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Kuraray CSR Report 2009
Corporate Social Responsibility Report



Responsible Care

Issued November 2009

kuraray

Message from the President



For Social Sustainability

Kuraray CSR Report 2009 presents Kuraray's approaches to fulfillment of its responsibilities to society and the environment.

Kuraray's history is filled with episodes of struggle as we took up the challenge of new business ahead of the rest of the world, beginning with our commercialization of rayon in 1926, followed by *KURALON*, *CLARINO*, *poval*, *EVAL*, isoprene, and *GENESTAR*. In the age of turmoil spanning the period of 83 years straddling World War II, we nurtured the Kuraray corporate culture by venturing to create business with a high social value utilizing original technology. This corporate culture is imbued with the idea of social responsibility, which motivates us to "contribute to the world and individual well-being through actions that others are unable to produce", as a good corporate citizen.

I earnestly hope that this report will assist understanding of our corporate culture and commitment to fulfilling our social responsibilities.

Economic Crisis and Corporate Responsibility

In 2008, the global community was rocked by the bubble of speculative investment in energy resources in the first half, and the eruption of a financial crisis and simultaneous worldwide depression triggered by collapse of Lehman Brothers in the second.

We at Kuraray believe that management mindful of the fundamental needs of corporate social responsibility is vital precisely at times like these, when social sustainability is being exposed to the risks of global crisis and the prospects for the very subsistence of corporate enterprises are jeopardized by the loss of demand and employment.

Fiscal 2008 was the final year of GS-21, our medium-term business plan, and our results fell far short of the targets in it owing to the worsening of our revenues because of the steep drop in demand in the second half. To deal with this harsh business climate, we commenced implementation of GS-Twins, a medium-term action plan aimed at recovery of earning structure, development and expansion of new business, and acceleration of our global strategy over the three-year period beginning in fiscal 2009. The plan views the paradigm shift toward the low-carbon society as an opportunity for making a big leap forward, and adopts priority input of management resources in new environment-oriented business as a matter of basic policy on the Group level.

By staunchly maintaining our management stance of contribution to a sustainable society and fulfilling our social responsibilities under a system of effective corporate governance, we remain determined to achieve our corporate mission, which states: "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."

Approaches to Global Environmental Problems

In 2008, discussions at the Toya Lake Summit Conference concerning a new international framework looking to the post-Kyoto Protocol reached an agreement on a long-term target for reduction of greenhouse gas (GHG) emissions (50% in 2050). While the path to resolution of global warming depends on the outcome of future negotiations on the international framework, I think it is imperative for corporate enterprises to seize this target as an opportunity for development of technology and business for positive contribution to society instead of grudgingly accepting it as a burden.

We at Kuraray formulated our Medium-Term Environmental Plan in 2000 and are taking action toward attainment of its ambitious target, which calls for a 10% reduction in GHG emissions in fiscal 2010 relative to fiscal 1990, mainly by having our domestic plants basically meet their utility requirements with power they generate on their premises. By fiscal 2008, we had reduced GHG emissions by 22.7% through energy-saving measures and fuel-switching, and achieved an overall reduction of 12.7%, in excess of the influence of change in the volume and makeup of production.

We are determined to review our very production processes and develop innovative environmental technology and environmentally friendly products with a view to further emission reduction throughout the product lifecycle.

Kuraray as a Good Corporate Citizen

The 21st century is an age in which countries and the international community will be called upon to find rational solutions for serious problems in the economic, social, and environmental spheres. Companies, too, as members of society, will be asked to contribute in their area of expertise to the sustainability of global society in addition to discharging their direct responsibilities to their shareholders, customers, employees, local communities, and all other stakeholders.

Kuraray is proud to have a corporate culture in which each and every employee stays keenly aware of his or her responsibilities to society as a good citizen and takes action backed by a strong sense of ethics. We shall continue to spare no effort to cooperate in shared goals, fulfill our social responsibilities as a global corporate citizen, and put our corporate philosophy into practice.

Representative Director and President

F. Ito

Corporate Profile

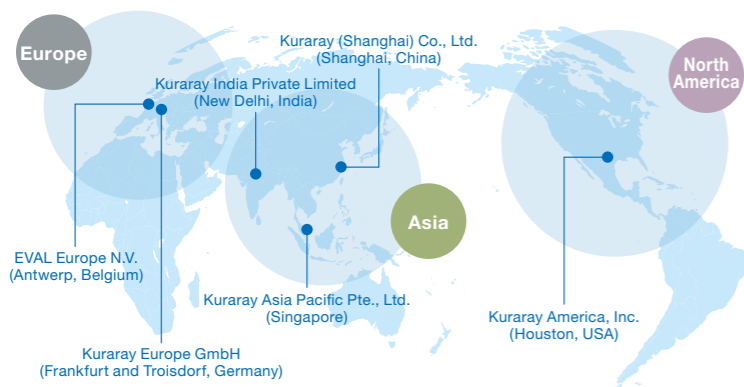
Company name	Kuraray Co., Ltd.
Representative Director and President	Fumio Ito
Date of establishment	June 1926
Capitalization	89 billion yen (as of March 31, 2009)
Number of employees (consolidated)	6,861 (as of March 31, 2009)
Head offices	Tokyo, Osaka
Plants and laboratories	Kurashiki, Saijo, Okayama, Niigata, Kashima, Tsukuba
Group companies	33 consolidated subsidiaries, 5 equity method affiliates
Overseas operations	USA, Germany, Belgium, China, Singapore, India

Business Outline

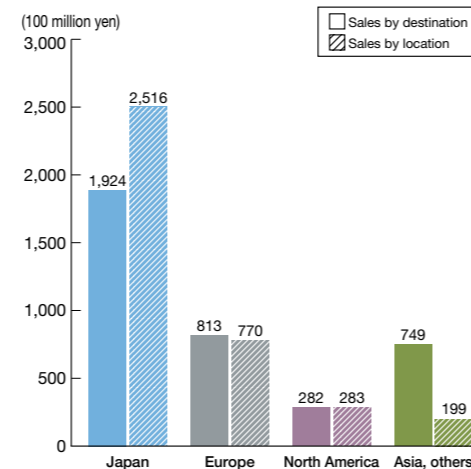
Kuraray Co., Ltd. was founded in Kurashiki, Okayama Prefecture in 1926 with the purpose of commercializing rayon. After World War II, it became the first company to commercialize *KURALON* (PVA fiber) based on domestic technology. It went on to expand its business domains by making the most of its original technology. The list of products includes poval resin, which was created as the base resin for *KURALON* and features good water solubility and adhesion characteristics; poval film, which is indispensable for LCD devices; *EVAL*, a gas-barrier resin of the highest order; various chemical products applying isoprene born of the world's only synthesis method for the substance; *CLARINO*, a man-made leather with the fine structure and functionality of natural leather; and dentistry materials with an appearance approximating that of natural teeth.

Overseas Operations

Drawing on its distinctive technology, the Kuraray Group is developing business overseas based on its policy of producing in the optimal location and marketing in the optimal location. Its overseas network has expanded to 41 sites in a total of 16 countries and regions.

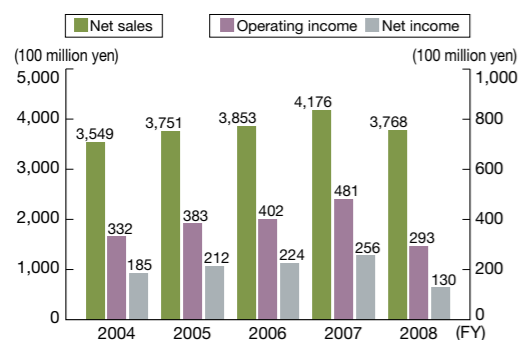


Sales by Destination and Location (Fiscal 2008)

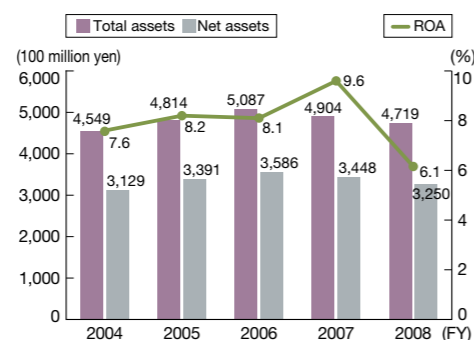


Kuraray Group Financial Highlights (Fiscal 2008)

Change in Consolidated Business Performance

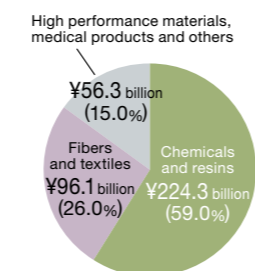


Change in Consolidated Total Assets, Net Assets, and ROA*



*ROA = Return on Assets

Consolidated Net Sales by Segment (Fiscal 2008)



Editorial Policy

Reporting Period

From April 1, 2008 to March 31, 2009

(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 11 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)

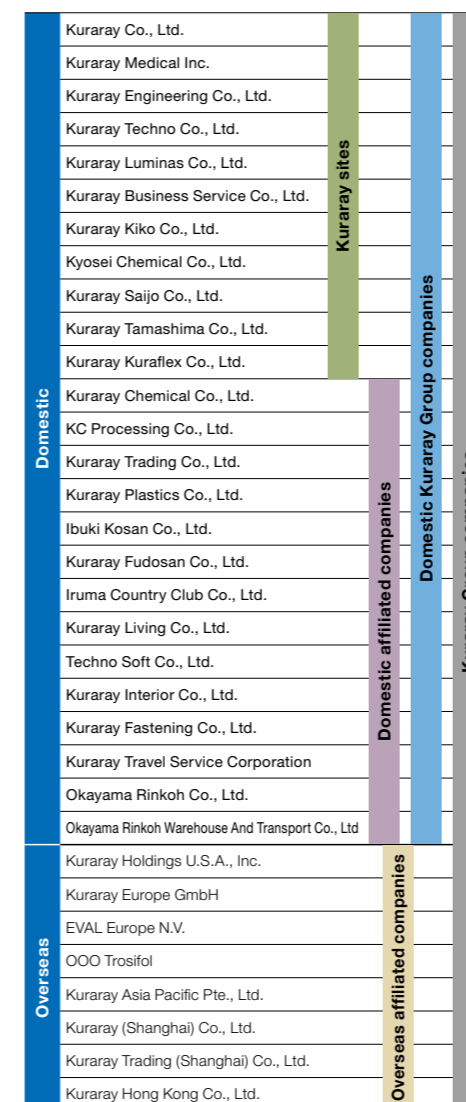
Social

- 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 33 consolidated subsidiaries (total 34 companies)

The Kuraray Group (Consolidated Subsidiaries)



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

Social Responsibility at Kuraray

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.

