

kuraray

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Kuraray CSR Report 2010
Corporate Social Responsibility Report



Responsible Care

Issued November 2010

kuraray

Message from the President

Kuraray's history can be divided into the following periods: 1) the prewar period, in which it established the rayon technology as its foundation and expanded its business; 2) wartime and immediate postwar period, in which it succeeded in commercializing *KURALON*, a domestically produced PVA fiber and the first of its kind in the world; 3) period of growth ushered in by diverse development of business in fibers such as polyester, *CLARINO*, *KURAFLEX*, and *MAGIC TAPE*, and unique chemicals applying original technology such as poval, *EVAL*, isoprene, dentistry materials, and *GENESTAR*; and 4) the most recent period, in which it is globalizing by expanding its network of overseas business sites. In all of these periods, we have continued to provide society with useful products.

In taking up the challenges brought by each of these periods, our activities were supported by the "creation of values" philosophy of Soichiro Ohara, our second president, who asserted that the profit to be realized by corporate enterprises must be considered payment commensurate with the contribution to society and the national economy deriving from technical innovation. The Group was founded in 1926, which was the year of the tiger in Chinese astrological calendar, and this year therefore marks its eighth year of the tiger. We are determined to continue practicing management whose hallmarks are assurance of safety as a global chemical enterprise, preservation of the environment and observance of all related laws and regulations, respect for the interests of all stakeholders, and contribution to the building of sustainable societies.

Age of Economic Crisis

Although the world economy appeared to have weathered the depression triggered by the failure of Lehman Brothers thanks to the mobilization of fiscal and financial policies by various countries acting

in concert, the Greek debt crisis again actualized risks inherent in the economic system. As such, the situation remains unpredictable.

In GS-21, its last medium-term management plan, the Group took aim at sales of 450 billion yen and operating income of 50 billion yen in fiscal 2008. Unfortunately, we were unable to attain these targets in the harsh external business climate. In GS-Twins, the medium-term action plan we began in fiscal 2009, we are setting our sights on recovery of sales and operating income to the same levels (450 and 50 billion yen, respectively) in fiscal 2011. This is to be achieved through a restoration of the bruised earnings structure (which had broken down), creation of new business in domains where the market is growing, and acceleration of our global strategy in our core business.

The Group is making a priority input of management resources in three new domains constituting growth industries; energy-related materials, aqua business, and environment-friendly materials. Each provides effective solutions for contemporary issues facing the whole world. We intend to refine these original technologies and make a contribution to sustained economic growth as a good corporate citizen.

Approaches to Global Environmental Problems

In 2000, Kuraray formulated its Medium-Term Environmental Plan, which targeted a reduction in emissions of greenhouse gases (GHGs), mainly from our domestic plants, by 10% relative to fiscal 1990 in fiscal 2010. We had achieved a corresponding reduction of 14% by fiscal 2009, and are still working for further decrease. Meanwhile, we are also engaged in on-going activities to reduce waste and increase the rate of its effective use to promote a recycling-oriented society.

The year 2009 saw the holding of the U.N. Climate Change Conference in Copenhagen, but the

conference failed to reach agreement on a new international framework; the results did not go beyond the level of preparation of a framework for financial and technical assistance for proper action by developing countries, and pledges by developed countries to set national emission targets for 2020. The road to attainment of the GHG reduction of 25% relative to 1990 in that year posted by the Japanese government as its target will undoubtedly be a difficult one. We at Kuraray, however, view this change not as a burden but as a chance for development of tomorrow's business. We are going to embark on the creation of GHG-reducing technology, development and expansion of products making an environmental contribution, and countermeasures for emissions of chemical substances grounded in assessment of environmental efficiency.

