

About the Front Covers

A childlike curiosity is fundamental to realizing Kaneka's long-term vision of building a more impressive and productive future.

The three colored balls indicate that we are always there for the young, and graphically complement the special features in this report.



What's CSR? corporate social responsibility



kaneka

<http://www.kaneka.co.jp/kaneka-e/>

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CSR Communication Book 2013

corporate social responsibility



kaneka

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How should employees act?

What is CSR? Doesn't it contribute to society?

How does CSR change a corporation and its employees?

Isn't CSR unrelated to our business?

What's CSR?

corporate social responsibility

Four years have passed since the Kaneka Group renamed the Responsible Care Report the CSR Report. To date, we have provided an overview of the Kaneka Group's CSR activities in order to inform our stakeholders. Although people within the Group are familiar with the term CSR, we need to increase understanding.

For the Kaneka Group to become a truly CSR-driven entity, all employees must ask themselves what they can do for society, and act accordingly based on the knowledge that both the Company and employees are members of society.

So, again we ask, what is CSR?

What do stakeholders expect from the Kaneka Group?

And how do we respond?

The Kaneka Group proposes new value for society through discussions with each Group employee while deepening communication with stakeholders.

CSR means that a company contributes actively to social progress through its business as part of society and allocates management resources toward that goal.



CSR essentially concerns contributing to society through business.

Employees should know their stakeholders and identify issues to enable them to provide new value.

Both companies and employees are members of society. Accordingly, they must consider what they need to do and how to realize their ideas.



From the next page onward, we showcase the Kaneka Group's CSR in the special features and highlights sections, as well as in the message from Kimikazu Sugawara, Kaneka's president, on top management's commitment.

Each employee is a part of the community. We make concerted efforts to improve our corporate value out of a keen awareness of our role as members of society



No Easy Answers in Times of Change

Various factors have combined to make global economic prospects difficult to predict.

Europe remains in the doldrums as a result of risks from its financial crises, and is likely to continue experiencing negative growth. In 2012, China's economic growth rate declined to 8%, casting a shadow over its position as a driving force behind the global economy. At the same time, countries in Southeast Asia are fast becoming regional growth centers, with many companies augmenting their China policies with initiatives in the region.

The United States has begun to show signs of a recovery. People are looking to a shale gas revolution to lead the American economy into a new expansionary phase and deliver anticipated real GDP growth that exceeds expectations.

While it is yet too early to say whether Japan's real economy is improving, some parties believe Japan will strengthen by the end of this year as a result of "Abenomics" initiatives that came into effect at the start of the year.

Even so, the world is increasingly interconnected, and problems occurring in one country or region can easily trigger a global recession. As an executive, I am keenly aware that sudden changes are not necessarily temporary and can be ongoing, which is why we must always have several plans prepared so we can adapt flexibly to new situations.

Change is an Opportunity, Not a Threat

We have globalized our operations even more since issuing the Declaration of Kaneka United. Outside Japan, we have nearly 2,000 employees from numerous nationalities at 24 subsidiaries in 10 countries. In 2012, we established regional headquarters in Asia and the United States, transferring extensive authority to them from Japan. We must continue striving companywide to empower overseas operations so we can further globalize our organization.

Kaneka plans to concentrate operational resources in Asia as a growth center of the global economy. We plan to invest around ¥40 billion, or half of all our capital expenditure, in Asia under our current medium-term plan. We will devote considerable resources to upgrading Malaysian operations and complementing key plants in Belgium and Texas, while focusing on strengthening local management.

To this end, reinforcing our global technological capabilities will be essential in fields such as production technology and engineering. We will thus accelerate training and recruitment in diverse fields. Another consideration is that we are seeing a worldwide revolution in the use of materials. For example, it was previously thought that it would take more than a decade for LED lighting to become popular around the globe. However the spread of this technology has greatly accelerated, and LED lighting is now common in housing, automobiles, and industrial products. Carbon fiber has also swiftly gained popularity, transforming the aviation and automotive industries.

Such changes offer massive opportunities for Kaneka as a materials supplier.

Research and development will remain the driving force behind our growth, which is why we have maintained R&D spending over the past three years. In the previous fiscal year, we prioritized research speed and focus, restructuring our organization accordingly. This year, we plan to further accelerate development so we can commercialize projects and harvest the fruits of investment.

Safety Is Central to Our Manufacturing Skillset

Major accidents have occurred at chemical companies in the past two years. Kaneka believes that safety is integral to production as an overriding priority and that no manufacturer can be strong without it. Safety is central to workplace practices, and we must maintain our team spirit to doubly and triply ensure safety.

Kaneka emphasizes to employees that they must make safety an overriding priority. That said, we realize that it is part of human nature to take shortcuts and that the safer an operation seems, the greater the risks there are. Unless we act based on this assumption we believe that it will be impossible to create an organizational culture that is accident-free.

Finally, Kaneka will continue to engage with the world so it can earn recognition for its corporate value in the context of leveraging science to make wishes come true. I believe that this stance is in line with our approach to corporate social responsibility. Thus, I make every effort to encourage employees to fulfill their roles as citizens and provide them with opportunities to reflect on their work and their communities, to ensure that Kaneka employees are highly aware people.

I will continue working with employees to meet the challenges of such changes in keeping with our slogan of *Kaneka, Our Science makes wishes come true.*

Kimikazu Sugawara
President
Kaneka Corporation



Leveraging Our Science to Contribute to the World— Creating a Sustainable Future through Our Operations

As a comprehensive chemicals producer, the Kaneka Group manufactures chemicals, functional plastics, plastic foam products, food products, medical supplies and devices, electronic materials, photovoltaic modules, and synthetic fibers. Our technologies and products enrich people's lives the world over, contributing to a sustainable future. Kaneka will continue leveraging its science to make wishes come true.

Environment and Energy

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



Form meets function—Roof-Integrated photovoltaic modules
Kaneka has developed advanced thin-film silicon photovoltaic modules, a next generation technology. We have significantly improved solar cell conversion efficiency and lowered production costs. We have strengthened our product lineup with VISOLA, an integrated flat roof tile, and SOLTILEX, an architecturally pleasing solution that is installed on top of slate roof tiles. We listened to the market and launched a new anti-glare product in 2013

High-performance plastics



Master batch with improved epoxy resin toughness
We increased the toughness of epoxy resin for all applications from electronic parts to civil engineering and automotive structure adhesive applications

Synthetic fibers (Kanecaron)



Pile
Flame-retardant modacrylic fibers that resemble human and animal hair

Wooden house construction techniques



Solar Circuits
A wood construction system that ensures comfortable homes through proprietary energy-conservation technologies that incorporate external insulation and double ventilation

Plastic foam products



Extruded polystyrene foam boards
Widely used as an insulation material in buildings, factories, homes, and cold storage warehouses

High-performance plastics



Weather-resistant methyl methacrylate films
Employed in roofing materials and other applications demanding long-term durability

PVC & chemicals



Chemical products
Important basic industrial materials whose numerous applications include building materials and automotive parts

Health Care

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



Reduced form coenzyme Q10 (Ubiquinol)
Coenzyme Q10 contributes to healthy living by playing a vital role in giving us energy. In recent years, experts have confirmed the benefits of this coenzyme in treating type 2 diabetes and in alleviating periodontal disease. Other benefits include suppressing wrinkle formation from exposure to ultraviolet rays and age-associated hearing loss

New business development



Hip protectors
These protectors are used as innerwear because they are exceptionally thin and comfortable and greatly reduce impact from falls

Regenerative medicine



Programmable closed circuit cell culture system
Cell seeding, cell image capture and cell harvest are performed as programmed protocol under closed environment (For research use)

Synthetic fibers (Kanekalon)



Materials for hair accessory products
Used in wigs and other applications with a texture that is similar to that of human hair

Medical devices



Catheters for intravascular treatment
Clogged or narrowed blood vessels are treated from the inside by our wide variety of catheters

Medical devices



Blood purification system
This system is capable of selectively removing just the pathogenic agents in blood

New business development



Pipette tipped polymerase chain reaction amplification assessment tool
Accelerates genetic testing and helps lower the costs of laboratory equipment

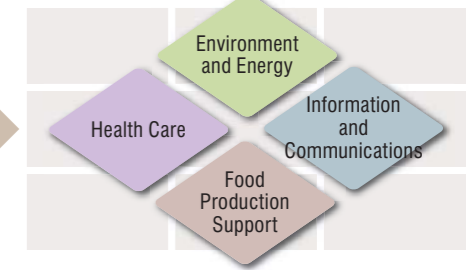
Important Strategic Domains

Humankind faces numerous social problems, the most pressing of which involve the environment, food, and medicine and health. The Kaneka Group will continue to fulfill its responsibilities as a comprehensive chemicals manufacturer with worldwide operations by concentrating its resources on the strategic domains of the Environment and Energy, Information and Communications, Health Care, and Food Production Support.

Existing Business Units

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

Important Strategic Domains



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

Information and Communications

We provide high-performance materials that underpin the information society

Electronic materials



Ultra-heat-resistant polyimide film
Substrate materials for flexible printed circuits that contribute to the slimness and compactness of smart phones, tablets, digital cameras, portable music players, and other devices used as heat-resistant insulating materials in aircraft and locomotives

New business development



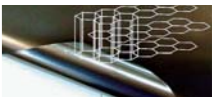
Thermal solution materials
Insulating thermal conductive resins and other thermal solution materials

New business development



Heat-resistant, light-resistant transparent resin
Used in LEDs for lighting fixtures, optical parts, and information and communication components

Electronic materials



High-thermal-conductive graphite sheet
Used for thermal dispersion and radiation in various applications including mobile electronic devices

Electronic materials



Transparent film for optical use
Used to support films for liquid crystal display substrates and deflection plates

Electronic materials



Bonded magnets
Used in the copy machines or printers as magnet rollers made from polymer composite magnetic materials

Expanded Plastic products



Polypropylene foam made with the bead method
Used in cushioning packaging materials for precision equipment due to their outstanding heat resistance and dimensional accuracy

Food Production Support

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

New business development



Biopolymers
The key raw materials in Kaneka's biopolymers are completely plant derived. Our products have attracted great attention for minimizing environmental impact as plastics that can swiftly decompose into carbon dioxide and water through proprietary technology employing microorganisms that function regardless of the presence or absence of air. One such application is agricultural mulch film. After usage, the film can be plowed into the soil for decomposition, thereby reducing labor and supporting food production

Food products



Multipurpose yeasts
Compatible with various processes while contributing to high-quality bread production

Food products



Anti-freeze proteins
These proteins suppress the growth of ice crystals in food, making it possible to retain freshness

Food products



Whipped cream for fresh cream blends
Enabling mass production and cold storage of unbaked cakes

Food products



Spices
Spices and seasonings that are essential for prepared foods and deli items

Plastic foam products



Polystyrene foam made with the bead method
Used in groceries and fish packing containers for outstanding insulation and cushioning

PVC & chemicals



Polyvinyl chloride
A general-purpose plastic that is widely used in greenhouses and other applications



Top Management Collaborates with Production Frontlines to Cultivate CSR Management

Employee Relations Policy and Vision

The Kaneka Group positions safety as a top priority of management in its Basic CSR Policy. Based on the notion that safety will only result from joint commitment by management and employees, we endeavor to ensure that all company workplaces around the world are safe.

Following a fatal accident at the Kashima Plant in June 2009, the Kaneka Group made it a top priority to rebuild its safety framework to eliminate the possibility of another serious accident occurring.

Kaneka's management and production frontlines have worked collaboratively to further maintain and improve operational safety in light of the recent incidents at the chemical plants of other companies.

Social Needs and Kaneka's Plan

Safe Operations are Fundamental to Production

It is our corporate mission to ensure that production sites are safe for employees and communities. We are keenly aware that there have been many serious

accidents at chemical companies in Japan in recent years. Safety is the foundation of production and is a benchmark for manufacturing acumen. The incidents of others are also of great concern to us, and we have therefore reinforced our framework to improve operations while enlightening employees about safety through management visits and CSR Safety and Quality Inspections.



The president creates positive tension when visiting plants

Kaneka Group's Approach

Senior Managers Visit Production Sites and Convey Their Thoughts on Safety

Kimikazu Sugawara, Kaneka's president, says that, "I think that management is most effective when performed on site, and it is important for each employee to think and act like the president. It is also vital to cultivate a team spirit that boosts pride while pursuing and creating safe work environments. The management team supports what happens in production locations, which is why we visit them so frequently."