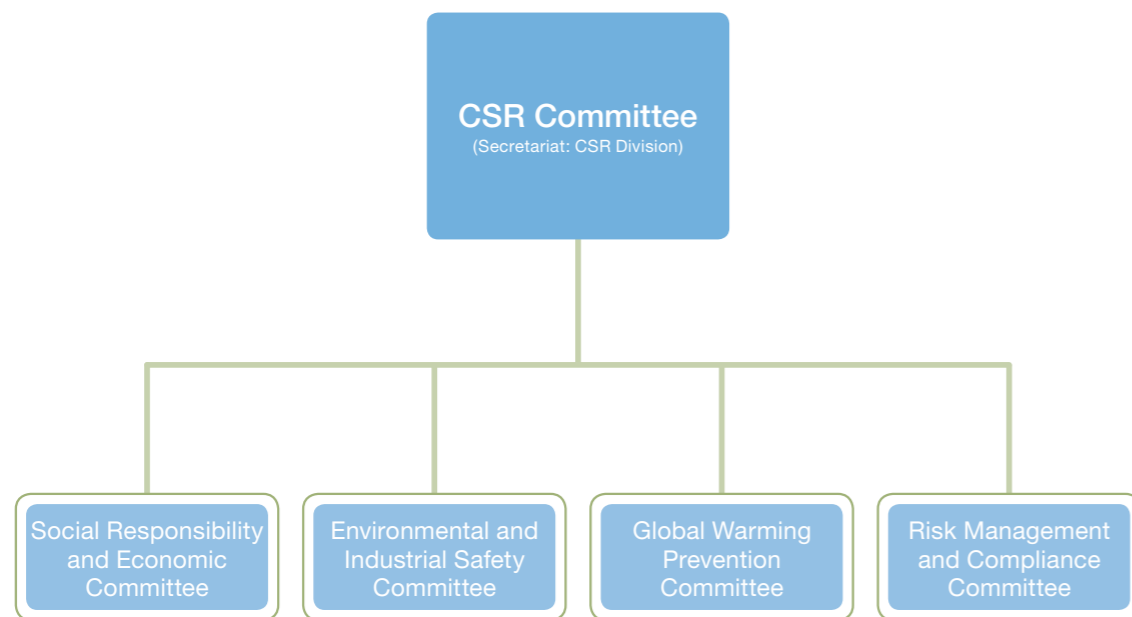
In accordance with this philosophy, we regard it as our raison d'être to make a proper return to society as a good corporate citizen of society and contribution to preservation of the natural environment and to sustained

social advancement. We likewise believe that our social responsibility as a corporate group lies in efforts to these ends together with all of our stakeholders, meaning our shareholders, suppliers, consumers, local residents, and employees.

CSR Promotion Structure

In 2003, Kuraray instituted the CSR Committee by integration of the Philanthropy and Environment Committee and In-house Ethics Committee, and bolstered its CSR promotion structure on the Group level. Under the CSR Committee are arrayed four subordinate committees as specialized units on the management level (i.e., the Social Responsibility and Economic Committee, Environmental and Industrial Safety Committee, Global Warming Prevention Committee, and Risk Management

and Compliance Committee). These committees examine companywide policies and targets, assess plans related to CSR agenda, collect data on actual results, and report on the same to management. The theme-specific working groups making up the subordinate committees collaborate with various Group units in addressing their respective agenda based on the CSR-related plans.

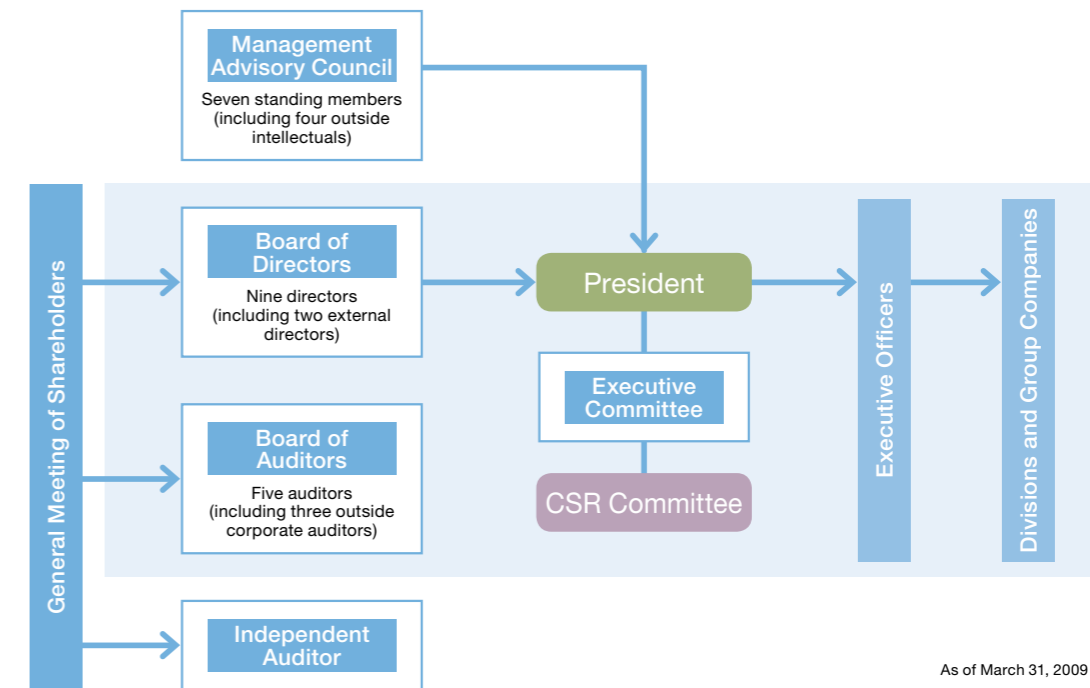


Corporate Governance

We at Kuraray view corporate governance as necessary for maintenance of sound relations with our shareholders and the various other parties in society with a stake in our company. We consider it vital not only for improving our performance and assisting our sustained growth as a company but also for fulfilling our responsibility to society.

In fiscal 2003, we executed a program of reform in which we reinforced the Board of Auditors by adding more

outside corporate auditors, established the Management Advisory Council, reduced the prescribed number of corporate directors while shortening their term, and instated the executive officer system in order to separate the functions of supervision and execution. In fiscal 2008, we made further arrangements for corporate governance by appointing external members to the Board of Directors.



- The Board of Directors has a membership of nine, including two external directors. Besides making decisions on matters of importance to management, it monitors and supervises the execution of business in accordance with the basic guidelines for internal control.
- We introduced the system of executive officers to separate the duties of management-related supervision from those of business execution. The executive officers are appointed by the Board of Directors, and some are also members of the Board who have been granted executive authority. They serve as the heads of internal companies, divisions, subsidiaries, and major functional units, and are responsible for business execution and results.
- The Board of Auditors has a membership of five, including three outside corporate auditors. The corporate auditors attend Board of Directors meetings and other important conferences, and monitor the execution of duties by corporate directors through activities such as hearings on business execution status and audit visits to Group business locations.

- The Management Advisory Council is composed of seven standing members, including four external ones with a wealth of experience in management and legal affairs. It offers advice to the president on matters such as Kuraray Group's management policies and important issues, business plans, succession of the president, successor candidates, and remuneration, with attention to compliance with laws and regulations, protection of shareholder interests, and management transparency.
- In June 2007, Kuraray began to implement "measures against large-scale purchases of Kuraray shares (Anti-Buyout Measures)". The general meeting of shareholders held in June 2009 approved a revision of these measures and their extension for another three years. In response to buyers who do not follow the rules or to purchasing behavior that is seriously damaging to our corporate value or the common interests of our shareholders, the Board of Directors will determine whether or not countermeasures must be taken. In making this determination, the Board will follow the prescribed procedures and accord full respect to the advice of a Special Committee composed of four members appointed from the group of external directors and outside corporate auditors.

Risk Management

Besides having the CSR Committee (through the Risk Management and Compliance Committee) assess and deliberate on risks on the management level, Kuraray has instituted units to supervise systems for management of specific risks (in areas such as compliance with laws

and regulations, occupational accidents, security and disaster prevention, the environment, quality assurance, and overseas business) along with units in general control of priority risks. In this way, we are striving to construct a companywide risk management system on the Group level.

Compliance

Kuraray has built an organizational culture in which executives join with each and every employee in taking action underpinned by a keen sense of ethics as good citizens. We have mounted approaches to compliance that go beyond the mere observance of laws and regulations in order to assure corporate transparency and fairness.

In fiscal 2008, we published the Compliance Handbook for our subsidiaries in Europe and China. As we had already distributed copies to our employees in Japan and the United States, this meant that all of the Kuraray Group employees had the handbook. In addition, we distributed the new Compliance Card*, which spells out our management stance on compliance, to all members of our Group in Japan, and made sure that all employees knew of our internal reporting system.

Compliance Card

A card containing the President's Compliance Declaration and our corporate philosophy, Principles for Business Conduct, and contact number of the internal reporting system. Beginning in 2003, it was distributed to all employees of the Kuraray Group in Japan, including temporary staff. Employees are instructed to carry the card with them at all times.

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.



Copies of the Compliance Handbook (from left: U.S., Belgian, German, Chinese, and Japanese editions)

Principles for Business Conduct

Our Principles for Business Conduct were established for the purpose of seeing that all of our business activities are at harmony with the global environment and civil society in light of our wide-ranging involvement with that society. They set forth proper patterns of behavior for each employee.

We also give our employees a copy of the Compliance Handbook, which consists of the Kuraray Group Code of Conduct describing the Principles in specific terms and the Compliance Guidelines with examples and commentary on them. The Principles and the Code are disclosed on our website.

Web > <http://www.kuraray.co.jp/en/csr/conduct.html>

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.

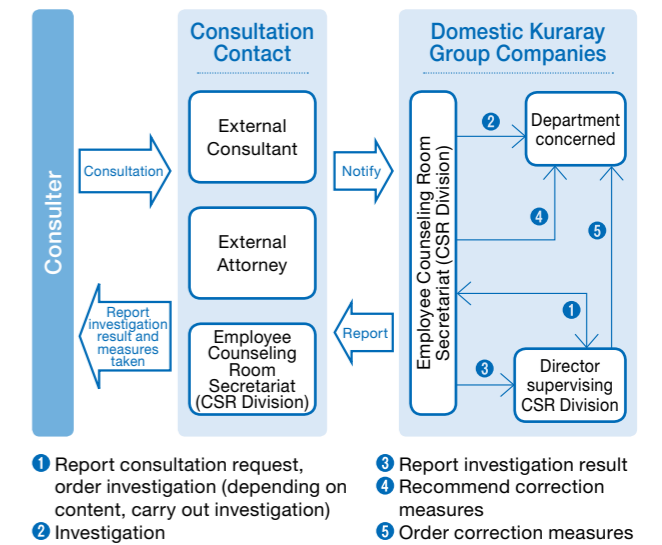
Internal Reporting System

We set up the Kuraray Group Employee Counseling Room as the center of our internal reporting system for all employees of domestic Group companies (including temporary staff). The system is aimed at preventing compliance violations as well as early detection and resolution of the same. We also provide our employees with information on methods of internal reporting and rules for protection of informants through our intranet and on the Compliance Card.

Each of our offices is equipped with a special consultation office related to sexual harassment, staffed with personnel including female employees.

Our overseas affiliated companies also have each set up their own internal reporting systems.

Internal Reporting System



Communications

To assure our accountability to society as a whole, we practice timely and appropriate disclosure of information in line with the Kuraray Group Disclosure Policy formulated in May 2007. We are taking steps for fuller communication with the whole spectrum of stakeholders (shareholders, customers, suppliers, employees, local communities, etc.) by means of releases of corporate news through the media, display of the latest corporate information on our website, and a complete assortment of publicity tools including pamphlets and videos.

