

kuraray

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Kuraray CSR Report 2008

Corporate Social Responsibility Report

Corporate Profile

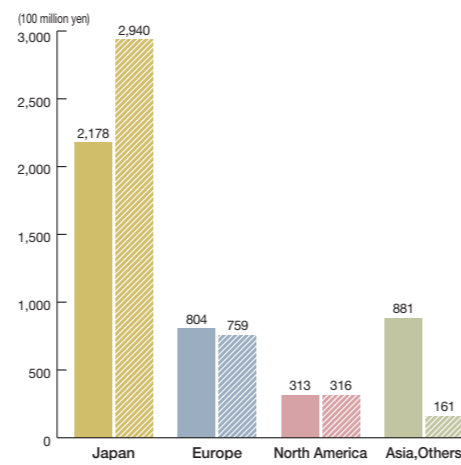
Company name	Kuraray Co., Ltd.
Representative Director and President	Fumio Ito
Date of establishment	June 1926
Capitalization	89 billion yen (as of March 31, 2008)
Net sales (consolidated)	417.6 billion yen (fiscal 2007)
Number of employees (consolidated)	6,770 (as of March 31, 2008)
Head offices	Tokyo, Osaka
Plants and laboratories	Kurashiki, Okayama, Niigata, Saijo, Kashima, Tsukuba
Group companies	32 consolidated subsidiaries, 6 equity method affiliates
Overseas operations	USA, Germany, Belgium, China, Singapore

Overseas Operations

The sphere of Kuraray Group's business activities is spreading to North America, Europe, and Asia under our policy "Make it in the right place; sell it in the right place." This enables us to set up business locations close to emerging markets and offer more customer-oriented services through our development, production, and sales activities.

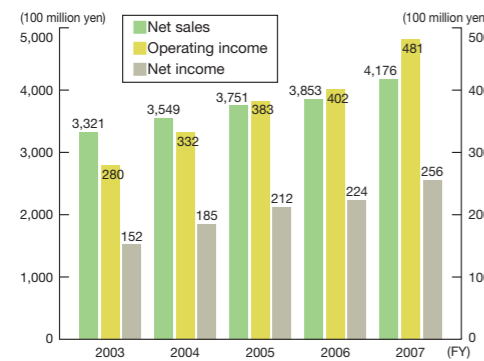


Sales by Destination and Location (Fiscal 2007)

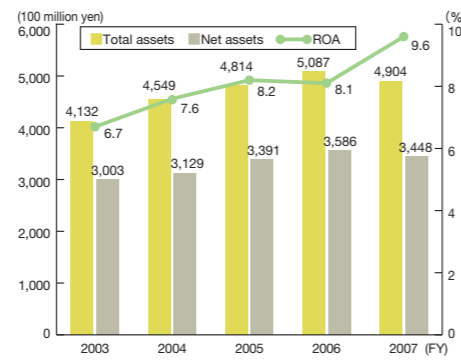


Financial Highlights

Change in Consolidated Business Performance

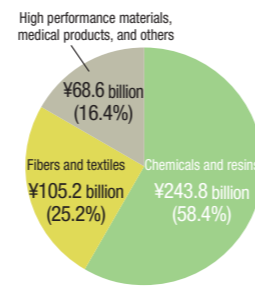


Change in Consolidated Total Assets, Net Assets, and ROA*



*ROA = Return on Assets

Consolidated Net Sales by Segment (Fiscal 2007)



Editorial Policy

Reporting Period

From April 1, 2007 to March 31, 2008
(Some activities conducted before or after the reporting period are included)

Reference Guidelines

GRI Sustainability Reporting Guideline (Version 3.0), Ministry of Environment's Environmental Report Guidelines (2007 Edition)

Scope of the Report

Safety and Environment

- Kuraray Co., Ltd. and 12 domestic affiliated companies occupying Kuraray premises (listed as "Kuraray sites" in the chart below), also 14 domestic affiliated companies outside Kuraray premises (listed as "Domestic affiliated companies" in the chart below)

Social

- Current progress of projects covering a variety of concerns. Reports focus on Kuraray Co., Ltd., but also include some affiliated companies

Economic

- Kuraray Co., Ltd. and 38 consolidated subsidiaries (total 39 companies)

The Kuraray Group

Kuraray Co., Ltd.	Kuraray sites	Kuraray Group
Kuraray Medical Inc.		
Kuraray Engineering Co., Ltd.		
Kuraray Techno Co., Ltd.		
Kuraray Luminas Co., Ltd. *1		
Kuraray Business Service Co., Ltd.		
Kuraray Kiko Co., Ltd.		
Kyosei Chemical Co., Ltd.		
Kuraray Saijo Co., Ltd.		
Kuraray Tamashima Co., Ltd.		
Kuraray Okayama Spinning Co., Ltd.		
Kuraray Kuraflex Co., Ltd.		
Nihonkai Acetylene Co., Ltd.		
Kuraray Chemical Co., Ltd.		
KC Processing Co., Ltd.		
Kuraray Trading Co., Ltd.		
Kuratrax Polymer Co., Ltd. *1		
Kuraray Plastics Co., Ltd.		
Ibuki Kosan Co., Ltd.		
Kuraflex Ibaraki Co., Ltd. *1		
Kuraray Fudosan Co., Ltd.		
Iruma Country Club Co., Ltd. *1		
Kuraray Living Co., Ltd.		
Techno Soft Co., Ltd.		
Kuraray Interior Co., Ltd.		
Kuraray Fastening Co., Ltd.		
Kuraray Travel Service Corporation		
Kuraray America, Inc.	Overseas affiliated companies	
Eval Company of America *2		
SEPTON Company of America *2		
Kuraray Europe GmbH		
EVAL Europe N.V.		
Kuraray Specialities Asia Pte., Ltd.		
POVAL ASIA PTE LTD *3		

*1 Included in aggregate from fiscal 2007 on.

*2 Eval Company of America and SEPTON Company of America merged with Kuraray America Inc. in January 2008.

*3 POVAL ASIA PTE LTD became a 100%-owned subsidiary through purchase of the Nippon Synthetic Chemical Industry Co., Ltd. in January 2008, and is included in the aggregate from fiscal 2007 on. The company name was also changed to Kuraray Asia Pacific Pte. Ltd. in July 2008.

Kuraray Family Products Co., Ltd. was sold to SUPPLIFAMILY Co., Ltd. in April 2007, and was therefore excluded from the aggregate from fiscal 2007 on.

Kuraray Niigata Kasei Co., Ltd. ceased production in March 2007, and was therefore excluded from the aggregate from fiscal 2007 on.

All italicized product names in this report are trademarks of the Kuraray Group.

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Doing the things that nobody else can do for the world and the people in it.

Kuraray Group is a trusted corporation, using its own technology to contribute to society.



Kuraray Respects the True Spirit of CSR

A corporation can only thrive as part of society when business activities build up a solid corporate presence rooted in the community. Of course, this takes more than expanding sales, it means that our goal must be better corporate quality.

Kuraray provides products and services that bring pleasure to individual people, and society responds by placing great confidence in our company. The pursuit of profit is not everything. We also believe that working out what we can do “for the world, and the people in it,” and then doing it, is the way to make the Kuraray of the future a valuable corporation.

This attitude toward management is found throughout the Kuraray Group, and reflects the ideas of our founder, Magosaburo Ohara, who said “The wealth gained from society must be returned to society,” and of our second president, Soichiro Ohara, who said “Corporate profit must be the wages received for contributions to the national economy or to society and citizens.”

Environmental Problem-Solving

Kuraray’s long-held beliefs are also a valued part of our response to the environmental problems which have recently been gaining attention, and this spirit is something we intend to give even more emphasis in future.

Reducing emissions of the greenhouse gases (CO₂ etc.) is thought to have a major influence on climate change, and Kuraray is aware that this is an important problem for chemical companies, as production processes consume a great deal of energy. The Kuraray Group is moving ahead with the Medium-Term Environmental Plan established in fiscal 2000, but we are also currently reviewing greenhouse gas reduction strategies, including the setting of medium-term goals.

Many of the products and services that Kuraray provides also help to reduce greenhouse gases. Development of heavy-duty film used for solar power generation is one of the efforts we make to help build a low-carbon society.

We also set up KURARAY AQUA CO., LTD. as a joint venture in February 2008, to give extra impetus to water treatment projects such as facilities for recycling wastewater. We hope to contribute the new technologies that these projects create to solving the world’s increasingly grave water resources problems.

Employee Cooperation in Shared Goals

There are three things that I ask Kuraray employees to do to fulfill our corporate social responsibilities.

The first of these is that each employee should personally do their best, and also cooperate fully with other individual employees to create “Trust and Safety.” Accident and disaster avoidance is our major priority, and we also put much effort into providing our customers with products that they can trust us to be safe to use. Secondly, I ask my employees to be “good citizens.” For this purpose, I hope that every employee has a strong sense of responsibility toward society, and a strong moral sense to back up his or her actions. My final request is for employees to think positively about difficult problems – not to think up reasons to do nothing, but to think about how we might go about solving them.

These three requests are the basis of our contributions to the world around us through socially useful manufacturing and essential if both corporations and society are to thrive. They form the basis for our everyday behavior, and I believe that public trust in a corporation is related to the cumulation of these everyday actions.

As businesses become increasingly globalized, I will lead the way with a clear vision of our aims, so that all our employees, including those in overseas operations share the Kuraray Group stance and way of thinking.

The Kuraray Group aims to foster unique, new technology, creating revolutionary new products that fill a social need. Equally, we hope to contribute to society on a global scale and earn the widespread respect and approval of the world we live in.

Representative Director and President

F. Ito

Kuraray Group and Social Responsibility

Corporate Philosophy

Respect for individuals
Cooperation in shared goals
Creation of values

Corporate Mission

We in the Kuraray Group are committed to opening new fields of business using pioneering technology and contributing to an improved natural environment and quality of life.

Kuraray's corporate philosophy is based on respect for each individual, and on using creative technological skills to produce materials that fill a need in people's lifestyles. What we value is the attempt to contribute to society.

As a corporate citizen of society, Kuraray applies this philosophy by using our strength to pay back what

we gain from society, acting as custodians for the environment, and contributing to continued social development. We believe that this is our corporate raison d'être, and our social mission, and together with all Kuraray stakeholders, we will continue our quiet efforts.

CSR Promotion Structure

Kuraray has enhanced the Group's CSR Promotion Structure, establishing a CSR Committee in 2003.

The CSR Committee is a management-level special committee responsible for examining group-wide policies and objectives regarding CSR activities, and drawing up individual departments' implementation plans for submission to management. Each department then sets out an action plan based on the policies and objectives adopted, and coordinates with other

Group organizations in realizing our broad-ranging CSR programs.

The CSR Committee sets up Social Responsibility and Economic Committee, Environmental and Industrial Safety Committee, Global Warming Prevention Committee, and Risk Management and Compliance Committee. The committees maintain theme-specific working groups that assist with action plans and evaluate their achievements.



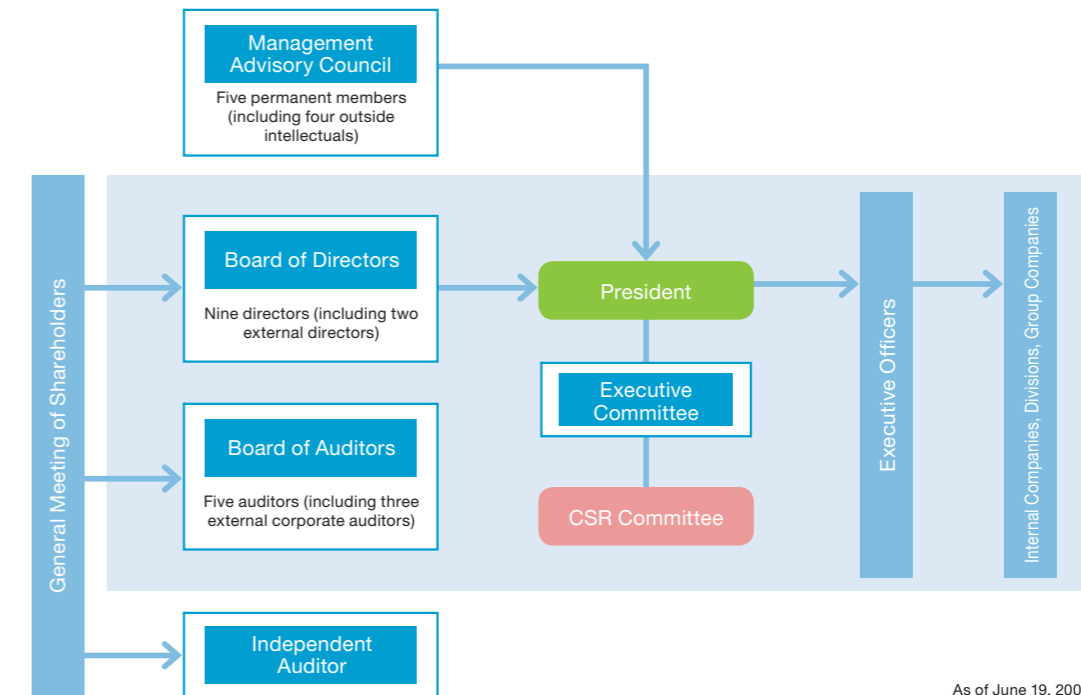
The new Global Warming Prevention Committee was established in February 2008, to provide better support for the prevention of global warming.

Corporate Governance

Kuraray believes that corporate governance designed to maintain appropriate relations with our shareholders and with a wide variety of stakeholders not only contributes to improved corporate business performance and steady development, but also plays an important role in carrying

out our social responsibilities.

The election of external directors in 2008 is one way in which Kuraray works to improve transparency and fairness.



As of June 19, 2008

- As the chief executive, the president exercises control over the execution of business in the Kuraray Group. Executive Officers (one-year term of office) selected by the Board of Directors are responsible for business execution in the various organizations of the Kuraray Group and bear operational responsibility and profit responsibility.
- The Board of Directors deliberates on and decides important management matters, in accordance with the Board of Directors Regulations, and supervises the execution of business. The maximum number of directors is ten, and the term of office is one year. Nine directors (including two external directors) were elected at the general meeting of shareholders held in June 2008.
- The Board of Auditors consists of five auditors, including three external corporate auditors. The corporate auditors attend meetings of the Board of Directors and other important meetings, and monitor the directors' performance of duties through activities such as audit visits to Group business operations.
- The Management Advisory Council is a consultative body to provide advice on the president's business execution. The Council, which consists of five members, four of whom are intellectuals from outside the Group who have a wealth of experience in corporate management or corporate legal affairs, advises the president on issues such as important management policies and issues, succession of the president, successor candidates, and compensation.
- At the general meeting of shareholders held in June 2007, shareholders approved Kuraray Co., Ltd.'s introduction of "measures against large-scale purchases of Kuraray shares (Anti-Buyout Measures)," effective for a period of two years. For buyers who do not follow rules or purchase activities which are severely damaging to corporate value and shareholders' common interests, the Board of Directors will determine the need for any countermeasures, with the utmost regard to warnings issued by a Special Committee consisting of three outside intellectuals, according to the prescribed procedures.

