., Ltd.
	Kyushu Kanelite Co., Ltd.
	Kaneka Sun Spice Corporation
	Kaneka Foods Manufacturing Corporation
	Tokyo Kaneka Foods Manufacturing Corporation
	Taiyo Yushi Corporation
	Nagashima Shokuhin Co., Ltd.
	Tamai Kasei Co., Ltd.
	Shinka Shokuhin Co., Ltd.
	Tatsuta Chemical Co., Ltd.
	Showa Kaseikogyo Co., Ltd.
	Tochigi Kaneka Corporation
Vienex Corporation	

	Osaka Synthetic Chemical Laboratories, Inc.
	Kaneka Solartech Corporation
	Sanvic Inc.
	Kaneka Medix Corporation
	OLED Aomori Co., Ltd.
	RIVER Co., Ltd.
	Kanae Co., Ltd.
Group companies (outside Japan) (15)	Kaneka Belgium N.V.
	Kaneka North America LLC
	Kaneka Singapore Co. (Pte) Ltd.
	Kaneka (Malaysia) Sdn. Bhd.
	Kaneka Eperan Sdn. Bhd.
	Kaneka Paste Polymers Sdn. Bhd.
	Kaneka Innovative Fibers Sdn. Bhd.
	Kaneka Pharma Vietnam Co., Ltd.
	Kaneka Apical Malaysia Sdn. Bhd.
	Kaneka MS Malaysia Sdn. Bhd.
	Kaneka Eperan (Suzhou) Co., Ltd.
	HiHua Fiber Co., Ltd.
	Eurogentec S.A.
	Kaneka (Foshan) High Performance Materials Co., Ltd.
	PT.Kaneka Foods Indonesia

For the Environment

By “environment,” we mean the entire global environment. We fulfill our corporate social responsibilities by considering the environment at every stage of our business activities and working to reduce environmental impacts—not only in the manufacturing-related functions such as raw materials procurement, manufacturing, and transportation, but also in our office operations.

0.007 %
(Final landfill rate)

In fiscal 2015, Kaneka generated 4.7 tons of final landfill waste, or 0.007% of the 67,856 tons of total waste generated, which means we have achieved zero emissions for ten consecutive years.

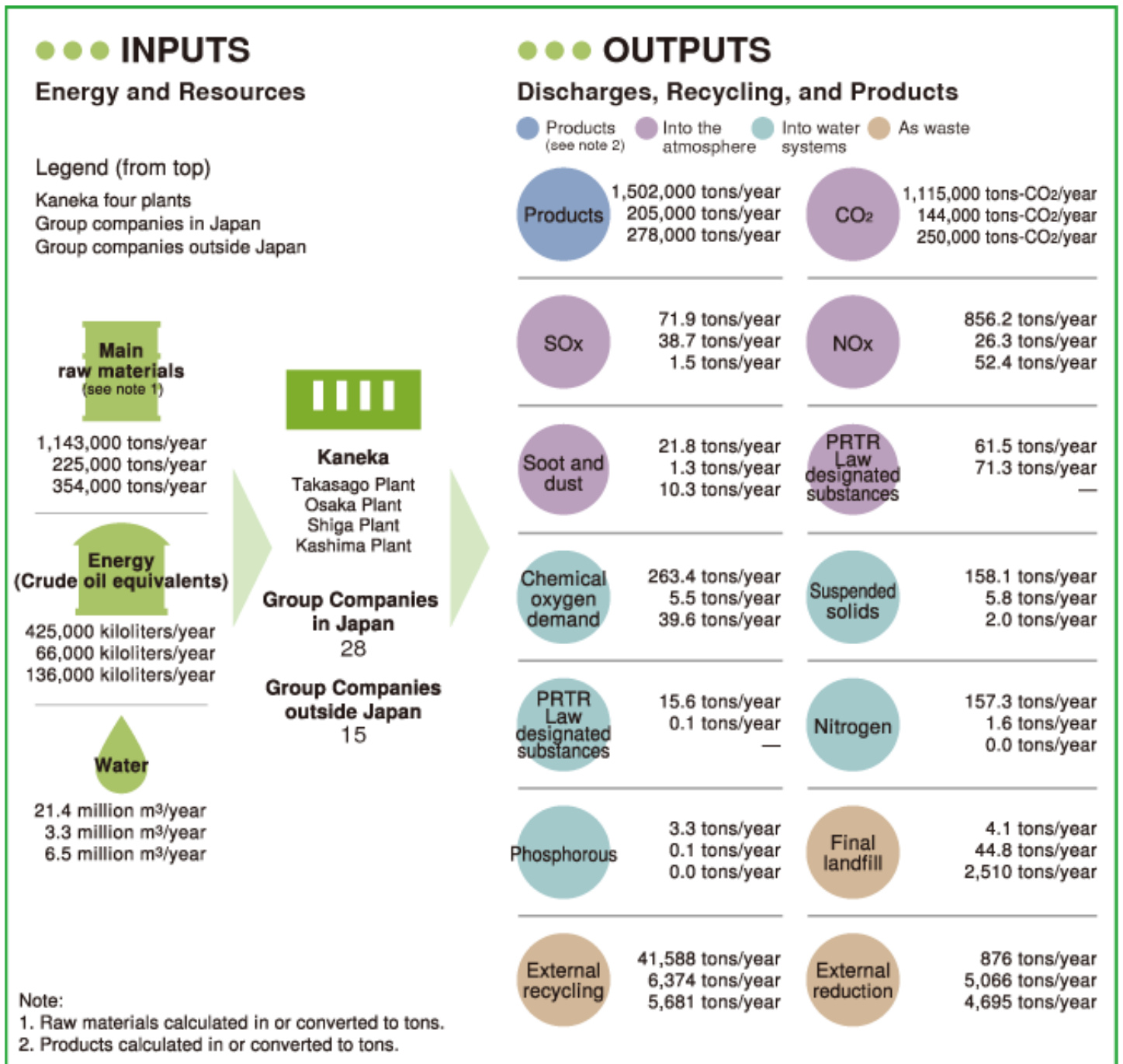
- [▶ Material Balance in Production Activities](#)
- [▶ Environmental Accounting](#)
- [▶ Addressing Climate Change](#)
- [▶ Environmental Management Systems](#)
- [▶ Reducing Waste and Preventing Pollution](#)
- [▶ Reducing Chemical Substance Discharge](#)
- [▶ Biodiversity Conservation](#)

Material Balance in Production Activities

Kaneka Group's fiscal 2015 energy and resource inputs, as well as material outputs through emissions and products, are listed below.

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Environmental Accounting

We calculate the environmental costs (investments and expenditures) and benefits (material quantities), as well as economic impacts (in monetary units) of environmental measures on a consolidated basis for parent and group companies in Japan.

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Results of Environmental Accounting for Fiscal 2015

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Compared to the previous fiscal year, environmental costs (for investments) declined by about 40 million yen and 30 million yen, respectively, for pollution prevention and resource recycling.

Environmental costs (for expenditures) declined by about 240 million yen and 80 million yen, respectively, for pollution prevention and resource recycling, but increased by about 310 million yen for research and development.

Regarding the economic impacts of environmental measures, we had a cost reduction of approximately 300 million yen due to better resource efficiency (output per unit of input) and a cost reduction of about 320 million yen due to energy conservation and other savings.

Note: These calculations are based on the 2005 edition of Environmental Accounting Guidelines by Japan's Ministry of the Environment and other reference materials, with partial modifications.

■ Environmental Costs

Millions of yen

Cost Classifications	Main Efforts	Fiscal 2015	
		Investments	Expenditure
Business Area		1,054	5,175
1. Pollution Prevention	Air and water pollution prevention	939	3,266
2. Environmental Conservation	Addressing climate change and energy saving	-	-
3. Resource Recycling	Waste processing, recycling, and reduction	115	1,909
Upstream and Downstream	Product recycling, collection, and processing	1	10
Management Activities	Environmental education for employees and environmental impact monitoring and measurement	5	388
Research and Development	Research and development of products contributing to environmental conservation	0	6,680
Social Activities	Greening, beautification, and disclosure of environmental information	0	93
Environmental Damage	Payment of sulfur oxide emission charges	0	10
Total		1,060	12,356

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

■ Quantitative Impact of Environmental Conservation Efforts

Category	Initiatives	Items	Units	Changes between Previous Year and Fiscal 2015
Pollution Prevention	Reduce atmospheric and water discharges of hazardous substances	SOx emissions	Tons	23.2
		NOx emissions	Tons	51.6
		Chemical oxygen demand	Tons	- 21.9
		PRTR Law-designated chemical emissions	Tons	5.5
Environment	Lower greenhouse gas emissions	CO ₂ emissions	Thousands of tons	- 53.0
	Use less energy	Crude oil equivalents	Thousands of kiloliters	- 30.0
Resource Recycling	Reduce final landfill	Final landfill	Tons	- 7.0
	Increase external recycling	Amounts recycled	Tons	171

■ Economic Impacts of Environmental Measures

Measures	Millions of yen	
	Fiscal 2015	
Revenue from Recycling	249	
Cost Reductions by Better Resource Efficiency (Output per Unit of Input)	345	
Waste Disposal Cost Reductions by Recycling	157	
Cost Reductions by Energy Conservation	631	
Total	1,382	

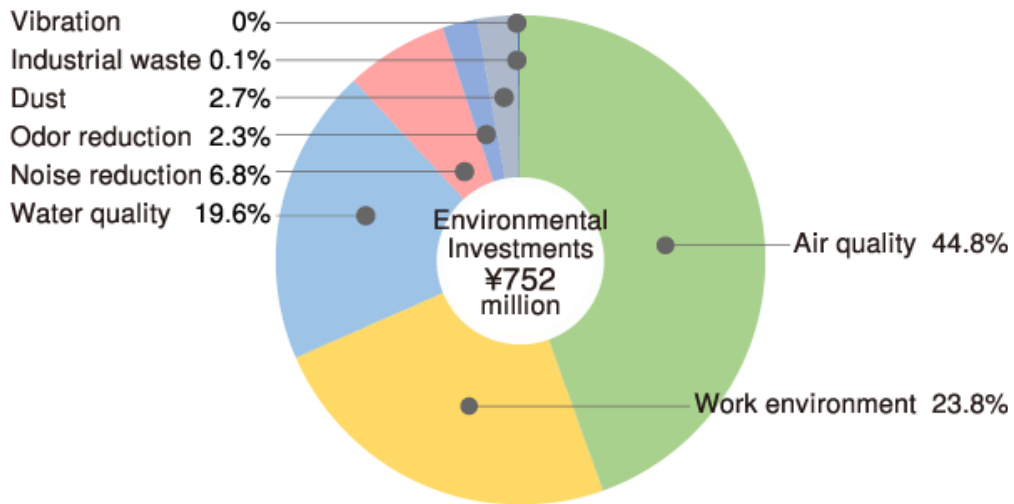
Environmental Investments

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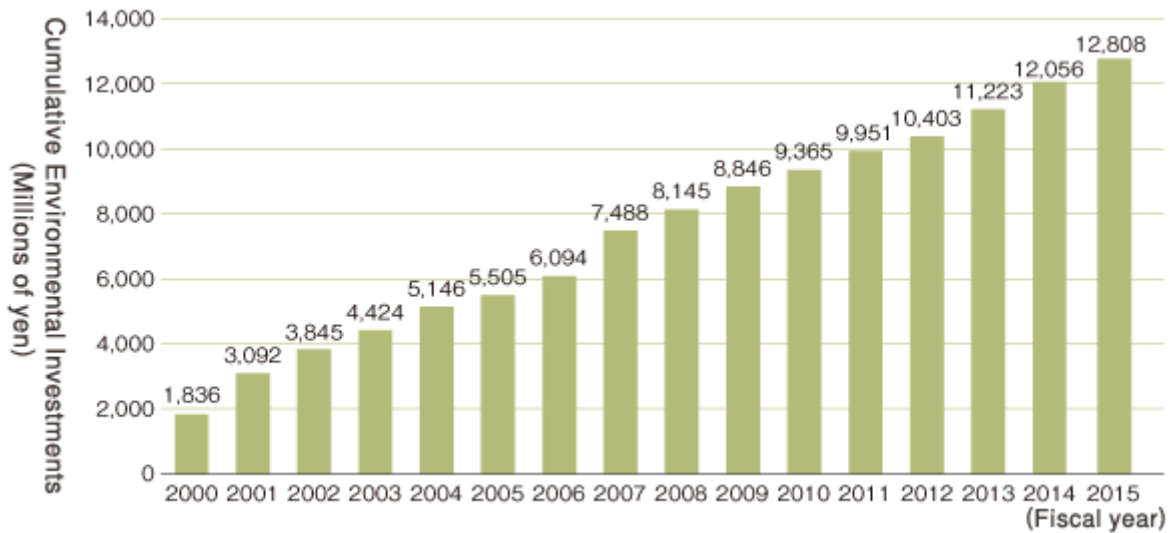
We continue to invest in the environment. Investments related to the environment in fiscal 2015 totaled about 750 million yen, of which 44.8% was for air quality, 23.8% for the work environment, 19.6% for water quality, 6.8% for noise, 2.7% for dust, and 2.3% for odors.

Cumulative environmental investments come to about 12.8 billion yen during the 16 years since fiscal 2000, with the most being for air quality (44%), followed by water quality (22%), and the work environment (17%). We will continue to invest proactively to maintain and improve the environment.

■ Environmental Investments in Fiscal 2015



■ Cumulative Environmental Investments



Addressing Climate Change

We are undertaking efforts to address climate change, with the Earth Environment Subcommittee established under the CSR Committee, and the Energy Officers Conference in charge of implementation. We are working to conserve energy and to reduce carbon intensity through various measures, for example by utilizing our own environmental capital investment program.

We are also using carbon life cycle analysis (cLCA), which involves calculating a product's contribution to carbon dioxide emission reductions by quantitatively assessing the emissions throughout the product lifecycle and making a comparison with similar products. We also calculate our indirect carbon dioxide emissions (Scope 3) through the supply chain.

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Energy Conservation Efforts

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Our efforts at the Kaneka Group to address climate change include energy conservation, using energy intensity index (see note 1) as an indicator for management.

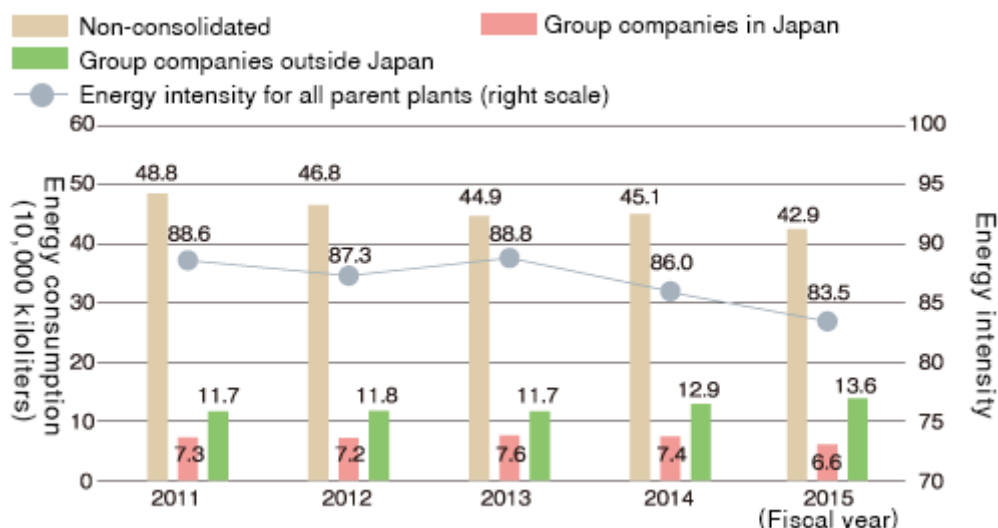
The energy intensity index of all parent plants in fiscal 2015 was 83.5, a reduction of 2.9% from the previous fiscal year due to factors such as energy conservation activities and differences in the product mix. Annual reduction over the five years was 1.5% on average, which means we met our target.

Non-consolidated energy consumption (see note 2) was 429,000 kiloliters, a decrease of 4.9% from the previous fiscal year.

Note:

1. Energy intensity index is a numeral value calculated by dividing the energy used in manufacturing (at all our parent plants) by the active mass and indexing it against the baseline year of fiscal 1990 as 100.
2. This energy consumption is the total for Kaneka alone (manufacturing plants and other facilities), with the boundaries being consistent with the Act on the Rational Use of Energy and the Action Plan for a Low Carbon Society prepared by the Japan Chemical Industry Association.

Energy Consumption (Crude Oil Equivalents) and Energy Intensity



Initiatives to Cut Carbon Intensity

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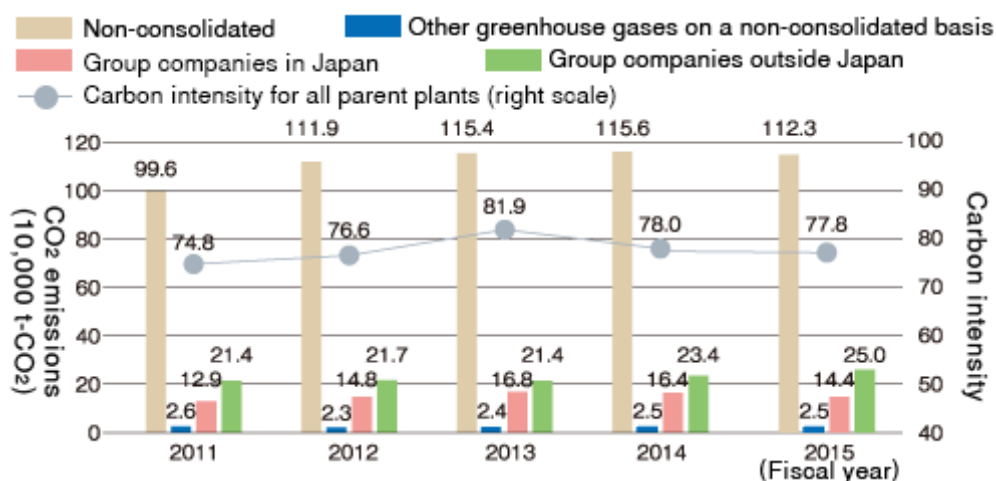
At Kaneka, we are working to reduce carbon intensity, using a carbon intensity index (see note 3) as an indicator for management, based on carbon dioxide emissions from energy consumption associated with production activities. The carbon intensity index of all parent plants was 77.8 in fiscal 2015, so we achieved our target of 77.8 for the year, based on a target of 74 for fiscal 2020.