Web > <http://www.kuraray.co.jp/en/disclosure.html>

IR Activities

In keeping with our emphasis on reliability and fairness in its provision of investment information, Kuraray conducts IR* activities for shareholders and investors. In addition to holding results briefings for representatives of the mass media and analysts, we work for a full provision of information to general investors through video footage of results briefings and our general meeting of shareholders on our website. We also hold confabs after the general meetings with a view to deepening understanding of our activities among the attending shareholders through introduction of our products and dialogue with our directors.

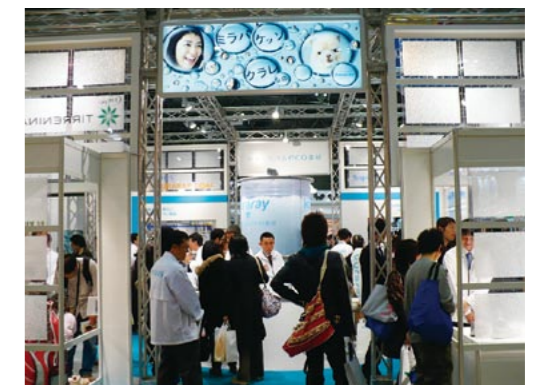
Web > <http://www.kuraray.co.jp/en/ir/index.html>

IR

Investor Relations: Through IR activities, companies provide shareholders and investors with a proper supply of information required for investment decisions.

Eco-Products 2008

In addition to focusing on development of products that contribute to the environment, the Kuraray Group engages in communication for their spread. As a part of this communication, we have been exhibiting at Eco-Products, Japan's largest environmental show, since 2005. In 2008, under the theme of "Eco Materials That Transform Into the Future" we introduced many visitors to our approaches through a display on the water treatment business of KURARAY AQUA CO., LTD. and major environmentally friendly products of the Kuraray Group.



Eco-Products 2008 was held on December 11-13, 2008

Approaches to Safety

The Kuraray Group has a safety management system for detection of risks of occupational and safety-related accidents to prevent any such occurrences. We operate this system to make workplaces that are safe and free of accidents and disasters by heightening the safety awareness of employees. Similarly, in preparation for

the event of accidents and disasters, we conduct drills to curtail damage to the minimum. We also attempt to prevent any recurrence through sharing of information on actual cases and their lessons.

Concepts and Basic Policy on Ensuring Safety

● Concepts 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.

● Basic Policy on Ensuring Safety (Fiscal 2009)

- ① Ensuring "Safety First, Production Second"
- ② The most important thing in implementing "Safety First" is to make sure you CHECK
- ③ Involvement of all employees in cooperation for attainment of zero accidents and disasters

Safety Management

In accordance with the Safety Activity Management Regulations determined in May 2007, the domestic Kuraray Group companies prepare safety plans every fiscal year in their efforts to assure occupational safety and disaster prevention.

Each year, at a meeting of our Safety Promotion Committee attended by the president and the assigned executive officer, we make an overall assessment of the results of safety activities and determine policy for such activities in the coming fiscal year. We have each plant and division reflect this corporate policy in its concrete action plans and pursue activities in accordance with it. Twice a year, a group headed by the assigned executive officer conducts Site Safety Inspections in aspects such as the drafting of action plans, action based on these

plans, and the results. The findings of this inspection are reflected in the activity policy for the next fiscal year.

The inspection in fiscal 2008 was conducted at five domestic plants and the plants of three major subsidiaries in Japan. It confirmed that the safety activities are steadily yielding results on agenda such as reinforcement of control of the safety level by individual employees and approaches to risk assessment for assurance of security and disaster prevention. It also found that management based on the PDCA* cycle is taking root.

PDCA

One of the major management cycles, enabling ongoing improvement by performance of the sequence of planning ("Plan"), execution ("Do"), assessment ("Check"), and improvement ("Act").

Targets and Actual Results

	Item	Scope	Goals for achievement	FY2008			FY2009 target
				Target	Actual results	Evaluation	
Safety and health	Occupational safety	Lost workday injury incidence rate	0 incidents	0.1 or less	0.34	△	0 incidents
			Safe and comfortable workplaces, establishment of safety climate	Intensified risk assessment methods for non-routine works	Specification of non-routine works and implementation of risk assessment for extracted works	○	<ul style="list-style-type: none"> • Instatement of the Safety Level Evaluation System to assess the safety level of each unit • Tightening of advance confirmation in non-routine works
	Intensified safety levels at personal level	Determination of the safety level for each employee and implementation of education to heighten it in the case of employees with a low level		○			
	Disaster prevention	Number of disaster	Domestic Kuraray Group companies	0 incidents	0 incidents	3 incidents	△
Intrinsic safety of plant facilities				Higher level of risk assessment methods	Implementation of education in security and disaster-prevention risk assessment for managers	○	<ul style="list-style-type: none"> • Tightening of safety management in outsourced work • Reinforcement of a security management system
	Intensifies safety management of subcontracting companies	Reconstruction of a safety management system related to outsourced work (issuance of the Guidelines for Construction Safety Management in Outsourced Work)	○				

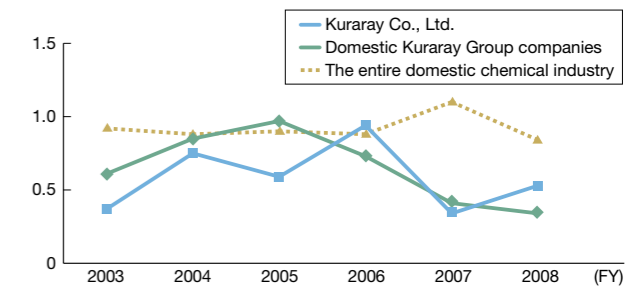
Evaluation ○ : achieved ○ : largely achieved △ : further effort required

Occupational Safety

Under our safety management system, in fiscal 2008, the domestic Kuraray Group companies addressed tasks such as reinforcement of risk assessment for non-routine works, tightening of the practice of pointing and calling for the purpose of confirmation, and increase in the level of safety among individual employees at each workplace.

As a result the safety record at affiliated companies improved. At 0.34, the lost workday injury incidence rate* among domestic Kuraray Group companies in fiscal 2008, while below the target of 0.10, represented substantial improvement from that of 0.41 recorded in fiscal 2007. For fiscal 2009, we are aiming to reduce it to zero by strengthening safety activities through steps such as instatement of the Safety Level Evaluation System.

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



Lost workday injury incidence rate

Number of injuries per million work hours = Number of injuries / Number of hours worked × 1,000,000

Number of Occupational Injuries

	2005			2006			2007			2008 (FY)		
	Lost workday	Workday not lost	Total	Lost workday	Workday not lost	Total	Lost workday	Workday not lost	Total	Lost workday	Workday not lost	Total
Kuraray	3	1	4	5	1	6	2	0	2	3	0	3
Domestic affiliated companies	9	6	15	4	5	9	3	4	7	1	1	2
Domestic Kuraray Group companies total	12	7	19	9	6	15	5	4	9	4	1	5
Overseas affiliated companies	4	1	5	3	0	3	5	4	9	12	1	13
Kuraray Group companies total	16	8	24	12	6	18	10	8	18	16	2	18
Domestic subcontracting companies*	2	0	2	1	0	1	7	2	9	1	2	3

* Companies performing contracted work in Kuraray plants

Safety Assurance and Disaster Prevention

At Kuraray, we consider it our major responsibility to prevent the occurrence of explosions, fires, leakage of hazardous substances, and other accidents and disasters that could have an immense impact on society, as well as to curtail the damage in the event of any occurrence to the minimum level. For risk management to this end, we are placing particular emphasis on safety inspections and change management when installing new equipment or remodeling existing equipment and when changing operating conditions and other factors. In addition, we have mounted companywide approaches in areas such as risk assessment related to safety and disaster prevention (based on HAZOP*, etc), quake-proofing measures for buildings and plants, conditioning of the security management system for facilities, and disaster-response drills.

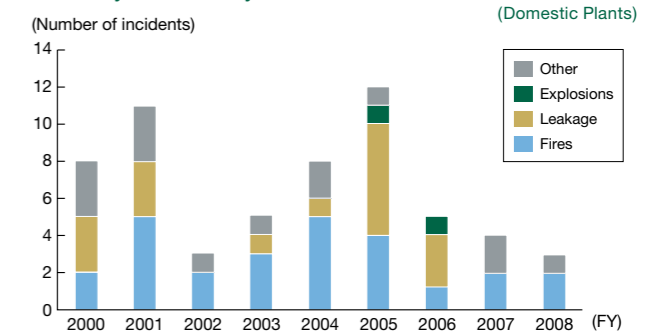
In April 2008, one employee at a subcontracting company suffered serious burns in an accident in which a high-voltage electrical cable was cut, and our Okayama Plant temporarily discontinued operations as a result. Taking a lesson from this accident, we made a review of the safety management system in construction work encompassing subcontracting companies, formulated Guidelines for Construction Safety Management in Outsourced Work, and instated regulations for their application throughout the company.

In fiscal 2008, there were a total of three fires and other accidents (including the one noted above) within the Kuraray Group. At the locations where these incidents

HAZOP

Hazard and Operability Study: A technique for the drafting and analysis of scenarios for hazards in chemical processes.

Security and Safety-related Accidents in Fiscal 2008 (Domestic Plants)



occurred, we conducted a special six-month disaster-prevention campaign revolving around designated priority tasks, which included a recheck of facilities and work methods and heightening of safety awareness.

We believe that the safety level in the Kuraray Group is steadily rising along with the strengthening of our safety management system, but it is still not high enough to reduce the number of accidents to zero and keep it there. In fiscal 2009, our key tasks are instatement of the Safety Level Evaluation System to gauge the growth of a safety culture and bolstering of our security management system to reduce safety-related accidents to zero.

General Disaster-prevention Drills

Each location organizes emergency teams and regularly conducts drills. In fiscal 2008, all domestic plants of the Kuraray Group carried out such drills (for a total of twelve times with about 3,000 participants) on the assumption of various situations, including occurrence of fires, leaks, and earthquakes at night.



Joint disaster-prevention drill at the Kashima Plant with the public fire department and the joint petrochemical complex emergency team on the assumption of an earthquake

Logistics Safety

To prevent damage to society at large due to logistics accidents, we are promoting activities to assure logistics safety in the aspects of product shipment and storage on three fronts: organization, working place, and drills.

● Organization

We organized the Logistics Safety Conference and mount approaches to assurance of safety together with cooperating logistics companies. In fiscal 2008, we carried out transport safety drills premised on an accident with an overturned tank lorry and safety training spanning all warehousing work including

storage of hazardous substances (for a total of two times with 39 participants).

● Working place

In fiscal 2008, the manager of the Logistics Department executed safety inspections at all Kuraray plants, as they did in fiscal 2007, and otherwise labored to maintain and improve working place safety.

● Drills

In fiscal 2008, we conducted a drill in product recovery and accident reporting on the assumption of a leakage accident at our Niigata Plant. The drill utilized actual vehicles and materials, and was carried out with the participation of all cooperating logistics companies.