Compliance

Kuraray is strengthening its efforts to ensure compliance throughout the Group, in order to build a corporate culture where each member of management and employees acts in an appropriate manner with a strong ethical sense, as well as to ensure transparency and fairness in its business activities.

In fiscal 2007, we worked on Compliance Handbooks covering legislation in Europe and China, in order to provide Handbooks for all Kuraray Group employees, in addition to the employees in Japan and the US already covered by current Handbooks.

We also completely revised the Regulations for Prevention of Insider Trading, creating a unified system for information and insider trading management, and also held training courses for employees of domestic Kuraray Group companies.



Seminar on the insider trading regulation

Principles for Business Conduct

The Principles for Business Conduct (established in 1998) indicate proper ethical behavior of each employee for ensuring that the corporate activities of the Kuraray Group, which take place in the context of extensive interaction with society at large, are in harmony with the global environment and civil society.

Employees also receive a handbook, which includes Code of Conduct that describes the Principles for Business Conduct in specific terms and Compliance Guidelines that include examples and explanations.

Principles for Business Conduct

- We will develop and provide products and services, giving full consideration to safety.
- We will conduct businesses in a free, fair and transparent manner.
- We will maintain good communications and build a sound relationship with society.
- We will strive to preserve and improve the global environment and to secure safety and health.
- We will respect intellectual properties including trade secrets and control information properly.

Compliance Card

To instill a strong awareness of legal compliance and business ethics in our employees, a Compliance Card that includes the president's Compliance Declaration and the Principles for Business Conduct is provided to all employees to carry.

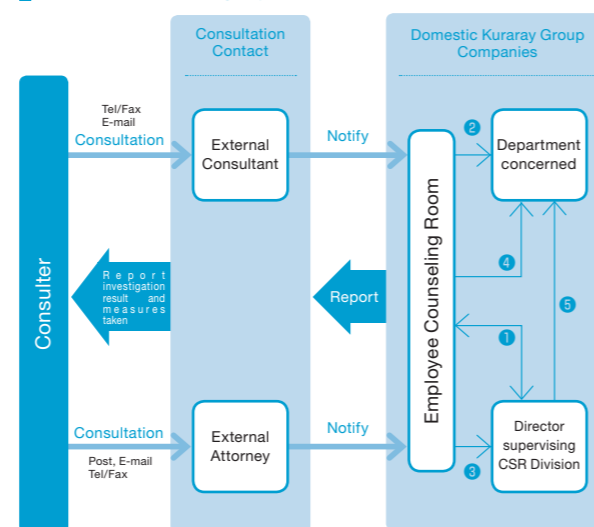
Compliance Declaration

- 1 We will comply with the law and the Principles for Business Conduct.
- 2 We will give precedence to laws and regulations, and to the Principles for Business Conduct, over corporate profits.
- 3 We will strive to prevent any act that goes against laws and regulations or the Principles for Business Conduct, or that betrays the trust that society has placed in us.

Internal Reporting System

The Kuraray Group Employee Counseling Room is an internal reporting system set up for all employees of domestic Kuraray Group companies to use for the prevention, early detection, and resolution of compliance violation. The Counseling Room is staffed by attorneys and specialist consultants, and protects the privacy of individual employees while providing an opportunity for face-to-face consultations on reports of unfair or illegal behavior and other workplace problems that employees are having difficulty in resolving.

Internal Reporting System



- 1 Report consultation request, order investigation (depending on content, carry out investigation)
- 2 Investigation
- 3 Report investigation result
- 4 Recommend correction measures
- 5 Order correction measures

Risk Management

Kuraray has established general departments responsible for overall risk management for the entire Kuraray Group, dealing with issues such as legal compliance, environmental preservation, and PL*.

The new Risk Management Department was established in the CSR Division in April 2007, and is engaged in evaluating major risks and constructing a company-wide system for corporate risk management.

* See P.12

Communications

Kuraray promotes two-way communication with the public, providing timely and generous disclosure of information in accordance with the Kuraray Group Disclosure Policy (<http://www.kuraray.co.jp/en/disclosure.html>) adopted in May 2007.

IR Activities

The Kuraray website (<http://www.kuraray.co.jp/en/ir/index.html>) hosts a variety of information, from investment seminars to general meeting of shareholders on video, in order to provide better communication with our shareholders and investors.

Kuraray participated in the Nikkei IR Fair 2007 held in August 2007 at Tokyo Big Sight, where we were able to provide many individual investors with a deeper understanding and interest in the Kuraray Group. Our IR* activities will continue to focus on encouraging appropriate market evaluation, trustworthiness, and fairness.



Nikkei IR Fair 2007, Aug. 31 and Sept. 1, 2007

IR Investor Relations. IR activities provide shareholders and investors with the information required for investment decisions, in a fair and ongoing manner.

Eco-Products 2007

Kuraray Group exhibited at Eco-Products 2007, Japan's largest environmental exhibition, held at Tokyo Big Sight. This event enabled us to explain to about 3,000 visitors including the general public about our environmental efforts through business activities. We introduced Kuraray Group products under the theme of "Eco-activity through the refinement (by shifting to unique, high-quality, and light materials with a small amount of use that can achieve high-performance)."



Eco-Products 2007, Dec. 13 to 15, 2007

Corporate Advertising Campaign

Kuraray has been running a TV-based corporate advertising campaign since November 2007, and designed to improve public awareness of Kuraray. Public awareness is an essential aspect of achieving an effective flow of information from Kuraray to society. The campaign catchphrases, "New materials that transform into the future," and "Mirabakesso," express the idea that we are all evolving into the future, and have been responsible for major advances in brand recognition, especially among younger people.



Scene from TV commercial (featuring Riko Narumi)

Safety Efforts

Ensuring Safety

Policy Attitudes Preventing occupational accidents requires us to identify and then reduce the risks that exist in the workplace. The Kuraray Group goal is a safe, accident-free workplace, achieved through appropriate use of an occupational safety management system, and improved levels of safety for employees. If an accident should happen to occur, Kuraray works to prevent recurrences by taking prompt action and sharing information through case studies.

Concepts and Basic Policy on Ensuring Safety

The spirit of the slogan from our 2006 Special Safety Activities - "Safety is the Cornerstone of Everything We Do" - is alive and well. Every year, Kuraray sets a basic policy which is implemented in occupational safety and disaster prevention activities.

● Concepts on Ensuring Safety

"Safety is the Cornerstone of Everything We Do"

● Basic Policy on Ensuring Safety (fiscal 2008)

- ① Ensuring "Safety First, Production Second"
- ② The most important thing in implementing "Safety First" is to make sure you CHECK
- ③ Top management of each group or organization must have a clearly stated safety policy

Promotion Structure

Safety Activity Management Regulations drawn up in

Targets and Actual Results

	Item	Boundaries	Goals for achievement	FY2007			FY2008 target
				Target	Actual results	Evaluation	
Safety and health	Occupational accidents	Lost workday injury incidence rate	0 incidents	0.2 or less	0.4	▲	0.1 or less
			Safe and comfortable workplaces, establishment of safety climate	Extraction of potential workplace risks and promotion of measures	Better workplace safety through risk assessment	○	<ul style="list-style-type: none"> Intensified risk assessment methods for non-routine works Intensified safety levels at personal level
	Disaster prevention	Number of disaster	0 incidents	0 incidents	4 incidents	▲	0 incidents
			Intrinsic safety of plant facilities	Establishment of safety climate	Implementing and responding to risk assessment methods	▲	<ul style="list-style-type: none"> Higher level of risk assessment methods Intensified safety management of partner companies
			Revitalized safety proposal activities	Number of Group proposals: 23,000 approx.	◎		

May 2007, form the basis for the occupational safety and disaster prevention projects that domestic Kuraray Group companies plan and implement each year.

At an annual Safety Promotion Committee, attended by the president and executive officers responsible, the Environmental and Industrial Safety Management Center carries out general evaluations of activities, and draws up policies regarding activities for the next year. Each department also conducts Site Safety Inspections via six-monthly checks of action plans and progress with implementation.

Fiscal 2007 Site Safety Inspections verified how established risk assessment method was in all production sites and three affiliated companies, by checking PDCA cycles for safety activities. All plants and affiliated companies involved are currently implementing the action plans set up to address issues identified in these checks.

The participation of production managers from other plants in these Site Safety Inspections also helps to achieve effective pooling of information and case studies.

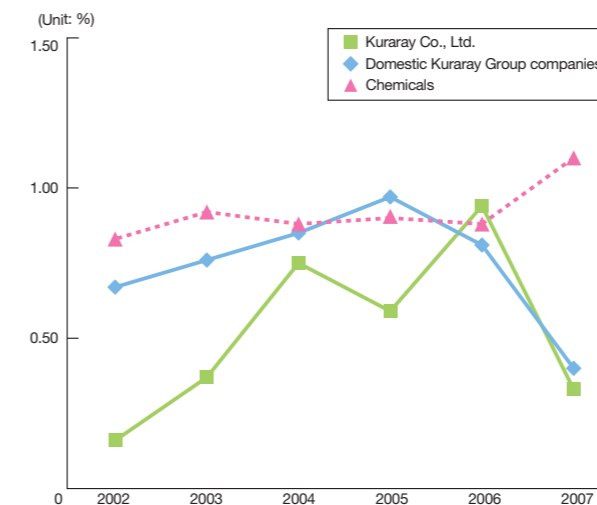
Evaluation ◎ : achieved ○ : largely achieved ▲ : further effort required

Occupational Accidents

During fiscal 2007, Kuraray focused on improving PDCA management of safety and health activities, based on our safety promotion system, and promoting risk assessment in all workplaces.

This resulted in an improved lost workday injury incidence rate of 0.4 for the domestic Kuraray Group companies, compared with a rate of 0.7 for fiscal 2006. However, we have not yet achieved our goal of 0.2.

Change in Occupational Safety Performance (Lost Workday Injury Incidence Rate)



Note: Lost workday injury incidence rate: Number of injuries per million work hours = Number of injuries / Number of hours worked × 1,000,000

Disaster Prevention

● Earthquake Countermeasures

Kuraray is responding to earthquake risk by surveying earthquake preparedness and carrying out seismic strengthening of buildings and plants at all workplaces and company residences. Surveys of 28% or 15 of the 54 sites to be surveyed were completed in fiscal 2007. Surveys of the remaining sites continue, and measures are being put into place at each site as surveying is completed.

● General Disaster Prevention Training

Each plant is organized into emergency teams which carry out regular drills, in readiness for any accident. During fiscal 2007, nine disaster prevention trainings were held at all plants, with about 2,300 personnel training for hypothetical scenarios such as fire, earthquake, leaks, or night-time disasters.

At the Saijo Plant, 84 employees trained for a hypothetical scenario involving the outbreak of fire after a glycerin leak. Training involved coordination with Emergency Response Headquarters at our headquarters.



Disaster training at the plant

Safety-related Accidents

Although the incidents were minor, there were four cases of accident and fire during fiscal 2007. One case involving a burst drum at Okayama Plant in September was caused by inadequate condition checks of liquid waste from an experimental product, which was in storage and not part of the production process. No injuries resulted from the accident. Efforts are being made to prevent any similar incidents, and company-wide management standards for experimental products were immediately reviewed. Other incidents involved one case of deformation in a hazardous material tank, and two minor fires.

Kuraray Group Responsible Care (RC) Convention

An annual "RC Convention" aimed at raising the level of RC throughout Kuraray Group brings the president, executive officers, and employees together to explore and discuss examples of advanced RC activities in fields such as occupational safety, disaster prevention, and environmental protection.

In fiscal 2007, the focus was on occupational safety and disaster prevention. The slogan "Uncover those tiny risks in the workplace! Basic safety is something we need to make together!" was repeated in reports and discussions of activity case studies, and in a special lecture on basic safety in machine design by Dr. Noboru Sugimoto of Nagaoka University of Technology. The participants were all able to reconfirm the importance of conducting business activities safely, and committed themselves to making further efforts in safety initiatives.



RC Convention

Responsible Care (RC) Activities

Responsible Care (RC) activities are those where corporations that handle chemical substances maintain the environment, safety, and health by taking responsibilities at all stages from development to production, use, and disposal of products, and disclose the content of these activities. Kuraray Co., Ltd. has participated in the Japan Responsible Care Council since it was established in 1995.

Logistics Safety Activities

In fiscal 2007, Kuraray promoted three themes – "Organization," "Working place," and "Training" through a Logistics Safety Activities, involving the following activities:

- **Organization:** A Logistics Safety Conference was set up to work with contract distribution companies on an organizational level. In fiscal 2007, regular meetings were held at Niigata Plant and Kashima Plant, which both handle many chemical products, and at Tokyo headquarters.
- **Working place:** Working place inspection visits are aimed at improving workplace safety. Inspections were carried out at all plants by their Purchasing and Logistics Divisions during fiscal 2007.
- **Training:** In preparation for actual crises, response exercises were carried out using actual vehicles and equipment in hypothetical accident scenarios, both internal and external, at each plant. All contract distribution companies participated in training at Niigata Plant, and the exercise generated a lively exchange of opinion.



Accident scenario exercises (Niigata Plant)

Future Tasks and Goals

Although we believe that the overall level of safety has improved, an individual commitment to continuous personal improvement in safety practices on the part

of all employees is an essential part of achieving zero industrial disasters. Kuraray will develop better safety preparedness as a more personal issue.

Product Safety

Policy Attitudes

The Kuraray Group defines "Developing safety-conscious products and services and providing customers with them" as the first item of our Principles for Business Conduct, and operates based on the Basic Policy on Product Safety and Action Guidelines for Product Safety.

The Kuraray Group is engaged in continuous improvement on the activities through acquisition of the certification for quality management systems (e.g. ISO 9001), and also continues the quality assurance activities focusing on customers.

Basic Policy on Product Safety

The Kuraray Group provides customers with safe and high-quality products by establishing the basic policy for product safety and advancing activities based on it.

The basic policy and the action guidelines are notified by the Kuraray's intranet.

Basic Policy on Product Safety

The Kuraray Group endeavors to contribute to creating an affluent, comfortable society by meeting customer needs through the supply of safe and reliable products.

Action Guidelines for Product Safety

- 1 Supply products that meet the level of safety expected by society in compliance with safety-related laws and regulations and on the basis of the latest technologies.
- 2 Minimize any anticipated risk associated with the products we supply.
- 3 Maintain an appropriate quality management system to ensure that all products meet requisite quality and safety standards.
- 4 Provide accurate product information to customers and end users to prevent accidents due to inappropriate use or handling.
- 5 Strive to develop safer products and improve product safety technologies.
- 6 Strive to strengthen information gathering and internal and external cooperative frameworks to ensure and improve product safety and quickly respond to accidents.
- 7 Strive to raise product safety awareness among all employees and develop product safety specialists.