Since fiscal 2009, top management parties have visited production sites around 10 times annually to convey their thoughts to employees on safety and encourage them to improve safety awareness. This approach highlights safety as a top management priority. Senior executives in these visiting teams include the president, vice president, senior managing directors, and managing directors. They inspect sites and conduct question and answer sessions with employees. The visits give each plant an opportunity to meet top executives two or three times each year and hear management's thoughts on safety. Formerly Kaneka would notify facilities of visits well beforehand. Since fiscal 2012, however, management decides on the exact location only on the morning of the visit. This has created positive tension for plants while enabling top management to see facilities operating in their normal

state.

Masanobu Yamada, general manager of the Responsible Care Department, Production Technology, says that, "Having top management see plants and provide advice has definitely boosted employee morale. In fiscal 2012, we gave management talks, usually delivered at the end of each visit, and shared them with all plants. We aim to disseminate understanding of management's commitment to safety to all Group companies in Japan and abroad."

CSR Safety and Quality Inspections at Production Sites Are Conducted from Third-Party Perspectives, Driving Improvement through Plan-Do-Check-Act (PDCA) Cycles

While conveying management's commitment to reforming employee awareness, we use CSR Safety and Quality Inspections to better understand progress in business activities to fulfill our social responsibilities and request improvements as needed. We conduct inspections annually at the four Kaneka plants and biennially for Group companies, including those overseas. Members of the CSR Inspection Committee include managers from plants other than those inspected, as well as a director in charge of security who functions as chairperson of the CSR Inspection Committee. The Committee inspects production sites from a third-party perspective. In fiscal 2012, it inspected 34 plants of 27

Discussion circles with 178 young executives

We Emphasize to Young Leaders that Safety Is a Never-Ending Contest

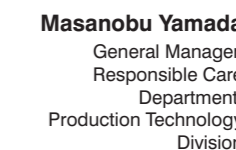
Kimikazu Sugawara
President



I believe that one of my roles as president is to share my vision with employees. It is also important to create a framework in which everyone explores our vision. Accordingly, I initiated discussion circles in February 2012 to foster frank discussions with young prospective leaders and motivate them. Leaders act and get things done and drive reforms. In my discussion circles with manufacturing and technology leaders, I focus on safety. There is nothing mysterious about safety. I believe that the human mind tends to become careless and choose the easy option, so one has to battle to attain safety. Nothing is safe simply because we deploy a measure. Nor is anything necessarily safe just because we fix a problem in one location. I therefore emphasize to prospective young leaders that it is important to remain ever vigilant and engage in ongoing reforms in a never-ending contest as far as safety is concerned.



Kimikazu Sugawara
President



Masanobu Yamada
General Manager,
Responsible Care
Department,
Production Technology
Division

Top Management Collaborates with Production Frontlines to Cultivate CSR Management



Top management visits to facilities in fiscal 2012

Date	Plant	Executives
May 17	Takasago Plant	Masatoshi Hatori, Executive Vice President
June 6	Osaka Plant	Hirosaku Nagano, Member of the Board Senior Managing Executive Officer
July 3	Kashima Plant	Kimikazu Sugawara, President
August 23	Shiga Plant	Kimikazu Sugawara, President
September 4	Takasago Plant	Kimikazu Sugawara, President
October 19	Osaka Plant	Kimikazu Sugawara, President
November 16	Takasago Plant	Shigeru Kamemoto, Member of the Board Managing Executive Officer
January 30	Shiga Plant	Akira Iwazawa, Member of the Board Managing Executive Officer
February 5	Kashima plant	Tetsuro Hara, Member of the Board Senior Managing Executive Officer
March 14	Osaka Plant	Masatoshi Hatori, Executive Vice President



Fiscal 2012 CSR Safety and Quality Inspections

Kaneka	Four plants
Domestic Group companies	20 companies (23 plants)
Overseas Group companies	Seven companies (seven plants)

Group companies. The Committee concurrently checked sites in terms of the 3S's (Seiri, Seiton, and Seiso) and workplace tidiness and progress under the Practical Program of Revolutions in Factories, a process improvement program to enhance productivity and to stabilize quality. We undertake PDCA improvements by having plants or Group companies at which the inspection team has identified an issue submit improvement plans within three months after the inspection, ensuring follow-up checks on improvements.

Says Mr. Yamada, "The relevant general managers also participate in the inspection of Group companies. Directly obtaining background information on business and safety as top priority concepts generates positive tension at production sites. For the four Kaneka plants, we also inspect the worksites of partner companies. This is because we have to share a common awareness to ensure that safety activities are continually carried out."

Prospects

Accidents Result from Carelessness. Our Corporate Culture Involves the Elimination of Accidents and Disasters

It is important in safety reform initiatives to gradually deploy new measurements to activate production sites and foster ongoing improvements. To this end, in fiscal 2013, we decided to modify CSR safety and quality inspections to emphasize evidence checks, which entail inspecting production sites based on activity implementation records, in order

to identify and address unsafe practices. We added safety & Technology promoting expert, whom we began appointing in 2011, and other engineers to the CSR Inspection teams. This addition enabled upgraded inspection exercises, notably by reinforcing specialized checks and implementing measures to deal with aging equipment. We will encourage the sharing of expertise within the Group, notably by having inspectors share best practices from already inspected plants with their own facilities.

We perform these activities globally. Mr. Yamada says that, "Previously, Japanese nationals inspected overseas Group companies. In fiscal 2013, we began moving toward conducting inspections for the entire Kaneka Group. For upcoming checks, a section head for environmental safety at Kaneka Belgium will be on the inspection team for Kaneka North America. Cross-auditing will enable us to reinforce our commitment to safety. Kaneka conducts special inspections from university professors and other knowledgeable individuals at food, pharmaceuticals, and medical equipment plants. We consider it important to enhance our awareness through such third-party assessments."

Says Mr. Sugawara, "Accidents result from carelessness. I think that the difficulty of maintaining a sense of urgency and becoming used to a situation once it is thought to be safe is a fundamental human flaw. This is why we must make the effort to undertake safety initiatives. Another challenge is that there is no single safety solution. We must consistently address safety issues based on the knowledge that carelessness leads to accidents."



Inspection at the Osaka Plant

Plant Undergoing CSR Inspection on Safety and Quality

Kaneka Sun Spice Corporation



Masaya Ueda

President and Representative Director, Kaneka Sun Spice Corporation

Noboru Watanabe

Managing Director, Production General Manager, and Head of the Ibaraki Plant, Kaneka Sun Spice Corporation (Head of Food Department at Takasago Plant since June)

Kaneka Sun Spice pioneered sterilization technology for natural spices. We were established to manufacture and sell low-fungi natural spices for the processed food sector. Our motto is to deliver safe and secure products as part of the Group's food business. Our quality management system is constantly evolving. We obtained ISO 9001 certification, established a quality management center, and developed technology for analyzing residual pesticides and eliminated mycotoxins through monitoring. We have deployed risk assessments, Hiyari Hatto (identifying, reporting, and eliminating worker dangers), and hands-on learning and other initiatives in our daily operations.

The Kaneka Group's CSR Safety and Quality Inspections confirm safety from perspectives that are different from those for a food business, and are conducted by experts from different areas. Their opinions and advice are useful, as they cover issues of which we are not internally aware. We respond immediately with improvement reports. Inspections have highlighted many equipment issues. As accidents tend to occur while people are on site, we will reinforce our systems so we can visualize work operations.



The company purchased workbenches to replace stepladders



Some racks had no anchor bolts and were prone to tipping over. We checked and upgraded all racks, fixing them with anchor bolts

message

Stakeholder Message

The Importance of Improving and Educating People about Safety Technologies to Match Ongoing Evolutions in Facilities and Machinery



Mizuki Yamaguma

Senior Researcher, Electrical Safety Research Group, National Institute of Occupational Safety and Health, Japan

The National Institute of Occupational Safety and Health, Japan comprehensively studies ways to prevent industrial disasters, maintain and enhance worker health, and combat occupational illness. We have collaborated with Kaneka for many years, with a focus on preventing explosions and fires stemming from static electricity. We advise Kaneka on technological issues, while the company commissions us to engage in research on its behalf. Kaneka has also provided us with sites to engage in our own studies.

Because Kaneka handles a wide range and large volumes of combustible substances in its capacity as a chemicals manufacturer, explosions and fires are a constant threat. It is important to maintain preventive measures based on data to

ensure the safe operation of chemical plants. It is sometimes difficult to confirm whether these measures are effective, as quantitative measurements are impossible to make. Nonetheless, it is vital to deploy basic initiatives.

I have visited Kaneka several times to inquire about safety activity systems, and have exchanged information with people in the environment and safety and manufacturing units. I have noted that top management's strong awareness of and commitment to safety has extended to operational personnel. I have also found that the Responsible Care and technical group understand companywide issues and have smoothly conveyed feedback on safety measures. One concern for manufacturing sites at all companies, not just Kaneka, is that people tend to become careless as they become used to the daily situation. Given that facilities and machinery are constantly evolving it is important to improve safety technologies to match such advances. I also believe it is crucial to gather information and application methods on a daily basis and provide related education.

Response to Message

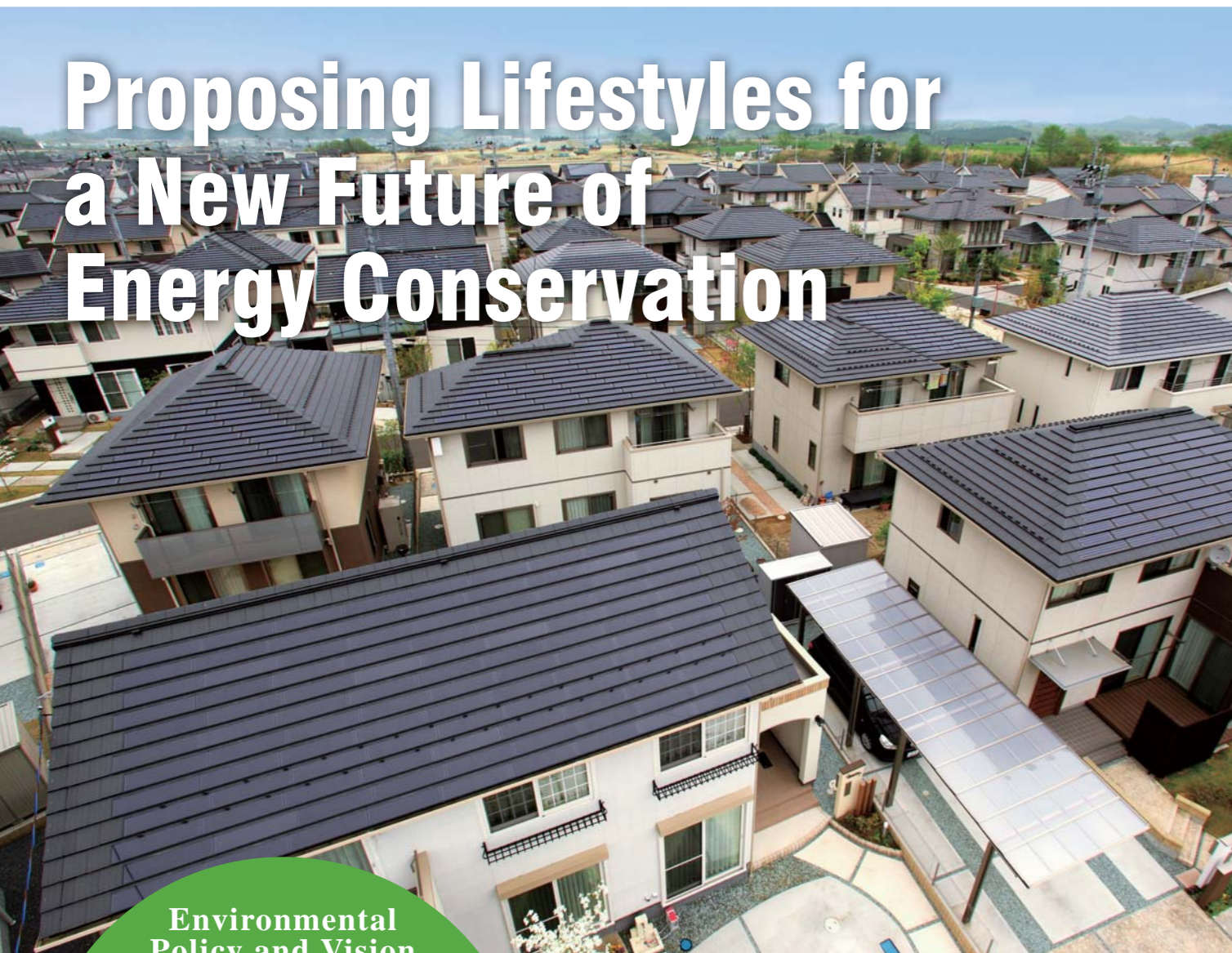
Promoting Safety Initiatives Based on Expert Advice to Eliminate Arrogance

Masanobu Yamada

General Manager, Responsible Care Department, Production Technology Division

We have received support on various occasions from the National Institute of Occupational Safety and Health, Japan. This assistance has encompassed such considerations as safeguarding against static electricity and powder dust explosions and creating safety techniques by commissioning the Institute to undertake research. Kaneka understands that threats are diverse when acting to reduce risk levels. We base assessments on our knowledge and expertise. I believe we must undertake even more safety assessments, leaving no stone unturned by seeking more opinions and advice from external experts.