Making a Return to Society

Corporate enterprises cannot subsist unless they are trusted and supported by the society. At Kuraray, we consider it a vital obligation of ours to respect the interests of all stakeholders and make a suitable return to society using the profit and capabilities we received from it. Besides return to our shareholders in the form of higher dividends reflecting continuous growth in earnings, we make a proper return to our employees, communities, social programs, and other social constituents. This year marks the 130th anniversary of the birth of Magosaburo Ohara, Kuraray's founder. The legacy of social programs bequeathed by Magosaburo, one of the pioneers of philanthropy in Japan, is being carried on as energetically as ever at present, along with his thought. With the hope to keep such legacy alive, Kuraray strives to continue cooperative and supporting activities for social programs, including those of Ishii Memorial Aizen-en, Ohara Museum of Art, and Kurashiki Central Hospital (in whose management Kuraray is deeply involved).



At Kuraray, we take "respect for individuals", "cooperation in shared goals", and "creation of values", which are the cornerstones of the corporate philosophy animated by the spirit behind our founding, as the starting points of the social responsibility we must discharge. We ask each employee of our Group to take action with a keen sense of ethics as good citizens, and are striving for achievement of our 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".

Fumio Ito
Representative Director and President
Kuraray Co., Ltd.

A handwritten signature in black ink that reads "F. Ito".

Corporate Profile

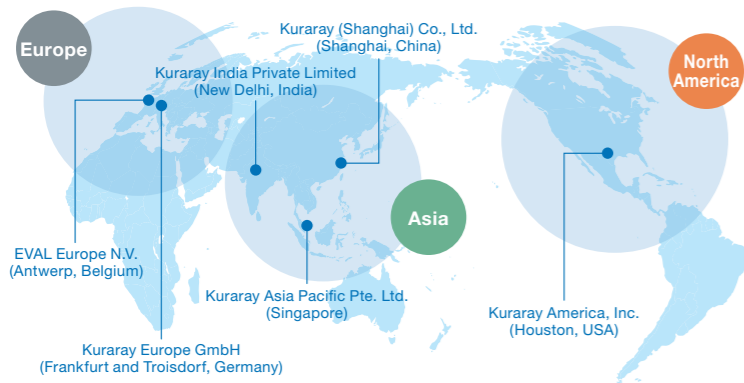
Company name	Kuraray Co., Ltd.
Representative Director and President	Fumio Ito
Date of establishment	June 1926
Capitalization	89 billion yen (as of March 31, 2010)
Number of employees (consolidated)	6,630 (as of March 31, 2010)
Head offices	Tokyo, Osaka
Plants and laboratories	Kurashiki, Saijo, Okayama, Niigata, Kashima, Tsukuba
Group companies	33 consolidated subsidiaries, 5 equity method affiliates (as of March 31, 2010)
Overseas operations	USA, Germany, Belgium, China, Singapore, India

Business Outline

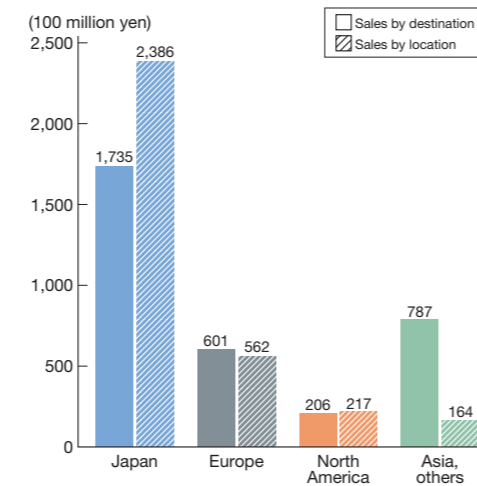
Kuraray Co., Ltd. was founded in Kurashiki, Okayama Prefecture in 1926 with the purpose of commercializing rayon. After World War II, it became the first company to commercialize *KURALON* (PVA fiber) based on domestic technology. It went on to expand its business domains by making the most of its original technology. The list of products includes: poval resin, which was created as the base resin for *KURALON* and makes most of good water solubility and adhesion characteristics; poval film, which is indispensable for LCD devices; *EVAL*, a barrier resin of the highest order; isoprene chemical products born of the world's only synthesis method; *CLARINO*, a man-made leather with the fine structure and functionality of natural leather; and dentistry materials that achieves 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 38 sites in a total of 15 countries and regions.