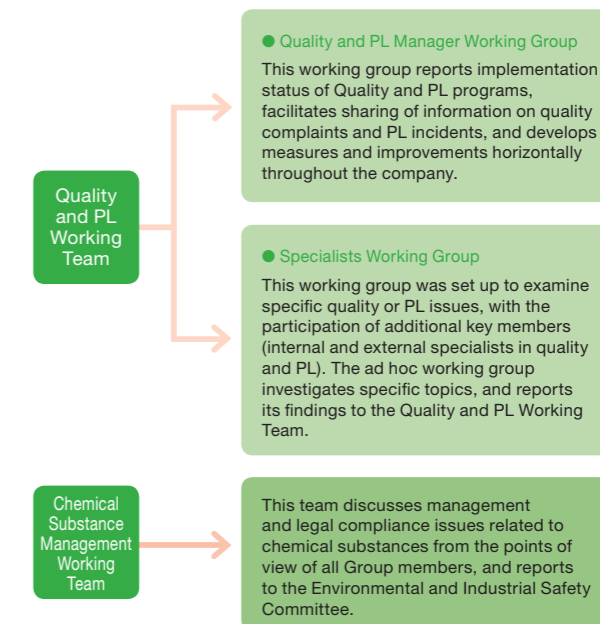
Promotion Structure

Promoting product safety activities is the task of the Environmental and Industrial Safety Committee (a CSR Committee subcommittee), which has set up a Quality and PL* Working Team for quality management, and a Chemical Substance Management Working Team for chemical substances management. When these teams discover issues to be addressed, they discuss countermeasures and improvement plans for such issues, and submit proposals to the Environmental and

Industrial Safety Committee and the CSR Committee.

In fiscal 2008, the Quality and PL Working Team will continue the task of product safety management as well as the fiscal 2007. The Chemical Substance Management Working Team will also continue to focus on the task for EU REACH compliance as well as the fiscal 2007.

Promotion Structure Organizational Chart



Quality and PL Working Team

This team works on prevention of and appropriate responses to Kuraray Group quality complaints and PL incidents. The Team comprises two types of working group which are responsible for data collection and investigation of improvements.

PL (Product Liability)

Product liability is the liability for damages that a manufacturer or processor of a product bears when a product defect causes harm to life, body, or property. From the standpoint of consumer protection, if a product defect can be demonstrated the manufacturer is liable regardless of whether the defect is the result of error or omission.

Chemical Substance Management

The Kuraray Group surveys and confirms applicable legal regulations at each stage of development, manufacturing and sales according to our General Management Regulations for Chemical Substances, and are conforming to the national legal regulations where products are produced or sold. In particular, we are preparing for pre-registration and registration under European REACH* (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations.

Kuraray has also formulated the "Material Safety Data Sheet Management Regulations" to ensure safety in the handling of chemicals. Based on these regulations, a Material Safety Data Sheet (MSDS)* is prepared and provided. We also provide MSDS for chemicals which do not legally require documentation. Data for our main products is also available on the Kuraray website (<http://www.kuraray.co.jp/products/msds/index.html>).

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)

EU chemicals regulations that introduced several new approaches as follows: 1) distinction between new and existing substances is eliminated by applying the same standards; 2) companies are required to conduct risk assessment which previously has been carried out by the authorities; 3) information on the safety and handling of chemical substances should be shared by every company in the supply chain; and 4) companies are required to understand information such as existence and purpose of chemical substances contained in the articles. Pre-registration of existing chemical substances and registration of new chemical substances started in June 2008.

Material Safety Data Sheet (MSDS)

MSDS provides the detailed and essential information necessary to ensure the safe handling of chemical products, and includes substance names, supplier, category, hazard classification, safety measures and emergency countermeasures.

Quality Assurance

The Kuraray Group has been acquiring certifications of quality management system (e.g. ISO 9001) in order to improve assurance of product quality, and is engaging in quality assurance activities based on a PDCA cycle*. Based on the quality management systems and our Action Guidelines for Product Safety, we collect product-related information, such as customers' requirements and satisfaction, and strive to improve product quality to respond to customer requirements.

Disguised products caused Japan social problems in fiscal 2007. The Kuraray Group has carried out self-checks of products using recycled materials, fireproof and fire-resistant materials and fireproofed products, and confirmed that the production data and the labeling include no misrepresentation.

Future Tasks and Goals

The Kuraray Group is standardizing quality control with a company-wide management structure in order to improve quality and PL management, and

PDCA Cycle

PDCA is an acronym for Plan-Do-Check-Act. PDCA cycle consists of continuous process of operational improvement; (1) planning for activity "Plan," (2) implementation "Do," (3) checking whether planned arrangements have been executed "Check," (4) taking corrective actions when a problem or improvable item is found "Action."

Quality Management System Certifications

- ① ISO 9001
 - Kuraray Niigata Plant
 - Kuraray Kashima Plant
 - Kuraray Okayama Plant
 - Kuraray Kurashiki Plant (Membrane Production and Development Dept., Poval Film Production and Technology Development Dept.)
 - Kuraray Tamashima Co., Ltd. (Ester Plant)
 - Kuraray Saijo Plant
 - Kuraray Plastics Co., Ltd. (Ibuki Plant)
 - Kuraray Chemical Co., Ltd. (Tsurumi Plant)
 - Kuraray Medical Inc.
 - Kuraray Fastening Co., Ltd. (Production & Development Division)
 - Kuraray Engineering Co., Ltd.
 - Kuraray Trading Co., Ltd. (Kuraray Trading Processing Division)
 - Kuraray Techno Co., Ltd. (Kurashiki Area Dept., Building Maintenance Service Division)
 - EVAL Europe N.V.
 - Kuraray Europe GmbH (PVA/PVB Division, Trosifol Division)
 - Kuraray America, Inc. (Eval Company of America, SEPTON Company of America)
 - POVAL ASIA PTE LTD

Note1: The following Group companies occupying the same premises as Kuraray plants are included.
Kuraray Saijo Co., Ltd., Kuraray Kuraflex Co., Ltd., Kuraray Okayama Spinning Co., Ltd., Kuraray Techno Co., Ltd., KC Processing Co., Ltd.

Note2: Due to business integration, the following units have changed their name since April 2008.
Eval Company of America → EVAL Business Unit
SEPTON Company of America → SEPTON Business Unit

- ② ISO 13485 (Medical devices)
 - Kuraray Medical Inc.
- ③ ISO/TS 16949 (Automobile supplier and related business organizations)
 - EVAL Europe N.V.
 - Kuraray Europe GmbH (Trosifol Division) ● OOO TROSIFOL

Product Complaints handling

Kuraray emphasizes fast handling to customer complaints regarding quality, in accordance with our quality management systems and Regulations on Product Liability-Related Accident Response and Quality Complaint Report. We receive the customers' opinions and requests sincerely, and use them in our business activities. No serious product-related incident, such as health damage or fire disaster, occurred in fiscal 2007.

chemical substance management. We are also continuing to implement projects which promote better awareness of these issues.

Environmental Activities

Kuraray Group Action Guidelines for the Global Environment

The Kuraray Group has formulated the following Basic Policy and Principles of Conduct to govern global environment preservation activities.

Basic Policy

The Kuraray Group will fulfill its responsibilities to future generations through business activities that are in harmony with the global environment and local communities.

Kuraray puts this basic policy into practice by engaging in the following activities.

- ① Business activities that place the highest priority on the environment and safety
- ② Permanent global environmental improvement activities
- ③ The development of technologies and products that contribute to improving the global environment

Principles of conduct

- ① Continuous reduction of emissions of designated chemical substances into the environment
- ② Reduction in emissions of greenhouse gases and greater energy efficiency to contribute to the prevention of global warming
- ③ Promotion of resource conservation, reuse, and recycling
- ④ Development and provision of technologies for improving the environment and low-environmental-load products
- ⑤ Use of environmentally friendly products
- ⑥ Public disclosure of environmental information and dialog with the community
- ⑦ Raising the level of environmental consciousness and environmental management
- ⑧ Working together with stakeholders

Promotion Structure

Kuraray's company-wide, medium- to long-term environmental preservation activities are facilitated by the CSR Committee and the umbrella organizations (the Environmental and Industrial Safety Committee and the Global Warming Prevention Committee). These committees work on promoting global warming solutions, effective use of resources, and waste management for the whole Kuraray Group.

The Environmental and Industrial Safety Management Center has also been set up in the headquarters as generalization post of environmental preservation throughout the Group, under the manager of the particular site. Environmental and Industrial Safety Departments and Sections have also been established at every Kuraray plant.

● See P.19 for a list of Environmental Management System (ISO14001) certifications.

Targets and Actual Results

	Item	Boundaries	Medium-term target	FY2007			FY2008 target	Page ref.
				Target	Actual results	Evaluation		
Environmental preservation	Global warming prevention	Kuraray	10% reduction cf. FY1990 levels by FY2010 (Emissions: 1,226 thousand tons of CO ₂)	-	3.8% reduction cf. FY1990 levels (Emissions: 1,310 thousand tons of CO ₂)	○	4.0% reduction cf. FY1990 levels (Emissions: 1,308 thousand tons of CO ₂)	P. 15
	Effective use of resources	Domestic Kuraray Group	Maintained at 90% or over	90% or over	89%	○	• Promoting more effective use • Lower levels of waste material produced	P. 16
	Emissions management	Domestic Kuraray Group	90% reduction cf. FY1999 levels	90% reduction	67% reduction cf. FY1999 levels	▲	• 82% reduction • Continued efforts to achieve 90% reduction	P. 17
	Domestic Kuraray Group	80% reduction cf. FY2004 levels by FY2010		52% reduction cf. FY2004 levels	◎	-		

Evaluation ◎ : achieved ○ : largely achieved ▲ : further effort required

Reducing Greenhouse Gas Emissions

Policy and Attitudes

Kuraray's Medium-Term Environmental Plan aims to reduce greenhouse gas emissions by 10% of fiscal 1990 levels by fiscal 2010. Efforts will focus on three main areas: 1) promoting energy conservation, 2) converting to clean fuels, and 3) introducing new energy sources.

Through strategies such as switching fuels for power-generation boilers, and making more use of biomass power generation, Kuraray succeeded in reducing greenhouse gas emissions by 160,000 tons (12% approx. of fiscal 1990 levels) over the three years from fiscal 2005 to 2007.

On the other hand, the impact (80,000 tons approx.) of growth during this period in vinyl acetate business and other changes in the structure of our business led to some increases, and CO₂ emissions for Kuraray sites in fiscal 2007 totaled 1,310 thousand tons of CO₂, representing a drop of 52,000 tons of CO₂ (3.8%) in comparison with fiscal 1990.

Emissions from domestic affiliated companies in fiscal 2007 were 108 thousand tons of CO₂, while emissions from overseas affiliated companies were 471 thousand tons of CO₂. Accordingly, the Kuraray Group's total emission was 1,889 thousand tons of CO₂.

Greenhouse Gas Emissions (1,000 tons/CO₂)



Efforts of Each Plant

Consolidation at Kurashiki Plant

Transfer and integration of facilities to the Kurashiki Plant Tamashima facilities has brought research and development departments previously scattered over nine buildings (280 rooms) together in a "Production and Technology Development Center" in one location. The new facilities incorporate energy-saving features such as solar electric power system (87kW), the adoption

of a heat storage system using hydrate slurry* for air conditioning, high-efficiency lighting, and energy-saving architectural components. With these efforts in energy-saving and energy loss reduction, the relevant departments have reduced greenhouse gas emissions to around 6,000 tons in fiscal 2007, an approximately 4,500 tons (40%) reduction compared with the fiscal 2005 level (before consolidation).



A system using hydrate slurry

Heat storage system using hydrate slurry

This air conditioning system has a greater cooling capacity (around 2-3 times more than that of chilled water system) and pumpability by using hydrate slurry (an oatmeal-like liquid). This is a new technology for energy conservation that has a capability to reduce pumping power consumption and enhance the efficiency of refrigerating function.

Improving Efficiency through Computer Analysis of Combustion Efficiency

In order to improve the efficiency of energy usage, we have adopted a computer analysis system to understand the combustion mechanism of our power-generation boilers and find more efficient operational parameters. Analysis of the main boiler at the Okayama Plant in fiscal 2007 resulted in a reduction of 12,000 tons p.a. in greenhouse gas emissions.

Reducing the Environmental Burden during Transportation

Kuraray is committed to modal shifts* and more efficient transportation, with the goal of reducing unit energy consumption by 1%, the target stipulated by the Revised Law Concerning the Rational Use of Energy. CO₂ emissions in fiscal 2007 were around 12,800 tons, a reduction of 90 tons approx. in comparison with fiscal 2006, which represents a drop of 5.3% in unit energy consumption.

Modal Shift

Switching mode of transportation from trucks to rail and sea transport which place less burden on the environment.

Future Tasks and Goals

Kuraray continues to work toward our goal of lowering greenhouse gas emissions by 10% of fiscal 1990 levels by fiscal 2010, through measures such as improved production processes and more efficient power generation. During fiscal 2007, the newly established Global Warming Prevention Committee coordinated discussion, and has established new goals for reductions for fiscal 2013 on, and also studied additional measures and the development of new technology.

Effective Use of Resources

Policy and Attitudes

The Kuraray Group continues to be committed to reducing, reusing, and recycling, making more effective use of waste resources, and zero emissions (1% or less in final amount of waste disposed of in landfills).

Promotion of Zero Emissions

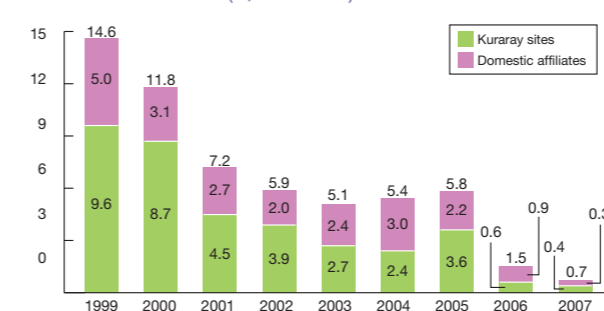
Domestic Kuraray Group companies have been seriously committed to zero emissions* since fiscal 2002.

Efforts to reduce final landfill disposal amounts of waste from domestic affiliated companies resulted in nine domestic Kuraray plants and affiliates achieving zero emissions in fiscal 2007, including Kuraray Chemical Co., Ltd., Kuraray Fastening Co., Ltd., Kuraflex Ibaraki Co., Ltd. Continued commitment to existing "effective use" technology also produced an improved result: final landfill disposal waste for domestic Kuraray Group companies totaled 486 tons, or 0.6%, compared with 921 tons or 1.0% for the previous fiscal year.