Product Safety

Basic Policy on Product Safety and Action Guidelines for Product Safety

The Kuraray Group regards the provision of safe products as the very foundation of its corporate activities. Our Principles for Business Conduct state our commitment to the development and provision of products and services with full account of safety.

Furthermore, to provide products that are adapted to diversifying needs and in conformance with laws and regulations, we have determined our Basic Policy on Product Safety and Action Guidelines for Product Safety.

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

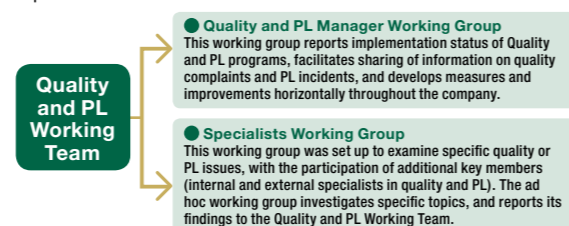
- 1 Supply products that meet the level of safety expected by society in compliance with safety-related laws and regulations and on the basis of the latest technologies.
- 2 Minimize any anticipated risk associated with the products we supply.
- 3 Maintain an appropriate quality management system to 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

For quality control and assurance of product safety, the concerned departments and affiliated companies lead activities on a routine basis, while companywide tasks are addressed by the CSR Division and the Quality and PL* Working Team instituted in the CSR Committee, which deliberate on countermeasures and initiatives for improvement. Similarly, chemical substance management is basically led by the concerned departments and affiliated companies, and monitored by the CSR Division.

Promotion Structure

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)

The term refers to the liability of businesses manufacturing or processing a product for payment of compensation for any harm caused to life, body, or property due to defects in said product. When a causal relationship can be proven between the damage and the product defect, the manufacturer bears responsibility for compensation regardless of the presence or absence of negligence.

Quality Assurance

● Quality Management System

The Kuraray Group engages in activities to assure quality based on performance of the PDCA cycle as part of our quality management system (in accordance with ISO 9001 and other standards). We collect product information on items such as customer needs and degree of satisfaction, and strive to improve product quality in line with this quality management system as well as our Basic Policy on Product Safety and Action Guidelines for Product Safety.

Quality Management System Certifications (As of March 2009)

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)
 - Kuraflex Ibaraki Co., Ltd.
 - Kuraray Fastening Co., Ltd. (Maruoka Plant)
 - Kuraray Engineering Co., Ltd.
 - Kuraray Trading Co., Ltd. (Chemicals & Industrial Materials Div., Belt Products Dept.)
 - Kuraray Techno Co., Ltd. (Building Maintenance Service Division)
 - EVAL Europe N.V.
 - Kuraray Europe GmbH (Division PVA/PVB, Division TROSIFOL)
 - Kuraray Dental Benelux B.V.
 - Kuraray America Inc. (EVAL BU, SEPTON BU)
 - Kuraray Asia Pacific Pte Ltd
- Note: 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.

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 (Division TROSIFOL)
- OOO Trosifol

● Product Complaints Handling

Kuraray emphasizes fast handling to customer complaints regarding quality, in accordance with our quality management system 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.

Within the entire Kuraray Group, there were no product recalls or accidents of the sort to cause significant harm to health or fires in fiscal 2008.

Chemical Substance Management

In accordance with the General Management Regulations for Chemical Substances and other regulations, the Kuraray Group ascertains conformance with laws and regulations and the degree of risk and hazard related to chemical substances at the stages of development, manufacture, and sales. To assure the safe handling of chemical substances, we established Material Safety Data Sheet (MSDS*) Management Regulations, and prepare and provide the sheets, which present information on proper ways of handling products and their degree of hazard. Even for products not containing substances stipulated by law as MSDS subjects, we prepare MSDS on our own initiative. For key products, we also provide such information on our website.

In fiscal 2008, besides reinforcing our product safety management system, we worked to register chemical substances (about 60) contained in our products for conformance with the EU REACH* regulations.

Our preparation and supply of MSDS containing information on proper product handling and hazard as noted above are based on the GHS* categories.

[Web ▶ http://www.kuraray.co.jp/en/products/msds/index.html](http://www.kuraray.co.jp/en/products/msds/index.html)

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.

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

REACH constitutes the EU regulations for chemical products. The REACH regulations incorporate new approaches, mainly as follows: 1) treatment of the risk assessment formerly made by government authorities as a manufacturer obligation, 2) imposition of a requirement for registration of not only new chemical substances but also existing ones by each manufacturer, 3) reinforcement of two-way sharing of information on chemical substance safety and handling through the supply chain, and 4) requirement for determination of information on the presence or absence and, if present, the purpose of chemical substances contained in articles. The regulations became effective in June 2007.

GHS (Globally Harmonized System of Classification and Labelling of Chemicals)

GHS classifies chemicals based on globally harmonized judgmental standards, in correspondence with their degree of physicochemical risk as well as degree of hazard to human health and to the environment. It stipulates the provision of information on risk and hazard through a balanced approach applying means such as indication on labels and MSDS.

Approaches to the Environment

Environmental Management

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 GHG 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 for Environmental Preservation

Kuraray's companywide, medium- to long-term environmental preservation activities are facilitated by the Global Warming Prevention Committee and Environmental and Industrial Safety Committee which were established in the CSR 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 and affiliated company.

Our plants and affiliated companies have acquired certifications (under ISO 14001) for their environmental management systems and have been taking action for environmental improvement. In fiscal 2009, we are going to begin applying our Environmental Activity Management Regulations, which stipulate coordination between our headquarters and plants, and promote activities that are unified companywide.

See page 19 for a list of the Environmental Management Systems (ISO 14001) certifications.

Targets and Actual Results

	Item	Scope	Goals for achievement	FY2008			FY2009 target	Page Ref.
				Target	Actual results	Evaluation		
Environmental preservation	Global warming prevention	CO ₂ emissions (GHG emission equivalent) Kuraray sites	10% reduction cf. FY1990 levels by FY2010 (Emissions: 1,226,000 t-CO ₂)	4% reduction cf. FY1990 levels (Emissions: 1,308,000 t-CO ₂)	[Emissions] 12.7% reduction cf. FY1990 levels (1,190,000 t-CO ₂) [Reduction through measures implemented in FY2008] 3.2% reduction (44,000 t-CO ₂) cf. FY1990 levels	◎	Reduction through measures implemented in FY2009 2.8% reduction (38,000 t-CO ₂) cf. FY1990 levels	P.14-15
	Effective use of resources	Effective waste utilization rate	Maintained at 90% or over	90% or over	91%	◎	Efforts to maintain the rate at 90% or over in FY2009 and following years	
		Lower levels of waste materials produced (New activity)	-	Promotion of lower levels of waste materials produced	[Amount of waste produced] 10% reduction cf. FY2007 levels (77,000 t) [Reduction through measures implemented in FY2008] 4% reduction (3,200 t) cf. FY2007 levels 6% reduction (4,800 t) cf. FY2007 levels	◎	<ul style="list-style-type: none"> Reduction through measures implemented in FY2009 4% reduction (3,200 t) cf. FY2007 levels Approaches to MFCA* 	P.17-18
Emissions management	Emissions of chemical substances designated by JCI's PRTR	Domestic Kuraray Group companies	90% reduction cf. FY1999 levels	82% reduction	75% reduction cf. FY1990 levels	○	<ul style="list-style-type: none"> 82% reduction Designation of priority substances for reduction taking account of environmental burden and hazard 	P.15-16
	VOC emissions	Domestic Kuraray Group companies	80% reduction cf. FY2004 levels by FY2010 All VOCs handled by Kuraray are chemical substances designated by JCI's PRTR	62% reduction cf. FY2004 levels	-	△	Approaches as part of PRTR reduction	

Evaluation ◎: achieved ○: largely achieved △: further effort required * MFCA: Material Flow Cost Accounting (see page 17)

Reduction of GHG Emissions

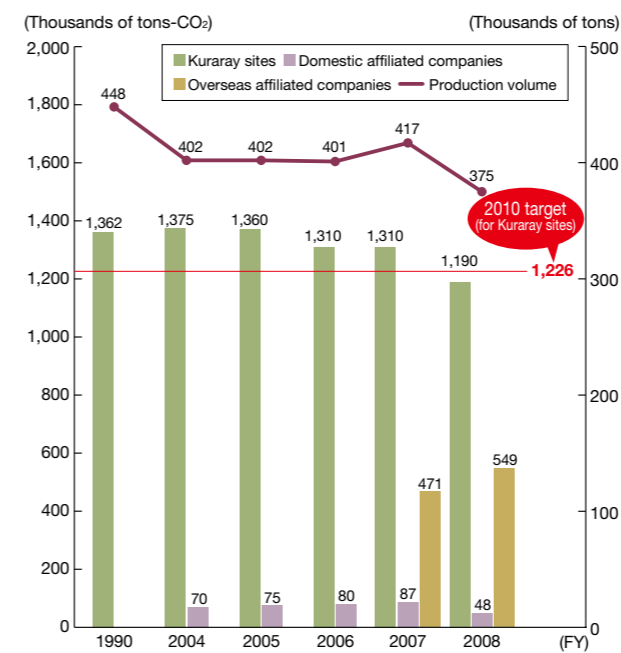
In our Medium-Term Environmental Plan, we posted the target of reducing GHG emissions (from Kuraray sites) by 10% or 136,000 tons relative to 1990 by fiscal 2010. The major measures being taken to this end are: 1) promotion of energy conservation, 2) switch to clean fuel, and 3) introduction of new energy.

In fiscal 2008, GHG emissions from Kuraray sites came to 1,190,000 tons, down 120,000 tons from fiscal 2007.

This amount is 12.7% less than in fiscal 1990, and indicates that we more than met the 10-percent medium-term target. The fiscal 2008 figure, however, includes the effect (76,000 tons) of reduced production accompanying the global economic crisis. The reduction attributable to more efficient utilization of energy, improved production processes, and other such steps came to 44,000 tons.

GHG Emissions

* Emissions of overseas affiliated companies are totals beginning in FY2007



* Excluding CO₂ emissions deriving from production of activated carbon from coconut husks at domestic affiliated companies beginning in FY2008 report.

Our affiliated companies purchase their entire supply of energy from outside sources. In fiscal 2008, GHG emissions deriving from energy were calculated at 48,000 tons in Japan and 549,000 tons in other countries, for a Group total of 1,787,000 tons (down 81,000 tons from fiscal 2007).

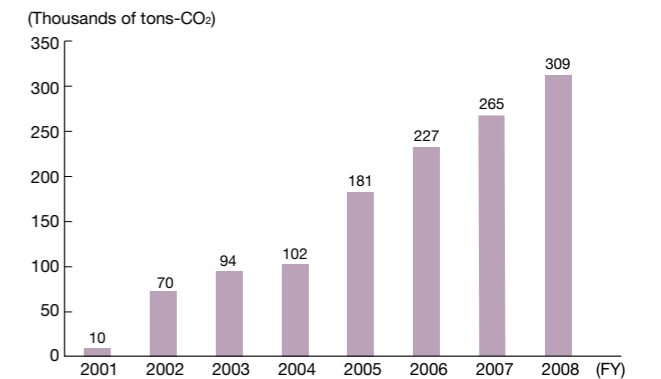
We are considering medium-term measures to mitigate global warming beginning in fiscal 2010 together with long-term targets on the Group level, while monitoring the course of negotiations now under way concerning a new international framework for a post-Kyoto Protocol.