Non-consolidated carbon dioxide emissions (see note 4) decreased by 2.9% from the previous fiscal year to 1,123,000 tons. Main factors in the decrease included activities to reduce carbon intensity and differences in the product mix.

Note:

- The carbon intensity index is calculated as carbon dioxide emissions from energy consumption in production activities divided by activity volume, with the index set at 100 in the base year of fiscal 1990 (using fixed numbers for Kaneka). It helps in the visualization of the impact of our activities, and was used to establish targets for fiscal 2020.
- Carbon dioxide emissions are calculated as prescribed by the Act on Promotion of Global Warming Countermeasures. Since last year's report, the carbon dioxide emissions from purchased electricity are calculated using actual emission coefficients, and as with energy the figure is a non-consolidated total for Kaneka.

CO₂ Emissions from Energy Consumption and Carbon Intensity



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

Investments in Energy-Efficient Facilities

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To continue reducing energy intensity and carbon intensity, we are implementing our own environmental capital investment program (with an annual budget of 200 million yen for small and medium investments that have a relatively long payback period), through activities in three areas (addressing climate change, efficient use of resources, and reducing environmental impacts) that are priorities in Kaneka's environmental management program. In fiscal 2015 we continued allocating a large portion of this fund to projects that address climate change, including broader initiatives such as on visualizing energy consumption. Going forward we will continue to use this investment program for activities to reduce energy intensity and carbon intensity.

■ Results of Our Own Environmental Capital Investment Program

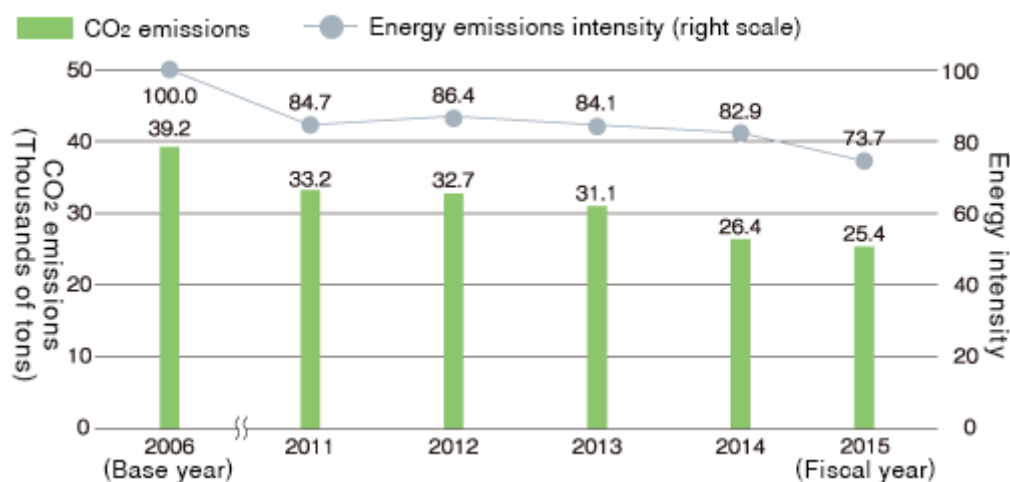
Fiscal Year	Investments	Number	Reduced CO ₂ Emission
2011	¥200 million	30	2,027 tons-CO ₂ per year
2012	¥200 million	19	1,929 tons-CO ₂ per year
2013	¥200 million	29	1,993 tons-CO ₂ per year
2014	¥200 million	37	1,644 tons-CO ₂ per year
2015	¥200 million	22	1,435 tons-CO ₂ per year

Energy-Efficiency Initiatives in Logistics

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To achieve an annual 1% reduction in energy intensity as a specified consigner under the amended Act on Rational Use of Energy, in fiscal 2015 we continued working plant by plant on the theme of new reductions of energy intensity, with a focus on modal shifts and improved cargo load ratios. In fiscal 2015 we worked to improve cargo load ratios and greater use of the Japan Freight Railway Company, leading to an 11.1% decrease in energy intensity compared to fiscal 2014, but carbon dioxide emissions only decreased by 1,000 tons, due to an increase in the distance of coastal shipping.

■ CO₂ Emissions and Energy Intensity from Logistics



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

Environmental Management Systems and Environmental Efficiency Indices

Kaneka Group operates based on ISO 14001 and Eco-Action 21 standards.

We also use the Japan Environmental Policy Priorities Index (JEPIX) to assess the total environmental impact of our business, in the context of aiming for a sustainable society.

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Environmental Management Systems

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Kaneka Group operates based on ISO 14001 and Eco-Action 21 environmental management systems, with the aim of reducing environmental impacts, preventing environmental problems, and responding quickly if any problems arise.

■ Parent and Group Company Certification under ISO 14001

Business Sites and Group Companies	Registration Date	Registration No.
Shiga Plant	March 23, 1998	JCQA-E-0015
Osaka Plant	April 5, 1999	JCQA-E-0053
Kashima Plant	April 5, 1999	JCQA-E-0054
Takasago Plant	January 11, 2000	JCQA-E-0105
Tochigi Kaneka Co., Ltd.	April 23, 2001	JCQA-E-0256
Osaka Synthetic Chemical Laboratories, Inc.	January 28, 2002	JCQA-E-0343
Tatsuta Chemical Co., Ltd.	April 19, 2004	JCQA-E-0553
Showa Kaseikogyo Co., Ltd.	January 10, 2008	E0062
Vienex Corporation	December 8, 2010	JSA-E1511
Kaneka Solartech Corporation	June 24, 2011	JQA-EM6704
Sanvic Inc.	September 15, 2011	JMAQA-E841
Kaneka Belgium N.V.	September 15, 2015	97 EMS 002f
Kaneka (Malaysia) Sdn. Bhd.	January 10, 2013	ER0523
Kaneka Paste Polymers Sdn. Bhd.	January 7, 2013	ER0523
Kaneka Eperan Sdn. Bhd.	January 10, 2013	ER0523
Kaneka Innovative Fibers Sdn. Bhd.	January 10, 2013	ER0523
Kaneka Apical Malaysia Sdn.Bhd.	January 30, 2015	ER0916

■ Eco-Action 21 Certification

Group Company	Certification and Registration Date	Certification and Registration No.
Kyushu Kanelite Co., Ltd.	June 15, 2007	0001637
Kaneka Hokkaido Styrol Co., Ltd.	September 3, 2007	0001805
Kaneka Medix Corporation	September 28, 2007	0001893
Hokkaido Kanelite Co., Ltd.	October 2, 2007	0001905
Kaneka Tohoku Styrol Co., Ltd. Aomori Plant	February 2, 2009	0003274
Nagashima Shokuhin Co., Ltd.	November 18, 2008	0003093
Kaneka Foam Plastics Co., Ltd. Moka Plant	January 16, 2009	0003247
Kaneka Chubu Styrol Co., Ltd.	February 9, 2011	0006600
Tokyo Kaneka Foods Manufacturing Corporation	March 31, 2009	0003473
Taiyo Yushi Corporation	March 31, 2009	0003575
Kaneka Foods Manufacturing Corporation	April 2, 2009	0003491
Kaneka Sun Spice Corporation	April 22, 2009	0003556
Kaneka Nishinippon Styrol Co., Ltd. Headquarters, Saga Plant, Kagoshima Plant, and Nagasaki Plant	July 31, 2009	0003949
Kanto Styrene Co., Ltd.	August 11, 2009	0004035
Kaneka Kanto Styrol Co., Ltd.	October 15, 2009	0004259
OLED Aomori Co., Ltd.	December 8, 2014	0010329
Kochi Styrol Co., Ltd.	February 12, 2016	0011039

Environmental Compliance

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Kaneka Group continues working to reduce environmental risks through various means, including ISO 14001 internal audits and CSR safety and quality inspections, to check compliance with environmental regulations and legislation such as the Air Pollution Control Act and the Water Pollution Control Act, and with criteria in agreements with local governments.

Environmental Efficiency

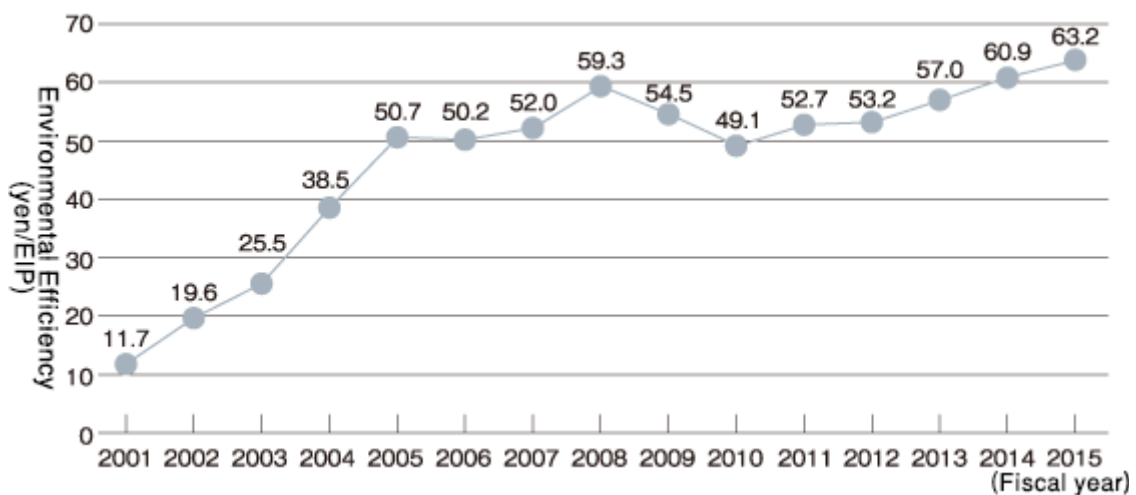
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We assess the environmental impacts of our production activities using Environmental Impact Points (EIP), which are compiled using the JEPIX methodology (see note 1), and we use those points to assess our environmental efficiency (see note 2). Our total environmental impact in fiscal 2015 decreased 6.1% from the previous year, to 4.6 billion EIPs, while our environmental efficiency improved by 3.8%, as we reduced emissions of hazardous air pollutants and the impact on marine environment.

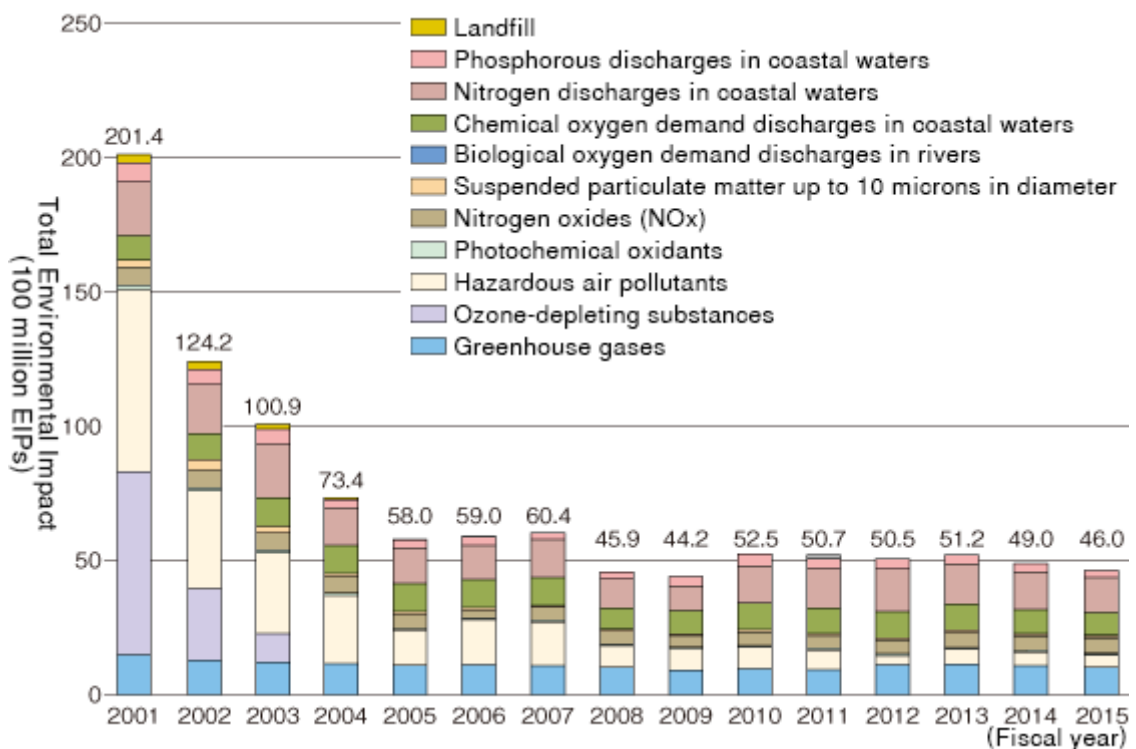
Note:

1. The Japan Environmental Policy Priorities Index (JEPIX) methodology involves the calculation of an "eco-factor" coefficient for each emitted substance that has an environmental impact, using a ratio of the annual target for emissions under national environmental policies versus actual annual emissions ("Distance to Target"). The eco-factors are then multiplied by a quantity for each environmental impact to produce a single integrated index known as Environmental Impact Points (EIP). Calculations of eco-factors are done by the JEPIX Project (www.jepix.org, in Japanese).
2. Environmental efficiency is a yardstick to measure efforts to maximize value while minimizing environmental impacts, with the aim of achieving sustainable growth. Kaneka calculates this by dividing net sales (yen) by the EIP.

■ Environmental Efficiency



■ Details of Total Environmental Impact



Check & Act

The total environmental impact declined due to decreases in COD, nitrogen, and phosphorus discharge to coastal waters, as well as lower emissions of hazardous air pollutants. We will continue working to reduce total environmental impacts and improve environmental efficiency by upgrading our facilities.

Reducing Waste and Preventing Pollution

Through pursuing the 3Rs (reduce, reuse and recycle) aimed at the reduction and recycling of industrial waste from our operations, Kaneka has been able to achieve zero emissions (see note 1) for ten consecutive years. We are also working toward all group companies in Japan being able to achieve zero emissions.

We also meet all standards for environmental pollution levels in applicable laws and regulations, and in agreements concluded with various municipalities.

Note 1: Kaneka defines "zero emissions" to mean that the final landfill volume is less than 0.5% of total waste generated.

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Cutting Waste Sent to Landfill

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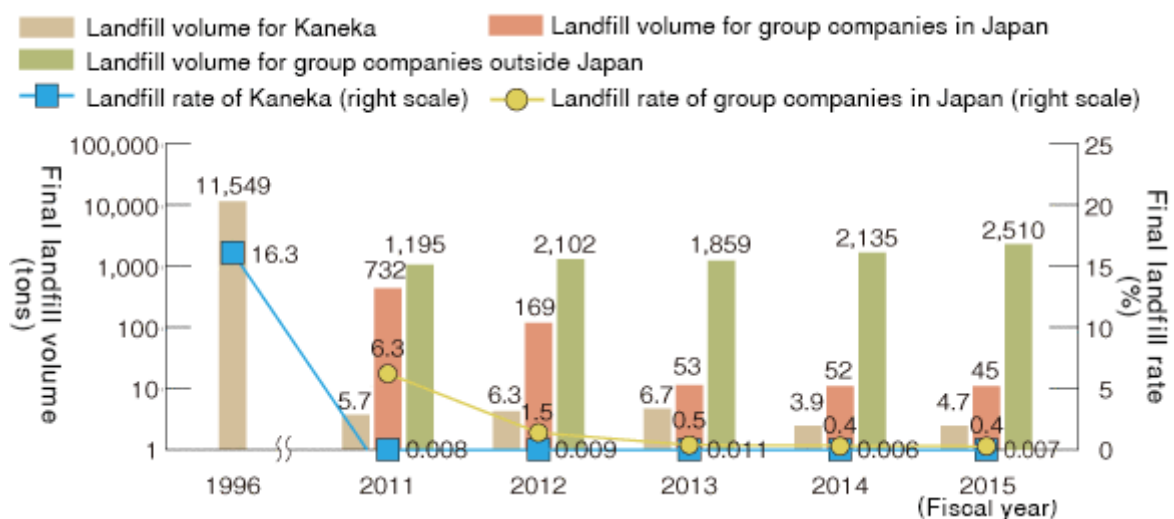
We effectively achieved zero emissions for our tenth consecutive year in fiscal 2015, with a final landfill volume (see note 2) for Kaneka of 4.7 tons, equivalent to a final landfill rate of 0.007%.

For our group companies in Japan, we are working to implement thoroughgoing waste sorting and resource recovery, and reevaluating waste processing contracting arrangements, in order to reduce landfill volumes. In fiscal 2015, we achieved zero emissions in Japan for the fourth consecutive year since fiscal 2012, on a consolidated basis including 28 group companies in Japan.

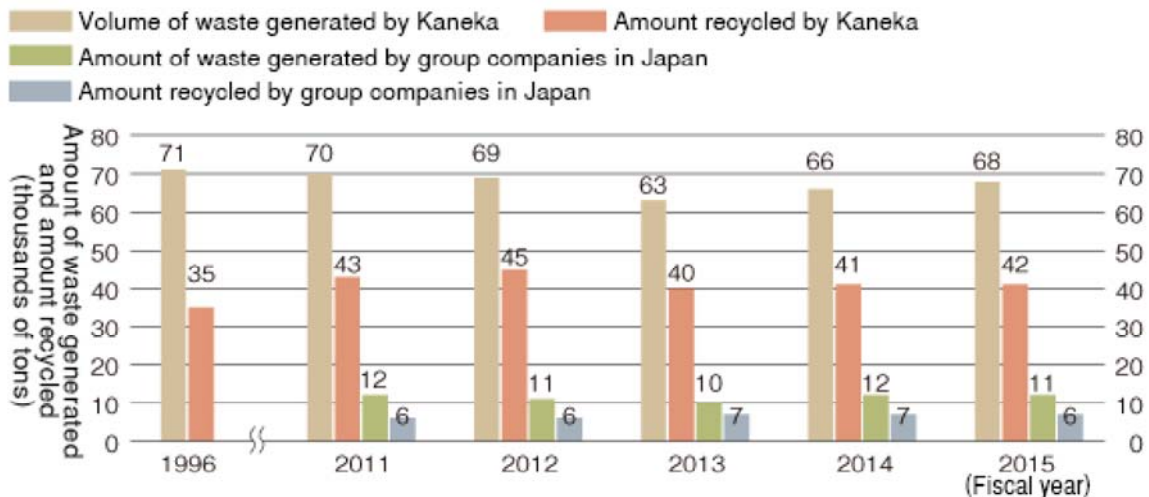
We will continue to work towards further reductions in landfill volumes.