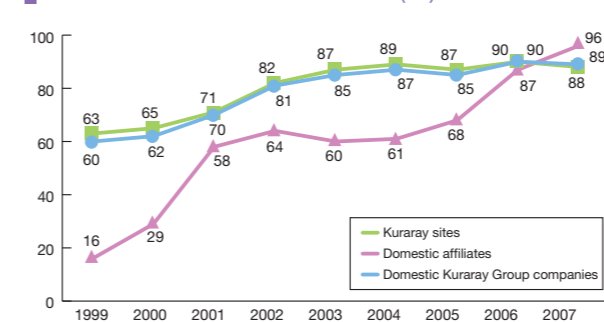
Kuraray Group and Zero Emissions

The Kuraray Group feels that a final landfill waste target of zero is not effective in terms of lifecycle assessment, and is working towards a zero emissions target of "1% or less in final amount of waste disposed of in landfills."

Volume of Unutilized Externally-Processed Industrial Waste (1,000 tons)



Industrial Waste Utilization Rate (%)



Efforts of Kuraray Plants

Recycling PC Ash at Okayama Plant

Three of the five power-generation boilers at the Okayama Plant use PC (petroleum cokes)* as fuel. Burning PC in boilers produces more than 10,000 tons p.a. of PC ash which used to be distributed outside the company as a regenerated fuel. In the second half of fiscal 2007, however, we have installed new facilities to start the internal recycling. These facilities can separate fuel components from PC ash and recover them as a supplementary fuel for boilers. We anticipate that this will greatly reduce the amount of waste produced from fiscal 2008 on.

Effective Use of Waste from Dismantling of the Kurashiki Plant (Sakazu)

Buildings and plants no longer required due to the relocation and consolidation of the Kurashiki Plant facilities to Tamashima were dismantled during fiscal 2007.

Kuraray made effective use of waste materials by transferring dismantled facilities no longer needed to other plants, and using wood from construction waste as fuel for biomass power generation*.



PC ash recycling facility

PC (petroleum cokes)

Black material remaining after petroleum refining, usable as boiler fuel in a similar way to coal.

Biomass Power Generation

Power generation facilities which use wood chips, construction waste wood, etc. to fuel power-generation boilers. Kuraray commenced biomass power generation in Tamashima area of the Kurashiki Plant in August 2002.

Future Tasks and Goals

These include promoting effective use of waste through sorting and separation, encouraging the development of effective use, and reducing the volume of unutilized externally-processed material (overall total of amount simply incinerated without recovery of energy, and final landfill disposal). Encouraging better product yields and re-use of resources within the Kuraray Group are also effective in reducing waste.

Reducing the Emission of Specific Chemical Substances

Policy and Attitudes

The Kuraray Group is committed to reducing waste through the entire product life cycle of the chemicals, which we handle from the standpoints of environmental preservation, safety and health, from development to final consumption and disposal in accordance with the "Kuraray Group Action Guidelines for the Global Environment."

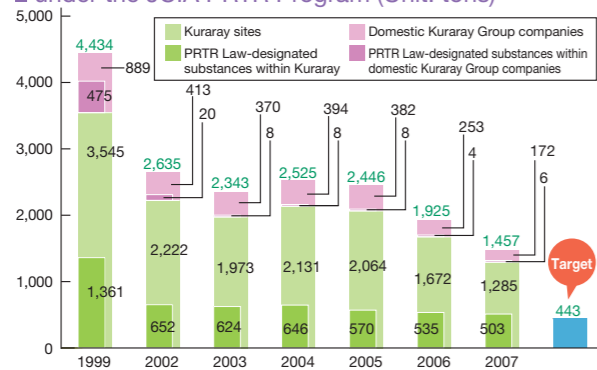
Reducing the Emission of Specific Chemical Substances

Kuraray is active both in appropriate management of chemical substances and in waste reduction. One example of this is the work of domestic Kuraray Group companies during fiscal 2007 toward meeting the Medium-Term Environmental Plan goal of reducing emissions of chemical substances designated by JCIA's PRTR* by 90% of fiscal 1999 levels.

In fiscal 2007 additional microbial processing facilities using PVA gel* were installed at the Okayama Plant. Kuraray also invested in the installation of additional flare stacks (which render incinerated waste harmless before release into the atmosphere) at the Kashima Plant. Thanks to these facilities, total emissions of target substances were down to 1,457 tons, a reduction of 468 tons in comparison with fiscal 2006, the equivalent of 67% of fiscal 1999 levels.

Kuraray will continue to work toward our goal of reducing emissions of chemical substances designated by JCIA's PRTR by 90% of fiscal 1999 levels (443 tons of emissions). These efforts include manufacturing processes which do not require organic solvents, and further processing of waste to render it harmless to the environment.

Change in Emissions of Substances Designated under the JCIA PRTR Program (Unit: tons)



PRTR Program

This program involves accurate assessment of the quantities of PRTR-designated substances emitted, and making voluntary efforts to reduce them. Kuraray has participated in Japan Chemical Industry Association (JCIA) program in this area before the Pollutant Release and Transfer Register Law (PRTR Law) was enacted. Through the JCIA's PRTR program, 480 chemical substances have been targeted (354 of which are designated by the PRTR Law), and the domestic Kuraray Group companies handle 79 of these chemicals, including 50 chemical substances designated by the PRTR Law.

PVA gel

See P.35-36 for details regarding PVA gel.

Reducing VOC*

Volatile organic compounds (VOC) regulations came into effect in fiscal 2006, covering methanol, toluene, formaldehyde, and other chemicals handled by the Kuraray Group. Since the chemicals targeted by VOC regulations in use by the domestic Kuraray Group companies are also included in the chemical substances designated by JCIA's PRTR, Kuraray regards reduction of VOC target chemicals as a PRTR program.

Volatile Organic Compounds (VOC)

Organic chemicals volatile in the atmosphere at normal temperature and pressure are known collectively as VOC. If VOC is released into water or the atmosphere, environmental pollution or health hazard may occur.

Above-ground Storage of PCB* Sludge Waste

The Niigata Plant has stored PCB (1%) sludge waste (transferred when the former Toyama Factory was closed) appropriately in concrete tanks below ground since 1981, in accordance with the Law Concerning Special Measures Against PCB Waste. However, the sludge has now been in storage for over 25 years, creating a risk of leakage from the tanks. All the sludge has now been re-packaged in drums and transferred to warehouse storage. Work was carried out in a sealed tent to avoid contamination of the local soil or environment, and post-operative soil and environmental checks confirm that they remain free of contamination.

Polychlorinated Biphenyl (PCB)

A chemically synthesized organic chlorinated compound. Since PCBs are easily incorporated by living creatures and are highly residue-prone, they are reported to cause a variety of symptoms.

Development of New Eco-Friendly Production Technology

Kuraray has developed new technology for TIRRENINA, an eco-friendly man-made leather in the CLARINO series, and has decided on the installation of new facilities at the Okayama Plant for commercial production.

The fact that this new technology does not use organic solvents in the manufacturing process marks a major step away from the past. It allows for considerable reductions in VOC, and the shorter processing time also reduces CO₂ emissions (over 30% lower than with Kuraray's previous system).

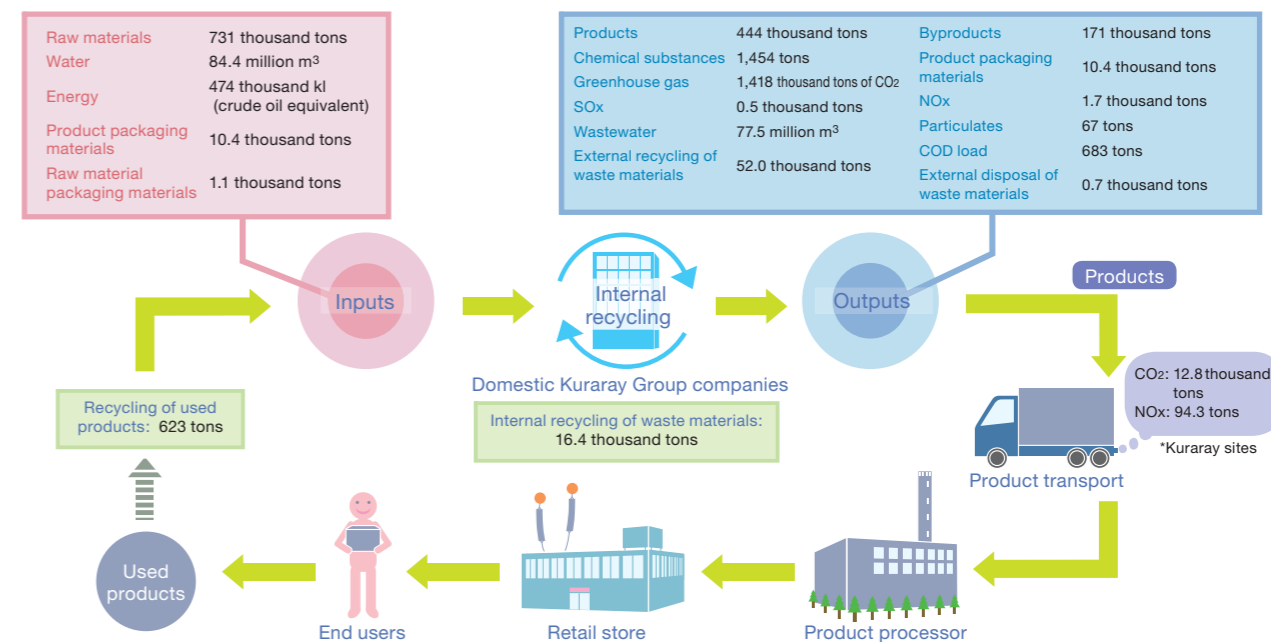
Future Tasks and Goals

In fiscal 2007, activities designed to reduce emissions for PRTR target chemicals have achieved a reduction of 67% (based on the fiscal 1999 level), compared to the 57% reduction in fiscal 2006. Kuraray will continue to seek a way of cutting emissions including reviewing its production technologies, in order to achieve its goal of a 90% reduction.

Material Flow of Business Activities for Domestic Kuraray Group Companies (Fiscal 2007)

The Kuraray Group uses a great deal of energy, chemical substances, and water resources in the course of our business activities. We make quantitative surveys of

resources used and substances emitted, and use this information to minimize the environmental load associated with our business activities.



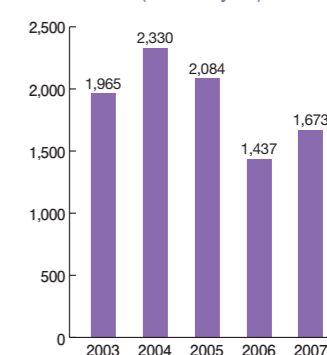
Environmental Accounting

Environmental Preservation Costs (million yen)

Category	Investments	Costs	Principal Activities
Costs within the sites	Pollution prevention costs	903	Operating cost of environmental facilities, measures to prevent emissions of chemical substances, reinforcement of wastewater treatment facilities
	Global environmental conservation costs	315	Boiler fuel conversion (from heavy oil to natural gas), improvement of energy efficiency at power plants (new installation of turbines, etc.)
	Resource recycling costs	455	Waste reduction and recycling
	Total	1,673	3,633
Upstream and downstream costs	-	162	Recycling and reuse of packaging materials, improvement of container packaging
Administrative costs	-	124	ISO 14001, environmental measurement, environmental education
Research and development costs	-	189	Development of eco-friendly products
Social activity costs	-	1	Afforestation, beautification, provision of environmental information to host community residents
Environmental damage costs	-	0	
Total	1,673	4,109	

- Total investment during the reporting period: 36,100 million yen (totaled in accordance with the scope of environmental accounting)
- Total R&D costs during the reporting period: 10,600 million yen (same as above)

Investment in Environmental Facilities (million yen)



Environmental Preservation Effects

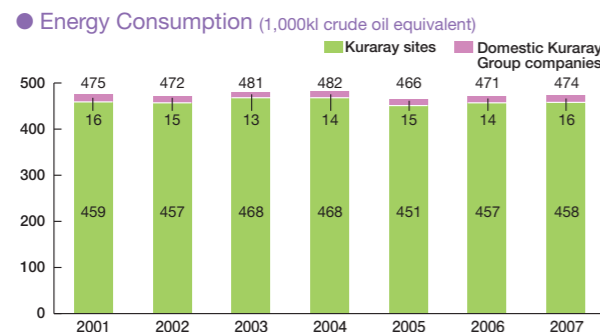
Category	Unit	FY2006	FY2007	Variance	
Pollution prevention effect	SO _x emissions	609	484	-125	
	NO _x emissions	1,667	1,618	-49	
	Particulate emissions	47	54	7	
	Emissions of PRTR Law-designated substances	1,672	1,285	-387	
Global environment preservation activities	Greenhouse gas emissions	1,311	1,310	-1	
	Energy consumption	1,000kl (crude oil equivalent)	457	458	1
Resource recycling activities	Unutilized industrial waste disposed of in external landfills	tons	657	406	-251
	Industrial waste utilization efficiency	%	90	88	-2
	Water resource use	million m ³	84.7	82.5	-2.2
Total emission of wastewater	million m ³	76.8	75.9	-0.9	

- Basis for environmental accounting calculations
 - Reporting period: April 1, 2007 to March 31, 2008
 - Scope covered: Kuraray Co., Ltd.
- Environmental conservation cost calculation criteria
 - Depreciation: Straight-line method
 - Standard for allocating costs: In principle 100% of costs are allocated to environmental individual conservation items. However, a portion of costs are allocated on a pro rata basis.
- Standard for calculating environmental preservation effects
 - Effects are calculated in a simple comparison with the total environmental load of the previous fiscal year and are not adjusted for production volume.
- Standard for calculating economic effects (benefits) of environmental preservation measures
 - Although material effects such as income from recycling are known, benefits are deducted from environmental preservation costs.