Proposing Lifestyles for a New Future of Energy Conservation



Environmental Policy and Vision

In the Declaration of Kaneka United, Kaneka designated the Environment and Energy, Health Care, Information and Communications, and Food Production Support as the four most important strategic domains. Complementing our solar power and other technologies in the environment and energy field, we contribute to social sustainability by harnessing all of our technologies and knowledge in key important strategic domains.

As the world's population increases and living standards are improved in developing nations, the pursuit of new lifestyles is evolving with the use of renewable energy. Kaneka is participating in a Smart City Conference, fostering collaboration between businesses and Chiba University. It is also undertaking other initiatives to address social changes by exploring the creation, storage, and conservation of energy in all processes from supplying parts through to providing products while looking into the potential of business expansion to deliver solutions.

Social Needs and Kaneka's Plan

"Smart" Concept Expanding from Homes to Cities and Nationwide

In 2011, the global population exceeded seven billion, and is expected to surpass

nine billion in 2050. Influxes from rural areas will cause cities to expand, with energy consumption. Environmentally friendly smart houses and cities are in demand in social sustainability initiatives. More than 1,000 such projects are apparently under way worldwide. Smart houses and cities use solar

and other power sources to generate energy, insulating materials to save energy, and batteries to store energy. Kaneka already offers many products and technologies in these fields. Kaneka recognizes that energy-saving efforts should not be about forcing people to endure a situation, as such initiatives would be short lived. Rather, in order to foster sustainable energy consumption, we need to optimize the balance between saving energy and maintaining comfort by engaging in energy management that draws on information and communication technology.

Takuji Nomura, manager of the Production and Technology Division says that, "The home is the smallest unit in the smart concept. We can save energy more efficiently if we share energy within urban areas while reducing risks."

He adds that, "At Kaneka, we are looking into ways to apply Kaneka's products and technologies in smart houses and in communities through our Smart City Conference participation."

Kaneka Group's Approach

Participating in the Smart City Conference and Providing Solutions that Only a Comprehensive Chemical Company Can Offer

Kaneka has participated in the Smart City Conference since 2012. Businesses from diverse industries are involved in this initiative, including those from the energy, telecommunication, information

technology, construction, housing, retail, and trading house sectors. They collaborate closely by sharing information and exchanging opinions. The conference was launched to research optimal systems and solutions for communities and residents in cities in Japan and abroad. Conference members explore specific new approaches in the four fields of using energy effectively, optimizing urban traffic, applying information and communication technology effectively, and alleviating medical and nursing care concerns. In 2014, key conference member Mitsui Fudosan Co., Ltd. plans to inaugurate Kashiwa-no-ha Smart City in Chiba prefecture as a flagship metropolis.

Kaneka is providing solar power systems to Smart Common City Akaishidai, which Sekusui House, Ltd., will set up in Sendai.

Kaneka integrates its solar batteries with roofing to achieve an aesthetic result that is impossible with independent solar panels. Our offering positions roofing as central to lifestyle changes and urban areas. We will continue to provide solar roofing that matches townscapes.

Toshiharu Fujisato from the Tohoku Bloc of Sales Headquarters at Kaneka Solar Marketing Co., Ltd. says that, "Requirements differ among towns. Around 100 smart houses are under construction at Smart Common City Akaishidai, and another 700 or so will be built later. The main infrastructural facilities in this town are the solar generating system, storage batteries and plug-in

What is a Smart City?



A vision for Kashiwa-no-ha Smart City in 2030

A smart city features minimal carbon dioxide emissions and recycles energy efficiently to create more comfortable lifestyles. The need for smart cities is increasing around the globe amid environmental issues and fossil fuel depletion.



Takuji Nomura
Manager, Planning Group, Corporate R&D Planning and Administration Division, and Planning Group, Production, and Technology Division

Kaneka Group Energy-Related Products

Energy-Saving Technologies



Organic light-emitting diode lighting (OLED) panels

An OLED panel features a surface illuminant that generates light from electricity through a mechanism that is opposite to that of solar batteries. Kaneka was the first in the world to offer low-profile OLED panels in a range of five colors—white, red, orange, blue, and green. The range enables new lighting effects in a range of spaces.

Energy-Generating Technologies



Solar power system

Over the past 30 years, Kaneka has been involved in photovoltaic thin-film research to promote solar power generation. In 2000, we commercialized a solar generation system incorporated into roof tiles, because we thought that solar panel design should structurally and aesthetically complement the building structure. We also sell transparent and anti-glare solar panels.

Energy-Saving Technologies



Kanelite Foam insulation

This product is the result of proprietary foam formation technology that helps save energy in commercial buildings, housing, refrigerated storage, and other facilities. This offering is also a core material in Kanelite Tatami mats to enhance insulation.

Energy Storage Technologies



Pathermo heat storage material

We cultivated in refrigerant and heat-retention materials for foods and pharmaceutical products to develop new applications, including building materials.

Photo: Sekisui House's Smart Common City Akaishidai
Kaneka's solar power system enhances the streetscape

Proposing Lifestyles for a New Future of Energy Conservation

Solar Decathlon



Chiba University's Omotenashi House



The green curtain cools the structure



Walls employ tatami mats



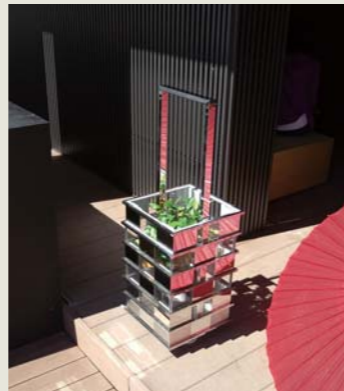
Visitors enjoyed long stays in the house



Participants had to complete construction of the eco-houses by a strict deadline



Opening ceremony at Solar Decathlon Europe 2012

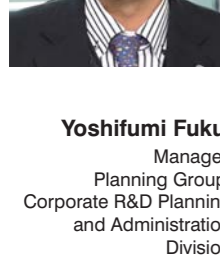


A mini vegetable house shaped like a traditional Japanese lamp and employing OLED lighting showcasing outstanding design

Solar Decathlon is a global eco-house competition. The inaugural event was held in Washington, D.C. in 2002. Participating universities from around the world compete in 10 contests in which they build eco-houses with industry support. The categories include architecture, engineering, comfort zone, and energy balance contests. There were 18 teams at Solar Decathlon Europe 2012, held in Spain in September 2012. The event attracted 220,000 visitors over 16 days. The next competition will be held in China in 2013 and France in 2014.



Toshiharu Fujisato
Tohoku Bloc, Sales Headquarters, Kaneka Solar Marketing Co., Ltd.



Yoshifumi Fukui
Manager, Planning Group, Corporate R&D Planning and Administration Division

hybrid cars, and energy management systems. Many families buying homes here are young, environmentally conscious couples with the interests of their children at heart. These couples look to secure energy in times of disaster.”

Supporting Chiba University as Japan's Representative in the Solar Decathlon, a Solar House Competition for Universities around the World

The Solar Decathlon Europe 2012 was held in Madrid, Spain, in September 2012, with 18 teams from 15 countries competing in eco-house construction technology, comfort, and innovation. Japan competed for the first time. Kaneka supported Chiba University, whose entry was Omotenashi (see note 1) House.

Kaneka accommodated a request for assistance from the university in several ways. We supplied products such as our aesthetically pleasing solar roof tiles and high-performance insulation materials. We also suggested the use of paper screens with reflective coatings to brighten interiors, tatami straw mats employing heat-storage materials—used after absorbing solar heat outside—and a mini vegetable house with organic light emitting diode lighting fashioned after a traditional Japanese lamp. Says Mr. Fujisato, “We thought the idea was interesting in that it conveyed tradition and the latest Japanese technologies.” Mr. Nomura adds that, “We thought the program was interesting in terms of identifying new lifestyle approaches, as well as worthwhile in that we got to see

the students mature very quickly as the program progressed.”

A key priority in Japan today is recovery from the Great East Japan Earthquake and the accompanying nuclear power accident. A Zero Energy House is set for introduction to improve the electricity supply and demand balance by employing energy creation, conservation, and storage technologies. The development of a Zero Energy Office Building is similarly urgent. Yoshifumi Fukui of the Corporate R&D Planning and Administration Division says that, “To accelerate development, it is vital to participate in global activities like the Solar Decathlon. We need to acquire and share learning through such international collaboration.”

Prospects

Providing Useful Solutions for Society as a Comprehensive Chemical Company

Kaneka always asks whether a business is useful. The answer was a resounding yes when it came to participation in the Smart City Conference and Solar Decathlon.

Mr. Nomura says that, “For example, mobile feature phones have evolved into compact computers that relate to

diverse aspects of people's lifestyles. The emergence of a smart society will similarly transform lifestyles. That's why I consider it significant for Kaneka as a comprehensive chemical company to participate in the Smart City Conference. We have learned from such involvement that it is not enough just to make products; we must create innovative useful solutions.”

Mr. Fujisato says that, “We can see the future by disseminating opinions beyond the confines of industry and academic and industry boundaries.”

Dr. Fukui notes that, “Through participation in the Smart City Conference, we learned that we have the potential to go beyond the environmental and energy sectors in providing solutions by collaborating with information and telecommunications companies, even for health and food production support businesses. Smart cities and houses offer value by decreasing environmental impact as well as by making living environments more attractive. We would like to contribute to that.”

Note 1: Omotenashi refers to the art of Japanese hospitality.



Smart Cities Set to Expand

message

Stakeholder Message

I Became Convinced that Kaneka Does Make Wishes Come True through Science, Just as It Claims.



Hiroki Suzuki
Associate Professor, Graduate School of Engineering, Chiba University

The Solar Decathlon is an international challenge sponsored by the U.S. Department of Energy to popularize solar systems and set global standards for eco-houses. Japan has also decided to contribute to this cause by making proposals, participating in the competition for the first time in 2012. As Chiba University is a comprehensive university and Kaneka is a comprehensive chemical company, we shared a common commitment to viewing all aspects of eco-houses from saving energy to comfort. This commonality made it easier to take part in the project. As well as providing the products we requested, Kaneka recommended various ways in which to employ them.

We became thoroughly convinced that Kaneka is indeed a company whose science makes wishes come true.

Our theme was the Japanese tradition of hospitality. We proposed open eco-housing that allows natural elements such as light and wind to enter the interior. We concluded that we probably did fairly well in that regard, as visitors spent a long time in our structure. Nonetheless, Western-style eco-houses ranked higher. They were more enclosed, featuring self-contained environmental controls as the standard. As a result, we finished 15th out of 18 teams. We hope that Kaneka will continue to help materialize the spirit of hospitality by drawing on its strengths in science, and I hope that together we can convey Japan's advantages to the world.

Response to Message



Develop Products and Solutions through Ongoing Support

Yoshifumi Fukui
Manager, Planning Group, Corporate R&D Planning and Administration Division

I was impressed that students from Chiba University, as a comprehensive institution, collaborated beyond faculty boundaries. Students from the arts and sciences worked together. Kaneka had a limited timeframe in which to participate in 2012. For future evidence, I believe that our participation should ultimately drive us to develop new products. To this end we recognize that as a comprehensive chemical company we must also undertake initiatives that extend beyond business boundaries so we can develop solutions.



Leveraging Locally Driven Globalization to Contribute More Fully to American Society

Community Policy and Vision

The Kaneka Group Basic CSR Policy guides our globalization endeavors through one of its tenets, which is to strive to fully understand the cultural backgrounds, manners, and customs of the countries and regions where we do business so we can contribute to communities.