Note 2: Fiscal 2015 final landfill volume: Starting with fiscal 2016 (reporting the figures for fiscal 2015), the values reported as Kaneka's landfill volume, landfill rate, industrial waste volume, and recycling amount indicate totals for the company as a whole, including its manufacturing plants and other facilities.

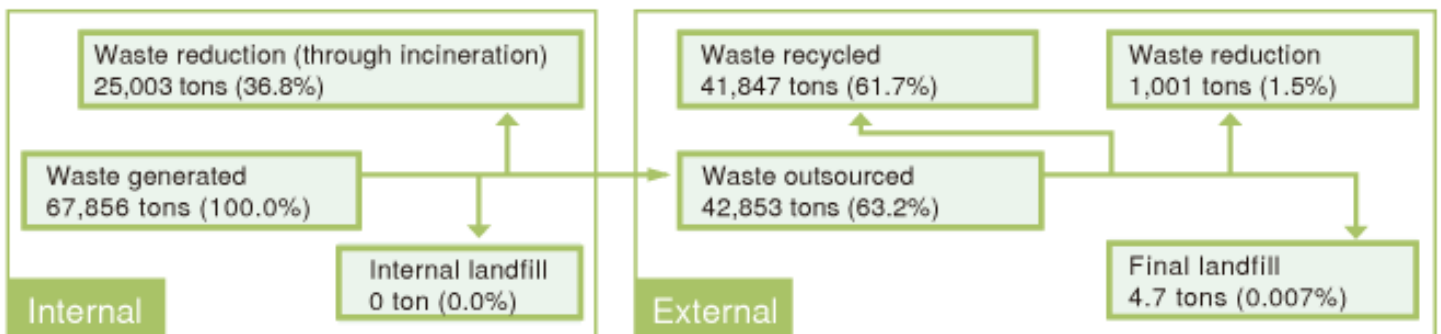
■ Volume and Ratio of Waste sent to Landfill



■ Waste Generated and Recycled



■ Waste Flow: From Generation to Landfill (FY 2015 actual)



Proper Disposal of Industrial Waste

K J W

We conduct regular site visits of our waste processing contractors, and carry out inspections based on a checklist to confirm that waste is being processed in the proper manner.

3R Initiatives

K J W

Because reducing waste leads to improving global sustainability by means of resource savings, cost reduction, as well as carbon dioxide emissions reduction, Kaneka is pursuing waste reduction on a company-wide basis.

We at Kaneka and group companies in Japan are pursuing activities at each of our production facilities, mainly through the "3R" approach to achieve waste reduction and recycling of materials. In addition, we have been pursuing improvements, utilizing the Material Flow Cost Accounting (MFCA) approach, which involves all employees in manufacturing, research and other sections.

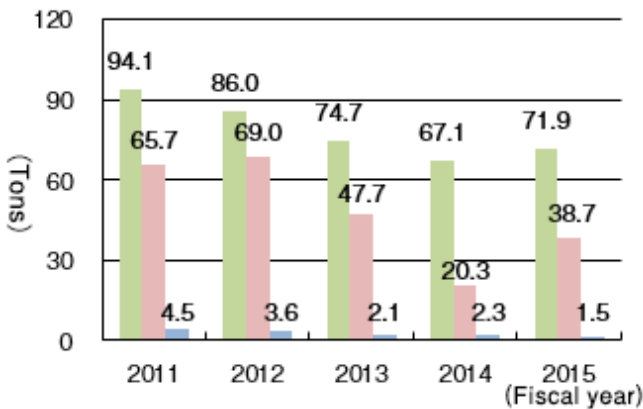
Preventing Air and Water Pollution

K J W

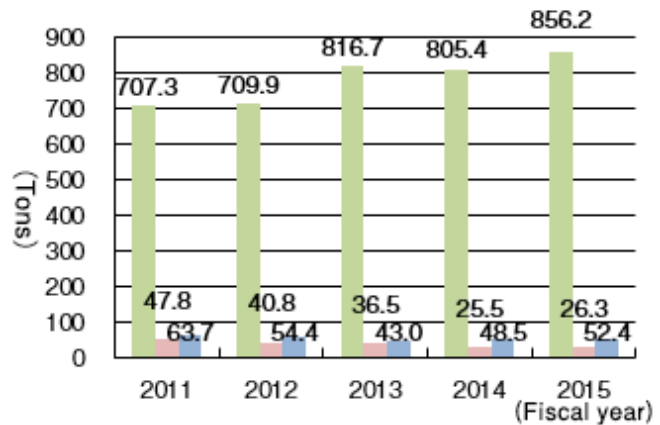
Kaneka is in compliance with the standards specified in the Air Pollution Control Act and the Water Pollution Control Act and the criteria included in agreements made with local governments. While soot and dust emission levels for all parent plants were lower than the previous fiscal year, SOx and NOx emissions were increased. The environmental impact on water resources decreased with respect to all criteria.

■ All parent plants
 ■ Group companies in Japan
 ■ Group Companies outside Japan

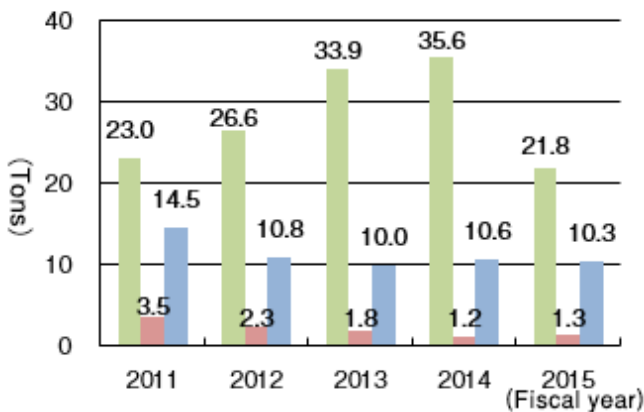
SOx Emissions



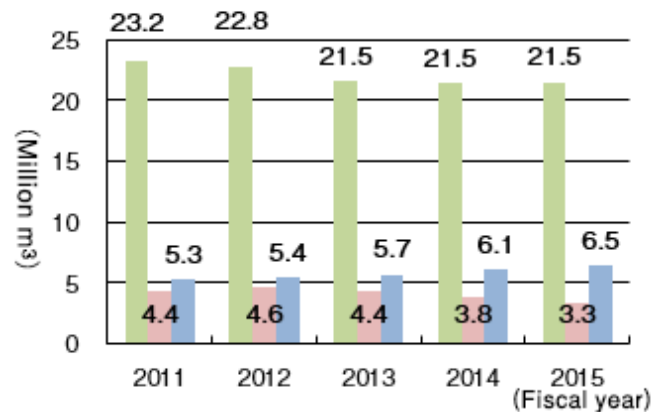
NOx Emissions



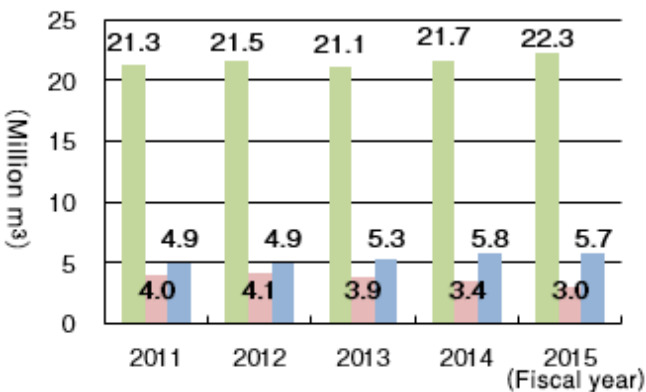
Soot and Dust Emissions



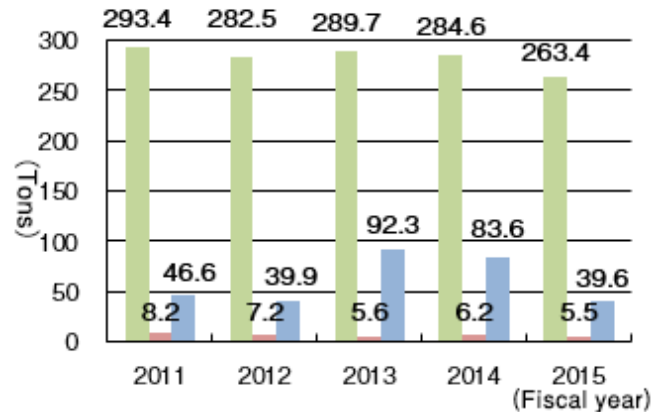
Water Consumption (see note 3)



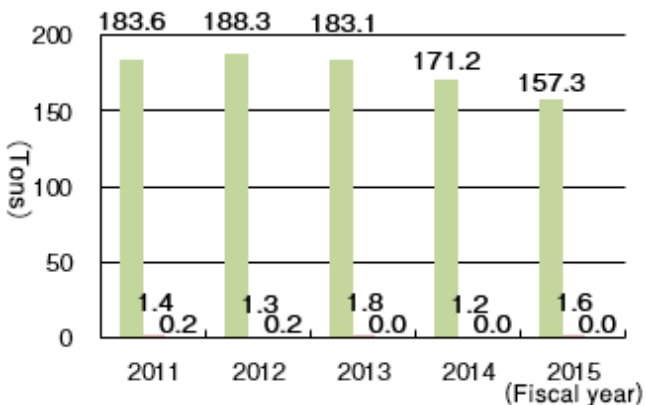
Wastewater Discharges (see note 3)



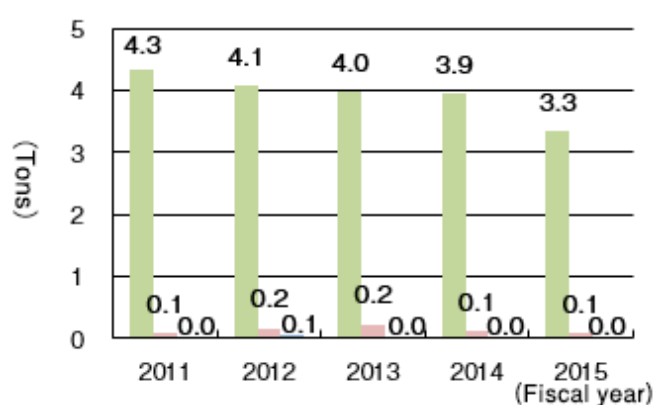
COD in Wastewater



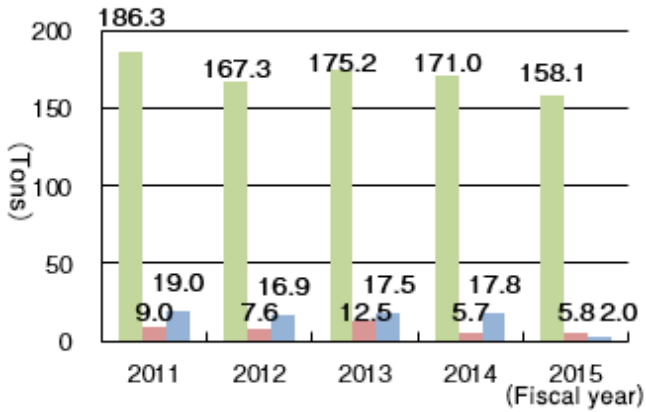
Nitrogen in Wastewater



Phosphorous in Wastewater



■ **Suspended solids in Wastewater**



Note 3: From fiscal 2015, values reported for water usage and wastewater by Kaneka include amounts for production facilities and non-production facilities.

Check & Act

Of the total amount of waste generated in fiscal 2015 by all of our facilities (not only plants), 61.7% was recycled—roughly the same as in the previous fiscal year. In fiscal 2016, we will continue to reduce and recycle waste internally and through our contractors.

We will continue to work to further reduce our impacts on water and the air, and to strengthen our monitoring systems so that we are able to respond rapidly in the event of any abnormalities.

Reducing Chemical Substance Discharge

We at Kaneka are working in an ongoing manner to reduce the discharge of volatile organic compounds (VOCs), as well as to voluntarily reduce emissions of six hazardous atmospheric pollutants subject to the Pollutant Release and Transfer Register (PRTR).

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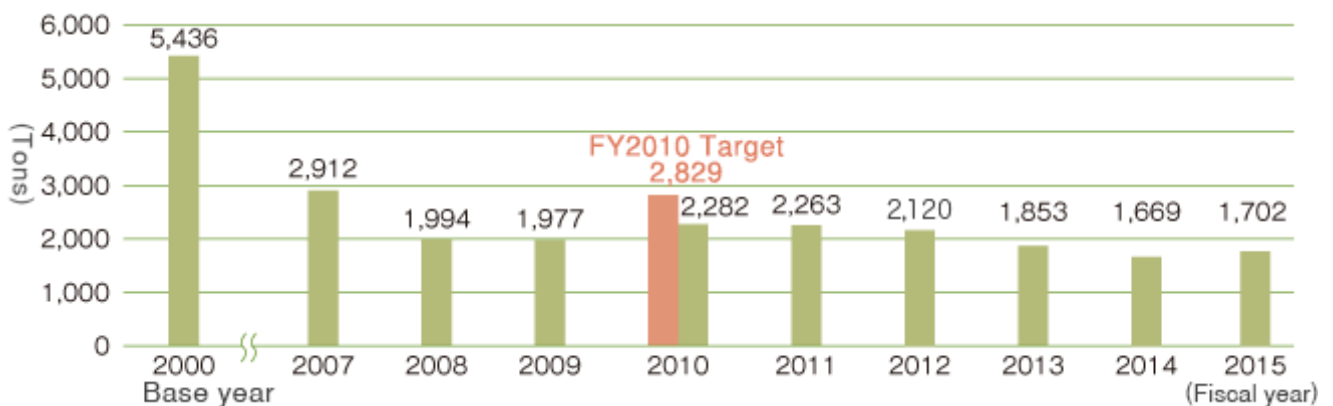
Voluntary Plan to Cut VOC Discharge

K J W

We are committed to reducing the discharge of VOCs (see note 1), which are known to cause photochemical smog. In fiscal 2015, total discharge was 1,702 tons, 2.0% increase compared to the previous year. We will continue our efforts to reduce VOC discharge through prevention of leakages from equipment, and by changing production conditions.

Note 1: Volatile Organic Compounds (VOCs) are organic chemical substances that cause suspended particulate matter and photochemical oxidants.

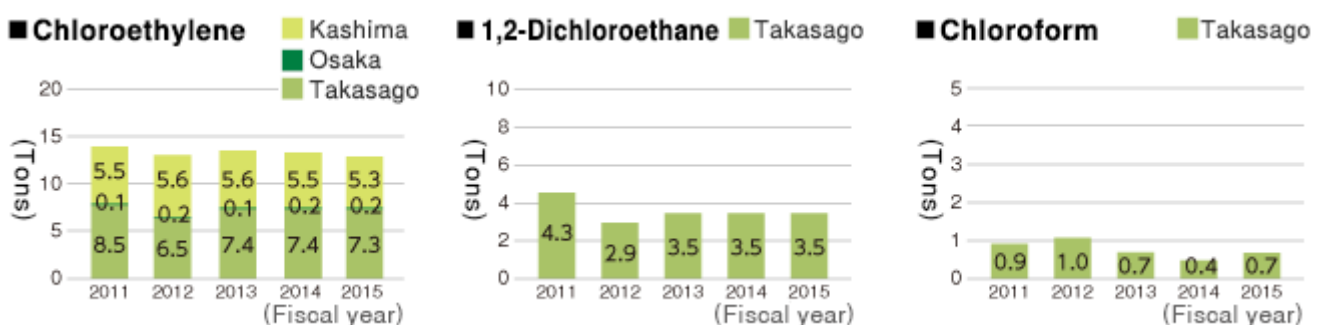
VOC Discharge: Voluntary Plan and Performance

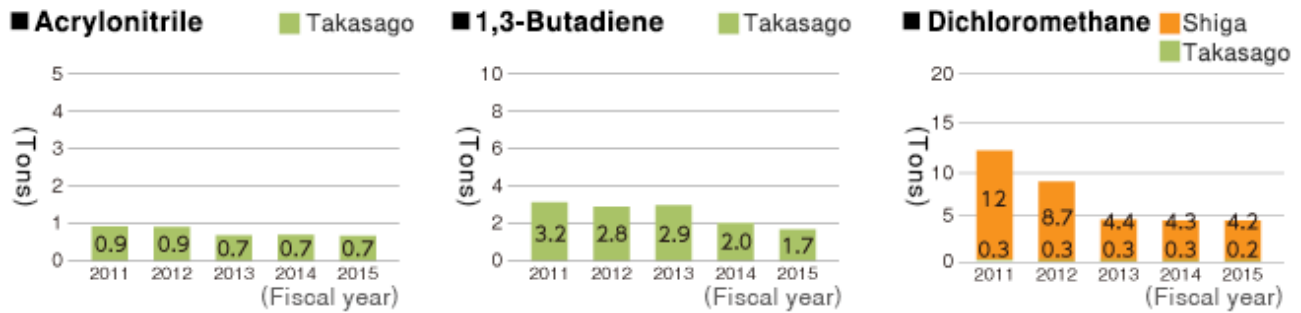


Hazardous Atmospheric Pollutants

K J W

Total emissions in fiscal 2015 of six hazardous atmospheric pollutants (shown in the following graphs) were 23.9 tons, which represented a slight year-on-year decrease of 1.2%. We will continue to implement emissions reduction measures to reduce our environmental impacts.





PRTR Discharge

K J W

We are working to reduce the discharge of substances subject to the PRTR. Total emissions of these substances in fiscal 2015 were 77.0 tons, a decrease of 0.2 tons from the previous year.