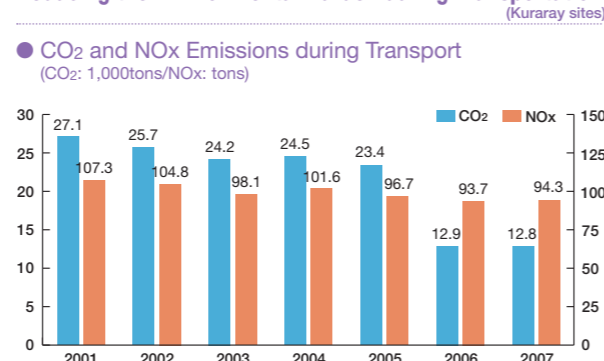
Part of the Region, Part of the Community

Environmental Data

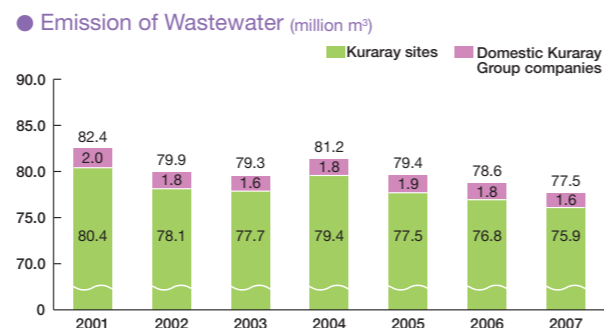
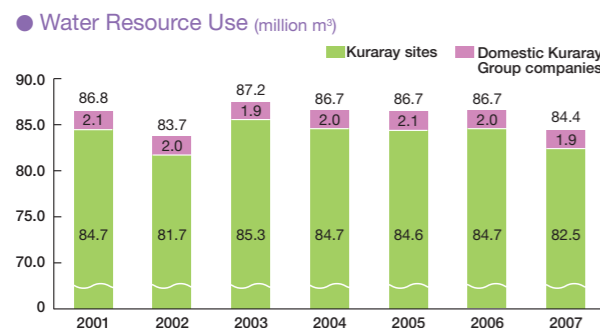
Changes in Energy Consumption



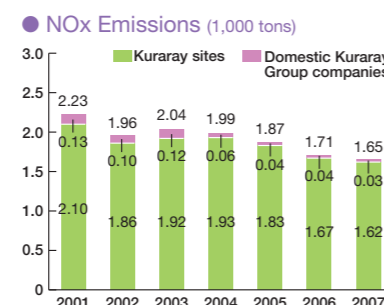
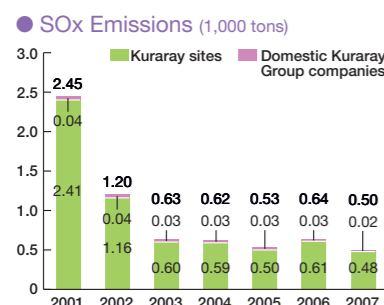
Reducing the Environmental Burden during Transportation



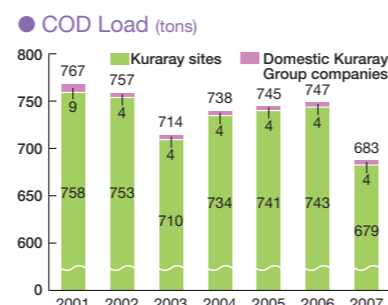
Resource Conservation



Air Pollution Prevention



Water Pollution Prevention



● Emissions of principal ozone layer depleting substances are listed on the Kuraray website (<http://www.kuraray.co.jp/en/csr/report/>)

Environmental Management System (ISO 14001) Certification

- Kuraray Niigata Plant ● Kuraray Okayama Plant ● Kuraray Kashima Plant
- Kuraray Kurashiki Plant (including the Kurashiki Research Laboratories) ● Kuraray Tsukuba Research Laboratories ● Kuraray Saijo Plant
- Kuraray Chemical Co., Ltd. (Tsurumi Plant)
- Kuraray Plastics Co., Ltd. (Ibuki Plant) ● Kuraray Fastening Co., Ltd. (Production & Development Division) ● Kuraray Trading Co., Ltd. (Headquarters Osaka, Tokyo)
- Eval Company of America ● SEPTON Company of America ● EVAL Europe N.V. ● Kuraray Europe GmbH (PVA/PVB Division, Trosifol Division) ● OOO TROSIFOL

Note: The following affiliated companies occupying the same premises as Kuraray plants are included. Kuraray Kuraflex Co., Ltd., Kuraray Okayama Spinning Co., Ltd., Kuraray Medical Inc., Kuraray Tamashima Co., Ltd., Kuraray Saijo Co., Ltd., Kuraray Engineering Co., Ltd., Kuraray Techno Co., Ltd., Kyosei Chemical Co., Ltd., Nihonkai Acetylene Co., Ltd.

Policy and Attitudes

The Kuraray Group uses pioneering technology to create new business, contributing to society through fine products and services, and also building opportunities for communication with regional communities and with wider society.

We engage in socially beneficial activities mainly in the areas of healthcare and social services, education and culture, and environment, placing importance on activities in which our employees can participate on their own initiative, and activities that can be continued over time.

Communicating with the Regional Community

Plant Tours and Briefing Sessions

The plants of Kuraray Co., Ltd., Kuraray Plastics Co., Ltd., and Kuraray Chemical Co., Ltd. hold tours and briefing sessions for local people and other members of the public to gain a better understanding of our plants. During fiscal 2007, a total of 3,018 visitors experienced Kuraray's philosophy and activities. We plan to continue this dialog with the regional community, and incorporate it into our business activities.

Relationships with Local Communities

Summer festivals were held at all Kuraray plants, Kuraray Plastics Co., Ltd., and Kuraray Chemical Co., Ltd., where baseball pitches and soccer grounds were opened to the public for communications between our employees and local residents. Many members of the local community joined in the fun together with employees and their families, and the Christmas Tree display and other events held in the Kurashiki Plant grounds also enjoyed considerably popularity. The Saijo and Niigata Plants also host Cherry Blossom Viewing Party, and in fiscal 2007, around 10,000 people visited during the season.

Kuraray Plastics Co., Ltd. invited children from a neighboring daycare facility to come and enjoy hunting for acorns in the grounds of the Ibuki Plant. Kuraray has further plans for events around Japan, where local residents can get to know us better.



Christmas Fantasy event (Kuraray Plant)



Around 10,000 people visited Cherry Blossom Viewing Party (Saijo Plant)

Efforts of Kuraray Plants

Plant	Projects
Kurashiki Plant	Christmas Fantasy, Children's Ball Games Meet, Summer Festival
Saijo Plant	Cherry Blossom Viewing Party, Grand Golf Tournament, Gateball Tournament, Summer Festival
Niigata Plant	Cherry Blossom Viewing Party, Junior High School Soft Tennis Tournament, Summer Festival
Okayama Plant	Volleyball for Moms Meet, Summer Festival, Children's Ball Games Meet
Kashima Plant	Summer Festival
Kuraray Chemical Co., Ltd.	Friendship Festival
Kuraray Plastics Co., Ltd.	Summer Party

Efforts of Overseas Kuraray Plants

EVAL Europe N.V. holds an event for neighborhood children, and also invites local residents to join in plant tours. Kuraray America Inc. employees volunteer to visit nearby elementary schools to help children with their studies, and to assist in school events. Kuraray also helps to man stalls and goldfish-catching at festivals hosted by the Japan-America Society of Houston, Inc., and employees all give Christmas gifts to families with children who might miss out on presents.



Kuraray America volunteer on a school visit

Healthcare and Social Services

Supporting Medical and Welfare Facilities

In the healthcare field, the Kuraray Group provides support for three hospitals we have a strong relationship with: Kurashiki Central Hospital, Aizenbashi Hospital, and Saijo Central Hospital. Social service projects include utilizing unused welfare facilities at our plants to operate communal assisted-living facilities and care facilities for the elderly, such as Tulip-en, Fruits-no-ie, and Mori-no-ie. Kuraray plans to further expand the scope of such activities in future.



Kurashiki Central Hospital



Ishii Memorial Aizen-en Aizenbashi Hospital



Doushinkai Saijo Central Hospital, Public medical corporation

Nursing Care Facilities Operated or Supported by the Kuraray Group

Nursing Care Facilities	Services
Tulip-en (Tainai City, Niigata Prefecture)	Communal assisted-living facility for people with dementia (capacity for 18) Small-scale multifunctional in-home care and day care facility (contract capacity for 25) In-home care support center
Fruits-no-ie (Saijo City, Ehime Prefecture)	Group home (capacity for 41) Day-care service (capacity for 10) Home visit care and nursing In-home care support
Mori-no-ie (Saijo City, Ehime Prefecture)	Group home (capacity for 18)

Aizen Japanese Pub

Volunteers from Kuraray's Osaka headquarters visit Ishii Memorial Aizen-en's special elderly nursing home, on the second Wednesday of each month to provide a "cozy neighborhood bar" mood for residents to enjoy. The project began in September 2001, and is happily anticipated each month by staff, residents, and their families. Kuraray received an award in June 2007, marking the 90th anniversary of the Ishii Memorial Aizen-en, and the 70th anniversary of the Aizenbashi Hospital, in recognition of six years' continued volunteer work on this project.



Aizen Japanese Pub

Special Needs Education School for the Deaf, University of Tsukuba Exhibition of Works of Students and Company Tour

Since 1999 Kuraray has held at the Kuraray Tokyo headquarters an exhibition of the works of students in the Arts and Crafts Course of Special Needs Education School for the Deaf, University of Tsukuba. In 2007 we once again displayed the students' creations on the reception floor, and Kuraray employees and a large number of visitors appreciated them.

Vocational guidance activities include company tours of our offices for school children, where they listen to talks about how a corporation works, observe the atmosphere of a real workplace, and chat with employees.

We hope that projects such as these will continue to provide an increasing number of opportunities for sharing children's work with the public.



Exhibition of works of students

Education and Culture

Chemistry Classes for Boys and Girls

Since 1992 Kuraray has conducted the Chemistry Classes for Boys and Girls program with the goal of enabling children in the upper grades of elementary school to experience the fun of chemistry through experiments by themselves. Kuraray employees volunteer to serve as instructors or assistants to conduct classes at special classrooms on plant premises and at local elementary schools and public facilities. A total of 329 children participated on 10 occasions in fiscal 2007.

Kuraray participated in a summer vacation chemistry experiment show of Dream Chemistry-21 (with the cooperation of our Tsukuba Research Laboratories), hosted by The Japan Chemical Industry Association, as well as holding a chemistry session at the Rokko Regional Meet (Kashima Plant), as part of a Youngsters' Science Festival. We will continue to provide venues to enable as many children as possible to encounter and experience the fun of chemistry.



Children participating in experiments at the Youngsters' Science Festival (Kashima Plant)

Chemistry Classes for Boys and Girls Held

Plant	Class name	No. of classes to date	No. of participants to date
Kurashiki Plant	Fun Chemistry House	51	1,517
Saijo Plant	Exciting Chemistry Class	44	1,299
Niigata Plant	Wondrous Laboratory	33	970
Kashima Plant	Fun Chemistry House	6	469
Okayama Plant	Fun Chemistry House	29	1,050
Total		163	5,305

VOICE Kuraray Employee in the Chemistry Classes for Boys and Girls

When I was in 5th grade, I took part in Kuraray Wondrous Laboratory. I enjoyed the experiments – sniffing things, making slime, and so on – but my childhood memory

of how kindly the staff helped us with the experiments stayed with me. Now that I am a Kuraray employee myself, I hope that I can show children how interesting chemistry is.



Seichi Koizumi
MIRABRIGHT
Development
Department
Kashima Plant
Kuraray Co., Ltd.

Donating Books to Elementary Schools

Hoping that more children to discover the wonderful world of reading, the Kurashiki Plant has donated books to an elementary school using the proceeds of a bazaar at the Summer Festival held by the plant. The children are delighted with the new "Kuraray Corner" in their library. The Saijo Plant also donated books to five local elementary schools, using the Matching Gift* scheme.

Matching Gift

Since 1992, employees who wish to do so have participated in a scheme where Kuraray subtracts amounts under 100 yen from salaries, matching employee contributions yen for yen with corporate contributions, and donating the total to regional projects and social services.

Sending School Bags across the Sea

Sending School Bags across the Sea is an international educational charity project which collects used school bags from elementary school students, adds school supplies and other commodities, and donates them to children in countries such as Afghanistan and Mongolia. The project has been in action for four years, since 2004, and collected about 8,500 school bags in 2007 from all over Japan. Volunteers from JOICFP and other related groups worked with Kuraray employees to open donation packages, sort, re-package and gift the school bags to their destinations.

The Kurashiki Plant invited local school children for a photo viewing and discussion session. Seeing the photos allowed the children to realize how pleased the recipients were at receiving the school bags and school supplies. Furthermore, at the 19th "Japan Lifelong Learning Festival: Manabi Pia Okayama 2007," we have introduced our activities of "Sending School Bags across the Sea" to the visitors as well as explaining them the current situations in Afghanistan and Mongolia.



School Bags for Donation Overseas

Environment

Forest Preservation and Mt. Fuji Tree Planting Activities

Kuraray's involvement with environmental preservation activities is intended to encourage the volunteer spirit among employees, and also as a means of environmental education. In 2007, Kuraray continued with participation in Tokyo Greenship Action projects for planting trees on Mt. Fuji and forest preservation activities. A total of 54 people, including Kuraray Group employees, took part in the Mt. Fuji tree planting activities, planting 132 saplings, erecting tree shelters, and tending to the young saplings. 28 employees took part in the Tokyo headquarters forest preservation activities at two locations, an opportunity to gain a better understanding of plants and the natural environment. Work included trimming bamboo scrub, and NPO staff also gave a talk on the relation between trees and forest areas near towns and cities.



Our employees from every region of the country participated in the Mt. Fuji Tree Planting

Classroom Visit for Environmental Education

Kuraray provides environmental education classes by visiting elementary schools near our plants. In fiscal 2007, Kuraray Plastics Co., Ltd. employees took part in classes for Fuwa Junior High School students who were surveying the environment of the Ai-kawa River which passes nearby. We spoke about Kuraray's environmental preservation measures. Kurashiki Plant has arranged a visit to Otoshima elementary school and Otoshima-higashi elementary school, and talked to 6th graders about Kuraray's environmental preservation projects. After then, children joined the work-on activities to learn about recycling. All the students wrote to thank us for these activities, and we hope that we will be able to provide the opportunity for many children to develop an interest in environmental problems in future.



Classroom visit for environmental education by Kuraray Plastics Co., Ltd.

Clean-up Activities

Kuraray, Kuraray Chemical Co., Ltd., and Kuraray Plastics Co., Ltd. clean up areas such as local roads and parks. In 2007, a total of 1,484 employees took part in 22 clean-up sessions.



"Clean-up Activities" by employees of Kuraray Chemical Co., Ltd.

VOICE

Joining the Mt. Fuji Tree Planting

In July 2007, I took part in the Mt. Fuji Tree Planting planned jointly by Kuraray and labor unions. I have planted only few trees, but enjoyed so much working out together with my colleagues from different Kuraray Plants. I will never forget the moment we completed planting and that sense of achievement. Noticing that the trees we planted two years ago had grown a little made me feel like participating again in future.



Yuya Kawasaki
Legal Department
CSR Division
Kuraray Co., Ltd.

Future Tasks and Goals

Kuraray always intends to make a positive contribution to the society in a way where Kuraray can capitalize on its uniqueness and every employee can participate in its social activities such as the "Chemistry Class for Boys and Girls" program. However, activities mostly

involve production plants, and we believe that there is a need to plan new, broader-based ways to serve society, including more projects involving our Tokyo and Osaka headquarters, which have little contact with their local communities.

Working with Suppliers

Policy and Attitudes

Kuraray believes that a good relationship with business partners is an essential part of maintaining supplies of raw materials and equipment so that we can provide our customers with good quality, safe, and

eco-friendly products. By encouraging CSR procurement along with healthy communications, we hope to achieve good results for both Kuraray and our suppliers.