Effects of Measures for GHG Reduction

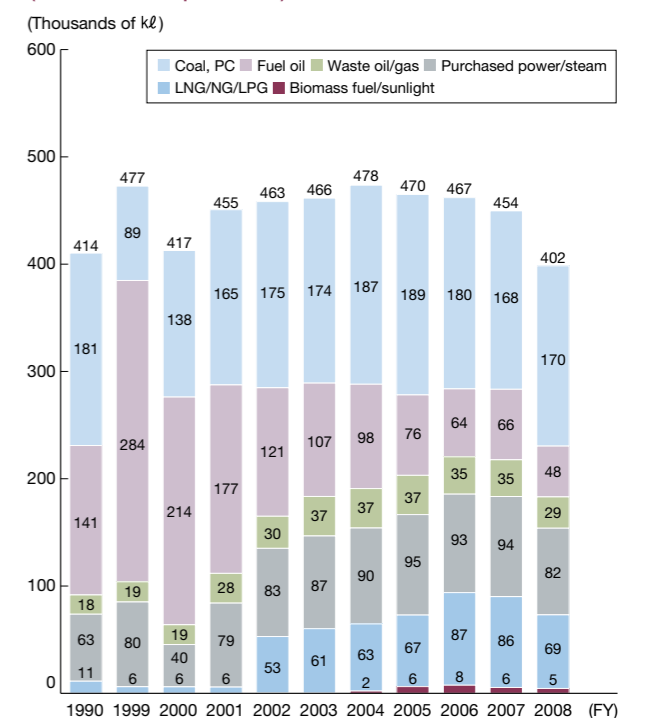
All Kuraray sites produce on their premises almost all of the electrical power and steam they need. They implemented initiatives including promotion of energy conservation, switches from fuel oil to natural gas, and generation of power with biomass to reduce GHG emissions by 309,000 tons over the eight-year period of fiscal 2000-2008. This reduction is equivalent to 22.7% of the GHG emission level in fiscal 1990.

For fiscal 2009, we are attempting to achieve a further GHG emission reduction of 38,000 tons, mainly through improvement of production processes.

Cumulative GHG Emission Reductions



Breakdown of Energy Use by Type (Crude Oil Equivalent)



Reduction of Environmental Burden during Transportation

The amended Law Concerning the Rational Use of Energy contains the target of reducing the units of energy utilization by an average of 1% per year. To attain this target, Kuraray is taking various steps for more efficient transportation, including modal shifts*. In fiscal 2008, our CO₂ emissions totaled 11,300 tons, for a decrease of 1,500 tons (11.4%) from fiscal 2007. Although the unit energy consumption* increased by 2%, we reduced it by 3.2% over the two-year period beginning in fiscal 2006, when the amended version of the aforementioned law went into effect.

Modal Shift

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

Unit energy consumption

The prime unit of utilization of energy; it is used as an indicator for the improvement in energy consumption in reports to the Ministry of Economy, Trade and Industry. It is obtained by dividing the amount of energy used by the value closely related to the amount of energy used (sales in Kuraray's case).

Education about Global Warming

In light of the increasing seriousness of the global warming problem, we held an environmental lecture for our executives in fiscal 2008. The lecture was entitled "Risks Associated with Global Warming and the Impact on Corporate Management", and was delivered by Mr. Takejiro Sueyoshi of the United Nations Environmental Programme. Treating topics including response to global warming in various countries and future corporate strategy to combat GHG emissions, it served to deepen awareness of environmental problems.

The Kuraray Group RC* Convention held in July took global warming as its main theme. It included a presentation by the Global Warming Prevention

Committee on the trend of and outlook for GHG emissions and cases of emission reduction in the Kuraray Group, and a special lecture by Ms. Atsuko Suzuki of the Environmental Business Agency with the theme of "Environmental Approaches in Corporate Activities".

As for activities at each plant, employee families were encouraged to do environmental accounting in the home and to take part in environmental activities sponsored by local governments.

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 has participated in the Japan Responsible Care Council since it was established in 1995.



"Future Forest Planting", an environmental preservation activity



Scene at the RC Convention

Reduction of Chemical Substance Emissions

In its Medium-Term Environmental Plan, Kuraray set the target of reducing emissions of PRTR*-designated substances by domestic Kuraray Group companies by 90% (3,991 tons) relative to the fiscal 1999 level. By fiscal 2007, we had achieved a reduction of 67% (2,977 tons).

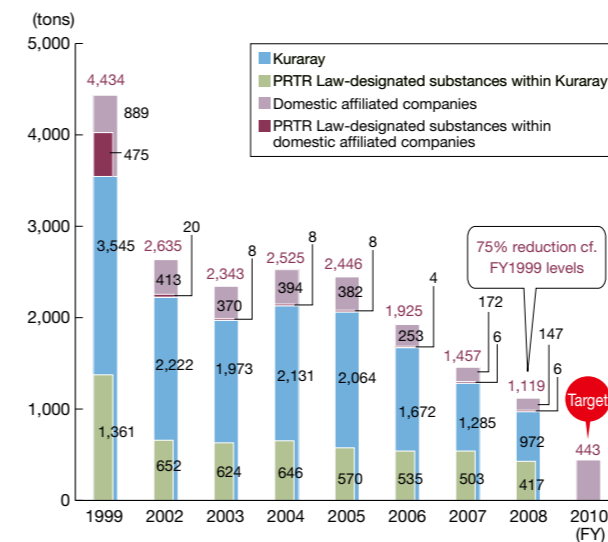
In fiscal 2008, we reduced emissions of methanol from the Okayama Plant by 81 tons by altering the operating conditions of an absorption tower and n-Hexane from the Kashima Plant by 41 tons by combustion of emissions in a ground flare stack to detoxify them before release into the atmosphere, and lowered the total emissions to 1,119 tons, which was 23% (338 tons) less than in fiscal 2007. As compared to the fiscal 1999 level, this was a reduction of 75% (3,315 tons).

As for the future, we are going to embark on studies of new approaches, such as designating substances for priority reduction with consideration of the trade-off between environmental burden and toxicity on the one hand and countermeasure costs on the other.

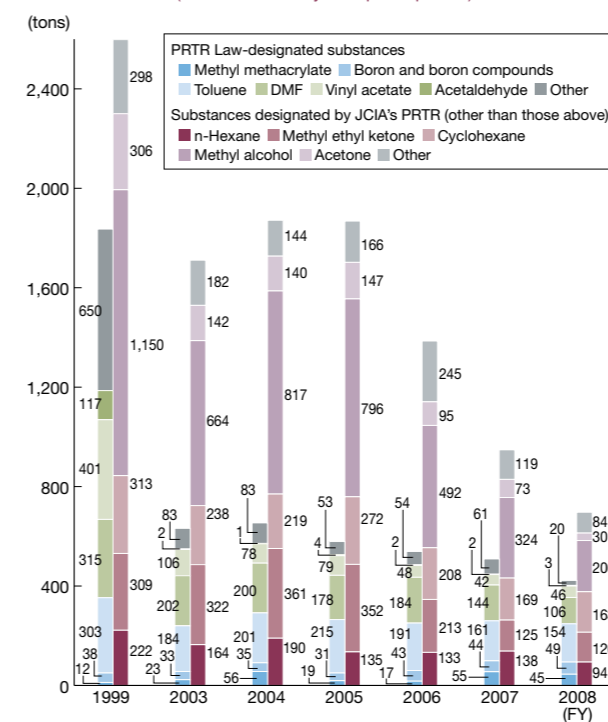
PRTR

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.

Change in Emissions of PRTR-designated Substances



Breakdown of Emissions of PRTR-designated Substances (Domestic Kuraray Group companies)



Measures against Soil Contamination

In fiscal 2003, Kuraray began to ascertain the status of soil contamination at all of its plants through hearings with them. It is voluntarily conducting soil contamination surveys in turn at each, upon determination of the order of priority based on risk assessments that consider items including the history of use of hazardous substances. At four plants that have already undergone soil and

Reduction of VOC

The regulations for VOC* emissions reduction effected in fiscal 2006 target a reduction by 30% relative to fiscal 2000 by 2010. They demand observance of emission standards and call upon companies to take voluntary action for reduction. The domestic Kuraray Group companies are targeting reduction of VOC emissions such as methanol, toluene, and formaldehyde by 80% relative to fiscal 2004 as part of their plan to reduce emissions of PRTR-designated substances. In fiscal 2008, they cut these emissions to 879 tons, for a reduction of 62% (1,404 tons) relative to fiscal 2004, or 68% (1,854 tons) to fiscal 2000.

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.

New Environmentally-minded Business

Kuraray's development of environmentally-minded business is exemplified by its commercialization of a unique wastewater treatment system. This is a landmark system that saves space thanks to its utilization of PVA gel developed by Kuraray for the bioreactor, and produces almost no excess sludge as compared to the conventional activated sludge method.



Facilities applying the new waste water treatment system in the Kuraray Saijo Plant

Effective Use of Resources

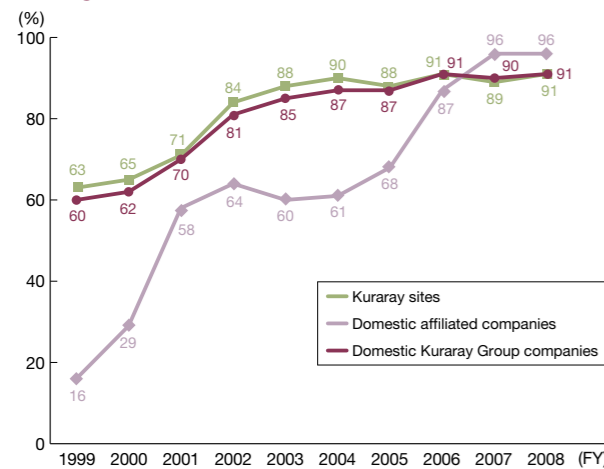
In fiscal 2007, the domestic Kuraray Group companies achieved an industrial waste utilization rate of more than 90% and held the final landfill disposal rate below 1% as targeted in the Medium-Term Environmental Plan. At present, they are striving to reduce the very levels of waste derivation in addition to promoting recycling. With the start of fiscal 2009, model units began to apply the Material Flow Cost Accounting* method.

In fiscal 2008, the amount of waste generated by the domestic Kuraray Group companies came to 77,000 tons, 9,000 tons less than in fiscal 2007, partly due to the influence of production decline. This reduction resulted from measures such as a switch to in-house recycling for PC ash, which had previously been put to effective use as fuel off company premises, and transformation of scrap derived in the production process back into usable resources.

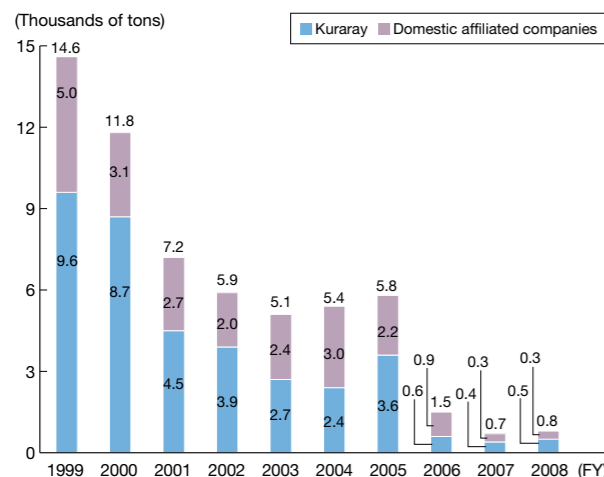
Material Flow Cost Accounting

A methodology for improving productivity and reducing waste by making items such as material costs, processing costs, and facility depreciation costs corresponding with loss of resources and energy in the manufacturing process visible as negative product costs.