■ Fiscal 2015 Parent Company Emissions Subject to the Pollutant Release and Transfer Register Law

	Designated Number under Ordinance	Chemical Substances	Emissions						Transferred
			Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Internal Landfill	Total	Fiscal 2014	Total
Large Discharges of 10 Substances	94	Chloroethylene (PVC)	12,760	110	0	0	12,870	13,170	990
	392	Normal hexane	10,900	0	0	0	10,900	10,400	121,420
	275	Sodium dodecyl sulfate	0	8,600	0	0	8,600	8,700	0
	240	Styrene	6,130	39	0	0	6,169	6,817	3,340
	420	Methyl methacrylate	5,100	3	0	0	5,103	5,103	8
	186	Dichloromethane (methylene chloride)	4,451	0	0	0	4,451	4,617	52,890
	7	Acrylic acid butyl	4,130	0	0	0	4,130	3,870	2,591
	232	N,N-dimethylformamide	2,700	810	0	0	3,510	4,670	330,000
	157	1,2-dichloroethane	3,500	0	0	0	3,500	3,500	0
	134	Vinyl acetate	3,450	0	0	0	3,450	2,960	950
Total Other than the 10 Substances Above			8,358	6,001	0	0	14,359	13,415	98,786
Grand Total for All Substances			61,479	15,562	0	0	77,042	77,222	610,975

Of the 462 substances subject to the PRTR, Kaneka reports about 65 items. Amounts reported here may not fully match, due to rounding.

■ Fiscal 2015 Group Company in Japan Emissions Subject to the Pollutant Release and Transfer Register Law

(Kilograms)

	Designated Number under Ordinance	Chemical Substances	Emissions						Transferred
			Atmospheric Emissions	Discharges into Public Waterways	Discharges into Soil	Internal Landfill	Total	Fiscal 2014	Total
Large Discharges of 10 Substances	232	N,N-dimethylformamide	26,020	0	0	0	26,020	21,040	5,940
	300	Toluene	23,282	0	0	0	23,282	21,898	241,788
	186	Dichloromethane (methylene chloride)	10,084	0	0	0	10,084	12,386	183,966
	80	Xylene	5,100	0	0	0	5,100	4,800	0
	392	Normal hexane	2,100	0	0	0	2,100	2,300	40,000
	213	N,N-dimethylacetamide	1,900	0	0	0	1,900	160	91,000
	53	Ethylbenzene	1,600	0	0	0	1,600	1,700	0
	56	Ethylene oxide	657	0	0	0	657	630	0
	104	Chlorodifluoromethane :HCFC-22 (R-22)	250	0	0	0	250	0	0
	127	Chloroform	200	0	0	0	200	640	1,800
Total Other than the 10 Substances Above			69	57	0	0	126	121	33,077
Grand Total for All Substances			71,262	57	0	0	71,319	65,675	597,572

Of the 462 substances subject to the PRTR, group companies in Japan report about 27 items.

Check & Act

In Fiscal 2015, due to the reductions in emissions of N, N- dimethyl formamide and styrene, Kanaka's total discharge subject to the PRTR system decreased by 0.2 tons from the previous year, for a total of 77.0 tons. Discharge by group companies in Japan increased by 5.6 tons and totaled 71.3 tons due to increased emissions of N, N- dimethyl formamide and toluene from expanded production. We will continue our efforts to reduce the discharge of chemical substances while controlling large discharge.

Biodiversity Conservation

Considering the impacts of our businesses on ecosystems, we at Kaneka strive to develop technologies, materials and products that have less environmental impacts, as well as to mitigate environmental impacts of our production. As part of our corporate social responsibility efforts, we also collaborate with stakeholders outside the company in biodiversity conservation activities.

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Partnership for Biodiversity Conservation

We join the following initiatives.

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

Lake Biwa Walnut School

K J W

We join the Steering Committee of the Walnut School, established to manage and conserve the Konooka Biotope (see note 1), located near our Shiga Plant.

Established as a collaborative effort by Shiga Prefecture, Otsu City and the local community members including our Shiga Plant, the Walnut School works to preserve this precious natural environment for future generations. Such activities include grass mowing, sidewalk maintenance, and updating educational signboard, and it also hosts seasonal nature observation gatherings some three times each year.

The gatherings provide valuable learning opportunities for children to observe rare plants, wild birds, insects and other wildlife living in the biotope.

We will continuously contribute to the conservation of the beautiful natural environment of Lake Biwa.

Note 1: Biotope: A place where organisms live as they do in nature. In human environments such as cities, biotopes are artificial environments created to regenerate and preserve a natural habit.



Outdoor activities by the Walnut School



Children enjoy tasting *tempura* made from wild herbs

Kaneka Forestry for the Future

K J W

Since 2012, we have been participating in private forest preservation project promoted by Hyogo Prefecture. Named "Kaneka Forestry for the Future," employees at our Takasago Plant have maintained the habitat in Taka Town, Hyogo. After listening to the lecture by the town officials, some 60 employees, mainly newly hired, carried out tree thinning in April 2015, and about 65 employees and their family members participated in another session in November. Since 2013, trainings for all newly hired employees have been carried out as part of the project. Through assisting each other on the precarious forest terrain in cutting and transporting timber, the participants were able to deepen their bonds of solidarity and learn to function well as a team. Over the five-year period from June 2012 through May 2017, these activities will be carried out over some 15 sessions at an area of forest of roughly 15 hectares.



New employee training in the forest



Reforestation by employees and their family members

Settsu-no-mori Kaneka Biotope

K J W

Since 2013, our Osaka Plant has maintained the Settsu-no-mori Kaneka Biotope. We have leased part of greenery area of the plant to Settsu City, and managed the biotope collaborating with the Settsu Firefly Society. The biotope provides a wetland environment where fireflies and other wildlife can be observed.

Firefly larvae that were introduced to the biotope in November 2014 successfully grew into adults, and when the area was open to the public in 2015 from May 24 to 31, local residents enjoyed watching the dance of the fireflies in flight. This was the second firefly watching gathering held since 2014, and the number of participants grew from 634 on the first occasion to 1,123, indicating the steady growth in awareness of this initiative. We look forward to the biotope serving as a recreation area for the local community into the future.



Entrance sign of the biotope



The dance of the fireflies was seen again this year

With Our Customers

Our customers are the people who purchase Kaneka Group products. A business cannot survive without the support of its customers. We provide them with quality products and services, ensure product safety, and disclose information.

41 **Divisions & Group Companies**
(The number of divisions and group companies with ISO 9001 certification)

To ensure high levels of customer satisfaction, the various divisions and group companies have obtained ISO 9001 certification, the international standard for quality management systems for products and services.

[▶ Quality Management](#)

[▶ Certification of Kaneka and Group Companies](#)

Quality Management (Product Safety and Quality Assurance)

The Product Safety Subcommittee under the CSR Committee and its implementation bodies, namely the Product Safety Review Conference and Quality Assurance Promoters Conference, are responsible for all matters relating to product safety and quality assurance within the Kaneka Group.

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Quality Management Activities

K J W

We at the Kaneka Group strive to benefit society and satisfy our customers, through providing a stable supply of safe and reliable products. To that end, we undertake quality management activities to ensure the safety and quality of our products at all stages of design, development, manufacturing and sales.

In fiscal 2015, related activities included the following:

- We established and widely publicized our Technology Transfer Guidelines, which integrate multi-faceted perspectives regarding safety, quality and the environment.
- We worked to establish quality management systems that are tailored to each of our new business development areas.
- We reviewed the status of our management related to product approvals and certifications, confirming that there were no related problems.
- With guidance and trainings provided by external experts, we reviewed and implemented improvements to our food defense procedures.
- We undertook a range of activities to build the capacity of our employees, including through outside seminars and in-house lectures by external experts.

Product Safety Review Conference

K J W

Due to expanded business operations and diversified activities of the Group, we need to conduct an increasing number of reviews of our new services and products.

To respond to emerging opportunities in a timely and speedy manner, in fiscal 2015 the administration office of the Product Safety Review Conference carried out related pre-consultations (hearings).

Moreover, for products in new business fields, we involved external experts in the reviews, receiving their input from the initial stages of product development.

Chemical Substance Management

K J W

Internationally, regulatory systems are becoming more stringent in order to achieve appropriate management of chemical substances related to consumer products. We strictly follow Japanese and international laws and regulations, and also actively offer information for the proper handling of our products, through displaying the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) labels and providing a safety data sheet for products. Moreover, on a company-wide basis, we have improved our management of relevant information through our chemical substance management database, introduced in fiscal 2014.

We also will continue our efforts for information disclosure, including working with the Japan Initiative of Product Stewardship (JIPS), an initiative supported by the Japan Chemical Industry Association, which promotes voluntary efforts within the chemical industry to minimize chemical risks.

Audits and Inspections

K J W

Companies within the Kaneka Group regularly undergo reviews and audits by external organizations, based on established standards and criteria such as the ISO 9001 standards.

In addition, we are working to improve our performance through CSR safety and quality inspections and internal auditing.

In fiscal 2015, the CSR safety and quality inspections included:

- Inspections involving external experts carried out on the food products and medical device businesses.
- In addition to the continued efforts to clarify the strengths and weaknesses of our CSR activities through quantitative evaluations, we worked to derive best practices for adoption by all plants, including those of group companies in Japan.

CHECK & ACT

Based on a review by the Product Safety Subcommittee, we will work to ensure strict performance in regard to compliance with laws and regulations, and approvals and certifications, as well as our internal policies.

In addition, we will assure the safety of the products in our new businesses.


Certification of Kaneka and Group Companies
■ ISO 9001 Certification of Kaneka and Group Companies

Division or Group Company	Major Products	Registry Organization and Number
High Performance Polymers Division	Modifier resins (Kane Ace and Kaneka Telalloy), modified silicone polymer (Kaneka MS Polymer), polymer-based adhesive (Silyl), weather-resistant methyl methacrylate film (Sunduren), isobutylene-based thermoplastic elastomer (SIBSTAR), terminally reactive liquid acrylic polymer (KANEKA XMAP), and telechelic polyacrylate (Kaneka TA Polymer)	LRQA / YKA0927477
Electrical & Electronic Materials Division	Ultra-heat-resistant polyimide films (Apical, Pixeo), optical film (Elmech), bonded magnets (Kaneka Flux), multi-layered insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet (Graphinity)	LRQA / YKA0935762
Foam Plastics & Plastic Products Division Hokkaido Kanelite Co., Ltd. Kyushu Kanelite Co., Ltd.	Bead technique-based polyolefin resins and molded products (Eperan, Eperan PP), bead techniquebased expandable polystyrene (Kanepearl), and extruded polystyrene foam board (Kanelite)	JCQA / JCQA-0673
PVC & Chemicals Division	Caustic soda, hydrochloric acid, sodium hypochlorite, liquid chlorine, vinyl chloride monomers, polyvinyl chloride, polyvinyl chloride paste, heat-resistant polyvinyl chloride, and OXY chlorination catalyst	JCQA / JCQA-1263
Foods Division Takasago Plant Foods Manufacturing Department Kaneka Foods Manufacturing Corporation Tokyo Kaneka Foods Manufacturing Corporation Nagashima Shokuhin Co., Ltd.	Margarine, shortening, edible oils and fats, edible refined oils and fats, whipped cream, concentrated milk products, fermented milk products, flour paste, butter cream, chocolate, frozen dough, cheese, cooking fillings, prepared foods, yeast, and yeast cultures	JQA / JQA-QMA10274
Kaneka Foods Corporation	Purchase, design, sales, technological services, and quality assurance for processed foods and raw materials, and sales of food processing machinery	
NJF Co., Ltd.	Production instruction of processing contractors	
New Business Development Division	Highly heat-resistant and light-resistant resins and molded products	DNV / 01635-2006-AQ-KOB-RvA/JAB
New Business Development Division OLED Business Development Project OLED Aomori Co., Ltd.	Organic electroluminescent lighting	JMAQA / JMAQA-2532

Solar Energy Division Kaneka Solartech Corporation	Photovoltaic modules	JQA / JQA-QMA13200
Tochigi Kaneka Corporation	Bonded magnets (Kaneka Flux), multilayer insulation materials, PVC pipes for underground electric cables, and high thermal-conductive graphite sheet (Graphinity)	LRQA / YKA0958035
Vienex Corporation	Electronic products	JSA / JSAQ2593
Showa Kaseikogyo Co., Ltd.	Plastic compounds	ASR / Q0556
Kaneka Foam Plastics Co., Ltd. Moka Plant	Bead technique-based polyolefin molded products	ASR / Q1919
Kanto Styrene Co., Ltd.	Polystyrene foam molded products	JACO / QC03J0233
Tatsuta Chemical Co., Ltd.	Plastic film, plastic sheet	BVJ / 3167872
Kaneka Hokkaido Styrol Co., Ltd.	Polystyrene foam molded products for engineering and construction	LRQA / YKA 4002793/J
Kaneka Sun Spice Corporation	Spices, secondary processed foods	JQA / JQA-QMA11351
Osaka Synthetic Chemical Laboratories, Inc.	Active pharmaceutical ingredients, pharmaceutical intermediates, and industrial organic chemicals	JCQA / JCQA-0444
Taiyo Yushi Corporation	Margarine, shortening, edible refined oils and fats, edible vegetable oils and fats, refined lard, other edible oils and fats, processed fats, dairy products, and food additives	JQA / JQA-QMA14671
Shinka Shokuhin Co., Ltd.,	Design, development and production of modifiers for bread and confectionery and processed fruit products; manufacture of edible oils (margarine) and cooking fillings and modified milk (outsourced)	JQA / JQA-QMA15323
Sanvic Inc.	Synthetic resin sheets and films	JMAQA / JMAQA-1824
Kaneka Belgium N.V.	Modifier resins (Kane Ace), bead technique-based polyolefins (Eperan, Eperan PP), modified silicone polymer (Kaneka MS Polymer), and acrylic sol	AIB-VINCOTTE / BE-91 QMS 028h
Kaneka North America LLC	Ultra-heat-resistant polyimide films (Apical), Modifier resins (Kane Ace and Kaneka Telalloy), heat-resistant vinyl chloride resins, and modified silicone polymers (Kaneka MS Polymer)	BSI / FM72722
Kaneka (Malaysia) Sdn. Bhd.	Modifier resins (Kane Ace)	SIRIM QAS / AR2321
Kaneka Apical Malaysia Sdn. Bhd.	Ultra-heat-resistant polyimide films (Apical) High thermal-conductive graphite sheet (Graphinity)	SIRIM QAS / AR6269 SIRIM QAS / AR6270
Kaneka Eperan Sdn. Bhd.	Bead technique-based polyolefins (Eperan, Eperan PP)	SIRIM QAS / AR2598

Kaneka Paste Polymers Sdn. Bhd.	Vinyl chloride paste resin	SIRIM QAS / AR2321
Kaneka Eperan (Suzhou) Co., Ltd.	Bead technique-based polypropylene (Eperan, Eperan PP)	UL DQS Inc. / 439438 QM08
Kaneka Innovative Fibers Sdn. Bhd.	Synthetic fibers	SIRIM QAS / AR5612
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	Intertek(UK) / FM541299
Eurogentec S.A.	Products and services for research and development in life science	BSI / FS 638601
AnaSpec Inc.	Peptides, antibodies, synthetic resins, amino acids, and reagents for research	SQA / 09.357.1

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

Division or Group Company	Main Products	Registry Organization and Number
Medical Devices Division Kaneka Medix Corporation	Lixelle, liposorber, catheters, silascon, and ED coil	TÜV SÜD / Q1N 14 05 24736 040
Kaneka Pharma Vietnam Co., Ltd.	Catheters (parts)	
RIVER Co., Ltd.	Endoscopic instruments.	TÜV SÜD / Q1N 15 05 84323 005
Eurogentec S.A.	<i>In vitro</i> diagnostic oligonucleotides	BSI / MD 638600

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

■ ISO 22000 Certification of Kaneka and Group Companies (see note 2)

Production Unit or Group Company	Main Products	Registry Organization and Number
Takasago Plant Pharmaceutical Manufacturing Department	Coenzyme Q10 (Kaneka Q10, Kaneka QH)	SGS / GB10 / 81403
Kaneka Sun Spice Corporation	Spices and secondary processed products incorporating spices	JQA / JQA-FS0123
KSS Vietnam Co., Ltd.	Processed spices, herbs, and dried vegetables	Intertek(UK) / 38191405003

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

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

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

Note 3: FSSC22000 is an international standard for food safety management system, which based on the ISO 22000 with the addition of ISO/TS 22002-1 requirements.

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

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

Note 4: ISO 22716 is guidelines on the Good Manufacturing Practices (GMP) of cosmetic products.

With Our Business Partners

Kaneka's business partners are vendors that supply our raw materials and contractors that conduct out-sourced activities.

We consider them as equal partners that share with us the goal of growing our respective businesses.

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

90.6 %
(Percentage of improved cases against potentially unsafe locations identified at our Osaka Plant)

Aiming to promote the safety in our logistics operations, our Osaka Plant worked in conjunction with freight handling contractors to identify potentially unsafe on-site locations and then to improve them. Of the 53 locations identified during fiscal 2015, improvements have been made for 48, for a ratio of 90.6%.

 [Sustainable Procurement](#)

Sustainable Procurement

We draw on our Basic Procurement Policy to engage in rational procurement that is fair, equitable, and environmentally friendly to mutually improve corporate value with our business partners.

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Green Procurement Based on Basic Procurement Policy

K J W

To reduce burdens on the global environment, in fiscal 2011 we adopted our Basic Procurement Policy, which declared our goal to pursue green procurement; this served as the foundation of our Green Procurement Standards established in fiscal 2013.

In pursuit of green procurement for all raw material inputs, we periodically undertake surveys on the status of environmental management system certifications attained by our suppliers, as well as inspections of materials for the presence of any prohibited substances.

■ Basic Procurement Policy

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

Procurement Initiatives

K J W

Our procurement departments stay in close communication with our business partners, continually working with them to strengthen our partnerships.

Together with our business partners, we keep our eye on continually changing market conditions to create new value and to grow together.

In accordance with our Green Procurement Standards, we strive to keep up-to-date concerning the environmental activities undertaken by our business partners, and are exploring ways to make effective use of our website to share information about Kaneka's initiatives and perspectives to further promote green procurement efforts.

Initiatives to Prevent Transportation Disasters

K J W

For fiscal 2015, jointly with our transportation contractors, we carried out a year-long awareness-raising initiative to promote safe driving. It included patrols to check whether drivers carried the Yellow Card (see note 1), and programs to raise awareness of products characteristics that should be kept in mind during transportation. In addition, we monitored the status of legal compliance checks of mobile tanks, and held transport accident emergency reporting drills based on specific scenarios. A simulated training on emergency handling of poisonous materials was held at the Takasago Plant. All these activities have contributed to make staff members confident with the actions to be taken in the event of accidents, and on quick reporting to prevent the worsened emergency situations.