CSR Procurement

The Ten Principles of the United Nations Global Compact, an internationally accepted statement of universal principles, provide the basis for our CSR Procurement Policy, in effect since 2005. The eleven items of the Policy cover three areas of procurement – "Respect for human rights," "Compliance," and "Promotion of green procurement." Efforts to implement items of policy include informing our main suppliers of the Policy and requesting their cooperation, surveying suppliers to discover the extent to which they have acted on the Policy, and requesting improvements from corporations where efforts are inadequate.

Survey results from the previous year led us to ask 72 suppliers whose efforts had not measured up to redouble their efforts in fiscal 2007. This resulted in 44 of the 72 companies reaching a satisfactory level of implementation, bringing 94% of all suppliers surveyed (total companies surveyed: 431) up to an acceptable level.

CSR Procurement Policy

- ◆ **Respect for human rights**
 1. Respect for human rights and individuality
 2. Observance of the International Labor Organization's core labor standards
 - Guarantee of freedom of association and the right of collective bargaining
 - Prohibition of compulsory labor
 - Prohibition of child labor
- ◆ **Compliance**
 - Compliance policy
 - Compliance systems
 - Compliance education program
- ◆ **Promotion of green procurement**
 - Preparation of environmental policies and environmental reports
 - Green procurement implementation plan and implementation apparatus
 - ISO14001 certification
 - Education and awareness campaign for green procurement

Criterion for determining adequacy of CSR activities: Implementation of eight or more items from the eleven items set forth in the CSR Procurement Policy.

Green Purchasing

Kuraray continued to encourage purchases of low-environmental impact paper and stationery products in fiscal 2007, in accordance with our Green Purchasing Guidelines. However, last year's scandals regarding the proportion of recycled paper and recycled resin actually

included in products mean that we must review the green purchasing rate shown in CSR reports up until last year. The issue is currently being investigated, and future options considered.

VOICE Communicating with Suppliers

Procurement prices and delivery dates are the subject of tense negotiations, and viewed in the short term, the added necessity of requiring suppliers to agree with our CSR Policy certainly creates a dilemma.

It was difficult at first to develop an understanding of our CSR philosophy, but over the past three years, face to face meetings and direct appeals have gradually gained us the cooperation of our suppliers.



Hiroyuki Goto
Machinery and Supplies
Department
Purchasing and Logistics
Division
Kuraray Co., Ltd.

Future Tasks and Goals

Although Kuraray's CSR procurement activities involving our main suppliers have achieved a certain amount of success, social pressure for CSR has also increased in recent years. Kuraray will promote the

green procurement starting with Kuraray Chemical Co., Ltd. and Kuraray Plastics Co., Ltd., and then further extend this effort to other Group companies in the future.

Creating Rewarding Workplaces

Policy and Attitudes

Through the Kuraray Group Global HR Policy, Kuraray Group is making efforts to develop its organizational system regarding promotion of diversity, fostering of human resources, and fair and just evaluation of performances as well as establishing a healthy corporate culture, so that each employee can work in a way which leads to fulfillment and personal growth.

The Kuraray Group Global HR Policy

- We respect the human rights of individuals.**
The Kuraray Corporate Philosophy, "Respect for individuals," means respect for the character and human rights of all workers. Kuraray rejects such abuses of human rights as sexual harassment, power harassment, child labor, and compulsory labor.
- We prohibit discrimination and respect diversity.**
Kuraray does not discriminate on the basis of race, nationality, gender, philosophy or other individual characteristics not relevant to an individual's ability and performance in relation to his or her duties, either in employment, treatment, skills development, placement, evaluation, or any other aspect of human resources. Kuraray respects diversity, and accepts the culture and philosophy of personnel from various countries.
- We implement HR policies that comply with the laws.**
Kuraray strictly observes the laws of each country in implementing our human resources policies.
- We aim for a fair, impartial, and transparent HR system.**
Kuraray pays the utmost attention to fair, impartial, and transparent implementation of our human resources policies, and strives to do so in ways that meet with the approval of all workers.
- We strive for improvement in the work environment.**
In terms of occupational safety and occupational health, Kuraray strives to provide work environments which permit work to be carried out in mental and physical safety and health.
- We strive to employ human resources that can contribute to the development of the Kuraray Group.**
Kuraray recruits employees who are able, knowledgeable, moral, ethical, and enthusiastic, and who will make a major contribution to the development of the Kuraray Group.
- We assign people to appropriate positions.**
From the perspective of employee abilities and knowledge, aptitude, and skills development, we strive to ensure that the right people are in the right jobs with the aim of maximizing employee contribution to business performance and job satisfaction.
- We engage in highly satisfactory employee evaluations and treatment.**
Evaluations and treatment are to be convincing, and carried out through dialog with evaluators, focusing on engagement with job tasks, ability to get things done, results, and attitude and behavior.
- We support skills development.**
Kuraray will emphasize skills development through work duties, and will provide appropriate support for that purpose.
- We strive to promote appropriate information disclosure and communication.**
We will provide appropriate information to all employees working for the Kuraray Group and keep communicating directly or indirectly with them, in order to foster a strong sense of unity among employees in the performance of their duties.

Basic Employee Data

No. of Employees

	Total	Male	Female
Kuraray Group	6,770	5,842	928
Kuraray Co., Ltd. employees included in above	2,931	2,655	276

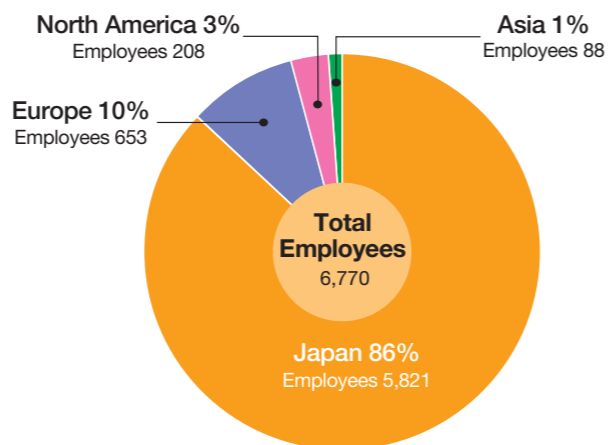
Group = consolidated subsidiaries, as of the end of FY 2007

Employee Turnover Rate

	No. of Leaving Employment	Turnover Rate
Personal Reasons	43	1.1%
Retirement	57	1.5%

* Turnover Rate = number of leaving employment by cause/number of Kuraray Co., Ltd. employees (including employees on assignment) at the beginning of the fiscal period

Staff Configuration by Region



Diversity and Equal Opportunity

Rehiring of Retired Employees

Kuraray is preparing opportunities for the increasing numbers of staff reaching mandatory retirement age, and has also readied a placement scheme for retiring employees who meet certain employment conditions, and who seek new employment. In fiscal 2007, 41 retiring employees were reemployed. Kuraray will continue active involvement in rehiring of retired employees.

Employment Opportunities for Women

Kuraray actively creates work opportunities for women. Measures taken include pro-active employment of women, and providing infrastructure such as a system of childcare leave. 13 career-track women (25% of new recruits) joined Kuraray in fiscal 2007, and there are now three women in management positions.

Employment of People with Disabilities

Please refer to pages 31-32 for details of employment for people with disabilities at Kuraray.

Flexible Employment Systems

Kuraray has introduced flexible employment systems to make it easier to work efficiently and achieve an appropriate work/life balance. In specific terms, we introduced discretionary labor system, the "de facto working hour" system for out-of-office works, and variational working hours system. We post manuals concerning these systems on the Kuraray intranet and work to familiarize employees with them.

In fiscal 2007, Kuraray did not receive any guidance regarding management of working hours from the Labor Standards Inspection office.

Support for Childcare and Nursing Care

Kuraray makes life more convenient for employees and helps them to balance work and family life by providing childcare and nursing care support.

- According to circumstances, we permit a maximum childcare leave period that extends until the child reaches 18 months of age or until the April 30 following the date on which the child reaches 1 year of age, whichever is longer.

- Employees can take consecutive or non-consecutive nursing care leave of up to 365 days in total for each qualifying family member.
- We permit childcare reduced working hours until the time a child completes the first grade of elementary school.

Furthermore, to ensure that employees can productively take leave, we do not merely provide these systems, but rather create a working environment that makes it easy for people to utilize the systems and publicize their availability to the employees. As a result, in April 2007 Kuraray was recognized by the Minister of Health, Labor and Welfare for realizing action plans laid out by the Next Generation Education and Support Promotion Act. Kuraray is currently working towards the stated goals for our second action plan, which extends until March 2010, and involves the elimination of overtime, and work environment provisions to support employees involved in childcare in balancing work and family life.

Childcare Leaves and Nursing Care Leaves at Kuraray Co., Ltd.



Note: including employees on assignment

The Next Generation Support Certification mark



The Next Generation Support Certification Mark (Informally Called the Kurumin Mark)
Employers who prepare and implement action plans for childcare support in accordance with The Next Generation Education and Support Promotion Act and who achieve their plan objectives can obtain certification.

HR Development

Domestic Kuraray Group companies adopt the training scheme depicted below, which combines training for the purpose of acquiring knowledge and skills required for work with training that support employees' independent career development.

Not only regular employees, but also casual workers, part-time employees, and contract employees can participate in each training. In addition to domestic Kuraray Group training, each plant and company develops employee skills and career progress through planning and implementation of their own training programs.

Kuraray also has an incentive system, through which it offers financial incentives for employees who successfully obtain certain public qualifications on their own self-development initiative.

Global Human Resources Development Program

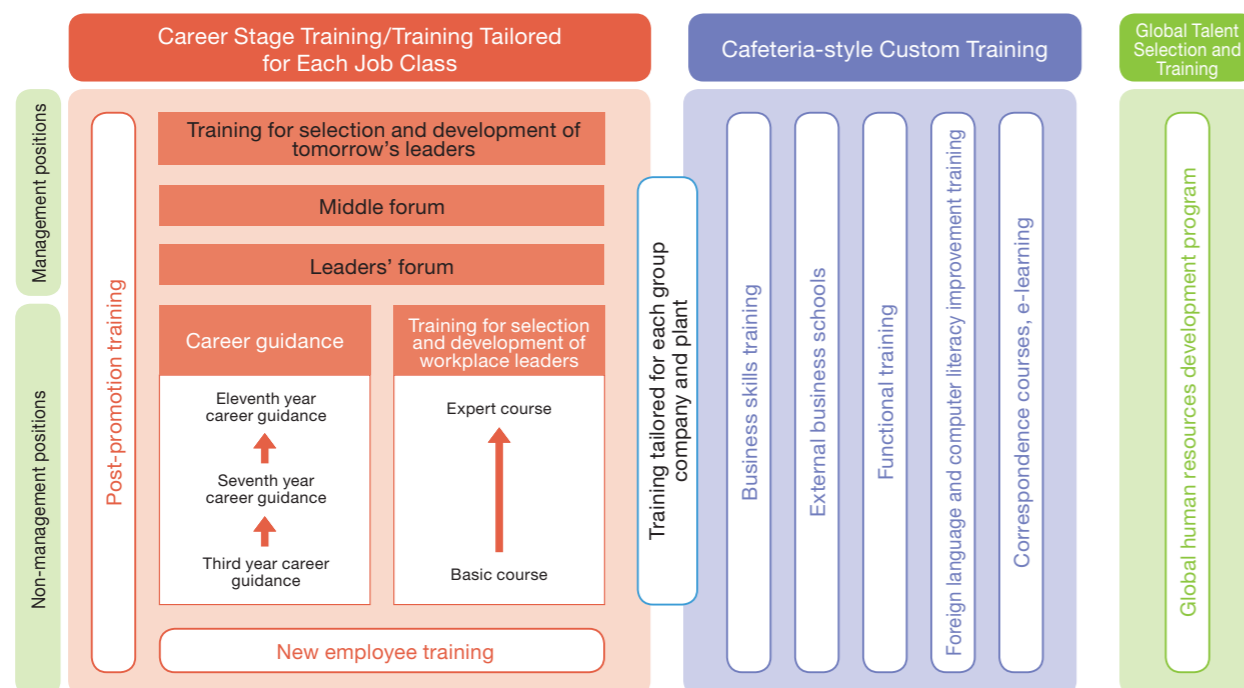
Every year, a higher proportion of Kuraray Group earnings

come from overseas sales, and this figure is predicted to pass 50% in fiscal 2008. Kuraray has therefore developed a global human resources development program, to provide more robust support for continued international growth.

The program focuses on improving globalization skills among employees both in Japan and overseas, building a group-oriented management ethos, and achieving shared access to Kuraray "management DNA." Business training options aimed at all Kuraray Group employees, both in and out of Japan, are available for all staff from young employees to department managers, and all training is provided in English. 64 employees selected from different countries participated in these training options in fiscal 2007.

Having employees from different countries train together allows them to overcome company and national boundaries and develop a sense of unity, and we hope that this type of training will harness a globally united driving force within the Kuraray Group.

Kuraray Group Training Scheme



VOICE Global Human Resources Development Program

I participated in a very exciting program, "Global Team Training," which forms part of the Global Human Resources Development Program. Training involved using English for lectures on global management, and in discussions with overseas colleagues, and proposals for new business plans. I learned

a great deal from this training, including how difficult decision-making and discussions can be between colleagues from different cultures. I plan to continue working on acquiring more skills and knowledge, in the hope of becoming a leader capable of taking his place on the stage of global business.



Tomoaki Ishikawa
H.R. Department
General Affairs and
H.R. Division
Kuraray Co., Ltd.

Employee Evaluation System

A Fair, Impartial, Transparent HR System

Kuraray believes that designing a remuneration system that rewards people in proportion to their efforts increases employees' motivation and leads to improvement in business results. This belief forms the basis of our personnel administration – it reflects improved work performance and achievements, and willingness to take on more advanced roles, rather than seniority or personal attributes. Management positions are decided not by age or qualifications, but focuses on how an employee deals with his or her current role. In fiscal 2008, we will retire the current qualification criteria for employment roles, and revise our remuneration system to reflect the fact that work content = "role."

The new system has employees set individual goals for their own work at the beginning of each year, and evaluates progress and achievement of these goals in discussions with supervisors at the end of each quarter and fiscal year. Discussions also cover ways of further improving knowledge and skills, and how to reach even higher levels of achievement. Through these schemes, we intend to help employees achieve a good balance between personal growth and accomplishments. Likewise, we also carry out additional programs such as the interview skill training for managers on an ongoing basis.

Management by Objectives System



Patent Incentive System

Kuraray has a system under which it acquires from employees the patents to service inventions and provides compensation payment. Under the Patent Incentive System, Kuraray not only pays compensation at the time patents are applied for and registered, but also evaluates patents according to importance and provides compensation in accordance with profits generated for the duration of the patent term. Kuraray also provides additional compensation at the time of patent application for noteworthy inventions.

Commendation System at Kuraray

The Kuraray Group has a system for publicly recognizing and honoring each year on the anniversary of Kuraray's founding employees (individuals or groups) who have made great contributions to business performance or performed extraordinary service, to reward their efforts. 37 such awards were made in fiscal 2007 (not including the Length of Service Award). We actively try to keep all employees informed of these award presentations every year through internal newsletters, etc. to improve the morale of employee and the company.