In 2012, the Kaneka Group established subsidiaries in the United States and China to pursue more locally driven globalization. Kaneka Americas Holding, Inc. oversees operations in North, Central, and South America through manufacturing unit Kaneka North America LLC and health care operation Kaneka Pharma America LLC. Kaneka Americas Holding, Inc. contributes to social progress by cultivating local talent.

Social Needs and Kaneka's Plan

Cultivating global businesses as a more locally focused conglomerate
—Kaneka Americas Holding

It is essential to contribute to social progress as a community member so we can continue operating around the

world. We have manufactured and sold functional plastics for approximately 30 years, beginning with the establishment of our Texas plant in 1982. In 2012, we set up Kaneka Americas Holding and consolidated our six U.S. companies into three, in order to provide products and technologies that are more suited to all of the



Kaneka North America has numerous local employees

Americas, including the fast-growing Latin American markets. As part of this restructuring, we deployed a policy of localizing management. Shinji Mizusawa, president of Kaneka Americas Holding, says that, "We believe that employees fully versed in their nation's culture and customs are best suited to driving locally oriented globalization. We changed our human resources systems to make them more locally focused, positioning Japanese expatriates to concentrate on technical guidance and other local support roles. We look to local employees to understand Kaneka's management mindset and spearhead the globalization of our operations."

Kaneka Americas Holding is becoming more efficient and responsive by rationalizing human resources, accounting, and other back-office areas while establishing legal, intellectual property, and information technology departments.

Kaneka Group's Approach

Contributing to society by training people and providing products that match customer needs
—Kaneka North America

The manufacturing unit of Kaneka Americas Holding, Kaneka North America was established through the merger between Kaneka Texas Corporation, our first U.S. business, and Kaneka Nutrients L.P., a coenzyme Q10

manufacturing facility set up in 2004. We began preparing to integrate these two entities by instituting the Kizuna Project, under which representatives from both businesses worked to align their corporate cultures. Kazuhiko Fujii, president of Kaneka North America, says that, "Kaneka Texas specialized in manufacturing resins while Kaneka Nutrient focused on supplements and other functional foods, so their backgrounds and corporate cultures were completely different. Primarily we emphasized the building of good relations between employees."

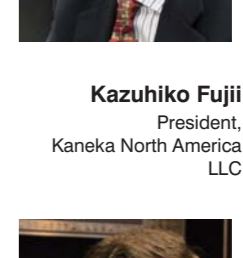
After the merger, a key focus was on employee training, including on-the-job training, one of the strengths of Japanese corporations. Steven Skake, who manages Kaneka North America's plant, says that, "Improving the skills of each employee will ultimately boost the overall operations of Kaneka North America and help revitalize the community, so we want to put more effort into this area."

Mr. Fujii says that, "We asked employees to explore our identity following the merger. We began by offering opportunities to learn about Kaneka's history and Japanese culture. We hope that local employees will drive Kaneka's globalization as local leaders with Kaneka's DNA. We also believe that training our people will contribute to American society."

Local employees underpin product development. These people understand social and customer needs and provide technical support for compounds



Shinji Mizusawa
President,
Kaneka Americas Holding,
Inc.



Kazuhiko Fujii
President,
Kaneka North America
LLC



Steven Skake
Executive Vice President,
Plant Manager,
Kaneka North America
LLC



Top management explaining its mid-term plans to share its vision

Leveraging Locally Driven Globalization to Contribute More Fully to American Society



Eddie Smith
Vice President of the CPVC and Specialty PVC resins Division



CPVC resin



Bill Phenicie
Vice President of the MS Division



Kaneka MS Polymer

to make them easier for customers to apply commercially, thus helping to create products that benefit the end-users.

Another example is chlorinated polyvinyl chloride resin (CPVC), for which demand is particularly strong. High heat and chemical resistivity and flame retardant properties make CPVC well suited for many valued uses including industrial, commercial, residential, and fire sprinkler pipes and fittings. Eddie Smith, Vice President of the CPVC and Specialty PVC Division says that, "Demand has risen strongly in the Americas and in emerging and developing nations and the challenge is to continue to meet the increasing volume needs of our customers."

Kaneka MS Polymer has been used in construction adhesives and sealants for many years and in flooring and roof applications more recently because of the durability. MS Polymers complies with U.S. and Canadian environmental regulations, which are stricter every year, and benefits customers seeking greater workability and safety. Bill Phenicie, Vice President of KNA's MS Division, says that, "So there has become a greater need for more elastic, durable sealants. Sometimes, our team needs to spend a lot of time developing formulations that are acceptable to our customers, but we never give up, until we reach the performance levels that they want. That is because our



Bay Cap Meeting: Providing opportunities for dialogue between companies and communities. Discussing corporate activities from the perspectives of citizens to deepen mutual understanding.



Venue: Armand Bayou Nature Center



Answering questions from citizens

primary strength is providing customer solutions."

Contributing to communities through dialogue with stakeholders: Bay Cap Meeting

One social contribution group that Kaneka North America supports is the Bay Cap Meeting. Every month, around 50 people come together through this organization to deepen understanding between local businesses and residents by asking and answering questions and discussing issues that interest local citizens. The meetings also present the businesses located in the Gulf Coast area. The Bay Cap Meeting invites experts to share their third-party views on corporate activities. For example, an expert from the Houston Medical Center, one of the top medical institutions in the United States, explained how chemical substances affect the human body. In a recent gathering, a security expert outlined tests for corporate safety measures in case of targeting by terrorists.

Mr. Skake says that, "These activities demonstrated that citizens seek safety more than anything else from chemical businesses. As a plant manager, I feel that my responsibility to ensure safe operation is CSR in itself. And as a local resident, I want to continue contributing to the community as a good citizen."

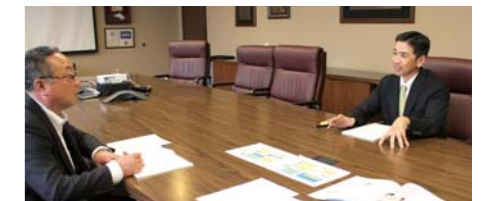
Prospects

Cultivating CSR and Business Activities together to Build Social Presence throughout the Americas

Kaneka Americas Holding is looking to open a research institute that contributes to the entire region, which includes Brazil, a country that abounds in natural resources and enjoys a high GDP. Starting with research into advanced industrial materials, we will cultivate new health care and other businesses. We will soon set up an office in Brazil to spearhead our expansion throughout Central and South America.

Mr. Mizusawa says that, "Our role is to inform the entire Group as a Kaneka operation in the Americas to help foster growth and globalization. We will draw on Kaneka's Japanese DNA to push forward simultaneously with business and CSR activities to expand our social presence throughout the Americas."

Response to Message



We will reinforce our public relations framework to enhance open communication with society

Kazuhiko Fujii
President,
Kaneka North America LLC

Volunteering is integral to American society. With Mr. Skake leading the way, Kaneka North America contributes extensively to the community. We put in our best team effort in emergencies, a good example being when many employees took part in restoration efforts after Hurricane Ike wreaked havoc in Texas in 2008. As a part of our crisis management initiatives, we regularly conduct media training to ensure that we can inform communities promptly if an accident or disaster occurs.

As our business expands, it will become more important for us to communicate properly to society, including through crisis management efforts. We are committed to fulfilling our social responsibilities by reinforcing community ties by disclosing information more actively through more extensive public relations.

Employee-Led Social Contribution Efforts

Kaneka North America employees run a community contribution group called KARE. Employees in all positions and from different departments plan and execute various initiatives. In 2012, KARE donated approximately \$20,000 to the American Heart Association by participating in a Bay Area walk. KARE also held an event in which managers washed the cars of subordinates, raising \$70,000, including tips from employees, which it donated to United Way, a fundraising organization. Other KARE activities include safeguarding a nature reserve and helping build houses for low-income families.



Events where managers washed cars and performed fundraising activities

Other Major Initiatives in Fiscal 2012

Education	Supported local junior high school educational activities. During summer camp, we conducted a program to foster an interest in chemistry among middle school students
	Helped promote education at a community center for boys and girls in La Porte
Community	An employee group called the Kaneka Cookers ran cafés and food booths at community events, donating some of the proceeds to university scholarships
	Volunteers taking part in community science and history fairs
	Sponsoring blood donation drives with the Gulf Coast Regional Blood Center



Members of KARE

Main Donations

- United Way
- American Heart Association
- Armand Bayou Nature Center
- La Porte Education Foundation

message

Stakeholder Message

Looking to Kaneka to Lead as a Responsible Member of the Community



Diane Sheridan
Administrative Office,
Bay Cap Meeting

The Bay Cap Meeting was inaugurated about 15 years ago, with Kaneka first taking part six years ago. As well as attending all monthly meetings, Kaneka discloses timely information that citizens want to know, notably the kinds of chemical

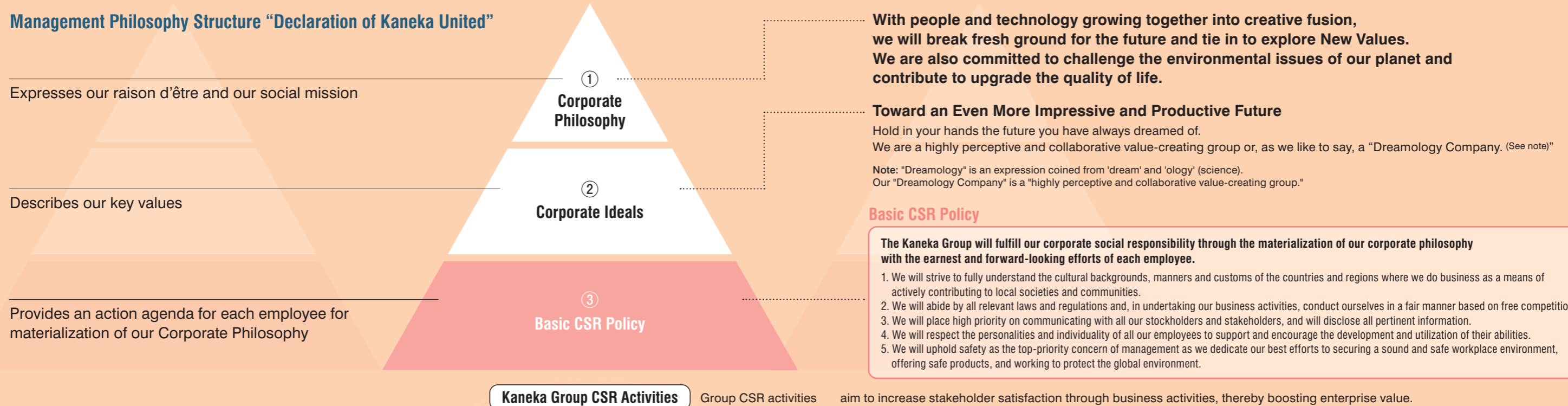
substances it handles and the safety measures used in building new plants. The community thus feels positively toward Kaneka.

People want companies to engage sincerely and openly in the community as good corporate citizens. In another words, we equate being a good company with good citizenship. As a major corporation in the Bay area, Kaneka supports the community through donations to nature parks and non-profit organizations, including educational institutions. We hope that Kaneka will continue to play a community leadership role as a good company and citizen.

The Kaneka Group's Corporate Philosophy and CSR Positioning

In keeping with the Declaration of Kaneka United, the Kaneka Group's Basic CSR Policy forms the foundation of employee action to realize our Corporate Philosophy. Based on this policy, the key stakeholders in the Group's CSR activities are employees, society, customers, the environment, shareholders, and vendors. We endeavor to improve enterprise value to enhance stakeholder satisfaction through business activities.

Management Philosophy Structure "Declaration of Kaneka United"



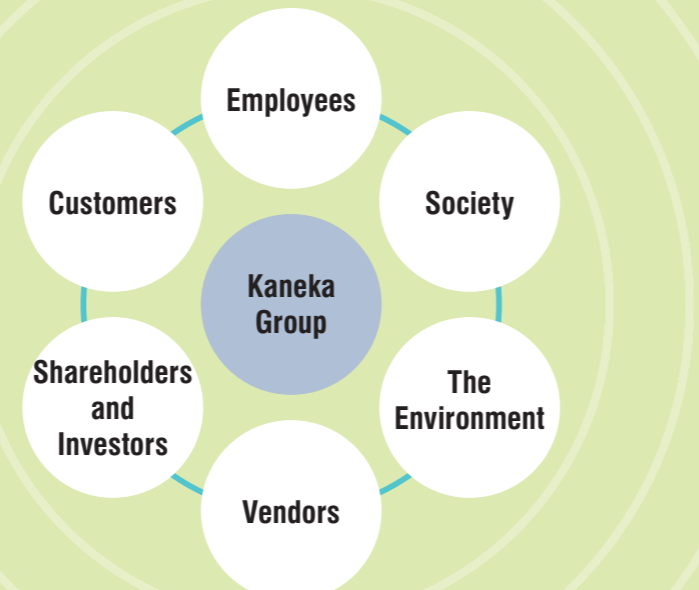
Kaneka Group's Stakeholders

Customers

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

Shareholders and Investors

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



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.