Note 1: The emergency response card on transportation of hazardous materials.



Joint drills held with business partners are filled with a sense of urgency



A training scenario involving a chlorine leak from a tanker truck

Check & Act

In fiscal 2016, Kaneka Group will carry out methodical investigations based on the Green Procurement Standards set in fiscal 2013 and in keeping with plans formulated in fiscal 2015 (which requires inspection of all existing raw materials in the order of priority, to ensure they do not contain substances that have been prohibited by the company).

With our Shareholders and Investors

Shareholders and investors recognize the value of our corporate brand and own our shares.

For them we not only provide stable and consistent returns, but also enhance management transparency through appropriate and timely information disclosure.

28.6 %
(Consolidated payout ratio for the period ended March 31, 2016)

Our basic policy on profit sharing for shareholders is stability and consistency, with a target of 30% for the consolidated payout ratio through dividends, combined with flexible repurchasing of company shares.

[▶ Dividend Policy and Information Disclosure](#)

Dividend Policy and Information Disclosure

Kaneka Group strives not only to provide stable and consistent returns to shareholders and investors, but also to disclose information in an appropriate and timely way, in order to maintain their trust, meet their expectations, and help them accurately understand the Group.

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Shareholder Composition and Dividend Policy

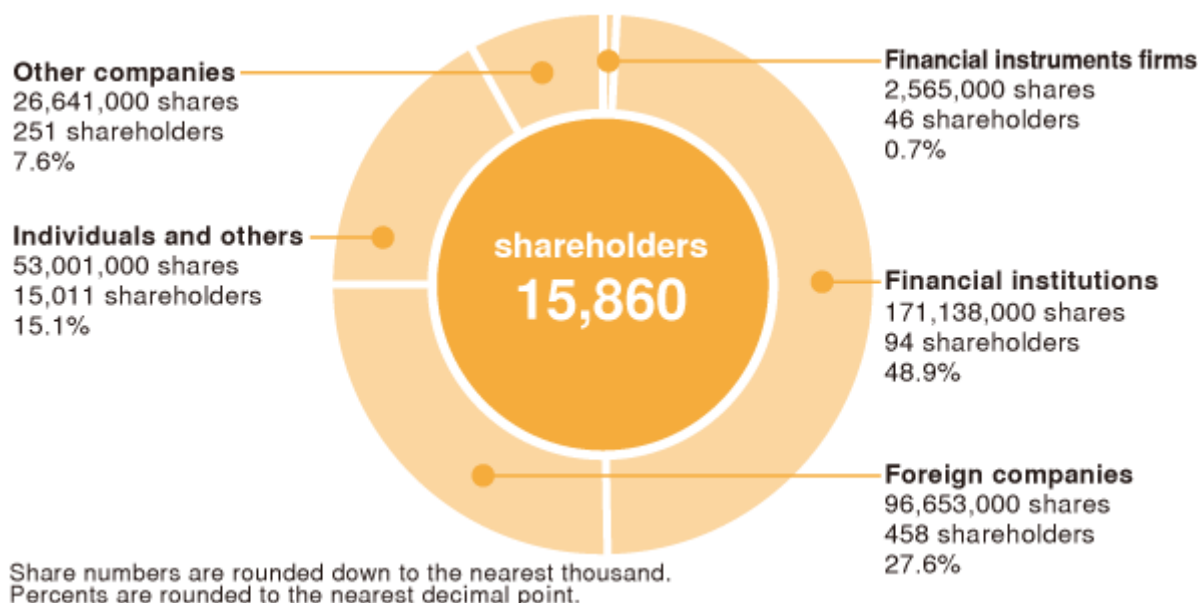
K J W

As of March 31, 2016, there were 350 million shares issued and outstanding, and 15,860 shareholders. Financial institutions accounted for 48.9% of the total, foreign companies 27.6%, and individuals 15.1%, while other companies and financial instruments business operators constituted the remainder.

Our basic policy on profit sharing for shareholders is stability and consistency, with a target of 30% for the consolidated payout ratio through dividends, combined with flexible repurchasing of company shares. (The payout ratio for the year ended March 31, 2016 was 28.6 %.)

Regarding retained earnings, we work to make the best use of these funds in order to realize sustained growth for the company, while also ensuring financial stability in the face of highly changeable economic conditions.

Shareholder Composition



Shareholder Reporting

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We issue reports to shareholders twice per year and also publish them on our website for anyone to read. For topics the reports cover developments of the preceding period using photos and a readable format, and interim reports carry the president's explanation of the company's management strategy, as well as special articles of interest to shareholders. We

fully redesigned the report cover in 2010 and adopted a larger page format in 2013, all in an effort to improve the look. We also print our publications using environmentally friendly vegetable ink and use easy-to-read Universal Design fonts.



Reports (for Shareholders)

Information Disclosure and Investor Relations

K J W

Kaneka prepares management strategy and plans based on its management philosophy, and in order to maintain the understanding and support of shareholders and other stakeholders, works to provide appropriate and timely information and enhance management transparency.

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

Our website also carries a variety of reports, including financial briefs, securities reports, quarterly reports, annual reports, and financial summaries.



Annual Report 2015



An investor relations meeting

Check & Act

In fiscal 2016, we will continue to build on our fiscal 2015 efforts to ensure proper information disclosure to shareholders and investors.



With Local Communities

We can boost corporate value by fulfilling our responsibilities to citizens and consumers.

Our efforts extend from contributions to society and welfare and community engagement to ensuring that our plants operate safely. We are also proactive in other activities to meet the needs of society, such as fostering youth development, and promoting safety and disaster preparedness.



The group companies have been conducting various drills for actions such as evacuation, incident reporting, and firefighting, and in fiscal 2015, they implemented emergency drills especially in safety confirmation sequence, calling over the names of participants and examining emergency hotlines.

<p>Preparedness for Regional Disasters and Support for Reconstruction</p>	<p>Fostering Youth Development</p>	<p>Safety and Disaster Preparedness</p>
<p>Community Initiatives (Awards)</p>	<p>Community Initiatives (Youth Development)</p>	<p>Community Initiatives (Local Communities)</p>
<p>Community Initiatives (The Environment)</p>	<p>Community Initiatives (Global Community)</p>	<p>Community Initiatives (Others)</p>



Preparedness for Regional Disasters and Support for Reconstruction

Based on experience from the 2011 earthquake and tsunami in Japan, Kaneka Group routinely conducts drills and educational activities to ensure that our companies are robust and resilient in the event of a disaster.

We also provide support for reconstruction after earthquakes and other disasters, and will continue a variety of support activities in the future.

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Enhancing Crisis Management Systems

K J W

We at the Kaneka Group conduct drills for a possible earthquake affecting geographically wide areas, and prepare standards and manuals to mobilize initial responses and ensure business continuity. In fiscal 2015, we held drills that assumed a disaster struck in the morning at the start of operations, at Kaneka's six business sites and one sales office, and eight group companies in Japan, with a total of 6,143 employees participating. The drills used a system to confirm employee safety to check (1) the safety of all participants, (2) communication using hand-held satellite phones, and to verify (3) response measures in damage scenarios.

We also published a risk management handbook for employees to help them clearly understand the emergency procedures: proper incident notification, instructions, consultation, and response, as well as the smooth flow of information.

Building further upon the activities of fiscal 2015, we will continue with routine educational activities and drills to ensure business continuity.



At the Task Force in Osaka Head Office, staff confirm that employees are safe



Corporate Task Force checks reports from each business site



Risk management handbook

Support for Reconstruction after 2011 Earthquake and Tsunami

K J W

Kaneka Group has been providing relief and recovery support during the five years since the Great East Japan Earthquake. We will continue to provide a variety of reconstruction support activities in the future.

Participation in IPPO IPPO NIPPON Project

We donate 500,000 yen annually to the disaster reconstruction support activities of the Japan Association of Corporate Executives (Keizai Doyukai). We have installed learning equipment at vocational high schools in the coastal areas of the Tohoku region (from 2013 onward).

Reconstruction Assistance for Main Roads in Disaster-Affected Areas

For road reconstruction in disaster-affected areas, we provided Soil Blocks, a large polystyrene foams designed for civil engineering work ([for details, please see "CSR Topics 2015"](#)).

Reconstruction of Only Manufacturing Plant for Molded Polystyrene Foam Products in Kesenuma City, Miyagi Prefecture

Group company Kanae Co., Ltd. manufactured molded polystyrene foam products for storing and transporting fish, but operations were halted when the tsunami swept over the plant. We invested 600 million yen (including government subsidies) to rebuild the plant, which reopened in June 2013. It is contributing to local employment and the recovery of the fisheries industry.

Supplying KANEKA Surfactin, a Radioactive Decontamination Detergent

This highly biodegradable natural detergent made using the *Bacillus subtilis* bacteria cleans soil particles contaminated with radioactive cesium and other substances. Since 2012, it has been used in some of the areas designated for decontamination.

Tohoku Products Fair at Osaka Plant

On February 25, 2016, we organized the Tohoku products fair, dubbed the Tohoku Waku-Waku Market, at our Osaka Plant. The event was implemented as part of the support activities of the Kansai Economic Federation, of which Kaneka is a member.

The concept of the fair was to provide access for people to purchase special products only available in Tohoku. The goal was to help Tohoku businesses develop marketing channels and improve their employment situation, and thereby to provide assistance from the Kansai region to the disaster-affected areas. On market day, employees from our group company Kaneka Osaka Service Center Co., Ltd. worked with market staff to sell products from six prefectures in Tohoku (including sake, side dishes to go with rice, and sweets).

Many employees from the Group and partner companies came to the market, resulting in sales of 270,000 yen. On April 22, 2016, a market was also held at our Takasago Plant.



Tohoku Waku-Waku Market

Fostering Youth Development

Kaneka is active in its efforts to foster youth development in communities where it operates. We continued supporting learning in elementary schools through the activities of Core-Net, a non-profit organization of retired executives from Kaneka and other companies.

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Kaneka Manufacturing Class

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Pro bono activities have been in the spotlight as a new trend in Japan, and these include activities in which professionals from various fields volunteer their knowledge, experience, and skills as a contribution to the community, and Core-Net (Co-operation Program of Retired Executives Network) is one such organization. Its activities include support for elementary school education using know-how from industry to foster youth development. Continuing from 2014, we offered Kaneka Manufacturing Classes in which participants assembled kits to build Scrollers (a small self-powered rolling robot). The classes were offered in June 2015 at Torikai Nishi Elementary School near the Osaka Plant (94 students in sixth grade), and in October at Takasago Elementary School near the Takasago Plant (72 students in sixth grade). Kaneka employees, mainly newly hired at the plants, joined the classes to guide and assist the students, and to show them the enjoyment and sense of achievement that can come from creating something. In their questionnaire responses, more than 90% of the students said the class was interesting and they would like to do it again. In fiscal 2016, we plan to hold the class at a school near our Shiga Plant as well, to continue our efforts to contribute to the community by fostering youth development.



Kaneka employees instructing students



Unveiling the Scroller in the gym



Safety and Disaster Preparedness

Our plants operate in a close relationship with local communities.

Kaneka Group works to ensure that its plants earn the confidence of local communities through a variety of safety-related initiatives aimed at maximizing safety and security.

K KANEKA
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Targeting Zero Process Accidents

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Safety is a top management priority for the Kaneka Group and we have various initiatives aimed at completely eliminating process accidents. Despite our efforts, 14 process accidents occurred in fiscal 2015. We are striving to prevent accidents by enhancing safety techniques, including identifying risks and developing preventive actions, through safety inspections (of static electricity and heat build-up risk) at all group companies. We will continue these activities to promote safe and secure business operations.

■ 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.

Emergency Drills

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In fiscal 2015, as in previous years, we held comprehensive disaster drills at all parent plants, as shown in the table below. The drills are conducted to boost our capacity to respond to emergencies through various approaches, for example, checking whether personnel at the local headquarters are able to execute decisions and instructions appropriately without knowing the scenario in advance, and whether they can communicate and share information smoothly.

■ Comprehensive Disaster Drills

Plant	Date	Participants	Details
Takasago Plant	December 11, 2015	1,976	The plant held a joint firefighting drill with the Takasago City Fire Department based on the scenario of an earthquake resulting in a chemical leak from a high-pressure gas storage tank, and fire outbreak due to aftershocks.
Osaka Plant	July 14, 2015	964	The plant held a joint firefighting drill with the Settsu City Fire Department based on the scenario of an earthquake resulting in a leak from municipal gas supply pipe and a fire in a warehouse.
	March 29, 2016	986	The plant held a joint firefighting drill with the Settsu City Fire Department based on the scenario of an earthquake resulting in a hazardous substance leak and a fire on the roof of a research center.
Shiga Plant	November 19, 2015	395	The plant held a firefighting and rescue drill based on the scenario of an earthquake resulting in chiller equipment catching on fire and workers falling and getting injured.
Kashima Plant	May 16, 2016	297	The plant held a firefighting drill based on the scenario of an earthquake resulting in the leak of a hazardous substance from a delivery pipe flange of a storage tank, thereby causing a fire.



Firefighting drill, part of routine safety activities (Takasago Plant)

Plant Safety Initiatives

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To prevent explosions and fire accidents, we continue to implement efforts to reduce the accident risk, by conducting site inspections paying special attention to potential ignition from static electricity, and by quantitative assessments of the risk of chemicals coming into contact with each other, to identify any risk of unintended chemical reactions. We will continue to improve these safety techniques to ensure the safety of our plants.

Check & Act

Fourteen process accidents occurred in fiscal 2015, showing no significant change from the 16 in fiscal 2014. In many cases, the cause of the accident was equipment-related (aging equipment, inadequate maintenance, etc.), so we will make a greater effort in the future to implement plan-based maintenance and to conduct predictive maintenance.

Fire at Incineration Facility at Takasago Plant

Incident Outline

At about 12:50 on October 26, 2015, an accident occurred when fire broke out in the sludge storage area of an incinerator at the Takasago Plant (Takasago City, Hyogo Prefecture). Company employees discovered the fire and notified the public fire department, and the fire was put out with water. The fire caused damage to a portion of the sludge storage building, but no one was injured. We apologize to the local residents and anyone affected by the disturbance.

Cause of Accident

The fire is believed to have occurred when rubber coagulum in sludge was exposed to direct sunlight for an extended period of time, and eventually ignited due to chemical decomposition and the build-up of heat.

Safety Measures to Prevent a Recurrence

Heat analysis and other tests helped to clarify the materials and mechanisms that resulted in ignition. In an effort to prevent recurrence, information will be circulated within the Kaneka Group regarding the risk and proper handling of waste materials.

Fire at Foam Extrusion Equipment at Kashima Plant

Incident Outline

At about 19:20 on November 9, 2015, an accident occurred when foam became ignited during the cutting process for extruded polystyrene foam board at the Kashima Plant (Kamisu City, Ibaraki Prefecture). The public fire department was notified and employees immediately suppressed the fire using fire extinguishers. No one was injured and there was no physical damage. We apologize to the local residents and anyone affected by the disturbance.

Cause of Accident

When a nichrome wire was lowered, it made contact with the metal part of the ground wire clip that was temporarily attached to the side of the cradle apparatus, resulting in a spark. It is believed that this ignited the combustible gas that was being used to expand the polystyrene foam board.

Safety Measures to Prevent a Recurrence

The mechanisms that resulted in ignition were clarified in the laboratory. Measures to prevent recurrence will be adopted at plants that utilize cutting equipment with nichrome wires.

Community Initiatives (Awards)

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

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Awards

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Osaka Plant

Received a letter of appreciation from the Japanese Red Cross Society.



Kaneka Americas Holding, Inc., Kaneka North America LLC

Awarded for their considerable support and contribution to the Heart Walk, a fund-raising walking event organized by the American Heart Association, winning first place in the team category, second place in the corporation category and third place in the individual category.



Kaneka (Malaysia) Sdn. Bhd.

Received the MY Carbon Award (see note 1) for cooperating with the United Nations Development Programme (UNDP).



Note 1: For details, please read [the UNDP website](#).

HiHua Fiber Co., Ltd.

Given the Qingdao Clean Production Company, Qingdao City Safe Production Standards Class 3 Company, Qingdao City Model Company for Honest Labor and Security by Qingdao City.



Kaneka	<ul style="list-style-type: none"> • Received the fiscal 2016 JSBBA Award for Achievement in Technological Research for the reduced coenzyme Q10 (ubiquinol). • Awarded the fiscal 2015 Porter Prize for the synthetic fiber business for hair accessories. • Received the fiscal 2015 Corporate Technology Award from the Vitamin Society of Japan for the reduced coenzyme Q10 (ubiquinol). • Polyimide film was given the 47th Ichimura Prize in Industry for Distinguished Achievement. • Awarded the fiscal 2015 Science and Technology Prize (Development Category) by the Minister of Education, Culture, Sports, Science and Technology for the development of anti-freeze protein.
Kaneka Foods Manufacturing Corporation	<ul style="list-style-type: none"> • Received the fiscal 2015 award for excellent food hygiene facility by the Minister of Health, Labour and Welfare.
Taiyo Yushi Corporation	<ul style="list-style-type: none"> • Received a joint award from the Kanto district chief of police and head of the Kanto federation of safe driving administrators for superior traffic safety facilities. • Pax Naturon Suhada Recipe received the 2016 Social Product Award as a product with social and commercial value.
Kaneka Medix Corporation	<ul style="list-style-type: none"> • Received the individual award for outstanding achievement in disaster prevention by the Odawara federation of industrial labor organizations.
Kaneka Americas Holding, Inc., Kaneka North America LLC	<ul style="list-style-type: none"> • Given the Caring for Texas award for its ongoing service for the community and environment.



Community Initiatives (Fostering Youth Development)

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

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Fostering Youth Development

K J W

All parent plants, group companies in Japan and overseas

Conducted regular plant and facility visits, on-site job experience programs, extracurricular classes, outreach lectures, seminars and other events for neighborhood students, local community associations and other groups. Also welcomed student interns and participated in Hyogo Prefecture’s work experience programs for junior high school students.



On-site job experience program for local junior high school students (Nagashima Shokuhin Co., Ltd.)



Plant visit by the local community association (Osaka Plant)



On-site job experience program for neighborhood junior high school students (Kaneka Foods Manufacturing Corporation)



Plant tour inviting local university students (Kaneka Americas Holding, Inc., Kaneka North America LLC)

Takasago Plant, Kaneka Takasago Service Center Co., Ltd.