In addition, as a way of promoting social contributions on the part of employees, Kuraray includes community volunteer, social service activities, and international exchange activities among the qualifications for commendations.



In-house newsletters

Commendation and Award Programs at Kuraray

- President's Award ● Special President's Award
- Outstanding Achievement Award ● Plant Innovation Contribution Award
- Social Contribution Award ● Distinguished Service Award
- Length of Service Award

VOICE

Awards

We received a First Class Outstanding Achievement Award for the reduced environmental burden of our EVAL film wallpaper. EVAL film makes the wallpaper more resistant to dirt, a feature which gains considerable market approval. However, manufacturers are keen to avoid using the organic solvents involved in manufacture, because of the relationship between them and sick house syndrome.

Development, production, and technical staff succeeded in overcoming the problem by closely coordinated work. The award we received was a major recognition of our efforts, and the success we experienced is an inspiration for the future.



Kuraray Plastics Co., Ltd.

- (Upper left) **Shoji Otani**, Technology Group, Technology Department, Ibuki Plant
- (Lower left) **Satoshi Yoshida**, Technology Group, Technology Department, Ibuki Plant
- (Upper right) **Yoshio Nobe**, Film Development Team, New Film Development Department, Film and Laminate Division
- (Lower right) **Yoshitaka Mizuno**, Film and Laminate Production Section, Film and Laminate Division

Occupational Health

One of the Kuraray Group Global HR policies is striving to establish a workplace environment where it is possible to work in both a physically and mentally safe and healthy manner. Based on the Kuraray Basic Policy on Occupational Health*, Kuraray is maintaining and increasing employee health, and promoting the creation of a pleasant workplace environment.

Kuraray Basic Policy on Occupational Health

In keeping with the Principles for Business Conduct, the Kuraray Group recognizes that ensuring the safety and health of employees and other stakeholders is the basis of a company's business activity. Kuraray maintains workplaces where people can work in health and safety and engages in health promotion activities.

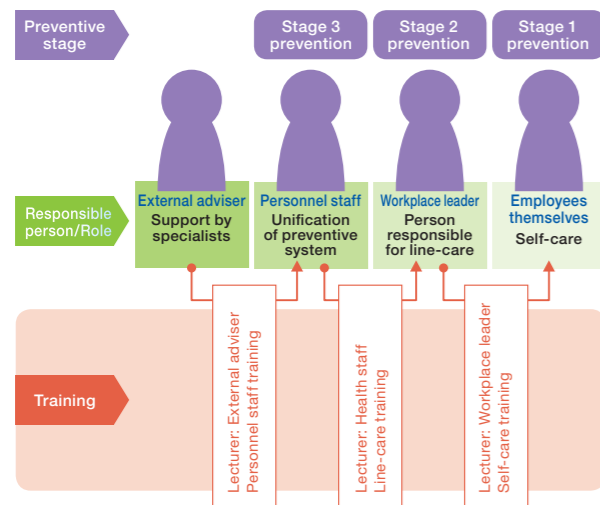
Mental Health

Kuraray devotes effort to mental health care activities to prevent stress-related illnesses, which have been on the increase in Japan in recent years.

● Establishing a Preventive System

A system was created with the goal of fostering awareness that employees themselves, workplace leaders, and personnel staff are all responsible for mental health. We emphasize a proactive and continuous preventive effort, involving both self-care (action taken by employees themselves), and line-care (action and response from managers and workplace leaders).

Preventive System



● Mental Health Counseling Office

At Kuraray, there are counseling offices both inside and outside the company. The Company has established a system that makes it possible to easily receive counseling over the phone and through face-to-face meetings.

● Supporting Employees Returning to the Workplace

A rehabilitative attendance system was set up in fiscal 2007 to support employees returning gradually to the workplace after long absences.

This system:

- avoids the risk of relapse through a gradual, stress-free return to work in consultation with an industrial physician.
- provides support for cases where income may be reduced, since return to work may begin with a half-day at a time.

Supporting Better Health

Since fiscal 2007, Kuraray headquarters and all plants have been developing a Health Up Program (Health Promotion Program). The program requires each employee to aim for better health by encouraging improvements in daily life habits, formulating specific behavioral goal statements and working toward achieving them. These activities help alert all employees to the need for better health, and provide an opportunity for making a personal effort to achieve it.

Medical Examinations

In addition to periodic medical examinations and special medical examinations stipulated in the Occupational Health and Safety Law, Kuraray conducts supplemental examinations not prescribed by law and implements measures to combat lifestyle-related diseases. 98.9% of our employees received medical examinations during fiscal 2007.

AED* (Automated External Defibrillator) Installed

Kuraray installed AED units at almost all sites (Tokyo, Osaka, Tsukuba, Niigata, Okayama, Kurashiki) and carried out training sessions during fiscal 2007. AED installation and training had not been carried out at Saijo Plant by the end of fiscal 2007, but is scheduled for the first half of fiscal 2008.

AED (Automated External Defibrillator)

AED equipment restores regular function through application of electric shocks when the heart goes into ventricular fibrillation. Voice guidance enables the unit to be used easily and safely by everybody.

VOICE

Health Up Program

When I started my Health Up Program, I chose weight control as my main focus, and set myself three specific goals: 1) weigh myself daily, 2) chew each mouthful well at least 30 times, and 3) eat more vegetables, and stay away from instant foods. I kept a daily achievement record for these goals, and found that my awareness of my "weight control" goal improved.



Yuichi Honda
Tokyo Fibers and Industrial Materials Department
Fibers and Industrial Materials Division
Kuraray Co., Ltd.

The Creation of Workplaces Where Dialog is Valued

Dialog with Executive Management

To communicate the Kuraray Group's business strategy and the thinking of executive management to employees, Kuraray creates opportunities for direct dialog between management and employees through the Kuraray Times, at company-wide gatherings, and during employee training and plant visits.

Also, the President Room, a president's page, has been opened on the Kuraray intranet as a mechanism for employees and the president to directly exchange opinions and engage in question and answer and for other employees to join in discussion.

Employee Values and Attitudes Survey

To ascertain how the employees feel about their day-to-day work and work life and their desires, in September 2006 Kuraray conducted an anonymous employee values and attitudes survey. Topics surveyed included corporate culture, Kuraray's strengths and weaknesses, attractive points about their company and workplace, and sexual harassment.

On the basis of this survey, during fiscal 2007, Kuraray began to work on communication between management and employees, holding informal talks between the company president and other executive officers, and employees from different hierarchies, particularly our younger employees.

We will continue to work on creating opportunities for intra-corporate communication and a corporate culture that values a healthy exchange of opinion.



Employees conversing with management

Dialog with the Labor Union

The Kuraray Group has the Kuraray Labor Union, which is made up of employees, and the Kuraray Group Federations of Labor Unions. Through occasions such as Labor-Management Committee meetings, the Company and the Labor Union discuss employees' opinions expressed at periodic union meetings and workplace committee meetings and cooperate in solving the problems.

Sexual Harassment Consultation Contact

Kuraray has corners for discussing sexual harassment issues in all plants. All counseling corners are staffed by several employees, both male and female, to ensure that all employees can feel at ease in discussing their problems. A fiscal 2006 employee values and attitudes survey revealed a small number of employees who felt that they had been exposed to sexual harassment in the workplace. Kuraray therefore responded more robustly to provide accessible counseling for staff in all situations, including employees of affiliates and temporary staff. Further measures included alerting employees to the issue once again, and including union representatives in counseling corner staff. Training for sexual harassment counseling corner staff is scheduled for fiscal 2008, and will be given by instructors from outside the company.

Support for Socially Beneficial Activities

Kuraray supports a variety of employee contribution activities by providing a system that enables employees to take special leave and leave for the purpose of socially beneficial activities in addition to annual paid holiday. In fiscal 2007, 32 employees used this scheme to participate in activities such as volunteer assistance after earthquakes, and environmental protection projects.



Volunteer work after the Niigata-ken Chuetsu-oki Earthquake

Future Tasks and Goals

How Kuraray retains and utilizes its human resources is becoming an increasingly vital issue, as globalization of the business environment proceeds, and social changes such as falling birthrates and an

aging society take effect. The Kuraray Group is responding to these changes by taking a more diverse approach to human resources.

Creating Opportunities for Disabled Employment in Cooperation with the Regional Community

Promoting the employment of people with disabilities, and helping them to become self-supporting is a corporate duty. From this standpoint, Kuraray is actively looking for more effective solutions, which can be beneficial to both employees and the company, aiming for more than a social charity. We will introduce our "Kuraray Workshop" which marked its 10th anniversary this year.



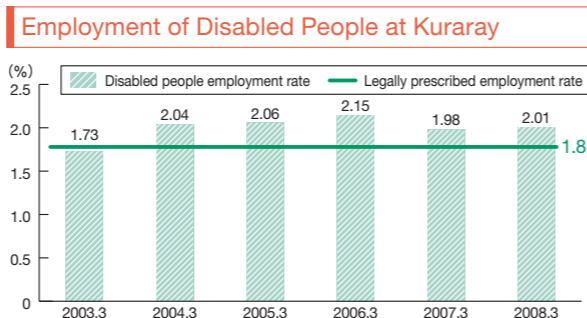
Working with the Community to Help Disabled People Become More Independent

Kuraray regards supporting disabled people in becoming more independent as a social responsibility, and a goal we have actively promoted. Improving the ratio of Kuraray employees with disabilities is more than a legal demand. We feel that it is also a vital part of providing opportunities for a more diverse workforce.

However, the truth is that society is not yet fully prepared to accept intellectually disabled people in particular. We at Kuraray also felt that employing people with intellectual disabilities posed many difficulties, because of the risks involved in frequent handling of machinery and hazardous chemicals with the risk of explosions or fires.

Despite the situation, Kuraray's Niigata Plant, in Tainai City, Niigata Prefecture, has overcome many of these problems and for the past decade has run a workshop

for intellectually disabled people. As Satoshi Matsubara of the Niigata Plant General Affairs Department (as of May 2008) commented, "The sense of being a member of the local community is vital to us, all employees at the plant. This encourages us keep working on the workshop activities."



Partnership with Local Welfare Corporations

The Kuraray Workshop was established in April 1997, through the cooperation of the Niigata Plant and local social welfare institute "Niji-no-ie," using a publicly-owned site provided by the town of Nakajo (now Tainai City). Kuraray's interest in increasing employment opportunities for disabled people matched the desire of the town and "Niji-no-ie" to find more employment for intellectually disabled people. Currently, the workshop is operated jointly by Kuraray, which provides work; and "Niji-no-ie," who provides skills in guidance for disabled workers.



Friendly soccer game with Plant employees

We began with 5 workers, and this has now grown to 20 workers. Four guidance staffmembers provide support. Keiko Kon, one of the guidance staff, comments that not one employee has left in 10 years, and says that she is delighted when she sees an employee learn to do something new.

Another member of the guidance staff, Yuji Sugimoto, discusses how he uses a notebook to liaise with workers' families, building up a relationship of trust with them. At times, he has even visited workers at home to provide guidance. He remarks that he has come to think of all the employees at the workshop as his children.

Finding work that can be safely carried out at the workshop is another of the guidance staff's tasks. Keiko Kon notes that the workshop has become more visible, pointing out that although a particular type of work sometimes comes to an end, depending on changes in the products handled by Niigata Plant, recently departments contact the workshop to ask whether they could handle this or that job. At present, the workshop mostly handles sorting for recyclables, and making equipment for use at Niigata Plant. The

workshop contributes to more efficient operations and more active recycling, and also meets with approval from Plant employees who comment that the equipment they make represent a savings in costs and are just as well-made as those purchased from external suppliers. Work requested by other departments also helps the workshop employees feel that they are truly part of Kuraray.

Kazuaki Umezu, a workshop employee, has this to say about his work: "We get all types of new jobs, and I enjoy learning how to do them." Skilled sewing machine operator Nori Wakakuwa commented with a smile, "Work has taught me that I can do anything if I try. I want to keep on working as long as I'm well enough."

A plant employee who took part in the friendship event with workshop employees said, "I would never have cared about those intellectually disabled people in my daily life if I had not been given this kind of opportunity." Another enterprise in Tainai City set up a new workshop a few years ago, structured along similar lines to the Kuraray workshop. Our workshop is bringing a new awareness to our own employees, and also to the local community.



Instructors are discussing carefully to help workers maximize their potential

Seiji Kiryu,
Director, Social Welfare Institute "Niji-no-ie"



Working allows intellectually disabled individuals to find their own reason for living, and this is why the work opportunity provided by Kuraray is so meaningful. The involvement of corporations, and not just welfare facilities, helps to spread the understanding that disabled people are part of the community, and this has brought major change to the local community. I hope to see more places like this throughout Japan, bringing us closer to an inclusive and accepting society.

Toward the Next Step

Kuraray Workshop projects are beginning to spread to other plants, including Saijo Plant and Kashima Plant. Additional new sites will allow us to increase the number of employees with disabilities and move on to the next step, without being limited to the statutory employment ratio for disabled employment.

We want to create more opportunities for a diverse range of members of society to work in accordance with their abilities, and to widen our quiet efforts to support independence for people with disabilities. That is how we feel, here at Kuraray.

Kuraray Group Products

The Kuraray Group believes in contributing to society by using our own unique technology to create products and services that create value for the world and the people in it. We want to be a trusted corporation able to meet the ever-evolving needs of society.

Wastewater Treatment System ◆

→ Wastewater treatment facilities



Completely different from other methods of wastewater treatment, Wastewater Treatment System dramatically reduces excess sludge generated by wastewater treatment naturally, without using chemicals.
* See P.35-36.
Uses: Factory wastewater treatment facilities

KURALON ★

→ Slate roof tiles



Synthetic fiber based on Poval resin. Characterized by strength, low ductility, KURALON is also hydrophilic, weather-resistant, and alkali-resistant, and is attracting attention as a substitute for asbestos in reinforcing cement.
Major uses: Reinforcing material for cement and concrete, separator for alkali batteries, rope, other industrial materials.

KURAFLEX

→ Wipes



This dry-laid nonwoven fabric has excellent absorbency and good drying power, while being flexible enough to wipe well. Different processing techniques allow KURAFLEX to be used in a wide range of applications.
Major uses: Daily life goods (wet tissues, coffee packaging, flexible bandages), industrial products (wipers, automobile uses), commercial products (kitchen cloths).

EVAL resin★

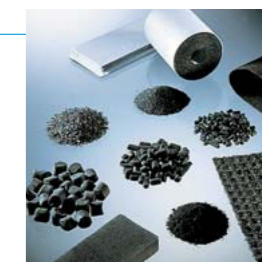
→ Mayonnaise packaging



Kuraray was the first in the world to develop industrial applications for this high-performance resin, which is nearly impermeable to oxygen or other gases. EVAL is used for packaging food because it shuts out oxygen, thereby protecting the contents against deterioration and degradation.
Major uses: Food packaging for mayonnaise, ketchup, etc., automobile gasoline tanks.