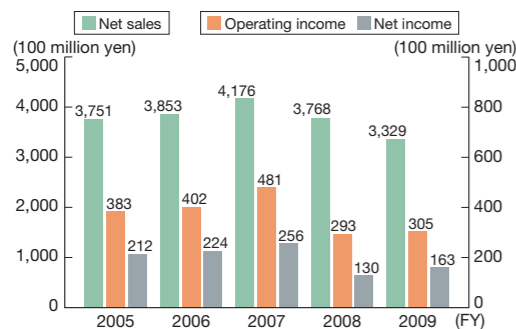


Sales by Destination and Location (Fiscal 2009)

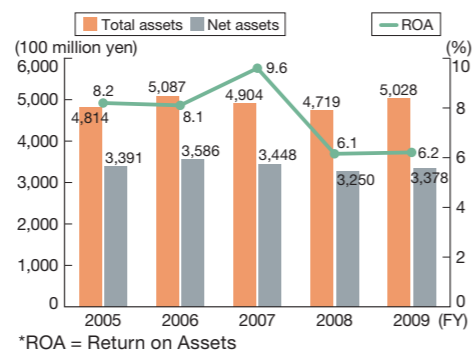


Kuraray Group Financial Highlights (Fiscal 2009)

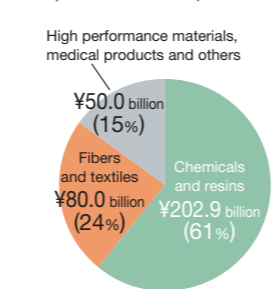
Trend in Consolidated Business Performance



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



Consolidated Net Sales by Segment (Fiscal 2009)



Editorial Policy

Reporting Period

From April 1, 2009 to March 31, 2010

(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

– Reports focus on Kuraray Co., Ltd. and domestic affiliated companies, but also include some overseas affiliated companies

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., consolidated subsidiaries, and equity method affiliates (total 39 companies)

The Kuraray Group (Consolidated Subsidiaries)

Region	Company Name	Category
Domestic	Kuraray Co., Ltd.	Kuraray Group companies
	Kuraray Medical Inc.	
	Kuraray Engineering Co., Ltd.	
	Kuraray Techno Co., Ltd.	
	Kuraray Business Service Co., Ltd.	
	Kuraray Kiko Co., Ltd.	
	Kyosei Chemical Co., Ltd.	
	Kuraray Saijo Co., Ltd.	
	Kuraray Tamashima Co., Ltd.	
	Kuraray Kuraflex Co., Ltd.	
	Kuraray Chemical Co., Ltd.	
	Kuraray Trading Co., Ltd.	
	Kuraray Plastics Co., Ltd.	
	Ibuki Kosan Co., Ltd.	
	Kuraray Fudosan Co., Ltd.	
	Iruma Country Club Co., Ltd.	
	Kuraray Living Co., Ltd.	
Overseas	Techno Soft Co., Ltd.	Overseas affiliated companies
	Kuraray Interior Co., Ltd.	
	Kuraray Fastening Co., Ltd.	
	Kuraray Travel Service Corporation	
	Okayama Rinkoh Co., Ltd.	
	Okayama Rinkoh Warehouse And Transport Co., Ltd.	
	Kuraray Holdings U.S.A., Inc.	
	Kuraray America, Inc.	
	Kuraray Europe GmbH	
	EVAL Europe N.V.	
OOO Trosifol		
Kuraray Asia Pacific Pte. Ltd.		
Kuraray (Shanghai) Co., Ltd.		
Kuraray Trading (Shanghai) Co., Ltd.		
Kuraray Hong Kong Co., Ltd.		

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

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Management Report

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.