Conducted a plant visit and cake making for 60 third-graders in the neighborhood.



Shiga Plant

For the Walnut School (a local multi-stakeholder initiative), conducted three events for elementary school children in fiscal 2015 in the biotope neighboring the plant, such as nature observation trips and wild herb tempura food tasting.



Kashima Plant

Welcomed guidance counselors in neighboring high schools and conducted a company orientation, plant visit and discussion.



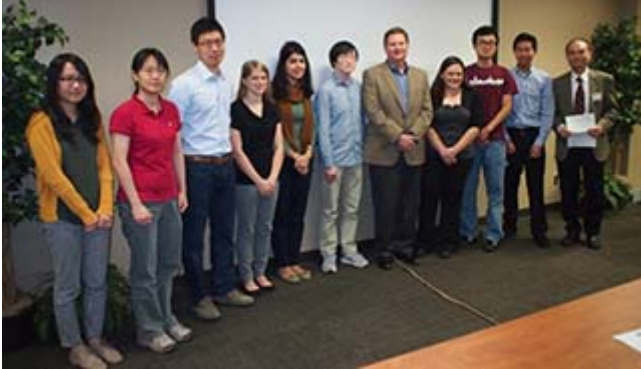
Hokkaido Kanelite Co., Ltd.

Held an environmental class for local fourth-graders on the topic of global warming for the seventh time in fiscal 2015.



Kaneka Americas Holding, Inc., Kaneka North America LLC

Provided scholarship grants to the local high school since 1994; committed to a \$20,000 scholarship support over three years to students including the graduates of the Kaneka US Material Research Center established within Texas A&M University in 2013.



Graduates of the Kaneka US Material Research Center

Kaneka Foam Plastics Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., Shinka Shokuhin Co., Ltd., Nagashima Shokuhin Co., Ltd.

Accepted students from neighborhood schools, including a special needs school, for vocational training. Showed students around the facilities, involved them in packing and lining boxes, and explained recycled products.



On-site job experience program for a neighboring special needs high school (Tamai Kasei Co., Ltd.)

<p>Takasago Plant, Kaneka Takasago Service Center Co., Ltd.</p>	<ul style="list-style-type: none"> • Held an eraser-making event at the Children’s Chemistry Show in Osaka by the Dream Chemistry 21 Committee. Around 330 children visited the Kaneka booth over two days. • Held a series of events, from planting sweet potatoes in May to a harvesting festival, for children from neighborhood kindergartens, elementary schools and special needs groups.
<p>Taiyo Yushi Corporation</p>	<ul style="list-style-type: none"> • Held class lectures at neighborhood elementary schools on soap making as part of the third grade social studies curriculum. Also held soap making seminars for the Japanese Consumers’ Co-operative Union and other organizations.
<p>Kaneka (Malaysia) Sdn. Bhd.</p>	<ul style="list-style-type: none"> • Lectured at a local university on mental preparation as working members of society.

Community Initiatives (Local Communities)

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

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Local Communities

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Kaneka Foods Corporation, Nagashima Shokuhin Co., Ltd.

Distributed cold melon buns for free at the 2015 Hokkaido Marathon EXPO.



All parent plants, Kaneka Sun Spice Corporation, Osaka Synthetic Chemical Laboratories, Inc., Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Taiyo Yushi Corporation, Tatsuta Chemical Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Kaneka Hoken Center Co., Ltd., Kanto Styrene Co., Ltd., Shiga Denshi Co., Ltd., RIVER Co., Ltd., OLED Aomori Co., Ltd., Kaneka Medix Corporation

Held summer festivals and other events for neighborhood residents, employees and employees of partner companies. Also provided donations for various local events, exhibits to industrial fairs, polystyrene foam materials, soaps and other items.



Evening festival (Shiga Plant)

Takasago Plant, Kaneka Foods Manufacturing Corporation, Kaneka Sun Spice Corporation, Hokkaido Kanelite Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Tatsuta Chemical Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Kaneka Solartech Corporation, Kaneka Medix Corporation, Kaneka Foods Corporation, Kaneka Foam Plastics Co., Ltd., Kaneka Belgium N.V., Eurogentec S.A., HiHua Fiber Co., Ltd.

Participated and cooperated in the Hokkaido Marathon as a special sponsor, and in sports events sponsored by neighborhood companies, industrial park associations and others (including marathon relay races, soft volleyball games, ground golf, bowling, jogging, futsal, soccer and table tennis), as well as in environmental festivals, etc. Also raised funds as part of various activities.

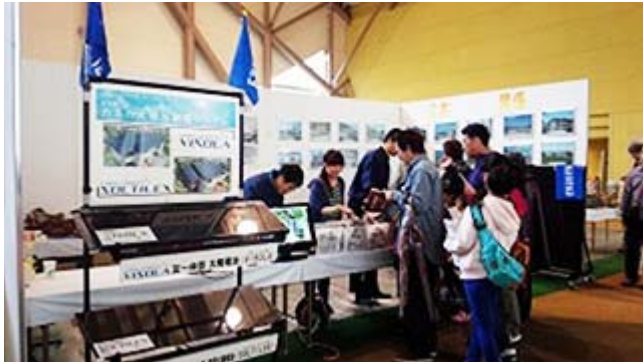


Exhibit at the environmental festival (Kaneka Solartech Corporation)



Supported G-soccer for children with disabilities (Kaneka Belgium N.V.)



OLED Aomori Co., Ltd.

Participated in the Aomori Nebuta Festival by producing a small-sized float (nebuta) using organic EL lighting panels.



Kaneka Takasago Service Center Co., Ltd.

While engaging with the community, held the first anniversary sale and autumn festival campaign of the Kaneka store. Also donated funds collected through local vegetables and fruits to a charity center.



Fund-raising with local crops

Kaneka

Head of human resources was a panelist in a civic forum for promoting gender equality held in Otsu City with the theme "Get involved for an inclusive society: changing work styles changes companies and communities." Former governor of Shiga Prefecture, Yukiko Kada, was the facilitator (attended by about 250 people).



Tatsuta Chemical Co., Ltd.

Donated company products to a local municipality sponsored event. Also participated in a fund-raising activity for areas devastated by the Kanto and Tohoku torrential rains.



<p>Kaneka</p>	<ul style="list-style-type: none"> • Special sponsorship of the 2015 Hokkaido Marathon.
<p>Osaka and Kashima Plants</p>	<ul style="list-style-type: none"> • Participated in the Fukushima Sunflower Foster-Parent Project to support Fukushima's recovery efforts (decontamination and providing employment opportunities).
<p>Kaneka Americas Holding, Inc., Kaneka North America LLC</p>	<ul style="list-style-type: none"> • Participated monthly in Bay Cap, a social action group composed of Bay Area citizens, to engage in conversation with residents on environmental safety, security, economic problems and other issues. • Leads the regional community through various nonprofit organizations, communities, chambers of commerce and industry (including educational endowment, American Heart Association, American Chemistry Council and industrial institute).
<p>Eurogentec S.A.</p>	<ul style="list-style-type: none"> • Participated in a campaign to eradicate Alzheimer's disease with a financial endowment from Kaneka Foundation.

Community Initiatives (The Environment)

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

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Environmental Initiatives

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Kaneka Foods Manufacturing Corporation, Kaneka Sun Spice Corporation, Kaneka Tohoku Styrol Co., Ltd., Kaneka Hokkaido Styrol Co., Ltd., Tamai Kasei Co., Ltd., Taiyo Yushi Corporation, Tokyo Kaneka Foods Manufacturing Corporation, Hokkaido Kanelite Co., Ltd., Kaneka Takasago Service Center Co., Ltd., Kaneka Medix Corporation, Kaneka Foam Plastics Co., Ltd., Shiga Denshi Co., Ltd., Nagashima Shokuhin Co., Ltd., OLED Aomori Co., Ltd., Kaneka Solartech Corporation, Osaka Synthetic Chemical Laboratories, Inc.

Regularly picked up trash around the industrial parks and plants, collected empty cans, mowed grass and performed other cleanup, greening and recycling activities. Actively engaged in volunteer activities including cleanups of neighborhood roads and rivers.



Cleaning up around the plant (Kaneka Hokkaido Styrol Co., Ltd.)



Industrial park cleanup activity (Kaneka Sun Spice Corporation)

Kaneka Americas Holding, Inc., Kaneka North America LLC

Implemented an initiative to protect wild birds and fish and improve water quality by planting grass at a swampland in the outskirts of New York City.

Kaneka (Malaysia) Sdn. Bhd.

Participated in the BRAP RIDE cleanup project to promote global environmental protection. Also took part and won the BRAP eco-race, which involves repainting a breakwater and a wooden ball, and an environmental quiz.



<p>Takasago Plant, Osaka Plant and Shiga Plant</p>	<ul style="list-style-type: none"> • As part of efforts to preserve biodiversity, employees and their family members trimmed trees, cut underbrush and performed other maintenance work for the Kaneka Forestry for the Future (Tagasago), Settsu-no-mori Kaneka Biotope (Osaka) and Konooka Biotope Preservation (Shiga).
<p>All parent plants, Group companies in Japan and overseas</p>	<ul style="list-style-type: none"> • Each plant, individually and in collaboration with local governments and chambers of commerce, cleaned up main roads, around business sites and company dorms, industrial complexes, rivers and seas.
<p>Kaneka Americas Holding, Inc., Kaneka North America LLC</p>	<ul style="list-style-type: none"> • Kaneka Foundation, which plans and executes social contribution initiatives, took part in a program to clean up Sylvan Beach (scheduled 2-3 times a year).
<p>Kaneka (Malaysia) Sdn. Bhd.</p>	<ul style="list-style-type: none"> • As a member of the Local Agenda 21 promoted by the Kuantan local authorities, engaged in river cleanup, appointment for the foundation board, tree planting and other activities. • Cleaned up crude oil spills at the Kuantan coastal district.

Community Initiatives (Global Community)

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

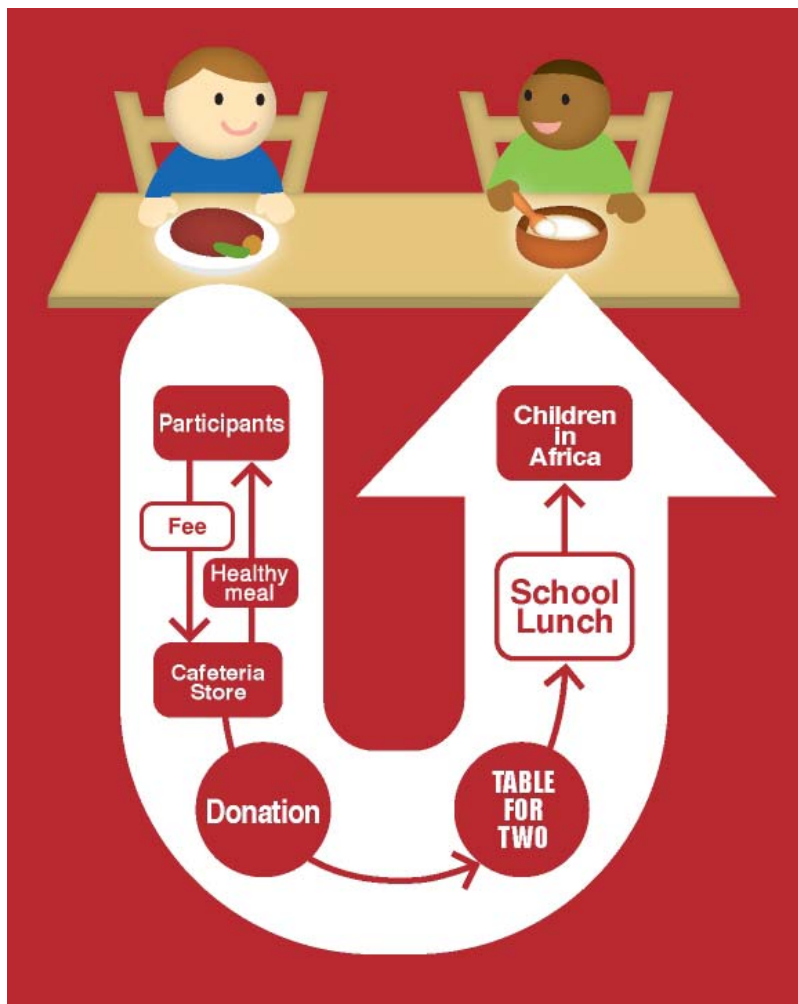
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International Contributions

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Takasago Plant, Osaka Plant, Shiga Plant, Tokyo Head Office

Continuously participated in Table for Two (TFT) by donating ¥20 for every TFT lunch bought at four company cafeterias to school lunch for children in Africa. (ongoing)



Ongoing Support for the WFP School Meal Program



Certificate of Partnership for the WFP Corporate Programme

As a corporate partner, Kaneka provided support to the World Food Programme (WFP) for three years from 2013 to 2015. We donated part of our African sales of the synthetic fiber product, Kanekalon, to the WFP school meal program. We have provided lunch to about 700,000 elementary school children for three years. In areas where the elementary school dropout rates are high, we also provided rice and vegetable oil to girls whose families lack food. We were also the corporate sponsor for the 2015 WFP Essay Contest.

We will continue to be a corporate partner of the WFP for three more years from 2016 until 2018.

Community Initiatives (Others)

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

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Other Initiatives

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Takasago Plant, Kaneka Techno Research Corporation

Welcomed visiting Serbian delegates, demonstrated technologies for analyzing, and had a discussion, as part of the Project of Capacity Building for Analysis and Reduction Measures of Persistent Organic Pollutants in Serbia in cooperation with the Japan International Cooperation Agency (JICA).



Kaneka (Malaysia) Sdn. Bhd.

Kaneka Malaysia's president gave a speech on the key to success for Japanese businesses in Malaysia at a symposium organized by JETRO.



Kaneka Singapore Co. (Pte) Ltd.

Visited a retirement home and held communication games and other social activities together with the caregiving institution.



Shiga Plant, Kaneka Takasago Service Center Co., Ltd., HiHua Fiber Co., Ltd.	<ul style="list-style-type: none"> • Held year-end fundraisers and organized visits to social welfare facilities, including those for people with disabilities, by labor unions and other groups.
Kashima Plant, Kanto Styrene Co., Ltd.	<ul style="list-style-type: none"> • Donated summer festival proceeds to Joso City, Ibaraki Prefecture, which was devastated by the Kanto and Tohoku torrential rains. Also donated money to Oyama City, Tochigi Prefecture.
OLED Aomori Co., Ltd.	<ul style="list-style-type: none"> • Gave donations to the Friends of Leukemia Research Fund, Parents House and Scholarship Fund for Children of Cancer Victims.
Kaneka Medix Corporation	<ul style="list-style-type: none"> • Sponsored a plastic bottle cap collection campaign to deliver vaccines to children around the world.
Kaneka Solartech Corporation, Kaneka Foam Plastics Co., Ltd., Eurogentec S.A.	<ul style="list-style-type: none"> • Participated in the quarterly traffic safety campaigns held by local communities while employees organized volunteer blood donation programs.
Osaka Synthetic Chemical Laboratories, Inc.	<ul style="list-style-type: none"> • Donated funds to the summer festival organized by the chamber of commerce, Okayama food festival, road race competition, Gishi-sai festival, international music festival and other events.
Kaneka (Malaysia) Sdn. Bhd.	<ul style="list-style-type: none"> • Held dialogues between industrial zone members and the local government as chair of the Gebeng industrial support group for three years from 2014 to 2016. Also active as a Pahang skills council member and a panel member of the Malaysian investment development authority.
HiHua Fiber Co., Ltd.	<ul style="list-style-type: none"> • Raised funds for areas devastated by the major earthquake in Yunnan and Sichuan provinces, China.



With Our Employees

Both employees and their families are our stakeholders. Kaneka Group's most valuable asset is our employees—and it is their growth that makes our growth as a corporate group possible. We offer employees appropriate treatment, remuneration, self-fulfillment, and safe working environments.

17

The 17 participants in the first phase of the Women's Network Program

The Women's Network Program, established in fiscal 2015, provides a venue for female employees to proactively discuss concerns and advance proposals for transformative change—both for themselves and for the company. Seventeen women responded to the call during the first phase of activities, working together as a team to make the most of this initiative.

- ▶ [Basic Concepts for People and the Organization](#)
- ▶ [Respect for Human Rights](#)
- ▶ [Employee Development System](#)
- ▶ [Promoting Diversity & Inclusion](#)
- ▶ [Work-Life Balance](#)
- ▶ [Occupational Safety and Health](#)



Basic Concepts for People and the Organization

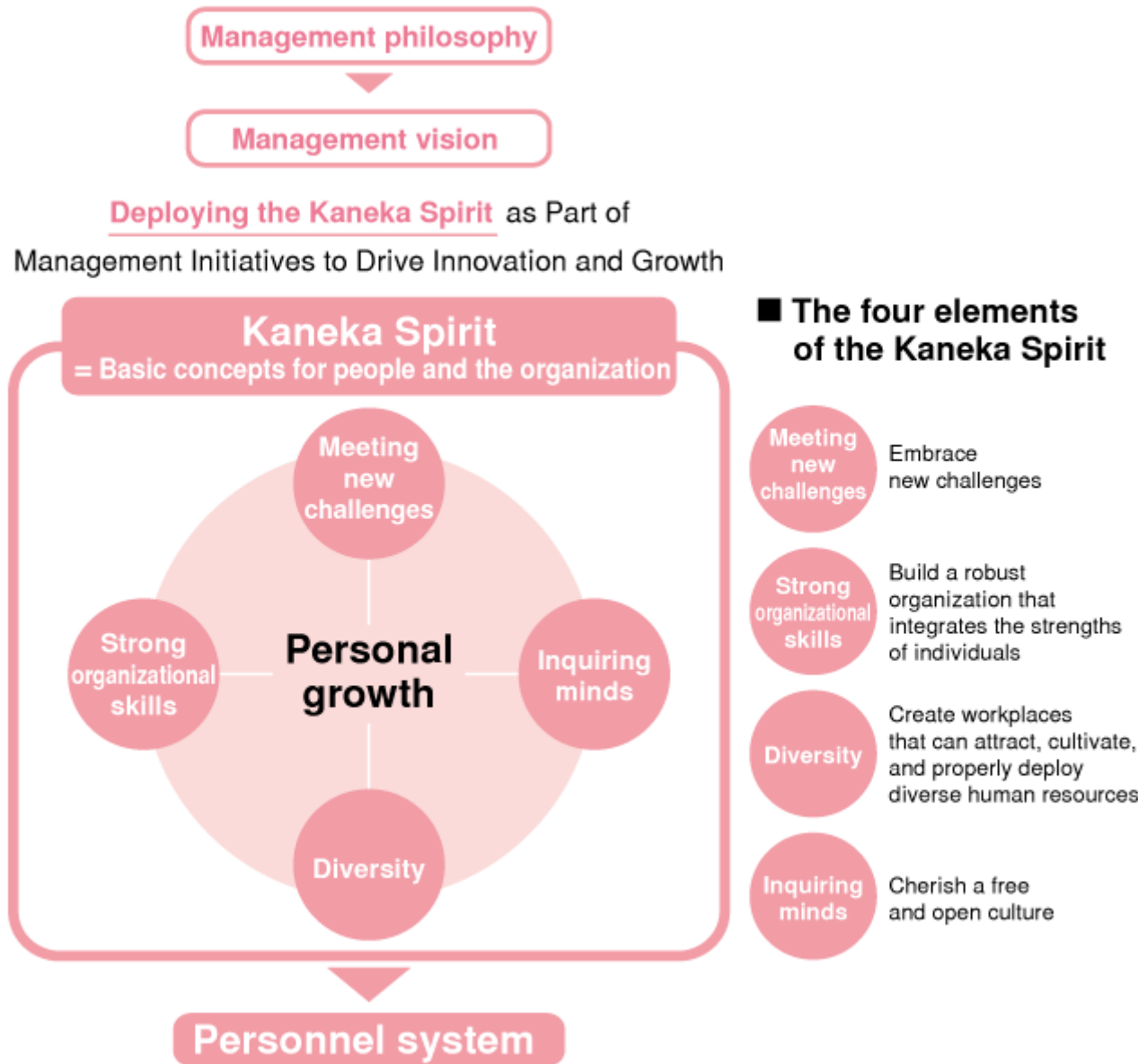
We work to achieve organizational change through fostering employee growth along with organizational growth.