KURARAY COAL

→ Water filters



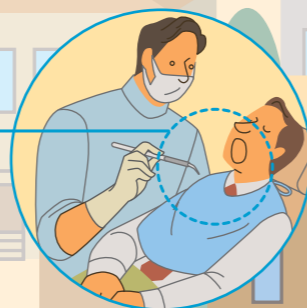
Activated carbon derived from coconut husks, coal, etc. Used in a wide variety of applications, from water and air purification to adsorption/elimination of chemical substances, deodorizing, desulfurization/denitrification, adsorption of evaporated gasoline, capacitors (electrical storage device), etc.
Major uses: Water purification and wastewater treatment, air purification, deodorizing, solvent recovery, purifying filters, desulfurization/denitrification, recovery of evaporated gasoline.

Dental Adhesive and Filling Materials

→ Materials for treating cavities



Resin filling materials in colors closely resembling natural teeth, adhesives able to adhere to dentin. Our products assist dentists to provide high quality dental services and esthetically pleasing treatment with minimum cutting.
Uses: Dental materials



DENTAL

GENESTAR ◆

→ Mobile phones



A new heat-resistant, chemical-resistant abrasion-resistant, polyamide resin developed by Kuraray, GENESTAR suitability for use with lead-free solder now in use for electrical parts has won high market approval.
Major uses: Mobile phones, personal computers, digital cameras, LCD televisions, automobile parts.

CLARINO ★

→ Schoolbags



CLARINO was developed by Kuraray as the world's first commercialized manmade leather-substitute for natural leather. Strong, light, and easy-care features.
Major uses: Men's and women's shoes, bags, athletic footwear, large inflatable sports balls.

MAGIC TAPE

→ Shoes



MAGIC TAPE is used in fastenings and binding for clothing and shoes, and also in medical products and a range of industrial materials, contributing to resource conservation and waste reduction.
Major uses: Clothing, sporting goods, industrial materials, packaging materials, medical items.

Methacrylic Resin

→ Illuminated signboards



Methacrylic resin is highly transparent and durable, and as a molded material has excellent staining properties and workability, suitable for lighting fixtures and other items.
Major uses: Light guide plate for LCDs, automobile light covers, signboards, construction material.

MOWITAL/TROSIFOL

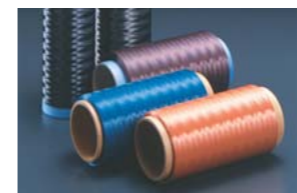
→ Window glass



This high-performance resin derived from Poval resin is used as a glass interlayer to prevent holes and shattering because of its superior adhesive strength and transparency.
Major uses: Glass interlayers, ceramic, printing ink and coating binders, filler for solar batteries.

VECTRAN ◆

→ Earphone cords



A strong polyarylate fiber that boasts low-water absorbency and excellent abrasion resistance is widely used in electrical parts such as earphone cords, and also used in landing bags for NASA's Mars rover.
Major uses: Electrical cord parts, rope, netting, fishing nets, protective equipment (gloves, footwear, etc.)

SEPTON

→ Pen grips



While SEPTON has the elasticity of rubber, it is moldable like plastic and is therefore used not only as an alternative to rubber but also as a plastic modifier. It features superior heat resistance, weatherability, chemical resistance and high electrical insulation properties.
Major uses: Automobile parts, electrical parts, writing instruments, toys, sporting goods.

Poval Resin ★

→ Liquid adhesive for office use



Kuraray led the world in industrializing this high-performance resin. This highly adhesive, grease-resistant, chemical-resistant, surface-active resin is used for many commercial purposes.
Major uses: Liquid adhesive for office use, laundry starch, craft glue, paper/fiber processing agent, adhesive.

Poval Film ★

→ LCD devices



Poval film is characterized by excellent polarization and transmission of light, and is an indispensable part of the polarizing film used in LCD devices. It is also used as a packaging material for textile products.
Major uses: LCD televisions, LCD monitors, mobile phone screens, packaging material for textile products.

Benefiting the Community: Kuraray Group Philosophy of Production

The Kuraray Group mission is to “open new fields of business using pioneering technology and contribute to an improved natural environment and quality of life.” Kuraray Group’s attitude to product creation is a living heritage from when our company was first established, and we are delighted to share the thoughts of some of the people involved in production with you.



Kuraray Group Philosophy of Production

Since the founding of Kuraray Group in 1926, we have always maintained a basic management stance of contributing to society through product development grounded in creative technological innovation.

We do not simply “make what sells,” we ask ourselves continually whether what we make is beneficial to society. We do not involve ourselves with products that damage the environment or which have a damaging influence on society, even if they are popular products that sell well. On the other hand, we are willing to take a certain risk in moving ahead with development of products we are convinced will make a positive contribution to society. This way of thinking forms the basis of Kuraray Group product creation.

“We believe that there are things that the Kuraray Group can achieve in responding to the changing needs of each age, just because of who we are. This philosophy

is responsible for the many different products that make the Kuraray Group of today what it is.” Yoichi Ninagawa, originally an R&D man himself and now the chief executive responsible for development and technology, explains Kuraray’s stance.



Yoichi Ninagawa
Director
Primary Executive Officer
Chief Technology Officer (CTO)
Kuraray Co., Ltd.

Wastewater Treatment System Helps Protect the Environment

We consider the Wastewater Treatment System (Excess Sludge Reduction System) released in 2006, an achievement of the Kuraray Group product creation ethos.

The activated sludge method of wastewater treatment most often used in Japan uses bacteria to break down organic waste. However, with this method, bacterial growth causes an accumulation of excess sludge that has to be disposed of by incineration or landfill, which places a burden on the environment. Other sludge reduction methods have disadvantages of big chemicals and energy consumption.

We wondered if we could reduce this excess sludge by natural method. Yasuhiro Baba and his research team were asked to develop this idea, and came up with the Wastewater Treatment System using PVA gel developed by Kuraray. This system controls bacterial growth and decay at a uniform rate by making use of nature’s forces to prevent excess sludge from accumulating. They managed to do this while continuing to carry out their regular duties, persisting with repeated experimentation until they had developed a viable product. “With our small numbers, success was only possible because the development team coordinated their efforts and put in hard work,” said Yasuhiro Baba, recalling the long development process.

Sales staff also greeted the Wastewater Treatment System with enthusiasm. As Yuko Takami points out, “All our customers have trouble reducing amounts of excess sludge. When I explain that the Wastewater Treatment System does not use chemicals or consume energy, a great many of our customers are interested to



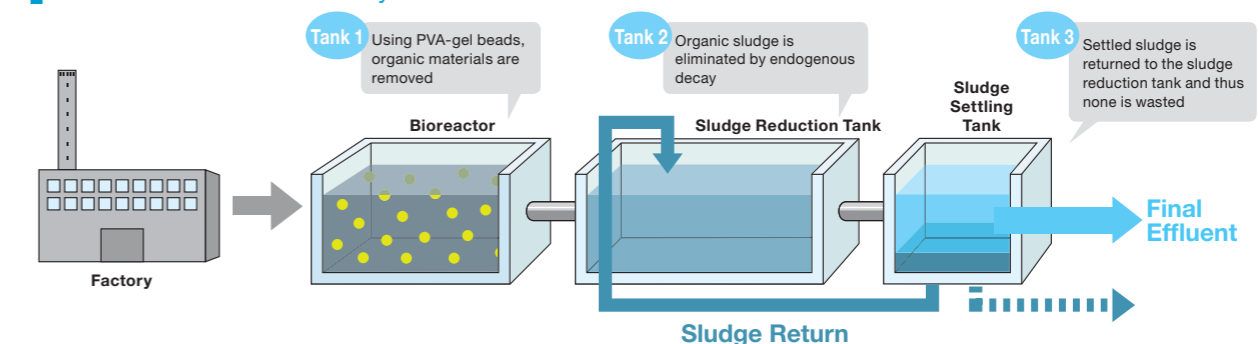
(Left)
Yasuhiro Baba,
Engineering Department
KURARAY AQUA CO., LTD.
(Right)
Yuko Takami,
Plant Marketing Department
KURARAY AQUA CO., LTD.

hear how it reduces both running costs and the burden on the environment. I hope we can continue to suggest all-in-one solutions that provide cost benefits, and also benefits that extend to environmental and social aspects.”

Installation of the Wastewater Treatment System has now been completed at three corporate plants in Japan, including a Shizuoka textile corporation. Our clients have been pleased with the reduction in excess sludge and the stable improvement in the quality of treated wastewater. Preparations for introduction and sales of the Wastewater Treatment System are already underway in Taiwan, Korea, and other Asian countries.

Yasuhiro Baba hopes that the Wastewater Treatment System will provide relief for countries vexed by environmental problems related to global warming and other causes. Yuko Takami also comments that “Kuraray technology not only helps customers but also contributes to environmental preservation. My awareness of this motivates me in my work.” Creating products that help solve society’s problems has a huge influence on how Kuraray employees involved with these products feel about their work.

How Wastewater Treatment System Works



Further Efforts to Use Products to Solve Social Problems

Of course, the Kuraray Group’s ultimate goal was not achieved with the development of the Wastewater Treatment System. As Yoichi Ninagawa stresses, “We need a stronger focus on a philosophy of product creation that leads to real solutions to global warming and natural resource depletion, through reduced energy consumption or more effective use of resources.” “The

major issue is how to combine corporate growth with these other issues. That is exactly why Kuraray Group creates innovation through product and technology development, moving the corporate center of gravity from expanded quantities to a revolution in quality. I believe that is where the future of product creation lies for us.”

How Does Society View Kuraray?

Survey Results

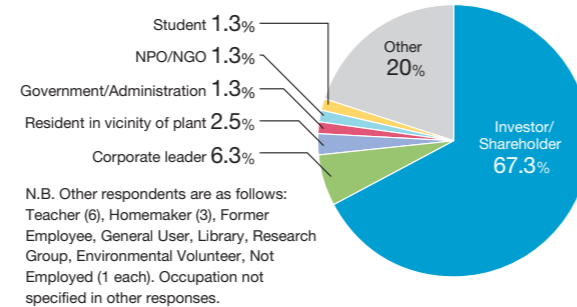
We received responses from 80 people who read the 2007 Kuraray CSR Report. Of the projects and areas of activity mentioned in the report, Corporate Governance was assessed as "good" by the most respondents, followed by Socially Beneficial Activities, and Global Warming Prevention. For Corporate Governance, two external directors have been appointed since June 2008, and Kuraray is committed to maintaining this kind of transparency in management. Global Warming Prevention activities are ongoing, and Kuraray will also formulate action plans for the next medium-term goals during fiscal 2008.

On the other hand, Disaster Prevention was the area judged "insufficient" by the most respondents, followed by Socially Beneficial Activities and other areas. Safety and disaster prevention are important topics for Kuraray, as a chemicals manufacturing corporate group. We will continue Kuraray's commitment to promoting "zero accidents."

Survey Results

Assessed as "Good"		Assessed as "Insufficient"	
1	Corporate Governance 34	1	Disaster Prevention 6
2	Socially Beneficial Activities 29	2	Socially Beneficial Activities 4
2	Global Warming Prevention 29	3	Corporate Governance 3
4	Quality Assurance/Product Safety 27	3	Corporate External Communications 3
4	Reduction of Waste Material 27	3	Relations with Employees 3

Occupation of Respondent



● We would appreciate it if you would send us your opinion and impressions.

URL <http://www.kuraray.co.jp/en/csr/report/index.html>
The Kuraray CSR website can be accessed at the above address.

Global 100

2008 Global 100 (the top 100 most sustainable companies) is announced by Corporate Knights Inc. and Innovest Strategic Value Advisors Inc. at the World Economic Forum annual meeting (Davos Meeting). These are the world's 100 top companies (including 13 Japanese companies) in terms of sustainability. For 2008, Kuraray Co., Ltd. was again selected as one of the 13 Japanese companies.



FTSE4Good

FTSE4Good is a benchmark index for Socially Responsible Investment (SRI) established by the FTSE (a joint venture between the Financial Times and London Stock Exchange). The index is used extensively in Europe, where SRI is popular, especially in Scandinavia and the U.K. It is also a closely watched index in Japan. Within the FTSE4Good, Kuraray Co., Ltd. has been included in the FTSE Global Index, as well as FTSE Japan Index, which targets Japanese companies, as of March 2008.



FTSE4Good

MS-SRI

MS-SRI (Morningstar Socially Responsible Investment Index) is a stock price index created by Morningstar Japan K.K. and is based on the share price of 150 companies selected as the top companies listed within Japan in terms of social responsibility. Kuraray Co., Ltd. was selected as one of these companies (as of March 2008).



Message to Our Readers

Thank you for reading the 2008 Kuraray CSR Report.

The concept, "Companies exist to serve society," has been part of Kuraray since the establishment, and it underlies the Kuraray Group attitude to social responsibility. Serving society by providing products and services that society recognizes the value of is central to our business activities.

Safety has continued to take top priority for the Kuraray Group, continuing the focus of the previous year. The emphasis has been on accident prevention through the restructuring of our safety management system, and risk assessment and more intensive safety training throughout the Kuraray Group. While the task is never completed, these efforts have achieved solid improvements, with a total of four safety accidents and 0.4 for frequency of lost time incident. Accidents have a huge impact on many different stakeholders, and so the Kuraray Group will continue to give safety priority in our business activities. As we like to say, "Safety is the Cornerstone of Everything We Do."

The environment is a major concern for the chemical manufacturing industry, since we use large amount of energy and a wide variety of chemicals. Reducing emissions of GHG (greenhouse gases) has become a particularly visible global issue. At Kuraray, we set our reduction target for the decade in fiscal 2000, and have put considerable effort into measures such as switching power-generation boilers to alternate fuels, and using renewable fuels. These projects resulted in a reduction of 160,000 tons in GHG emissions over the three years (fiscal 2005 to 2007). However, plant expansion and reconfiguration has at the same time increased emissions, so that the reduction for fiscal 2007

is no greater than 3.8% of fiscal 1990 levels. The next medium-term business plan is to be formulated during fiscal 2008. The new plan will set medium- to long-term goals oriented to the emerging low-carbon society, and review environmental strategies with the twin goals of developing technologies and products that help prevent global warming, and reducing GHG emissions.

The question of workers who do not have regular employee status became a closely examined social issue in fiscal 2007. With increasing diversity in human resources and forms of employment, it is vital to create workplaces where employees can feel confident and proud of their work. Kuraray will continue to work on providing better human resources systems and workplace environments, with the goal of creating workplaces where each employee can experience self-actualization and a sense of achievement.

The Kuraray Group aims to be the kind of corporation that works toward the realization of a sustainable society, and with the help of ongoing communication with a wide range of stakeholders, we will carry out work that society deems valuable, and that contributes to an improved natural environment.



Toshihide Sakai
Director and Senior Executive Officer
Chairman of the CSR Committee
Kuraray Co., Ltd.