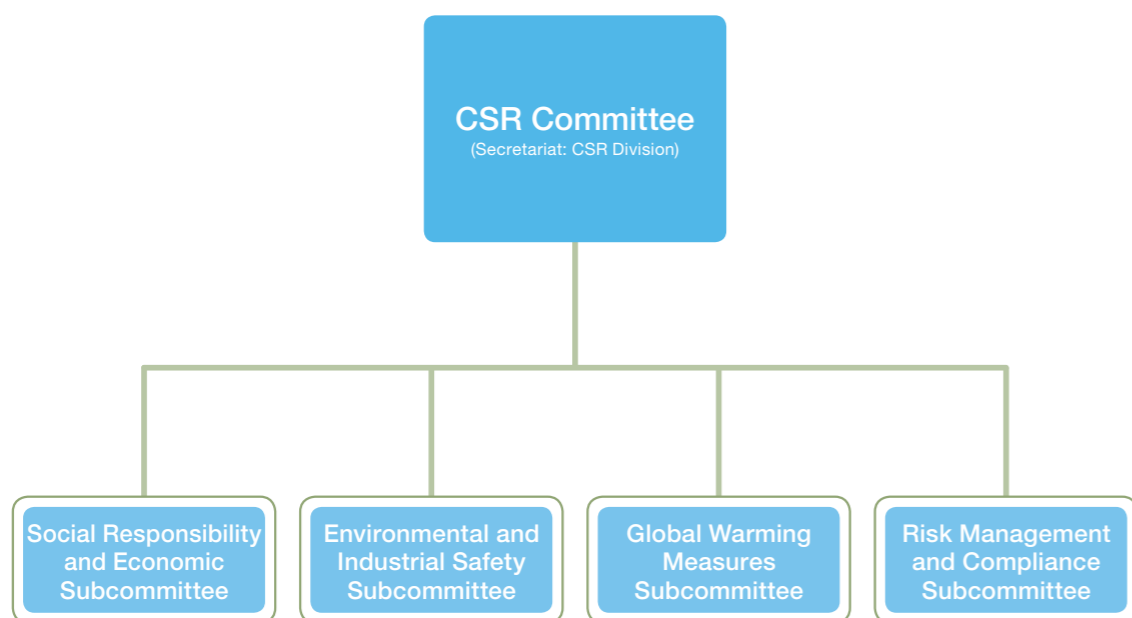
In accordance with this philosophy, we regard it as our raison d'être to make a proper return to society as a good corporate citizen of society and contribution to

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, while respecting the interests of 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 Subcommittee, Environmental and Industrial Safety Subcommittee, Global Warming and Industrial Safety Subcommittee, Global Warming

Measures Subcommittee, and Risk Management and Compliance Subcommittee). 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.