K KANEKA
 J JAPAN
 W WORLDWIDE

Basic Concepts for People and the Organization

K J W

The basic concepts for people and the organization—based on our corporate philosophy and long-term vision—are also at the heart of our personnel system. This concept, the Kaneka Spirit, has derived from ongoing dialogues between labor and management and was evolved through the infused human resources systems, through which we foster people eager to meet new challenges, as well as a strong organization, diverse human resources and inquiring minds.





Check & Act

To promote diversity and inclusion, in fiscal 2016 we will undertake a number of concrete initiatives based on our action plan for the Act on Promotion of Women's Participation and Advancement in the Workplace.

Additionally, we will also develop specific measures with respect to important themes, such as enhanced recruitment, active use of job rotation for skills development, early career fostering of leaders including global leaders.

Respect for Human Rights

Our company respect for human rights and acknowledge and appreciate the diversity of individual values. We do not act in a discriminatory manner toward any of our employees, while upholding all relevant laws and regulations.

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Human Rights Education

K J W

We have established respect for human rights as the most fundamental principle to be upheld by our employees and the company. We ensure that it is well understood through our Rules of Employment and Ethical Code of Conduct, as well as the trainings for new hires and newly promoted managers This is also supplemented through participation in external trainings and conferences held by local governments.

■ Human Rights Education

Fiscal 2015	Content
Training sessions for new employees (132 participants)	Training concerning sexual harassment, power harassment, and discrimination based on nationality, and other issues.
New managers training (45 participants)	Human rights education session with external experts



New manager raining session

Labor-Management Relations

K J W

In keeping with the labor and management joint targets, dynamic discussions are held through management conferences, central labor and management meetings, and meetings of representatives. Specialists committee of labor and management provides advice that is reflected in new policies concerning working arrangements or personnel systems.

Labor and Management Joint Targets

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



Central labor and management meeting

Employee Satisfaction Surveys

K J W

Surveys are held once a year for all employees to provide self-assessments regarding their career vision, and job and workplace satisfaction.

Measures Against Sexual Harassment and Power Harassment

K J W

Aiming to maintain a work environment that is free from sexual harassment or power harassment, we take measures to ensure that all employees are aware of the Rules of Employment and Compliance Guidebook; we also work to prevent incidents of harassment and to deal with matters that may arise at an early stage, including through consultation desks at each of our worksites and an intranet-based reporting system.

Privacy Protection

K J W

To protect the privacy of our employees, customers and others, we have established a Personal Information Protection Policy in accordance with the relevant laws and regulations. We are also continually working to enhance levels of information security, through conducting trainings and various information security education sessions, making use of the Information Security Guidebook prepared by the Information Systems Department.

Employee Development System

We develop our human resources to lead our company's long-term vision, the Declaration of Kaneka United, formulated in fiscal 2009.

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Commitment to People and Organizations

K J W

We are conducting activities to speed the development of "global" human resources—through expanding our education and training programs, active use of job rotation for skills development, and expanding strategic recruitment efforts. In fiscal 2015, we strengthened our efforts to foster leaders and managerial human resources, including through the School of Leadership Challenge for newly appointed managers and organizational administrators. Furthermore, we have been continually carrying out upgraded next-generation leader trainings and overseas leader trainings.

Career Development and Life Design

K J W

To cultivate professionals who embody the Kaneka Spirit, we carry out various off-site trainings, such as profession-specific programs and career development support programs. We also established a self-development support program for employees to pursue capacity building at their own initiative based on their own selections. In fiscal 2015, we revised our career development and life-design training system, establishing age-specific career and life-design trainings. In addition, as a result of the discontinuation of the general career track and regional staff job classifications in fiscal 2014, we carried out Lively Training and My Work Training for former regional employees.

■ Implementation of Career Development and Life Design Support Activities

Program Name	Number of Sessions	Number Participating in Trainings
Career-design training	18	301
Life-design training	23	257
Lively Training	8	140
My Work Training	7	156

Global Human Resource Development

K J W

Seven years have passed since the introduction of our Global Employee Development Program and overseas dispatch trainings. Starting with fiscal 2015, we are working to improve the practical and communications skills of employees by expanding trainings that dispatch young employees to newly industrialized countries such as India and Indonesia, and

launching a language training program (with local homestays) for employees scheduled for transfer overseas. Also, we strengthen leadership and build our global network by expanding the number of companies participating in our Multinational Leader Development Program and the Leadership Challenge Workshop; group trainings held outside Japan that focus on locally hired staff. Going forward, we plan to further enhance our global training programs, with the aim of securing true leadership throughout the Kaneka Group.

■ Global Human Resource Development Plan (Fiscal 2015)

Program Name		Content	Number of Participants
Language training in Japan	Global Employee Development Program	Practical acquisition of foreign language for communication	(registered participants) 2,122
	English and Chinese language trainings	Acquisition of languages required for overseas business	121
Overseas dispatch training	Overseas Trainee Dispatch Program	One-year work experience at a group company outside Japan	15
	Overseas Short-term Trainee Dispatch Program	Activity at a group company outside Japan on voluntarily selected themes (about 3 months)	4
	Overseas language study program	Short-term study abroad and homestay experience	2
	Language training before overseas transfer	In-country language acquisition program before transfer	2
People-to-people exchange	Global Employee Exchange Program	Trainees from group companies outside Japan dispatched to Kaneka (in Japan)	2
Group training	Multinational Leader Development Program	Case studies and action learning on practices of leading global companies	(outside Japan) 12
	The Leadership Challenge Workshop	Acquiring and practicing leadership skills	(outside Japan) 112 (in Japan) 159

Promoting Diversity & Inclusion

We at Kaneka seek out diverse human resources, and continually strive to build their capacity and provide an environment where they can capitalize on their strengths.

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Active Promotion of Female Employees

K J W

In fiscal 2015, we created the Women's Network Program. The goal of this program is to bring about a workplace where women can play an active role, and female employees are encouraged to voluntarily join together to collaborate and proactively address workplace challenges. During the first phase, 17 women of all job types worked as a team over six months to propose specific measures aimed at solving workplace problems.

In addition, 50 female managers and employees in senior staff positions attended external leadership trainings, and lectures for promoting women in the workplace were held for management, along with a seminar for those managing female subordinates conducted as part of training for new managers.

In addition to further working to create a workplace supportive of female employees, we continue to expand our efforts to actively support their capacity development.



A group work session of the Women's Network Program

■ Action Plan under the Law to Promote Women in the Workplace

Through creating a workplace environment where highly motivated and skilled female employees can play a greater role, we actively promote their capacity building. To this end, we have developed the following action plan.

1. Time period

April 1, 2016 through March 31, 2021

2. Objectives, activities and timing

<Objective>

Doubling the number of female officers, as well as the appointment of multiple women to senior manager positions.

<Activities - 1>

To develop a work environment where female employees can play a greater role.

- 1) April 2016 - Create a model workplace where women play an active role. Based on this example, expand such supportive conditions to other workplaces.
- 2) April 2016 - Improve work arrangements in order for work duties to be more efficiently conducted within set working hours.
Promote the use of telecommuting and shorter work-hours programs for creating an environment where employees can balance work and personal life.
- 3) August 2016 - Expand the activities of the Women's Network Program for female employees to make further recommendations for transforming their activities and the company.
- 4) April 2017 - Establish a Career Consultation Desk within the Human Resources Department to provide advice for employees to improve their career vision, with more experienced female employees serving as advisors.

<Activities - 2>

Actively promote the capacity building of female employees.

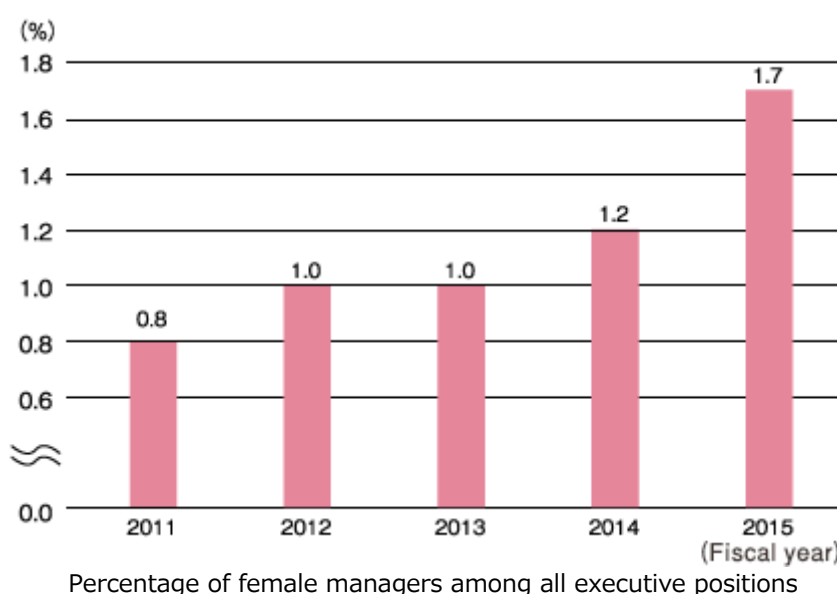
- 1) April 2016 - Create personalized training plans for manager candidates, provide them with jobs with greater responsibilities, and monitor the status of progress.
- 2) April 2016 - Encourage opportunities for female employees to actively exchange views with their peers in other companies, enabling them to gain a clearer vision for their career.
- 3) October 2016 - Through continued training sessions and lectures, train managers working with female subordinates to be advocates for women empowerment.

<Activities - 3>

Proactively recruit and hire female employees.

- 1) April 2016 - Expand information sessions for female students, and increase the percentage of new female graduates hired.
- 2) April 2016 - In order to expand the cohort of future manager candidates, proactively hire women for senior staff positions.
- 3) October 2016 - In collaboration with universities, plan and conduct seminars targeted to female students, providing opportunities for them to think about their employment options and life plans.

■ Change in Ratio of Female Managers



Hiring and Support of Employees with Various Nationalities

K J W

We proactively recruit employees with various nationalities. In order for those newly hired to quickly become accustomed to the workplace and play an active role, we have set up consultation desks for those who come from countries other than Japan at each of our work locations, and continually provide support, such as Japanese language training.

■ Changes in New Hires Who Come from Countries Other than Japan (New Graduates)

Year Hired	Technical Staff	Clerical Staff	Total
2012	3	6	9
2013	1	2	3
2014	4	2	6
2015	2	2	4
2016	5	2	7

Employment of Persons with Disabilities

K J W

The employment rate for persons with disabilities in fiscal 2015 reached 2.06%, achieving the legally mandated employment rate (2.0%). We will continue to actively employ persons with disabilities and support employment efforts by our group companies by expanding the range of occupational opportunities and creating a welcoming workplace.

■ Changes in Rate of Employment of Persons with Disabilities

Fiscal Year	Company Employment Rate	Legally Mandated Employment Rate
2011	1.67%	1.80%
2012	1.86%	1.80%
2013	1.90%	2.00%
2014	1.83%	2.00%
2015	2.06%	2.00%

Employment of Senior Citizens

K J W

In light of the Amended Act on Stabilization of Employment of Elderly Persons, which took effect in April 2013, we revised our system for senior contract employees to accommodate those who wish to continue their employment up to age 65.

In order for our senior employees to enjoy working while maintaining high levels of productivity, we offer opportunities for them to well prepare possible required skills in an early stage.

In fiscal 2015, we initiated new career design trainings for 50- and 55-year-old employees, to encourage them to see their retirement from the company at age 60 as a turning point where they can take up new work with enthusiasm.

Work-Life Balance

We enhance our flexible and self-managed work styles and promote balance between work and personal life, so that employees can be motivated and confident in their jobs.

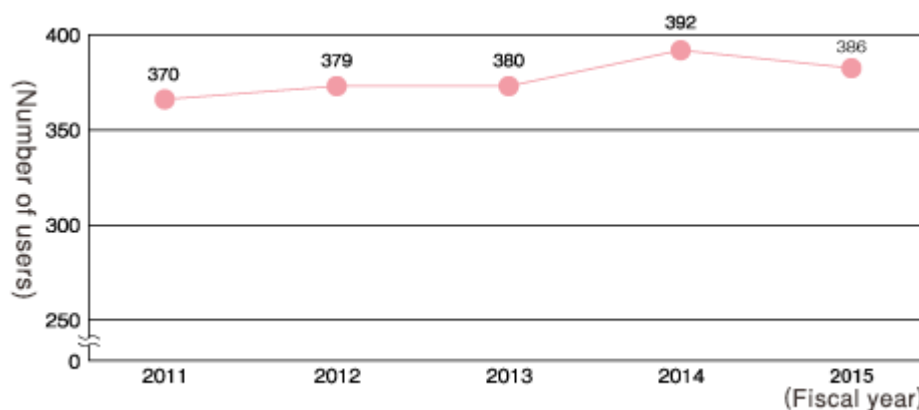
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Flexible Working Programs

K J W

We offer our employees various options for flexible and self-managed work arrangements, including flextime, discretionary work, and variable working hour programs. In fiscal 2015, we also expanded employee eligibility for the telecommuting program—from childcare only to also include family care, and currently, eight employees are using this program. Going forward, we will promote greater use and enhancements of our flexible work programs, to increase the options for diverse and self-managed work styles.

■ Discretionary Work Program Users



Childcare and Family Care Leave Programs

K J W

In fiscal 2009, Kaneka acquired Kurumin Mark certification, which is awarded to companies that support employees' childcare. We have formulated action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and continue efforts to achieve our targets.

Also twenty-two employees have used our newly-created child-raising subsidy program, while one employee has used the leave program when a spouse is transferred abroad.

In fiscal 2015, we made some revisions to our work-life balance support programs, including making employees eligible to use the shorter work-hours program for up to three years in the case of family care. In the future, we will be paying special attention not only to improving the programs, but also providing more information and establishing a consultation desk about family care.

■ Number of Users

Fiscal 2015	Females	Males
Shorter work-hours program	50	1
Childcare leave program	42	2



The Kurumin Mark is awarded to companies that are certified for supporting childcare by their employees

Employee Feedback

Balancing Work and Childcare with the Telecommuting Program



Thanks to the telecommuting program, instead of spending three hours commuting to and from work each day, I am able to allocate this time for childcare and household tasks. My children are in the last year of daycare and second grade of elementary school, and both of them are happy that I can pick them up earlier than in the past. As for working at home, I am finding ways to organize myself for tasks that are practical to do at home, such as report writing and data analysis. I am also very grateful to have the understanding and support of my boss and workplace colleagues.

Internal Control Department, CSR Division
Makiko Kazemoto

Occupational Safety and Health

Kaneka Group promotes various occupational safety and health measures aiming for zero occupational accidents, based on risk assessments at each business site, with consideration of factors relating to personnel, facilities, raw materials, and systems.

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Occupational Safety and Health

K J W

In 2015, a total of 13 occupational accidents occurred in the Kaneka Group, of which seven resulted in lost work time, and six did not. As many of these were due to being caught in machinery or falling, we provide a sensory learning program of a hand getting caught and safety-related activities to reduce the number of occupational accidents, in order to boost personal awareness of safety and safety management.

■ 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%

Enhancing Our Occupational Safety and Health Management System

K J W

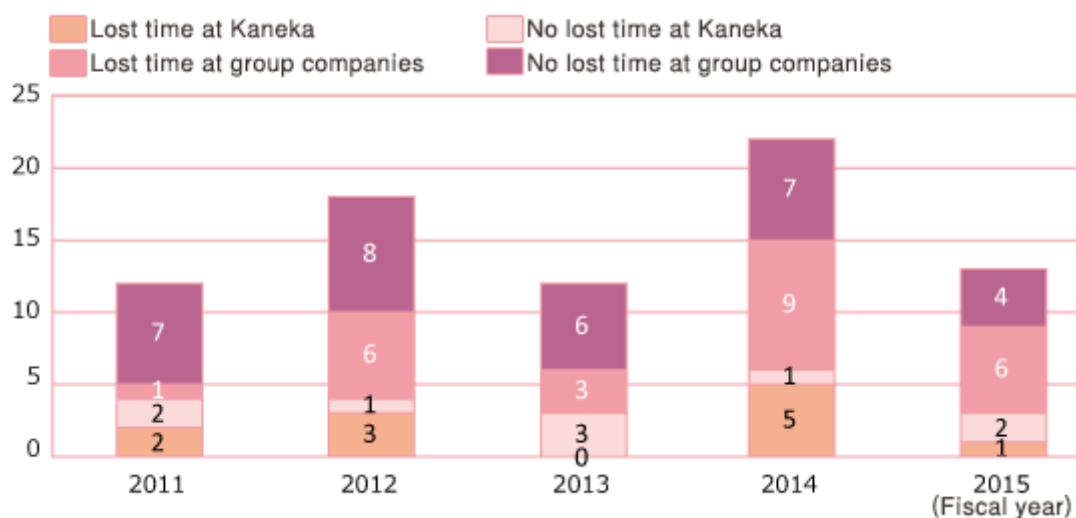
Our all four parent plants acquired Occupational Safety and Health Management System (OSHMS) certification from the Japan Industrial Safety & Health Association (JISHA) in fiscal 2007, and have continued our efforts to enhance these systems. We are checking the effectiveness of activities and working to make steady improvements.