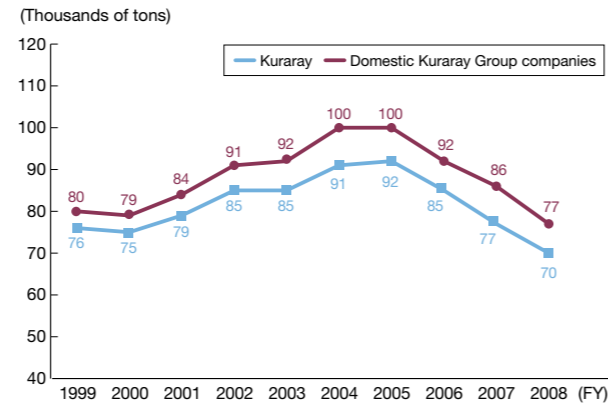
Change in Industrial Waste Utilization Rate



Change in the Volume of Unused Externally-Processed Industrial Waste



Change in the Amount of Waste Generated



In-house Recycling of PC Ash

PC (petroleum coke) is one of the fuels used in boilers that generate electrical power in the Okayama Plant. The ash from PC combustion comes to about 10,000 tons per year, and the plant has provided for its effective use off premises as a fuel. In fiscal 2008, it placed into operation a facility reusing PC ash as fuel for a power-generation boiler, and consequently was able to turn 4,800 tons of the ash back into a fuel.

Treatment of PCB waste

The Kuraray Group practices proper storage and management of PCB* waste in accordance with the Law Concerning Special Measures Against PCB Waste. We are also steadily promoting treatment to render PCB stores harmless, in line with laws and regulations. In fiscal 2008, we had such treatment performed on part (388 kilograms) of the waste containing PCB stored at the Kashima Plant by the Japan Environmental Safety Corporation.

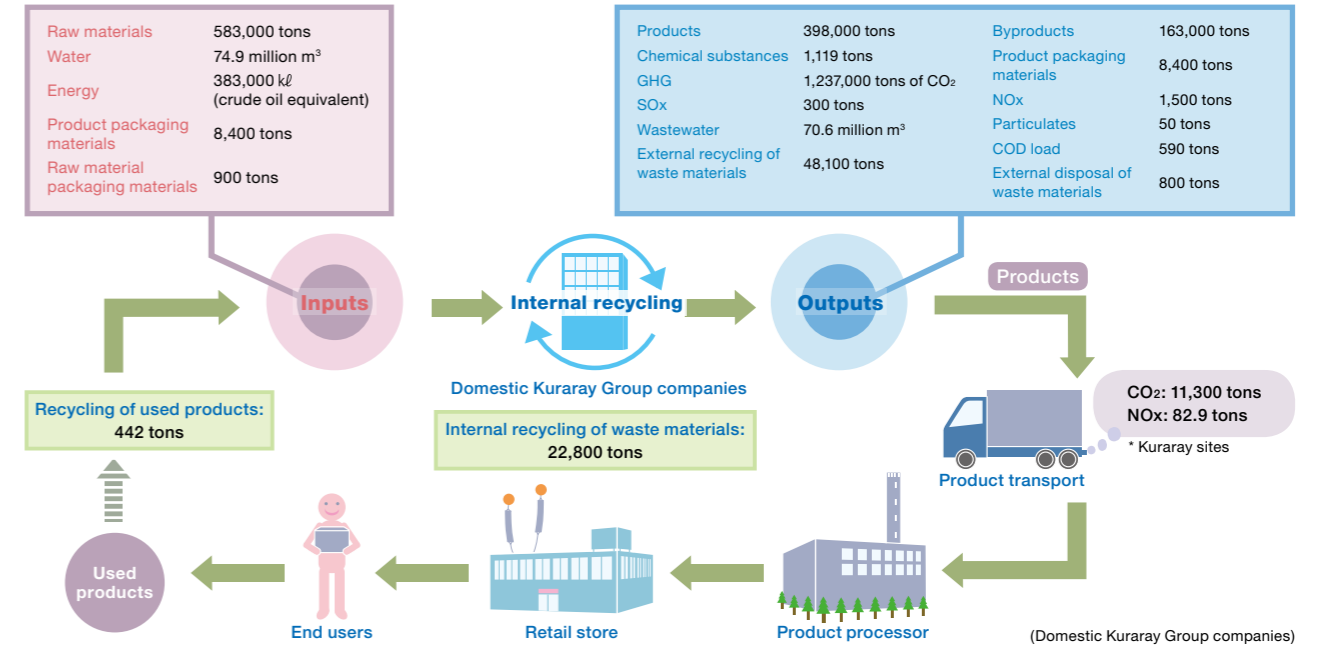
Polychlorinated biphenyl (PCB)

A chemically synthesized organic chlorinated compound once used in various applications, including insulating oil for electrical equipment and thermal media for heat exchangers. Because of its toxicity, its manufacture and import have been prohibited since 2001. Business operators with stores of PCB waste are required to render them harmless by 2016.

Material Flow in Business Activities (Fiscal 2008)

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.



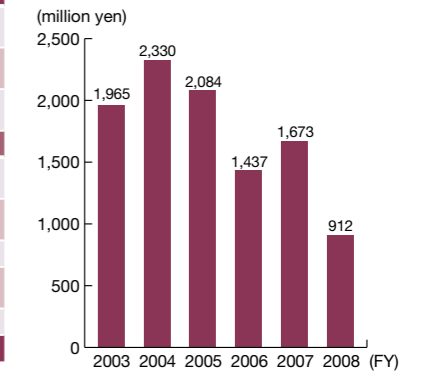
Environmental Accounting

Environmental Preservation Costs (million yen)

Category	Investments	Cost	Principal Activities	
Costs within the sites	Pollution prevention costs	637	2,167	Operating cost of environmental facilities, measures to prevent emissions of chemical substances
	Global environmental conservation costs	89	546	In-house reuse of PC ash as a fuel
	Resource recycling costs	186	797	Transformation of production process scrap back into a resource and in-house reuse of PC ash as a fuel
	Total	912	3,510	
Upstream and downstream costs	-	142	Recycling and reuse of packaging materials, improvement of container packaging	
Administrative costs	-	142	ISO 14001, environmental measurement, environmental education	
Research and development costs	-	128	Development of environmentally friendly products	
Social activity costs	-	0	Afforestation, beautification, provision of environmental information to host community residents	
Environmental damage costs	-	0		
Total	912	3,922		

● Total investment during the reporting period: 30.7 billion yen (totalled in accordance with the scope of environmental accounting)
 ● Total R&D costs during the reporting period: 11.1 billion yen (same as above)

Investment in Environmental Facilities



Environmental Preservation Effects

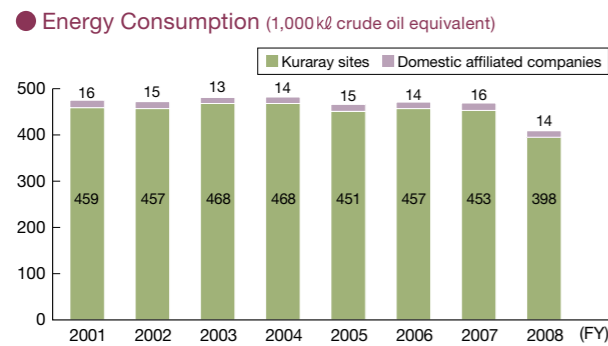
Category	Unit	FY 2007	FY 2008	Variance	
Pollution prevention effect	SOx emissions	484	302	-182	
	NOx emissions	1,618	1,432	-186	
	Particulate emissions	54	39	-15	
	Emissions of PRTR Law-designated substances	1,285	972	-313	
Global environment preservation activities	COD load	679	587	-92	
	GHG emissions	1,310	1,190	-120	
Resource recycling activities	Energy consumption	458	369	-89	
	Unused externally-processed industrial waste	406	480	74	
	Industrial waste utilization rate	%	89	91	2
	Water resource use	million m ³	82.5	73.2	-9
Total emission of wastewater	million m ³	75.9	69.3	-7	

- Basis for environmental accounting calculations**
 - Reporting period: April 1, 2008 to March 31, 2009
 - 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 is 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.

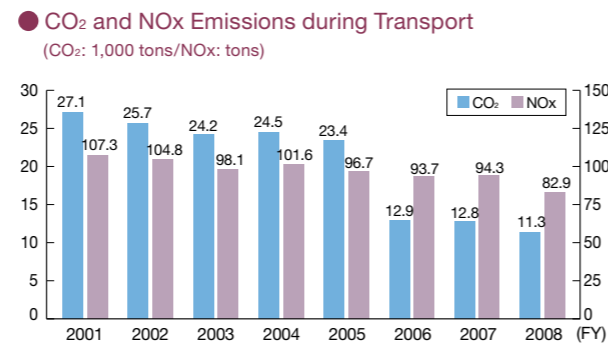
Approaches with the Community

Environmental Data

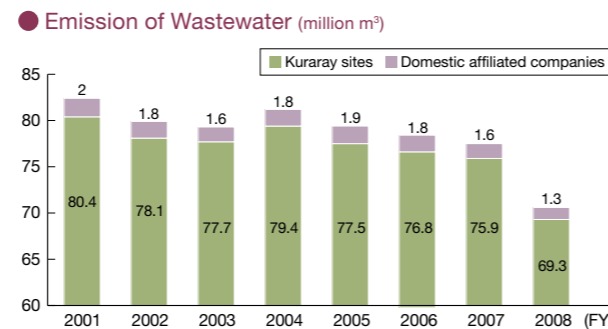
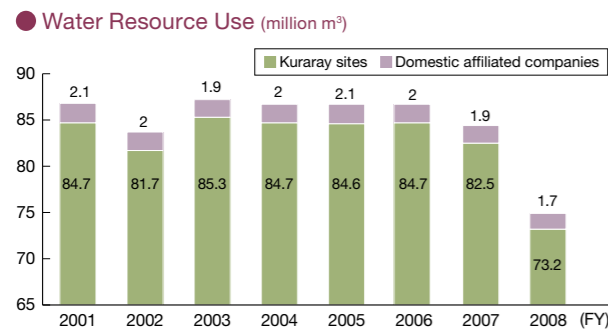
Changes in Energy Consumption



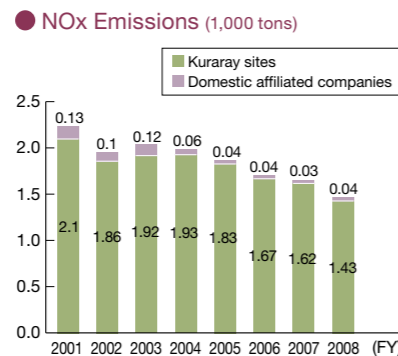
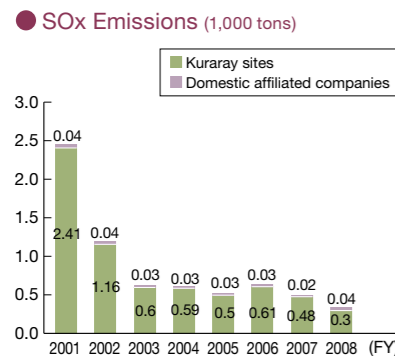
Reducing the Environmental Burden during Transportation



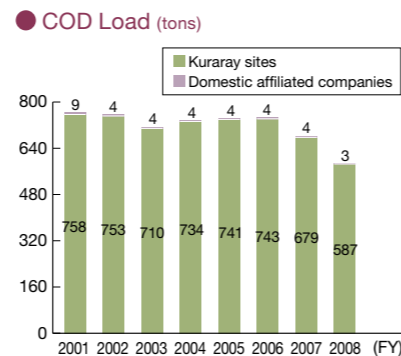
Resource Conservation



Air Pollution Prevention



Water Pollution Prevention



Environmental Management System (ISO 14001) Certifications

- 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. (Maruoka Plant) ● Kuraray Trading Co., Ltd. (Headquarters Osaka, Tokyo)
- Kuraray America Inc. (EVAL BU, SEPTON BU) ● EVAL Europe N.V.
- Kuraray Europe GmbH (PVA/PVB Division, Trosifol Division) ● OOO Trosifol ● Kuraray Asia Pacific Pte. Ltd.