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.

Highlight

Initiatives in Biodiversity

Kaneka closely monitors the impact of its corporate activities on ecosystems. While providing technologies, materials, and products that reduce environmental impact, we endeavor to reduce the impacts stemming from production. As part of our social contribution efforts, we participate in and support internal and external biodiversity initiatives, some of which we present below.

Participation in and Support for Biodiversity Initiatives

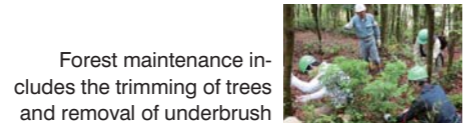
Kaneka participates in the following activities.

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

Launch of Kaneka Forestry for the Future

In June 2012, the Takasago Plant began participating in Hyogo Prefecture's private forest preservation project, launching the Kaneka Forestry for the Future project in Taka Town in that prefecture. The project involves forest maintenance and preservation. We will include these activities in our new employee training

program and in employee social welfare. We are the 20th company to participate in the prefecture's forestry project. We plan to undertake around 15 afforestation activities covering approximately 15 hectares over five years through to May 2017.



Forest maintenance includes the trimming of trees and removal of underbrush



Volunteers

Completion of Settsu-no-mori Kaneka Biotope

In August 2012, we celebrated the completion of Settsu-no-mori Kaneka Biotope on the premises of the Osaka Plant. The joint sponsors of this initiative are Kaneka, the Settsu Firefly Research Society, and Settsu city. The project entails building a biotope (a brook for

observing fireflies) in a natural section of the plant property and lending the space to Settsu city. In the next few years, we expect to see fireflies inhabiting the Osaka Plant.



Brook in Settsu-no-mori



Ceremony attendees included members of the Settsu Firefly Research Society

Employee Feedback

Using waste heat from the Kaneka Nishinippon Styrol Co., Ltd. plant in a local spa



Masahiro Nakajima (third from the left) Kagoshima Plant, Kaneka Nishinippon Styrol Co., Ltd.

Kaneka Nishinippon Styrol sends waste heat from its plant through a thermal conduction system to warm a cold spring at the Yomogi-no-sato spa rest house. The project started by chance, when the cold spring adjacent to our premises came to mind when we were wondering how best to use waste heat from the plant. The plant previously used cold water to process waste heat. The project eliminated this process, saving water and lowering the biological impact of the spa. We were also able to decrease heating costs for local residents, who thoroughly enjoy using the rest house. At times, however, the spa usage levels affect the temperature of waste heat from the plant, requiring careful management. Still, we are committed to creatively pleasing local residents.

See details of Yomogi-no-sato at <http://yomogi-sato.com/>



Yomogi-no-sato

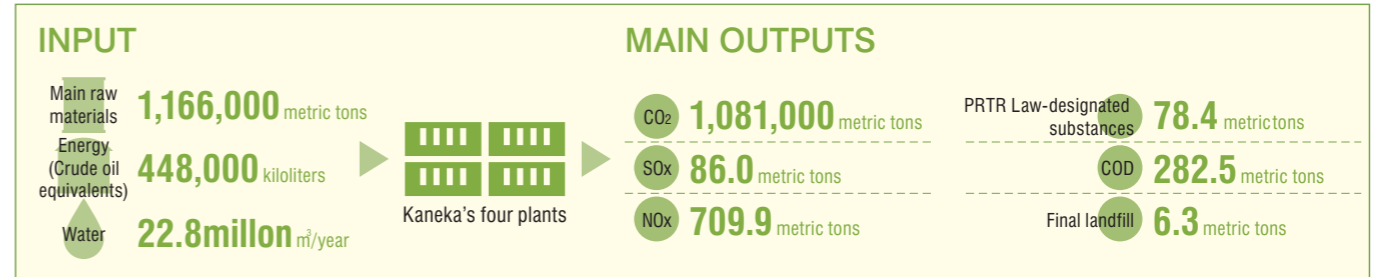


Kanep pearl molded products produced at Kaneka Nishinippon Styrol

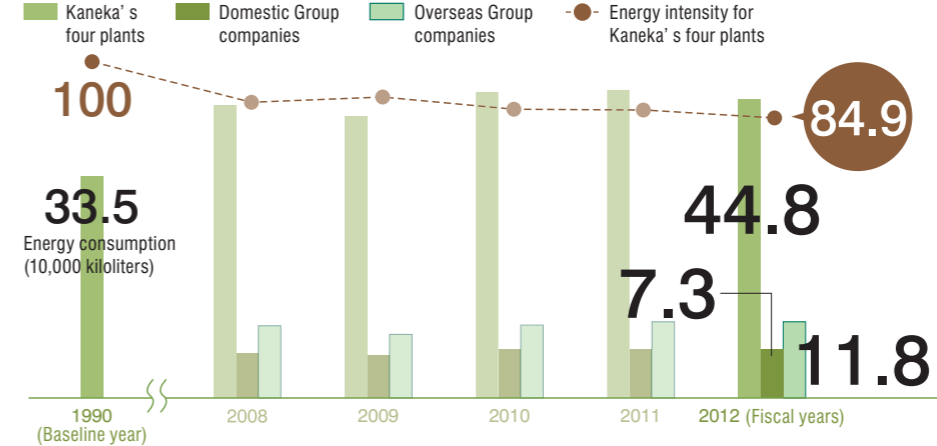
Environmental Impact of Production Activities

The Kaneka Group's fiscal 2012 energy and resource inputs, substance emissions, and product commercialization are listed below. An outline of a chlorine gas leak at the Osaka Plant is also provided.

Materials Balance (Annual)



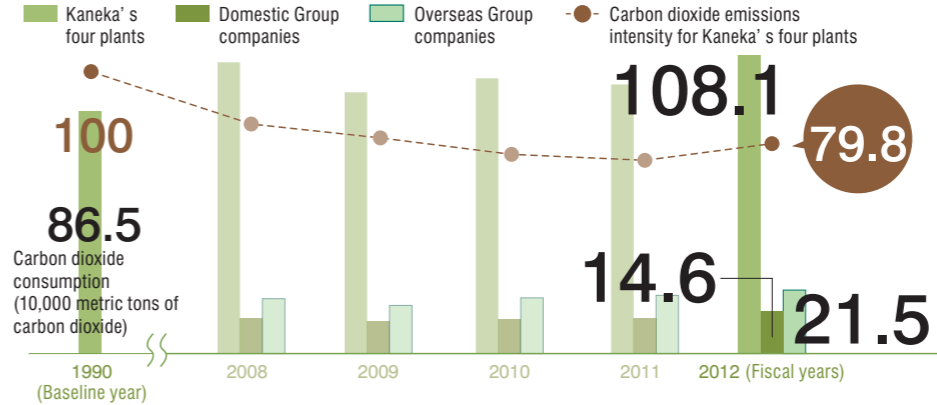
Energy Consumption (Crude Oil Equivalents) and Energy Intensity



The Kaneka Group strives to conserve energy and otherwise prevent global warming to reduce its energy intensity (see note 1). The energy intensity of our four parent plants in fiscal 2012 was 84.9, down 1.1% from a year earlier. While we reached the year-on-year target, the five-year average was down 0.9%, just below the target, reflecting a change in the product mix. Energy consumption declined 3.7% from a year earlier to 448,000 kiloliters.

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

Carbon Dioxide Emissions from Energy Consumption and Emissions Intensity



The Kaneka Group strives to reduce carbon dioxide emissions intensities by using the intensity (see note 2) as a management indicator based on energy consumed during production. The average carbon dioxide emissions intensity of the four parent plants between fiscal 2008 and 2012 was 75.5, as targeted. On the downside, the fiscal 2012 carbon dioxide emissions intensity was up 15.4% to 79.8. Carbon dioxide emissions rose 12.4% from a year earlier, reaching 1,081,000 metric tons. The main reason for the increase was an expansion in the carbon dioxide emissions coefficient in electricity purchased from power utilities, as nuclear power plants were offline.

Note 2: The carbon dioxide emissions intensity is a numerical value calculated by dividing the energy used in manufacturing by the active mass, and indexing this figure against the baseline year of fiscal 1990.

Chlorine Gas Leakage at the Osaka Plant

At approximately 8:30 a.m. on November 1 2012, Kaneka employees discovered that chlorine gas was leaking from a polyvinylchloride facility at the Osaka Plant in Settsu, Osaka Prefecture. The employees immediately stopped the leakage and informed the

fire department. The accident stemmed from workers forgetting to reset a valve connected to chlorine gas detoxifying equipment. We conducted a comprehensive review, including the equipment interlocks. We deployed a series of measures to address the risks identified. We

also installed more chlorine gas detectors and gradually increased the capacity of chlorine gas detoxification equipment in an effort to prevent a recurrence.

Highlight

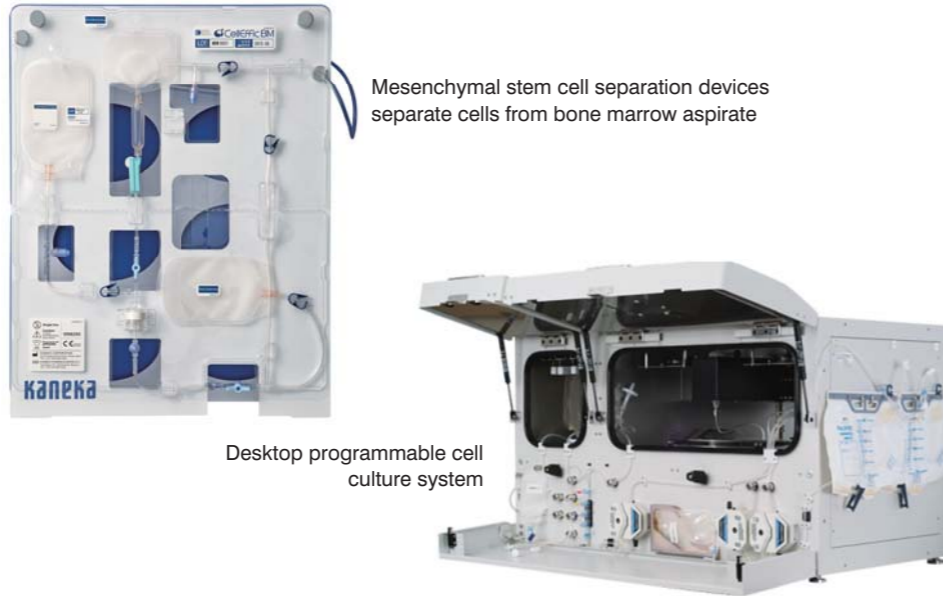
Promoting Medical Advancements through Initiatives in Tissue Regeneration and Cell Therapy

In 2012, regenerative medicine entered the spotlight when the Nobel Prize in Physiology or Medicine was awarded for induced pluripotent stem cell (iPS cell) research. Kaneka develops devices for cell separation and culture.

Developing Devices that Separate Cells Safely, Conveniently, and Efficiently

Kaneka has been developing cell separation and culture devices since 2004. We created the mesenchymal stem cell (MSC) separation device in 2009 as research purpose. The MSC is the closest to becoming commercialized among all cells used in regenerative medicine. The Kaneka device enables safe, convenient, and efficient separation of MSC. In January 2013, Kaneka obtained medical device approval for the MSC separation device in Europe, which has been subsequently released under the product name "CellEffic BM".

Our desktop programmable cell culture system enables cells to be cultured in bulk in a limited space. We began selling this laboratory equipment in 2013. In 2011, the Kaneka Group welcomed Cellport Clinic Yokohama (see note 1) to the Group. The clinic provides biomedical services, including breast reconstruction after breast cancer surgery and treatment for facial degenerative disorders. We will accelerate developments to support medical advancements, thereby contributing to society.