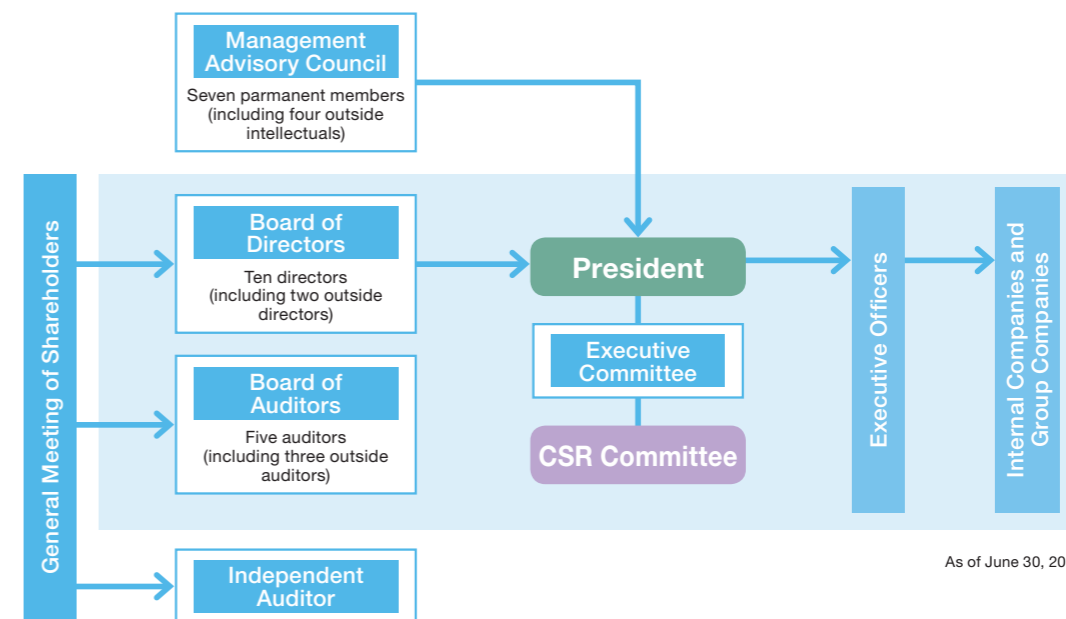


Corporate Governance

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 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 ten, including two outside 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 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 outside directors and outside auditors.

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

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 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 addition, we confirm and improve the status of risk management through a variety of checking systems, including our security control program, RC* Activities Verification Meetings, safety management system, and assessment of internal control related to financial statements. Furthermore, to make our Group even more resilient, we are conducting a group-wide program for review and conditioning of risk management. With an

awareness of the threat of large-scale accidents and disaster risks, we formulated a business continuity plan and are working to prevent the worsening of any damage in our key business.

We have instated a setup for the establishment of Emergency Command Center headed by the President, for swift action in response to occurrence of any major emergency situation.

RC

An acronym for "responsible care". The term refers to active approaches to environmental preservation, security assurance and disaster control, occupational safety and health, logistics safety, chemical/product safety, and communication by companies handling chemical substances, in the entire process from development to production, distribution, utilization, final consumption, and disposal. The RC movement was launched by the International Council of Chemical Associations (ICCA). Kuraray has been participating in it right from the time of establishment of the Japan Responsible Care Council (JRCC) in 1995.

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.

Our Principles for Business Conduct were established in 1998 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. Then in 2003, the Compliance Declaration was published to clearly state that "we will give precedence to laws and regulations, and to the Principles for Business Conduct, over corporate profits". In addition, we 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. We also distribute the Compliance Card*, which spells out our management stance on compliance, to all members of our Group in Japan, to make sure that all employees know of our internal reporting system.

We published the Compliance Handbook for our subsidiaries in Europe and China in fiscal 2008, and the revised Japanese edition in fiscal 2009.

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.

Compliance Declaration

- 1 We will comply with the laws and regulations or 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)

Compliance Card

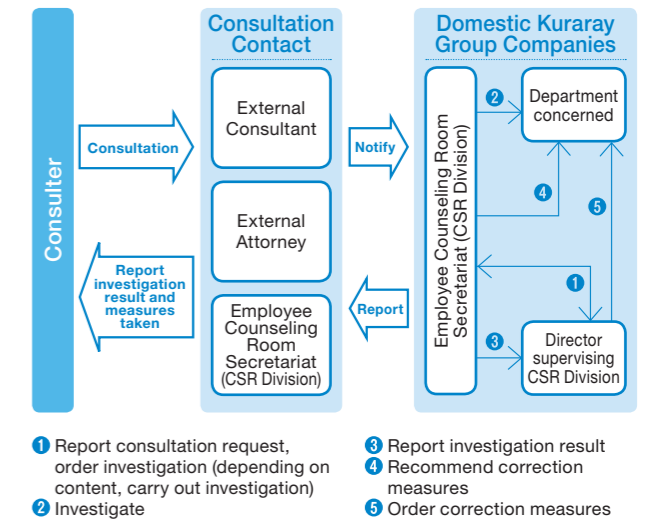
A card containing the President's Compliance Declaration and our corporate philosophy, Principles for Business Conduct, and contact number of the internal reporting system. Beginning in 2003, it was distributed to all employees of the Kuraray Group in Japan, including temporary staff. Employees are instructed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

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. In addition, our overseas affiliated companies have each set up their own internal reporting systems.