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.

We in the Kuraray Group consider the sound and sustainable advancement of society a precondition for corporate growth and prosperity, and the ultimate objective of corporate activities. It goes without saying that we see it as our duty to contribute to society

through provision of products and services of genuine value to people. Beyond this, we consider assistance with resolution of social issues within a proper scope to be another requisite form of social contribution in our capacity as a corporate citizen.

Activities of Social Contribution

The Kuraray Group applies its ingenuity and initiative in promoting activities of social contribution on an ongoing basis in the fields of education, medical and welfare, which require improvement of social infrastructure. We also support volunteer work by our employees toward the goal of harmony with local communities.

sorted and packed by a team of about 200, including members of the JOICFP* and other concerned groups as well as Kuraray Group employees, before being sent overseas with the cooperation of many other volunteers. This year, too, we delivered the bags to children in need of them in Afghanistan and other countries.

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 190 children participated on seven occasions in fiscal 2008.

Since 2002, we have been exhibiting at Dream Chemistry-21, a chemistry experiment show held during summer vacation by the Japan Chemical Industry Association. In fiscal 2008, our experiment for production of aromatics using highly water-absorbent resin attracted the participation of about 2,000 children and their parents.

JOICFP (Japanese Organization for International Cooperation in Family Planning)
 The JOICFP was founded in Japan in 1968 as an international non-governmental organization devoted to population problems around the world. It engages in grassroots projects of international aid close to local communities.



Packing the school bags for shipment

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	53	1,563
Saijo Plant	Exciting Chemistry Class	47	1,390
Okayama Plant	Fun Chemistry House	29	1,050
Niigata Plant	Wondrous Laboratory	34	979
Kashima Plant	Fun Chemistry House	7	513
Total		170	5,495

Sending School Bags across the Sea

Sending School Bags across the Sea is an annual program of international cooperation under which we send school bags once used by Japanese elementary school students along with school supplies and other commodities to children in Afghanistan and other countries where wartime devastation has robbed children of schooling opportunities.

Begun in 2004, this program is now in its sixth year and has been steadily expanding. In 2009, we collected some 10,000 school bags from all parts of the country. Filled with the good wishes of the children, the bags are

To help the challenged lead self-supporting lives by providing them with opportunities for employment, Kuraray sets up workplaces especially for the mentally challenged in coordination with local welfare facilities.

The Kuraray Workshop at the Niigata Plant opened its doors as a place of work for the mentally challenged in 1997, with the cooperation of Nakajo town (the current city of Tainai) and the social welfare institution Nanahokai "Niji-no-ie". At present, it has 20 employees, who perform sorting for recycling of scraps derived in production processes and produce articles with the guidance of four instructors.

At the Himawari Workshop, which opened on the grounds of the Saijo Plant in 2007, six employees engage in recovery and weighing work required for recycling of leftover fiber derived in production processes under the guidance of two instructors.

Support for Medical and Welfare Facilities

Magosaburo Ohara, our founder, also helped to pioneer philanthropy in Japan, and was involved in the establishment of numerous medical, welfare, and

cultural/research facilities. As part of its activities of social contribution, Kuraray continues to offer support in both the management and financial aspects to Kurashiki Central Hospital, Ishii Memorial Aizen-en Aizenbashi Hospital, and Doushinkai Saijo Central Hospital. In addition, we operate a nursing facility for the aged utilizing welfare facilities in our plants.

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) Shared type day-care facility for people with dementia (capacity for 3) 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)



Kurashiki Central Hospital



Aizenbashi Hospital



Saijo Central Hospital

Communication with the Regional Community

Plant Tours and Briefing Sessions

Kuraray plants and the plants of Kuraray Plastics Co., Ltd. and Kuraray Chemical Co., Ltd. hold tours and regular briefing sessions for the purpose of communication with local residents. In fiscal 2008, such activities at seven Kuraray Group plants in Japan attracted an extended number of 2,780 participants, and served to deepen their understanding of activities at these sites.

Interchange with Local Residents

Our Saijo and Niigata plants each stage a Cherry Blossom Viewing Party when the cherry trees on their grounds have flowered. In fiscal 2008, a combined approximately 6,000 people visited their grounds to admire the trees in full bloom.

In December, our Kurashiki Plant opened its gates to local residents for the staging of a Christmas Fantasy event whose centerpiece is a Himalayan cedar decorated and illuminated like a Christmas tree.

In fiscal 2008, our Okayama Plant began to participate in the "Future Forest Planting" project promoted by the Okayama Prefectural Government. It is involved in planting on a wooded 1-hectare parcel in Kibi Chuo town, also to heighten employee awareness of the conservation of the natural environment (see the photo on page 15).

Kuraray America, Inc. continues to furnish financial aid to the San Jacinto chapter of the Coastal Conservation

Association Texas. Many of its employees and their families take part in various community activities, such as the fishing tournament held by the Association in Texas.



At the fishing tournament

Major Activities at Kuraray Plants

Plant	Activities
Kurashiki Plant	Christmas Fantasy, Children's Ball Games Meet, Summer Festival
Saijo Plant	Cherry Blossom Viewing Party, Grand Golf Tournament, Gateball Tournament, Kenaf Cultivation, 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	Volleyball for Moms Meet
Kuraray Chemicals Co., Ltd.	Friendship Festival
Kuraray Plastics Co., Ltd.	Summer Party

CSR Procurement

CSR Procurement Policy

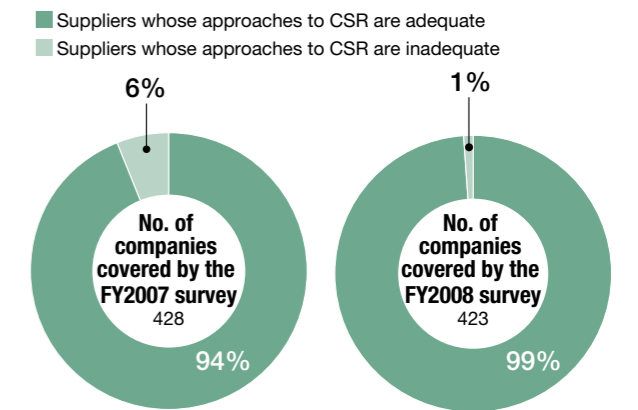
Kuraray has been working to practice CSR procurement since 2001, and established an ad-hoc policy in 2005 in response to the rise in social requirements for CSR fulfillment. Based on the Ten Principles of the United Nations Global Compact, which is an international statement of universal principles, the policy consists of eleven items in three fields. As part of our efforts for fuller CSR activities, we notify our major suppliers of this policy and seek their compliance with it.

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

activities were found to be insufficient in the survey taken in fiscal 2007. As a result of subsequent efforts, approaches were rated as sufficient at 15 suppliers and inadequate at five. This raised the "adequate" rating among the 423 suppliers covered by the fiscal 2008 survey to 99%.

Results of the CSR Survey



Green Purchasing

As a part of its CSR procurement activities, Kuraray strives to purchase environmentally friendly (green) products in line with its Green Purchasing Guidelines. We are reviewing our green purchasing rates in response to the issue that surfaced in 2007 involving falsified recycled paper blending rates in the paper manufacturing industry, and are taking aim at a further increase in our rates.

Status of Activities

In fiscal 2008, we requested more vigorous efforts on 20 suppliers whose approaches to CSR procurement

Table of Green Purchasing Practices

Field	Item	Purchasing amount (millions of yen)	Green purchasing rate	
			FY2007	FY2008
1	Paper (recycle)	59	28%	48%
2	Stationery (recycle)	13	89%	92%
3	Office supplies (reuse)	13	100%	100%
4	OA equipment (energy conservation)	146 (leasing fee)	100%	100%
5	Home electrical appliances (energy conservation)	4	100%	100%
6	Lighting (energy conservation)	4	92%	93%
7	Automobiles (reduced environmental pollution)	59 (leasing fee)	100%	100%
8	Uniforms and work clothes (recycle)	31	100%	100%

Approaches in the Workplace

Through the Kuraray Group Global Human Resources (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 and creating new employment opportunities, so that each employee can work in a way which leads to personal growth through the fulfillment of his or her duties.

The Kuraray Group Global HR Policy

- 1 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.
- 2 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.
- 3 We implement HR policies that comply with the laws.**
Kuraray strictly observes the laws of each country in implementing our human resources policies.
- 4 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.
- 5 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.