Mesenchymal stem cell separation devices separate cells from bone marrow aspirate

Desktop programmable cell culture system

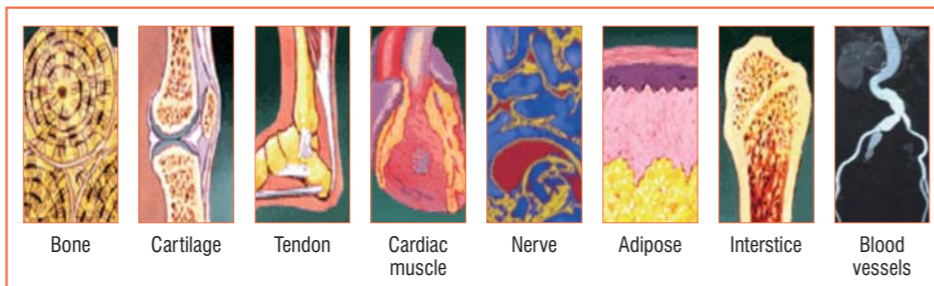
Mesenchymal stem cells offer excellent potential in regenerative medicine applications

Mesenchymal stem cell benefits

•No rejection response, as the cells are the patients' own

Mesenchymal stem cell

Transformable to various cells



Note 1: Biomaster, Inc. operates Cellport Clinic Yokohama, which specializes in advanced cosmetic surgery and complies with guidelines from Japan's Minister of Health, Labour and Welfare based on the Act on Special Zones for Structural Reform.

Employee Feedback

Making Regenerative and Cell Medicine Accessible to More Recipients



Hiroshi Sakurai
New Business Development Group,
Medical Devices Division

(Kaneka Pharma Europe N.V. since May)

Most of the action in regenerative and cell medicine is overseas, so I focus on recommending our products in international academic circles. Professionals on the frontiers of medicine are keen to develop innovative treatments in new fields, and we have already begun cultivating broad-based relationships. Regenerative and cell medicine will one day be central to various aspects of medicine.

We hope to make treatments broadly

available at municipal-level hospitals around Japan. To this end, it will be necessary to have what is now laboratory equipment recategorized as medical equipment and promote standardization to enable their operation by more professionals.

I would like to contribute to the development of global regenerative medicine by providing reliable products to doctors and their patients.

Highlight

Improving Customer Satisfaction by Overhauling Logistics (Upgrading and Integrating Logistic Sites)

Kaneka Group food companies are overhauling logistics. We run large logistics centers in eastern and western Japan that swiftly serve customers based on our commitment to safety and security.

Completing Large Logistics Centers in Eastern and Western Japan to Improve Food Business Logistics

In September 2012, Kaneka completed construction of the Kaneka Food East Japan Logistics Center. This facility in Kawagoe, Saitama Prefecture offers approximately 20,000 square meters of warehouse space. The center consolidated 12 warehousing sites run by divisions and sales companies. Group companies in the food business are overhauling logistics by optimizing inventory management and distribution. In western Japan, the Kaneka Food West Japan Logistics Center in Settsu, Osaka Prefecture began operating in June 2010. The centralization of inventory management in eastern and western Japan has enabled us to swiftly accommodate customer demands. To improve logistics quality in response to growing demand for food safety and security, the West Japan Logistics Center obtained AIB Food Safety certification (see note 1), while the West Japan Logistics Center plans to obtain certification. Group companies in the food business will continue to improve logistics management and become more competitive by boosting customer satisfaction and trust.

Note 1: The American Institute of Baking developed the AIB Food Safety system to ensure that production processes can provide healthy and safe foods. Around 10,000 food processors worldwide have adopted the system as the AIB International Consolidated Standards for Inspection. We employ this standard for the receipt, storage, and delivery of foods through our logistics centers.

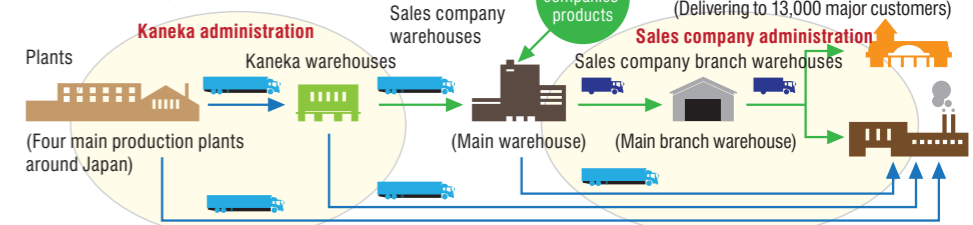


The Kaneka Food East Japan Logistics Center has around 20,000 square meters of warehouse space

To improve goods distribution, we deployed containers and built a facility for washing them

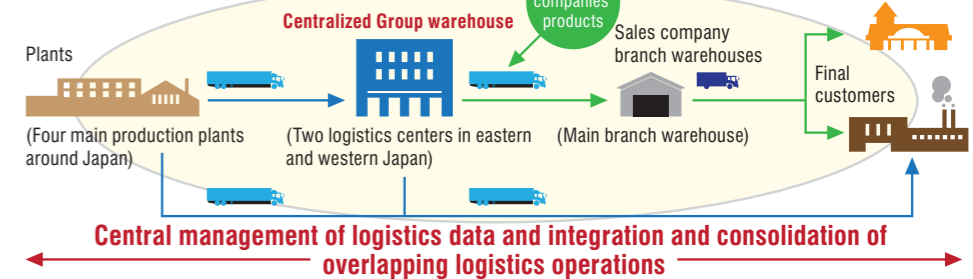
Modifications resulting from the new logistics centers

Before the logistics centers



Centralizing warehousing for the Group and integrating logistics data and operations

Now



Employee Feedback

With Food, the Quality of Logistics and the Products Themselves Are Equally Important



Jun Enoki, general manager of the Foods Division (pictured on the right), says that, "The Kaneka Group provides various food ingredients, especially in the bakery and confectionary areas.

With logistics centers in place in eastern and western Japan, we can ensure safer, more secure logistics for customers around the nation." Mr. Enoki enthuses that, "The East Japan Logistics Center is a fully equipped storage warehouse that employs IT systems to maintain optimum temperature control from loading and storage through to delivery. The warehouse handles more than 11,000 shipments daily. The system also can manage traceability."

Hiroshige Yagi of the Strategic Planning & Administration Group in the Foods Division (pictured on the left) explains that, "Improving inventory management precision by consolidating inventory sites has empowered us to deliver fresher products and not only cut administrative costs but also reduce food waste. More efficient logistics have enabled us to shrink our truck fleet and lower carbon dioxide emissions, minimizing environmental impact dioxide emissions."

The Kaneka Group Conducts Stakeholder Dialogues to Seek a Broad Range of Opinions on its CSR Activities

Third Stakeholder Dialogues

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

Third Stakeholder Dialogue

(Dialogue with students from the laboratory of Professor Toshihiro Kanai at Kobe University, who wrote the third-party opinion for Kaneka's CSR Report from 2010 to 2012)

In November 2012, we conducted our third dialogues with external stakeholders to learn more about their evaluation and opinions, and to seek direct feedback about our CSR activities and confirm the direction of our efforts.

Stakeholder dialogues are about sharing differing opinions on common issues, deepening mutual understanding in the process.

We conducted a broad discussion with students from the laboratory of Professor Toshihiro Kanai at Kobe University, whom we asked to write a third-party opinion, about CSR Report 2012, which we issued in July 2012.



Free-ranging question-and-answer session and exchange of opinions

Dates and Locations

November 27, 2012 at Kobe University

Topics and Format

1. CSR Report 2012 feature articles

We conducted free-ranging question-and-answer sessions on the three feature articles.

2. Overall composition and contents of the report

We summarized opinions from the group discussion using a sheet specifically prepared for the CSR Report readers meeting and announced the results.

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

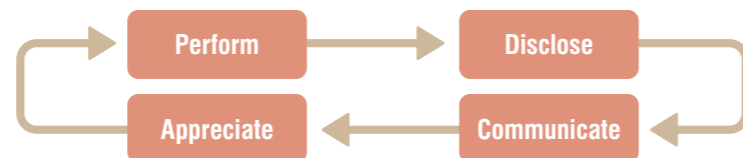


Group engaging in discussion using the special sheet prepared for the CSR Report readers meeting

Kaneka's stance on building trust through stakeholder dialogues

Model for building trust (through a type of PDCA cycle)

We aim to reinforce trust through this PDCA cycle.



Participating students from the laboratory of Professor Toshihiro Kanai at Kobe University



Shinya Okumura



Yuka Ozaki



Yoshitaka Shimizu



Yuriko Takigawa



Junichi Tachikawa



Yusuke Tanaka



Shuhei Matsuura

Topic 1.

Free-ranging question-and-answer sessions on the three feature articles

Student Opinions	Kaneka's Responses
<ul style="list-style-type: none"> The feature articles were the most memorable in the entire CSR Report. The 'Kaneka and Society—Our Mission in Health Care' article was particularly specific and easy to understand. What are Kaneka's criteria for CSR activities? 	<ul style="list-style-type: none"> Some say that 2003 was essentially the first year in which many Japanese companies began undertaking CSR activities, Europe being the birthplace of such initiatives. The most common CSR activity by Japanese corporations is social contributions through core businesses. The special features focused on the following three stakeholders—society, the environment, and employees.
<ul style="list-style-type: none"> Reading the feature stories and the exchange of views enabled me to understand Kaneka's stance on shareholders through its CSR activities and how it values its employees. 	<ul style="list-style-type: none"> We aim to continue fulfilling our corporate responsibilities by engaging in CSR through our core businesses, thereby enhancing stakeholder satisfaction.
<ul style="list-style-type: none"> Concerning the third feature story, 'Kaneka and its Employees—Globalizing Our Operations', what have been the challenges in transferring authority to local employees? Do they think differently from Japanese employees? 	<ul style="list-style-type: none"> Some companies have encountered problems with employees when building their businesses. One should respect other cultures, and we consider such respect vital in deploying operations around the world.

Topic 2.

Summarized opinions from the group discussion using a sheet specifically prepared for the CSR Report readers meeting and announced the results

CSR Report readers meeting—Student Opinions in the Group Discussion

Positive Points	Areas for Improvement
<ul style="list-style-type: none"> The report contained the views of many employees. It described each business specifically and clearly stated Kaneka's business priorities. 	<ul style="list-style-type: none"> It would have been better to clearly express key messages throughout the report.
<ul style="list-style-type: none"> It was great that Kaneka explained its CSR policies and corporate vision at the beginning. 	<ul style="list-style-type: none"> I would like the report to note the importance of CSR at the beginning for those unfamiliar with the concept.
<ul style="list-style-type: none"> The special features were specific and reflected Kaneka in the outline of activities. 	<ul style="list-style-type: none"> I would have liked the report to specifically describe Kaneka's vision for people of all generations.

Comments from Professor Toshihiro Kanai



Professor Toshihiro Kanai of Kobe University

Since 2010, when Kaneka published its first CSR report, I have been presenting my opinions from a third-party viewpoint, and 2012 marked my third time. This time, Kaneka created an opportunity for my students to express their opinions.

I am grateful to Kaneka, as this was a practical opportunity for the students to learn by engaging directly with a private enterprise.

Students felt it crucial to consider themselves stakeholders, so dialogues like this are increasingly important. Companies are divided into two camps when it comes to CSR: one group feels compelled to take part, while the other leverages CSR as a good vehicle for reaching out to a wide range of stakeholders, which is an important consideration.

Our Response to Stakeholder Opinions and Requests

One benefit of the third stakeholder dialogue was that it explored the following points through direct input from

students who were about to seek employment. The dialogue revealed the extent to which stakeholders consider the CSR activities of the Kaneka Group acceptable or inadequate, and highlighted the areas needing improvement.

We believe that pursuing CSR

through core businesses and enhancing stakeholder satisfaction will help us enhance enterprise value and fulfill our corporate responsibilities. We will discuss the valuable points and opinions we received with related departments to bolster sustainable CSR activities.

Highlight

Helping to Eradicate Hunger and Food Imbalances as a Partner Company of WFP Corporate Programme in Japan

Kaneka became a WFP corporate programme in Japan's partner to help eradicate hunger worldwide.

We Donate Part of Our Kanekalon Sales in Africa to the United Nations World Food Programme's School Feeding Programme

WFP is the food aid arm of the United Nations system, and works to eradicate hunger worldwide. It provides emergency food supplies during disasters and civil conflicts. It also operates a school feeding programme that seeks to improve children's nutrition and promotes their access to education. WFP engages in activities to help people suffering from hunger become self-reliant.