A summary was written of best practices for CSR safety and quality inspections, and the practices are being encouraged among group companies in Japan in order to further improve safety levels.

■ OSHMS Certifications

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

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



■ Accident Severity Rate and Accident Frequency Rate

	Area	All Kaneka Group		Kaneka		Group Companies in Japan and Overseas	
		2014	2015	2014	2015	2014	2015
Employees of Kaneka and Group Companies	Frequency Rate	0.84	0.61	0.38	0.18	1.12	0.74
	Accident Severity Rate	0.02	0.01	0.01	0.008	0.03	0.01

Kaneka Medix Corporation Awarded for Five Years Accident Free

K J W

Kaneka Medix Corporation is a manufacturer of catheters and other medical equipment, based in Ashigarakami District, Kanagawa Prefecture. It has about 130 employees, and pays careful attention to safety rules, having published a booklet on the basics of health and safety at the workplace. It was recently certified by the Japan Chemical Industry Association as an excellent workplace for being continuously accident-free for five years. Kaneka Medix is continuing its safety efforts to maintain an accident-free record.



Mental Health Care

K J W

In order to promote mental health, Kaneka Group conducted self-care trainings at workplaces in fiscal 2015. Their purpose was to make employees—especially those in their thirties when stress levels can increase due to changes in their public and personal environment—more aware of the stress due to the gaps between expectations and reality, and to develop techniques to manage it. We also prepared a manual to assist employees who are returning to work deal smoothly after time off work for mental health issues. Going forward, the entire Kaneka Group is committed to promoting not only physical but also mental health.



Self Care Training

Check & Act

Although we have implemented health and safety activities, accidents did not decline significantly over the past five years despite our target of a zero-accident record, as well as efforts to boost safety awareness and promote adherence to safety guidelines.

To continue making progress toward our zero-accident target, we will maintain our efforts, with special attention to stronger leadership by managers, as well as risk assessments with an emphasis on major risks.

Stakeholder Communication

Kaneka Group prioritizes communication with its stakeholders. We will continue to improve our activities on social responsibility by reviewing the feedbacks we receive from the readers of our CSR report.

[Third Party Comment/
▶ Response to Third Party
Comment](#)

[▶ Third Party Verification](#)

[▶ Stakeholder Feedback](#)

Third Party Comment/ Response to Third Party Comment

Third Party Comment on the 2016 CSR Report



Chieko Minami

Professor of Marketing, Graduate School of Business Administration, Kobe University.

Graduated from the Faculty of Letters, Kobe University.

Completed a Master's Degree in Communication from Michigan State University.

Completed a Master's Degree at the Graduate School of Business Administration, Kobe University.

Withdrew from the Doctoral Course.

Formerly an associate professor at the Faculty of Economics and Business

Administration, Yokohama City University before assuming current post.

Doctor of Commerce. Specializes in the field of marketing.

"I look forward to a more accessible CSR Report to provide full disclosure to stakeholders."

Ten years have passed since Japanese businesses formally adopted corporate social responsibility (CSR). As a concept that originated overseas, CSR is still experiencing difficulties in taking root in corporate Japan as few companies can fully visualize its ideal implementation.

The report clearly directs the Kaneka Group's CSR activities toward social contribution through its business operations, and explicitly shows this by focusing on key strategic domains where the Group can exhibit its strength. This is particularly evident in the accessibility and readability of the digest version, the CSR Communication Book.

Special Features that Go Straight to the Heart

The special feature on food production support in particular, presents the familiar topic of food, which is also of great concern to society. Obscure scientific technology, such as how the new fertilizer promotes higher crop yield, or how anti-freeze ingredients retain the quality of frozen foods, are explained with illustrations and combined with feedback from employees, all of which clearly convey Kaneka's contributions to the food industry.

In the special feature on Kanekalon business, which has valued local community ties in Africa for more than 30 years, the Group's support and dialogue on the WFP school meal project for local children demonstrates a regional community engagement that goes beyond mere donation and is grounded in local needs. The positive effects on the wig culture there and women's self worth are also visually and concretely expressed through the Miss Kanekalon contest and other initiatives. All of these create a favorable impression of the Kaneka Group's CSR activities.

I would also like to give special mention to Kaneka's environmental data (the full report is available on the website). Manufacturing industries inevitably have an impact on the environment at every step of the production process, from raw material procurement to production and distribution. Kaneka is to be commended for continually disclosing activities that reduce its environmental impact using well-organized data through the "Materials Balance in Production Activities." Going forward, I hope to see Kaneka continue to present to stakeholders its sustained efforts on CSR initiatives together with precise evidence based on data.

Improvements to Enhance Communication

The discussion on regenerative medicine and cell therapy on the first section is somewhat lacking. Given that this is a very high-profile social issue, there will certainly be more interest on the topic from stakeholders. This article would have

benefited from a more comprehensive approach to addressing the topic.

In "KANEKA at a glance" there is an emphasis on data relating to the year's CSR activities. However, the implication and corresponding evaluation of these figures was not evident in the article. It was an interesting way of expressing data visually but there is room for improvement in terms of the presentation.

Although CSR reports from various corporations can be obtained, people refrain from reading reports that are too voluminous or contain too much information. Whatever the medium, these reports will not be effective if they are not read. Addressing stakeholder interests and making more accessible reports are crucial in information disclosure. Along with more substantial content, I look forward to Kaneka's ongoing efforts to improve its CSR report from this perspective.

From the Editorial Team: Response to Third Party Comment

In the 2016 CSR Report, the structure of the digest version was modified to strengthen communication with stakeholders. In particular, near the beginning of the report, we highlighted special features on food production support and health care as our social contribution through business activities from among our various key strategic domains. These articles contain the concept for and significance of each initiative, together with messages from stakeholders. Through dialogues and discussions, we drew out people's wishes and needs, and made an effort to present them in the section "Fulfilling dreams."

In addition to commending some of our initiatives, Professor Minami also provided advice on several areas for improvement, such as including additional content on high-profile social issues, and providing the implication and corresponding evaluation of numerical data presented for our CSR activities. We will implement these recommendations in the next report to better communicate our efforts.

Our goal is to continue reporting specific CSR initiatives through business activities to all our stakeholders, and to address their concerns by producing a CSR report that provides full disclosure. We would appreciate any comments, suggestions, corrections or other feedback on any information contained in this report.

Finally, thank you to all our stakeholders for taking the time to read this report.



Personal talk with the CSR Committee head

Administration Office CSR Committee
Kaneka Corporation

Suggestions and Improvements from the 2015 Version

We made the following improvements in response to Professor Minami's suggestions for the 2015 version.

1. Kaneka needs to explain its criteria for establishing its CSR activity targets and self-assessments.



We endeavored to present the context for our target criteria by adding more quantitative assessments in the report, particularly for data related to human resources and our Responsible Care initiative.

2. Kaneka needs to show how it engages with the international community as a signatory to the UN Global Compact.



The Kaneka Group's commitment to the UN Global Compact is integrated into the Group's CSR activities as described in the section "Our Initiatives on Social Responsibility", and is further reported in the main initiatives for fiscal 2015.

Third Party Verification



CSR Report 2016 Independent Verification—Opinions

June 20, 2016

Mr. Mamoru Kadokura
President Kaneka Corporation

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

Purpose of verification

This verification is designed for the Responsible Care Verification Center to express an opinion of an expert representative of the chemical industry about the following items as presented in Kaneka Corporation's CSR Report 2016.

- 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) Details of responsible care activities
- 4) The characteristics of the Report

Verification procedure

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

Opinions

- 1) The rationality of calculation and collection methods of performance indices (numerical values) and accuracy of the values:
 - Rational methods were used to calculate and collect numerical values for both the corporate head office and the Kashima Plant.
 - As far as was investigated, performance values are accurately calculated and collected.
- 2) The accuracy of non-quantitative information presented in the Report:
 - The information presented in the Report was confirmed to be accurate. At the stage of drafting the Report, minor issues were pointed out regarding the suitability of expressions or the consistency of terms, etc.; however, these issues have been rectified in the final Report. At this stage, no material matters need to be rectified.
- 3) Assessments of responsible care activities:
 - Kaneka alone has attained zero emissions for ten consecutive years, and domestic Group companies have for four consecutive years.
 - Good practices for safety activities are compiled into the Best Practice Collection to support domestic Group companies.
 - The long-term vision focuses on a significant increase in the ratio of future overseas operations. At the same time, further support for the overseas Group companies' Responsible Care activities is expected.
 - The Kashima plant carries out safety sensory education in the Safety Room Education. The plant also provides information on all past disasters and exhibits remnants from accidents, a table of Kaneka's activity history, presidents' messages regarding accidents, and other items. These initiatives encourage employees to instantly be aware of the importance of safety in the workplace.
- 4) The characteristics of the Report:
 - The Materiality in the GRI G4 Sustainability Reporting Guideline Requests includes Environment and Energy, Health Care, Food Production Support, and Information and Communications. Among them, food and health are highlighted in this fiscal year. Kaneka explains the newly developed fertilizer from various perspectives, such as helping farmers, relieving world hunger, and preventing soil degradation, consequently creating a positive impact. In addition, stakeholder dialogues as well as the remarks of third-party opinions and remedies corresponding to the remarks remain included, leaving a favorable impression.

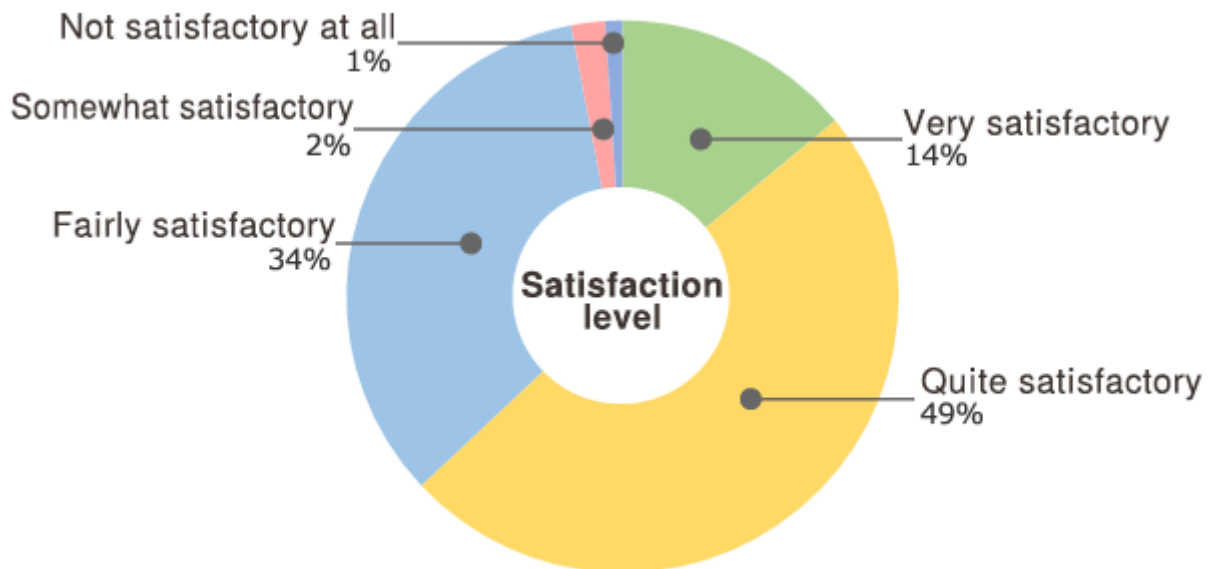
Stakeholder Feedback

We present feedback from the readers of Kaneka Group CSR Report 2015 below.

Overview

Survey Period	August 7 to October 5, 2015
Analyzed Period	August 7 to October 5, 2015
Survey Coverage	Kaneka Group CSR Report 2015
Number of Valid Responses	573

Q1 What were your impressions of the Kaneka Group CSR Report 2015?



Q2 Which articles in the Kaneka Group CSR Report 2015 interested you most or left an impression? (choose all that apply)

1. Highlight — Introducing the Food Defense Program to Improve Customer Satisfaction	39%
2. Ensuring that Suppliers Fulfill Their Environmental and Social Responsibilities	37%
3. Reducing Waste and Preventing Pollution	36%
3. CSR Targets, Results, and Evaluations	36%
3. Measures to Prevent Global Warming	36%
6. Quality Management Initiatives (Product Safety and Quality Assurance)	35%

7. Special Feature Article I: Important Strategic Domains “Health Care” Toward a Future in which Human Cells Save Lives	33%
8. Cultivating Human Resources and Creating Comfortable Work Environments	30%
9. Highlight — On Track to Recovery Four Years after the Great East Japan Earthquake	29%
10. Special Feature Article II: Important Strategic Domains “Environment and Energy” Changing Lighting to Transform Living	28%
10. Initiatives in Biodiversity	28%

Key Opinions

Q3 Which areas would you like to see improved or know more about?

- I would like to see more information, together with concrete data, on Kaneka Group's work environment, employment and career opportunities for employees.
- The special features were presented by important strategic domains and were highly readable.
- I would like to see more understandable expressions for the older and younger generations, as there were a lot of difficult terms.

Q4 What did you think about the special features?

Special Features Article I: Important Strategic Domains “Health Care”

Toward a Future in which Human Cells Save Lives

- I read it with interest because health is a familiar concern for me.
- I now look forward to Kaneka Group's advanced regenerative medicine.

Special Features Article II: Important Strategic Domains “Environment and Energy”

Changing Lighting to Transform Living

- This environmentally responsible product and energy efficient technology is highly commendable.
- I look forward to the wider acceptance of Kaneka Group's products with anticipation.

CSR Report / From the Editorial Team

CSR REPORT 2016



[Top Commitment \(PDF:146KB\)](#)

[Special Features \(PDF:2.46MB\)](#)

[Promoting Corporate Social Responsibility \(PDF:2.81MB\)](#)

[For the Environment \(PDF:782KB\)](#)

[With Our Customers \(PDF:206KB\)](#)

[With Our Business Partners \(PDF:169KB\)](#)

[With Our Shareholders and Investors \(PDF:225KB\)](#)

[With Local Communities \(PDF:940KB\)](#)

[With Our Employees \(PDF:336KB\)](#)

[Stakeholder Communication \(PDF:374KB\)](#)

[From the Editorial Team \(PDF:140KB\)](#)

[Reader Survey \(PDF:966KB\)](#)

[Full Report \(PDF:7.61MB\)](#)

CSR Communication Book 2016, the digest edition, is also available here: [CSR Communication Book 2016 \(Digest Edition\) \(PDF: 52.5MB\)](#)

From the Editorial Team

Kaneka Group issued its Responsible Care Report in 1999, and renamed it the CSR Report in 2010 to include more socially responsible content.

In 2011 we separated the report into the digest and full edition. Since 2013, we renamed the digest edition the Communication Book to position this publication as a key communication tool with all stakeholders.

From this year, the full report is available not only in PDF but also in HTML format (web edition) for viewers to search for information more easily on their computers. The full report discloses all of our CSR information. It covers information contained in the Communication Book, the detailed report of stakeholder dialogues, and stakeholder-specific sections.

The stakeholder-specific sections of the full report have Check & Act columns, an overview of activities for the year under review, and our Plan-Do-Check-Act (PDCA) goals on highlighted issues for the coming term.

The Communication Book was prepared to communicate to our stakeholders around the world the highlights of Kaneka's CSR activities. The opening section describes how we strive to respond to our stakeholders' expectations based on communication with them, and our unique approach to offer new value. Many of our employees appear in the Special Features and Topics sections to highlight each key role they play in communication. The Two Special Features present how we at the Kaneka Group are working on food production support and health care—two of our four key strategic domains—in our core businesses. The section on Our Initiatives for Social Responsibility shows how we have implemented our CSR activities focusing on the businesses in the Group's key strategic domains as well as the history of our CSR efforts.

● Organizations Covered in This Report

This report covers Kaneka Corporation and its consolidated subsidiaries both in Japan and other countries. The data on Responsible Care activities encompass the parent and all 43 Group production subsidiaries.



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

Kaneka	K KANEKA
Group companies in Japan	J JAPAN
Group companies outside Japan	W WORLDWIDE

In this report, “Kaneka” refers specifically to Kaneka Corporation. “Kaneka Group” encompasses Kaneka Corporation and Group companies (its consolidated subsidiaries). References to “Group company/companies” do not include Kaneka Corporation.

In this report, one ton is equal to 1,000 kilograms (one metric ton).

● Languages

This report is available in Japanese and English.

● Third-Party Verification and Opinions

The Japan Chemical Industry Association verified the Responsible Care data in this report. Professor Chieko Minami of the Graduate School of Business Administration of Kobe University provided a third-party opinion on the overall content of the CSR Reports, following the 2015 version.

● Period Covered

Fiscal 2015 (April 1, 2015 to March 31, 2016). In some cases, reporting covers activities before or after fiscal 2015.

● Published

September 2016

● Publication of the Previous Report

September 2015

● Next Report

Scheduled for September 2017

● Reference Guidelines

The G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the Environmental Reporting Guidelines (2012 edition) issued by the Ministry of the Environment of Japan.

● Inquiries

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Back Number of CSR Report

[Kaneka Group CSR Report 2015](#) [The Digest Edition 2015](#)

[Kaneka Group CSR Report 2014](#) [The Digest Edition 2014](#)

[Kaneka Group CSR Report 2013](#) [The Digest Edition 2013](#)

[Kaneka Group CSR Report 2012](#) [The Digest Edition 2012](#)

[Kaneka Group CSR Report 2011](#) [The Digest Edition 2011](#)

[Kaneka Group CSR Report 2010](#)



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