- 6 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.
- 7 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.
- 8 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.
- 9 We support skills development.**
Kuraray will emphasize skills development through work duties, and will provide appropriate support for that purpose.
- 10 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

Number of Employees

As of the end of March, 2009

	Total	Male	Female
Kuraray Group	6,861	5,840	1,021
Kuraray Co., Ltd. employees included in above	2,978	2,705	273

* Group = consolidated subsidiaries

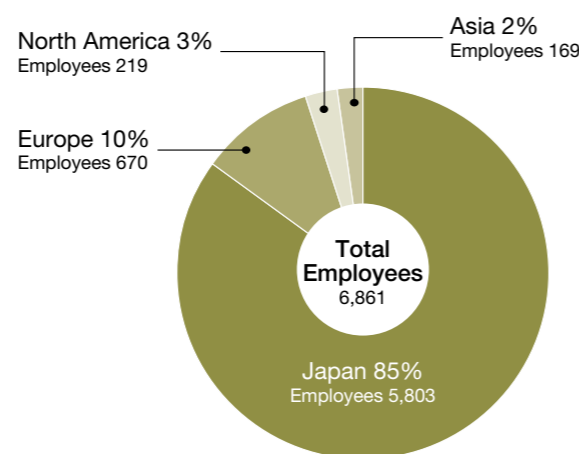
Employee Turnover Rate

Fiscal 2008

	No. of Leaving Employment	Turnover Rate
Personal Reasons	32	0.7%
Retirement	49	1.1%

* Turnover Rate = number of leaving employment by cause/number of Kuraray's employees at the beginning of the fiscal period

Staff Configuration by Region

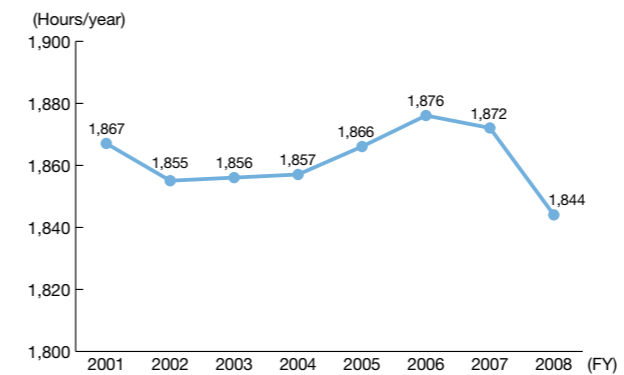


Diversity and Employment Opportunities

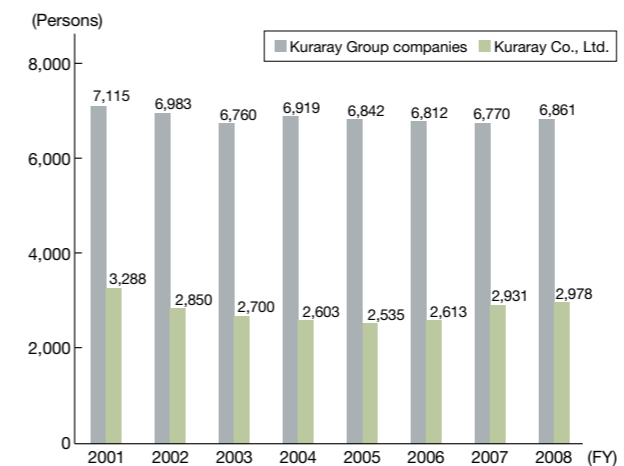
Average Working Hours

Fiscal 2008 saw widespread adjustment of employment levels accompanying decreased production and business reorganization in the wake of the global economic crisis. While implementing rigorous steps to raise levels of management efficiency and rationality even higher, Kuraray did its best to maintain employment on the Group level by means including government subsidies for employment adjustment.

Change in Total Average Working Hours (Kuraray Co., Ltd.)



Change in the Number of Employees



Employment Environment

(1) Employment Systems

Kuraray has instated systems for flexibility in employment. The main such systems enable rehiring of retired employees for effective use of their skills, discretionary labor systems for adaptation to the nature of individual work, the "de facto working hour" system for out-of-office works, variational working hours, and employment of the challenged.

(2) Leave for Childcare and Nursing Care

Kuraray has introduced a system for support of childcare and nursing care by employees as infrastructure to support employment opportunities for women and a good work-life balance.

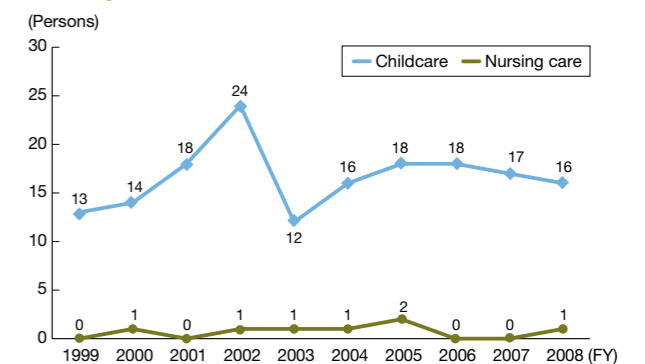
Employees are allowed to take up to one year off for nursing care and either until the child is one year and six months old or the end of April in the year after the child turns one, whichever is longer, for childcare. In fiscal 2008, childcare leave was taken by 16 employees at Kuraray and 31 in the entire Group, including overseas members. Almost all of the female employees who gave birth availed themselves of the system.

We also instated provisions for childcare reduced working hours up to the third grade of elementary school. These provisions were used by 38 employees in fiscal 2008.

Kuraray was certified by the Minister of Health, Labour and Welfare upon achievement of its action plan in accordance with the Next Generation Education and Support Promotion Act.



Number of Employees Taking Leave for Childcare/ Nursing Care (Kuraray Co., Ltd.)



(3) Other Provisions for Vacation and Leave

In addition to yearly paid vacations, Kuraray has made provisions for special vacations (up to 60 days a year) and social contribution leave, and supports diverse activities of social contribution by its employees. In fiscal 2008, 12 employees utilized those for special vacations to do volunteer work for an international conference of NPOs and take part in activities of natural preservation.

Human Resource Development and Assessment

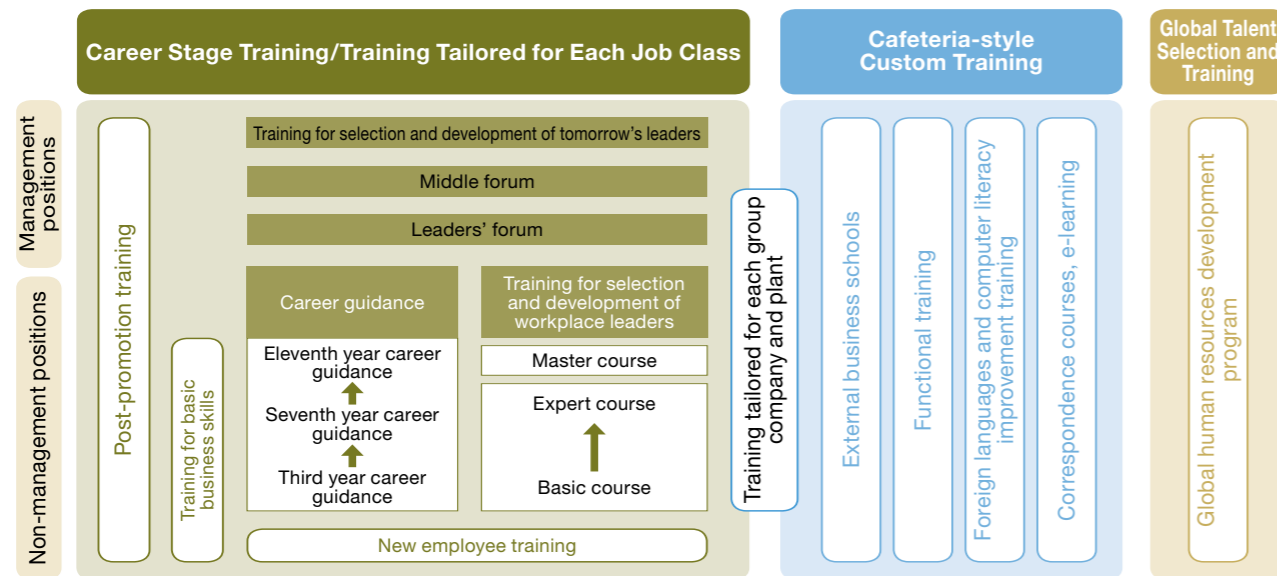
For the domestic Kuraray Group companies, we have established a companywide training scheme to support acquisition of the knowledge and skills required for jobs and career-building efforts by employees themselves.

The training is open not only to regular employees but also part-time and contract-based ones, as necessary. In addition, Kuraray plants and group companies plan and

implement their own training programs and provide their employees with finely-tuned support for skill development and career-building.

Kuraray also has an incentive system under which it furnishes grants for acquisition of certain public qualifications by employees for their own self-improvement.

Kuraray Group Training Scheme

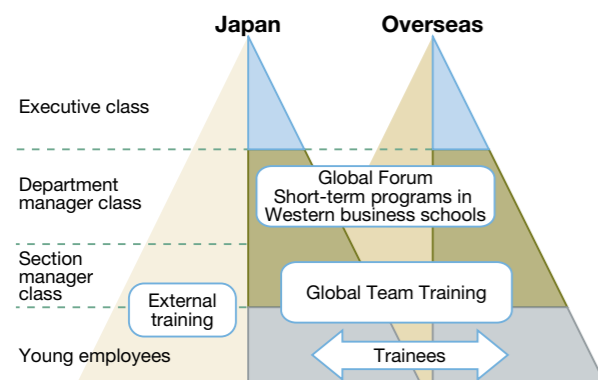


Global HR Development Program

Kuraray instituted its Global Human Resources Development Program in fiscal 2007. The program offers equal opportunities for skill development to our diverse pool of human resources, regardless of company and nationality. In fiscal 2008, it drew the participation of 58 employees from various countries.

Thirty of the 58 employees attended the Global Team Training, a program for selected employees aimed at the sharing of Kuraray's management DNA.

Global HR Development Program



A Fair, Impartial, and Transparent HR System

Kuraray has instated a personnel system in which elements such as improvement of job execution capabilities, business results, and spirit to challenge demanding roles (as opposed to seniority and personal factors) are reflected in remuneration.

In fiscal 2008, we made a transition to an arrangement of role ranks for management positions. Under it, remuneration slides with the rank, regardless of age and qualifications. In April 2009, we shifted to a system enabling ordinary employees to change development courses to suit their desired career path and to a wage scheme that better reflects the degree of growth in skills and yearly business results.

In the aspect of personnel evaluation, we instated a scheme of target-based management in which actual employee performance is rated with reference to targets for duties and skill development set through consultation with their superiors. We also provide ongoing training for personnel making the evaluations.

Occupational Health

To provide workplace environment where it is possible to work in both a physically and mentally safe and healthy manner, we formulated the Kuraray Basic Policy on Occupational Health*.

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 has mounted a companywide approach to mental health measures aimed at preventing stress-related conditions that have been on the rise in society as a whole in recent years.

(1) Training for Prevention

As an initiative against the incidence of conditions detracting from the mental health of our employees, we implement ongoing training for self-care (action taken by the employees themselves) and line-care (action taken by managers and workplace leaders), with guidance from the Institute for Science of Labour (Dr. Yasuna Suzuki, Director). In fiscal 2008, this training was received by about 600 employees throughout the company.

(2) Mental Health Counseling Office

Kuraray has established counseling offices both inside and outside the company, and prepared arrangements that make it easy for employees to get counseling over the phone or through face-to-face meetings. To prevent mental difficulties caused by long working hours, we have employees who work a lot of overtime receive a health examination by industrial physicians and health care staff.

(3) Assistance with Return to the Workplace

We instated a rehabilitative attendance system to support a phased return to the workplace by employees who have been off the job for a long time. In fiscal 2008, 11 employees made use of this system.

Support for Building Health

To promote the health of its employees, Kuraray conducts a companywide program for improvement of life habits. Under this program, each employee sets his or her goals (for amounts of exercise, eating, etc.) and works to attain them on his or her own initiative.

In 2008, about 3,500 employees took part in this program.

Action against Influenza A (H1N1)

In response to the spread of influenza A (H1N1), which broke out in April 2009, the Kuraray Group has implemented preventive measures such as curbs on business trips, limits on attendance at the office, and reinforced sanitation steps, in line with companywide guidelines for combating the illness. In such ways, we are taking action to prevent mass infection among our employees while assuring our business continuity.

Preventive System