Just under 900 million people suffer from hunger or malnutrition, meaning one in eight people in the world do not have enough to eat. At the same time, more than one billion people suffer from obesity and consume vast amounts of food, which is a tremendous disparity.

The international community seeks private-sector support to help resolve this global problem.

Kaneka decided to become WFP corporate partner in Japan from 2013 to 2015.

We donate part of our sales of Kanekalon, a synthetic fiber used in women's wigs in Africa, to WFP's school feeding programme. We assist young African women in pursuing beauty not just for their own pleasure but also for the happiness of their families.

Kaneka's corporate brand ambassador, Kurara Chibana, is WFP's celebrity partner.



Kaneka's corporate image character, Kurara Chibana, is WFP's celebrity partner



WFP distributing food

The United Nations World Food Programme: <http://www.wfp.org/jp>

WFP Corporate Program in Japan: <http://ja.wfp.org/get-involved/corporate/corporate-program>

Kaneka Employees Give through Table for Two



Kaneka has participated in the Table for Two (TFT) initiative since 2010. Our employees lead social contribution efforts in this area, donating ¥20 for designated menu items at corporate cafeterias to provide school lunches in Africa.

Kaneka contributes to activities to help eradicate hunger, poverty, and food allocation imbalances through WFP, while employees assist individually through Table for Two.

TFT makes it easy for employees to donate to a good cause during their lunch time

Highlight

Support Initiatives following the Great East Japan Earthquake

The Kaneka Group has contributed to restoration efforts following the March 2011 Great East Japan Earthquake, and will continue offering its support in the years ahead.

Participating in the Fukushima Sunflower Foster Parent Project

Kaneka's Shiga and Kashima plants take part in the Fukushima Sunflower Foster Parent Project. This initiative uses sunflowers in an effort to decontaminate radioactive soil in Fukushima Prefecture so land can again be used for agriculture. The project leaders are encouraging more people to grow sunflowers in their gardens.

Participants buy sunflower seeds from the project organizers and sow them in their gardens. When the sunflowers seed, the growers send the seeds to Fukushima Prefecture for replanting to cleanse the soil.

We hope that our participation in this effort to provide seeds contributes even a little to accelerating the recovery of disaster-stricken areas.



Taking care of sunflowers

Involvement in the IPPO IPPO NIPPON Project

Kaneka donates ¥500,000 every year to the IPPO IPPO NIPPON Project, which was set up by the Japan Association of Corporate Executives. Its purpose is to provide educational equipment to vocational high schools in coastal areas of the Tohoku region, and contribute to recovery from the Great East Japan Earthquake.

We will be donating from the fourth subscription term (March 1 through to July 31, 2013) to September 2016 in keeping with project requirements.



IPPO IPPO NIPPON Project

We are continuing to provide support though Tohoku produce fairs during Kaneka summer festivals

The four Kaneka parent plants hold summer festivals every year as a part of community contribution activities. The Takasago Plant has had a Tohoku produce fair booth at its summer festival since fiscal 2011 to support restoration from the Great East Japan Earthquake.

We would like to broaden our scope of support for restoration in disaster-affected areas by holding various events.



Tohoku fair scene

Initiatives Related to the Great East Japan Earthquake

Leveraging Kaneka's Strengths in Science to Contribute to Disaster Restoration

Restoration from the Great East Japan Earthquake is a major social challenge that requires ongoing effort. Kaneka developed an eco-friendly detergent that employs proprietary fermentation and purification technologies to remove cesium and other radioactive contaminants. We have begun comprehensively supplying this detergent to decontaminate sites. We also plan to provide Kanepearl Soil Block accelerates the restoration of trunk and other roads and other infrastructure.

Kaneka Biosurfactant Contributing to Radioactive Decontamination

Biodegradable Kaneka Biosurfactant employs fermentation with bacteria related to the bacillus natto. Once you spray water mixed with this detergent on roads and other surfaces, it penetrates small gaps and brings soil particles contaminated with cesium and other substances to the surface, thereby improving the recovery rate. The detergent components can be removed from contaminants with a vacuum and other equipment to reduce environmental impact. Satohiro Yanagisawa, a Planning & Coordination in the New Business Development Division, says that, "Many detergents are synthetic, but Kaneka's product is 100% natural

and powerful. On top of this, you can remove both contaminants and the detergent. No other product enables this. As a raw materials manufacturer, we wanted somehow to be useful to the restoration efforts following the Great East Japan Earthquake, and proposed our detergent to a general contractor. After experimental decontamination, the product was officially deployed." Koji Noda, another Planning & Coordination in the New Business Development Division, says that, "In order to offer our product, we entered the 20-kilometer exclusion zone around the Fukushima Daiichi Nuclear Power Plant. Seeing the contaminated farmland convinced me of the need to do something." Kaneka will continue drawing on its strengths in science to help resolve social issues.



Satohiro Yanagisawa
Assistant Manager,
Planning & Coordination,
New Business
Development Division



Koji Noda
Manager,
Planning & Coordination,
New Business
Development Division

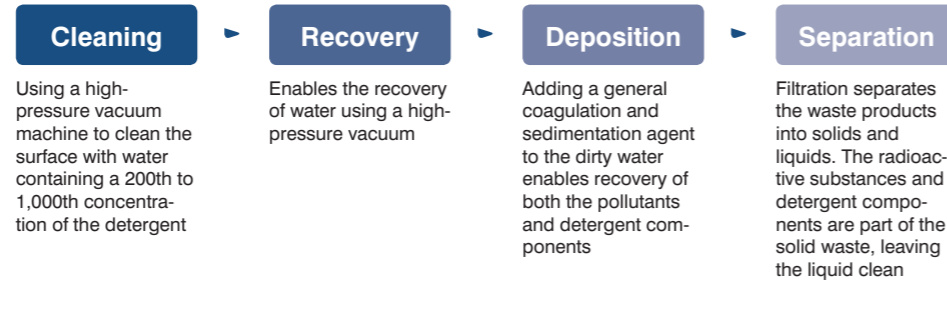
(Became a Manager in the Responsible Care Department of the Production Technology Division since April)



Experimentation using a road washer



Application Example: Road Decontamination



Kanepearl Soil Block accelerates the restoration of highways and other roads

Kanepearl Soil Block is a large foam block for civil engineering work. It is ultralight, can support massive weights, and has superior water resistance. The product is ideal for use at sites requiring reduced loads and entailing short construction periods, examples being steep embankments and soft ground. Hideaki Miyawaki, General Manager of the Technological



Hideaki Miyawaki
General Manager of the Technological Development,
Soil Environment Division,
Kaneka Kentech Co., Ltd.

Development in the Soil Environment Division at Kaneka Kentech Co., Ltd., says that, "We will step up efforts to promote Soil Block for urgent and demanding construction needs, particularly for restoration in disaster zones."



Also used to widen roads



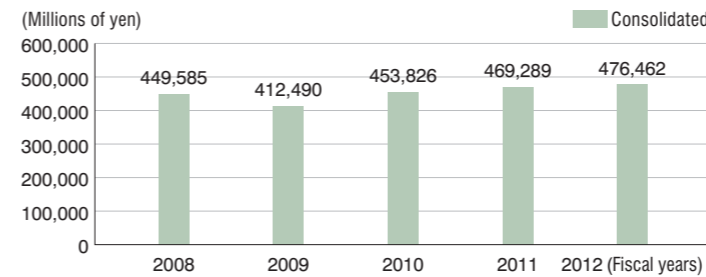
A material light enough to be carried by hand

Kaneka Group Profile

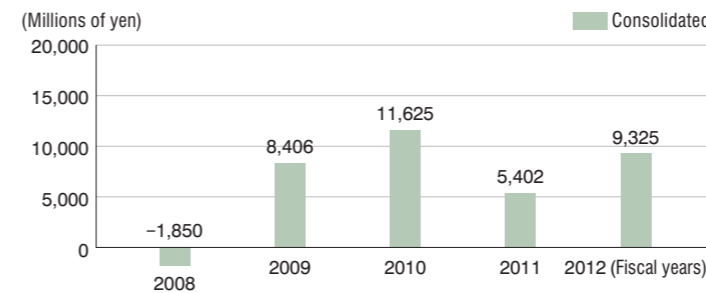
Corporate Profile

Name	Kaneka Corporation	
Head Office	Osaka Head Office 2-3-18, Nakanoshima, Kita-ku, Osaka 530-8288, Japan Tel: +81-6-6226-5050 Fax: +81-6-6226-5037	
Tokyo Head Office	1-12-32, Akasaka, Minato-ku, Tokyo 107-6025, Japan Tel: +81-3-5574-8000 Fax: +81-3-5574-8121	
Date of Establishment	September 1, 1949	
Paid-in Capital	¥33,046 million yen (as of March 31, 2013)	
Domestic Facilities	Sales Office	Nagoya
	Plants	Takasago (Hyogo Prefecture) Osaka (Osaka Prefecture) Shiga (Shiga Prefecture) Kashima (Ibaraki Prefecture)
Research Institutes	Frontier Materials Development Laboratories Frontier Biochemical & Medical Research Laboratories Process Technology Laboratories Photovoltaic & Thin Film Device Research Laboratories Molding & Processing Development Center	
Overseas Facilities	U.S.A., Belgium, Singapore, Malaysia, China, India, Taiwan, Korea, Australia, and others.	
Kaneka Group	93 subsidiaries (including 35 domestic and 24 overseas consolidated subsidiaries)	

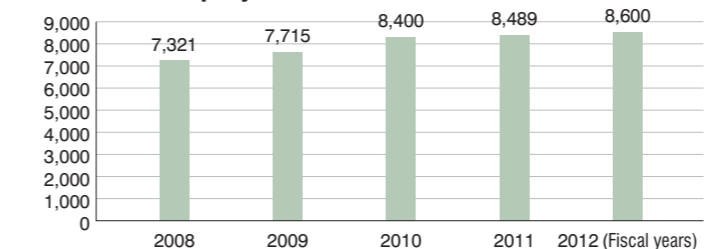
Net Sales



Net Income



Number of Employees



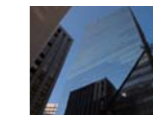
Overseas Group Company Initiatives



Working with Communities to Pursue Mutual Development
Kaneka Malaysia Group



Providing Treatment to Numerous Sufferers of Intractable Diseases
Kaneka Pharma America LLC



Discussing Interdisciplinary Domains for Korean and Japanese Technologies
Kaneka Korea Corporation

Domestic Group Company Initiatives



Helping Preserve the Environment through the Styrene Foam Business
Kanto Styrene Co., Ltd.



Aiming to Create Competitive Products and Enhance Lifestyles
Kaneka Foods Corporation



Helping to Boost Quality of Life by Selling Safe and Secure Health Foods
Your Health Care Co., Ltd.



Developing Transdermal Medical Products for High-Need Patients and Their Families
KM Transderm Ltd.







Contributing to the Enjoyment of Food through the Manufacturing and Selling of Frozen Foods
Nagashima Shokuhin Co., Ltd.




















Providing New Solutions for Innovating Medications and Diagnostic Products
Gene Frontier Corporation

Responsible Care Activities

Our Responsible Care activity targets and results for fiscal 2012 are as follows.

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

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

Item		Fiscal 2012 Targets	Fiscal 2012 Results	Re-sults Evalu-ations
Environmental Protection	Reduction of volatile organic compound (VOC) emissions	Lower the VOC emissions target to 1,900 metric tons (65% less than the fiscal 2000 baseline).	At 2,120 metric tons, we failed to meet our target for the year of 1,900 metric tons.	
	Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Joint with domestic Kaneka Group companies to achieve zero emissions (for representing a final landfill disposal rate of below 0.5%).	The final landfill rate for the four parent plants was 0.009%, for the seventh straight year of zero emissions. The final landfill rate of all consolidated domestic Kaneka Group companies was 0.22%, enabling the Group to achieve zero emissions for the first time.	
		We will confirm compliance among waste disposal companies.	We checked compliance among waste contractors and confirmed the absence of problems.	
	Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Reduce carbon dioxide emissions intensity for fiscal 2008 through 2012 by 20 from the fiscal 1990 level.	We met targets by reducing energy intensity (see note 1 below) by 1.1% from a year earlier. However, we lowered the five-year average (see note 2 below) target by 0.9%, which was slightly below target. We reached our carbon dioxide emissions intensity target for fiscal 2008 through 2012, at 24.5% below the fiscal 1990 level.	
Reduce the average energy intensity for logistics by at least 1% annually by planning and promoting energy efficiency measures (see note 1 below).		We failed to attain the target as our energy intensity rose 2.1% from a year earlier. However, we reached the five-year average goal, with a reduction of 3.2%.		
Process Safety and Disaster Prevention		Improve safety technologies and safety management standards and minimize process risks to eliminate accidents and disasters.	Plant safety initiatives helped reduce the number of process accidents in fiscal 2012 to two. We consider one of the incidents particularly serious, and have further committed ourselves to implementing plant safety initiatives and risk review.	
Occupational Safety and Health	Occupational Safety	Foster a safety awareness in every corner of the organization, reinforcing measures in light of human behavior to increase site safety.	Based on the CSR Safety and Quality Inspection, we took steps to disseminate management's stance to employees at each site, and confirmed that efforts were made to reinforce safety management activities.	
	Management Systems	Reflect top management thinking in safety activities, engaging in initiatives to boost safety levels.	Each site effectively uses occupational safety and health management systems and undertakes risk assessment and other activities.	
	Occupational Health	Reduce the number of people with mental health issues through liaising with the relevant business units.	We shared information on health staff activities through workshops (held three times annually) for companywide nurses, and improved their skills through seminars. We conducted line-care training classes for supervisors (on proper ways to discipline subordinates) and self-care training classes for general workers (on mental and physical fitness) (a total of 470 people participated).	
Distribution Safety		Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks.	There are no new Yellow Cards. We checked that the Osaka Plant and transportation contractors carry a Yellow Card. We conducted legal compliance checks and voluntary inspections of mobile tanks.	
		Continue holding emergency response drills for transportation.	We collaborated with transportation contractors in implementing emergency response drills and Hiyari Hatto (identifying, reporting, and eliminating worker dangers) at the Takasago Plant and safety operations case studies on vehicle accidents at the Kashima Plant.	
Chemical Substance and Product Safety (Quality Assurance)	Quality Assurance	Formulate quality risk management guidelines, leveraging them to drive risk management for the Kaneka Group and establish and reinforce the foundations of examination and assurance systems that accommodate an expanding business scope.	In the new business domains, we built business-specific quality management systems and used quality risk management guidelines while ensuring adherence to risk assessment usage.	
	Chemical Substance Management	Respond properly to domestic legal revisions relating to the Globally Harmonized System of Classification and Labeling of Chemicals and gather and share information on revised laws, especially in Asia and the United States. At the same time, we launched a full-scale green procurement program companywide.	We obtained timely information on revisions to the Globally Harmonized System of Classification and Labeling-related laws (including Industrial Safety and the Health Act) in Japan, and on changes to overseas laws and regulations (especially in Taiwan and China) and responded as needed. We also formulated green procurement guidelines.	
	Product Safety	Revise product safety management rules and choose new advisors from candidates, strengthening information gathering and the scope of examinations to reinforce product safety management assessments.	We integrated and revised the Product Safety Management Rules and Quality Assurance Rules. We hired an electrical safety advisor.	
Communication with Society		Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue.	We published a CSR report presenting results based on our basic CSR policy (and posted it on our website). We conducted dialogues with stakeholders.	
		Issue site reports for all Kaneka plants and post them on our website.	We issued site reports for all Kaneka plants and posted them on our website. We took part in Responsible Care community discussions in the Osaka and Kashima areas.	
Management CSR Safety and Quality Inspection		We implemented management CSR Safety and Quality Inspections at all four parent plants, 23 plants of 20 domestic Group companies, and seven overseas Group companies.	We implemented management CSR Safety and Quality Inspections at all four parent plants, 23 plants of 20 domestic Group companies, and seven overseas Group companies as scheduled.	

Note 1: Energy intensity is a numeral value calculated by dividing the energy used in manufacturing by the active mass and indexing it against the baseline year of fiscal 1990.
Note 2: The five-year average is the average for fiscal 2008 through 2012.

Producing New CSR Activity Targets

Kaneka produced CSR activity targets that will shape efforts to deepen relationships with key stakeholders and efforts to undertake CSR initiatives.

Background to New CSR Activity Targets

Kaneka focuses on stakeholder dialogue in pursuing CSR. We have undertaken many stakeholder-oriented initiatives. We formulated CSR activity targets in fiscal 2012 to enhance understanding of our efforts.

We formulated medium- to long-term targets based on the objectives and results of Responsible Care initiatives that we disclosed in previous CSR reports. As part of this process, we considered ways to target key stakeholders and determined priorities. We also formulated targets for the following fiscal year to

help us reach our medium- to long-term objectives. We will present the results in future CSR reports. We will continue engaging in CSR initiatives based on our CSR activity targets so we can improve enterprise value and enhance stakeholder satisfaction through our business activities.

New CSR Activity Fiscal 2013 Targets

Key stakeholders	Item		Fiscal 2013 Targets
All stakeholders	CSR management	Management CSR Safety and Quality Inspection	Management will continue making CSR Safety and Quality Inspections (of four parent plants, 23 plants of 20 domestic Group companies, and five overseas Group companies).
		CSR Implementation	Hold meetings of the CSR Committee and four subcommittees as scheduled. Foster employee understanding of CSR by communicating regularly via the intranet. Conduct job-specific and other training. Distribute explanatory materials (in English) to the entire Kaneka Group.
		Bolster governance and compliance	Ensure compliance awareness. Conduct companywide CSR suitability audits from this fiscal year. Maintain the internal reporting system. Improve internal control levels for financial reporting.
		Reinforce risk management	Conduct drills based on the Crisis Management Manual section relating to business continuity plans.
Shareholders and Investors	Timely and appropriate disclosure		Issue business reports, financial results, interim reports for shareholders and other investors, and other investor relations materials.
The Environment	Environmental protection improvement (reducing environmental impact)	Reduction of volatile organic compound (VOC) emissions	Lower the VOC emissions target to 1,850 metric tons (66% less than the fiscal 2000 baseline).
		Reduction of Industrial Waste	Keep the final landfill rate to below 0.2% for all parent plants. Maintain zero emissions among domestic Kaneka Group companies on a consolidated basis. We will continue to confirm compliance among waste disposal companies.
		Prevention of Global Warming	Reduce energy intensity by at least 1% annually (see note 1 below). Continue to promote energy consumption reduction initiatives to attain a carbon dioxide emissions intensity target for fiscal 2020 that is 26% below the fiscal 1990 level.
		Preservation of biodiversity	In line with our biodiversity activity policy, we will continue to focus on this area. We will consider establishing specific goals and activity plans.
Customers	Customer satisfaction (ensuring quality and product safety)	Quality management	Formulate guidelines and standards on points needing special attention (including design reviews and change management) in regard to quality risk management to ensure effective groupwide usage.
		Chemical Substance Management	Continue to monitor trends in chemical substance management-related laws and regulations in Japan and overseas, and ensure strict compliance.
Vendors	Bolstering distribution safety		Newly create and revise Yellow Cards and check that people carry them when required. Continue to implement legal compliance and voluntary inspections of mobile tanks. Continue holding emergency response drills for transportation.
	Proper procurement	Green procurement	Launch initiatives based on green procurement guidelines.
	Employees	Reinforcing occupational safety and health	Occupational Safety
Management Systems			Ensure more efficient Plan-Do-Check-Act (PDCA) of the occupational safety and health management system (OSHMS) and encourage a positive spiral, reinforce operations, and improve occupational safety and health initiatives.
Occupational Health			Reduce the number of people with mental health issues through liaising with the relevant business units.
Emphasis on diversity		Respect for human rights	Continue to educate new employees and executives about human rights and conduct inter-cultural communication and other training through the KG System (see note 2 below).
	Employing, training, and recruiting diverse people	Revise the personnel system for research positions and attract and retain foreign employees.	
	Work-life balance	Explore details of the work-at-home system. Inform people about the existent system and promote its use.	
Society	Reinforcing process safety and disaster prevention	Labor and management relationships	Augment such labor and management meetings as central labor and management conferences, conferences of representatives, and workplace labor and management gatherings, and boost communication by setting up a workplace labor and management council.
		Improving communication with society	Comprehensively review abnormal reaction controls and maintain the safety of hazardous substance storage by incorporating external expertise through third-party evaluations, thereby minimizing process risks by improving safety levels.
			Issue a CSR report and post it on our website. Continue to engage in stakeholder dialogue. Issue site reports for all Kaneka plants and post them on our website.

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

My Impressions from Reading CSR Report 2013



Chieko Minami

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

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

I will never forget what the public relations officer of a foreign manufacturer once said in a lecture: "In the near future, people won't just concern themselves with product value, they will become highly conscious of the social stances of the companies supplying such offerings."

Since then, the term CSR has become part and parcel of society. But sometimes people don't quite understand what it is and think it has nothing to do with a company's core

businesses.

Thus, it is against that backdrop that I was particularly pleased that early in its report Kaneka began by defining CSR as meaning "a company that contributes actively to social progress through its business." Kaneka goes on to convey this stance to stakeholders, presenting it as central to top management's commitment, later describing how strategic priorities with businesses and products contribute to society. I believe it is a sound idea

to convey employee awareness when describing businesses by drawing on comments from executives and employees. I was also glad to see comments from other stakeholders, because I consider it important for the Kaneka Group to remain informed about stakeholder opinions relating to its CSR activities, and to take diverse steps to access such information.

Kaneka clearly presents its Basic CSR Policy in its guidelines on corporate activities and social

Suggestions and Improvements from the 2012 Report

Kaneka made the following improvements in response to Professor Toshihiro Kanai's suggestions in his third-party opinion in the 2012 CSR Report.

- | | |
|--|--|
| 1. Step up efforts to collect more stakeholder feedback. | → We renamed the digest version the Communication Book to focus more on dialogue with stakeholders. |
| 2. It is better to discuss CSR in the context of corporate strategy. | → We added the Strategic Focuses and Products section on pages 6 and 7 to describe the CSR roles of Kaneka products in keeping with management's strategies. |
| 3. I recommend adding more content for children. | → We included more visuals in the Communication Book. We recognize that this is insufficient, and we will undertake ongoing steps to improve this situation. |

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



would be useful, for example, to explain why it is so important to pursue certain percentage improvements in terms of lowering environmental impact.

I laud the report for relating the Kaneka Group's CSR to its corporate philosophy, as this structural approach shows the close connection of CSR to Kaneka's raison d'être. Still, there is some room for improvement in that this section comes after the special features. I think it would be better to position CSR first in relation to the

corporate philosophy and then to clarify the value that Kaneka wishes to offer society based on its corporate philosophy. Kaneka would more effectively express the importance of CSR if it systematically illustrated the outlines and policies of its CSR activities in line with corporate and business strategies based on the values explained above. I would like to see next year's report improve in this regard.

Editorial Afterword

Editorial Afterword (Response to Third-Party Opinion)

Four years have passed since we began issuing a CSR report. From the 2013 edition, we asked Professor Chieko Minami to write the third-party opinion.

As Professor Minami pointed out, the term CSR is now a common one in society. Still, it is important for all employees to reflect on what they can do for society and act accordingly. This is why we inserted the 'What's CSR?' section early in the report. We also conveyed new initiatives, including new CSR activity targets, augmenting existing targets for responsible care activities.

We received feedback from various perspectives on several initiatives presented in this report. In the years ahead, we will endeavor to enhance stakeholder satisfaction by undertaking

more diverse CSR activities, such as by conducting more stakeholder dialogues.

Professor Minami also signposted possible improvements, one being to provide more background information to explain why it is so important to pursue certain percentage improvements with CSR activity targets, and another being to present CSR positioning in relation to corporate philosophy before clarifying the value for society. We will endeavor to reflect these perspectives in our next CSR report.

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

Administration Office CSR Committee
Kaneka Corporation

Editorial Policy

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

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

This edition explains how Kaneka's business activities relate to CSR, and features information of particular interest to stakeholders, most notably the Kaneka Group's relationships with employees, the environment, and society.

The PDF edition discloses all of our CSR information. You can download a copy at the following

URL:<http://www.kaneka.co.jp/kaneka-e/csr/index.html>

Organizations Covered in This Report

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

The data on Responsible Care activities encompass the parent and all 37 Group production subsidiaries.

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

Language Versions

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

Third-Party Verification and Opinions

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

Report Period

This issue covers fiscal 2012 (April 1, 2012 to March 31, 2013) with some additional information outside this period.

Date of Publication

September 2013

Publication of the Previous Report

September 2012

Next Report

September 2014

Reference Guidelines

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

Inquiries

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Tel: +81-6-6226-5091
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<http://www.kaneka.co.jp/kaneka-e/>

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