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

Internal Reporting System



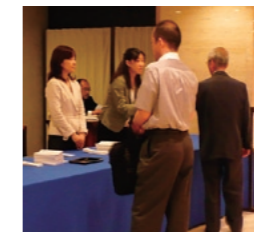
Communications

To assure its accountability to society as a whole, Kuraray practices timely and appropriate disclosure of information, in line with the Kuraray Group Disclosure Policy formulated in May 2007, to the whole spectrum of stakeholders (shareholders, customers, suppliers, employees, local communities, etc.).

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

IR Activities

In keeping with its 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 institutional investors, 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.



Reception desk at the general meeting of shareholders

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

IR

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

Publicity and PR activities

The Kuraray Group is engaged in publicity activities for timely provision of information on our current status. Besides announcements of corporate news through regular news agencies, we have a full assortment of tools for this purpose, including display of the latest company information on our website and preparation of pamphlets and videos. Similarly, to raise recognition of our company, which is at the foundation of information provision to society as a whole, we are promoting PR activities that encompass approaches to communication with the general public through exhibits, events, and other doings as well as the corporate advertising campaign centered around TV commercials begun in 2007.

As a part of this communication, we have been exhibiting at Eco-Products, Japan's largest environmental show, since 2005. In 2009, under the theme of "Solar and Water Mirabakesso*" we introduced many visitors to our approaches through a display on the solar power generation and the water-processing business and major environmentally friendly products of the Kuraray Group.



Eco-Products 2009 was held on December 10-12, 2009

Mirabakesso

A keyword used in the Kuraray Group's corporate advertising campaign, which is a contraction of the catchphrase, "Mirai ni Baku Shingozai". Translated from the Japanese, it means: "New materials that transform into the future".

Safety Report

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

“Safety is the Cornerstone of Everything We Do”

Basic Policy on Ensuring Safety (Fiscal 2010)

- 1 Ensuring “Safety First, Production Second”
- 2 The most important thing in implementing “Safety First” is to make sure you CHECK
- 3 Ensuring that all employees have a strong will for achievement 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.

To be more specific, 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 unit establish its own policies and goals based on this corporate policy, reflect them in its concrete action plans, and pursue activities in accordance with the plans. Twice a year, a group of

representatives from the headquarters, with the assigned executive officer as a leader, conducts Site Safety Inspections in aspects such as the drafting of action plans, and action taken based on these plans and its results. The findings of this inspection are reflected in the activity policy for the next fiscal year.

In addition, in fiscal 2009, we constructed and began operating the Safety Level Evaluation System for assessment of the level of safety and weak points in each unit. This has enabled objective evaluation of the weak points in safety activities and the safety level in each unit. The System is expected to make each unit capable of carrying out safety activities with a focus on appropriate items efficiently and effectively.

Targets and Actual Results

Item	Scope	Goals for achievement	FY2009			FY2010 target	
			Target	Actual results	Evaluation		
Occupational safety	Number of lost-time injury incidents	Domestic Kuraray Group companies	0 incidents	0 incidents	2 incidents	△	0 incidents
			Safe and comfortable workplaces, establishment of safety climate	Instatement of the Safety Level Evaluation System	Construction of the Safety Level Evaluation System enabling evaluation of the safety level and weak points of safety activities in each unit	◎	<ul style="list-style-type: none"> • Spread of the Safety Level Evaluation System to all units, and rooting in them • Management of personal safety levels and education for knowledge required for assurance of safety
Disaster prevention	Number of disasters	Domestic Kuraray Group companies	0 incidents	0 incidents	0 incidents	◎	0 incidents
			Intrinsic safety of plant facilities	Reinforcement of a security management system	Provision of education and instruction to all plants about the security management system and disaster-prevention risk assessment	◎	<ul style="list-style-type: none"> • Implementation of omission-free risk assessment and corresponding countermeasures related to disaster prevention • Provision of a safe construction environment in outsourced work
			Tightening of safety management in outsourced work	Implementation of management in accordance with the Guidelines for Construction Safety Management in Outsourced Work; occurrence of two "near-accident" cases due to insufficient confirmation of safety before starting modification work	△		

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

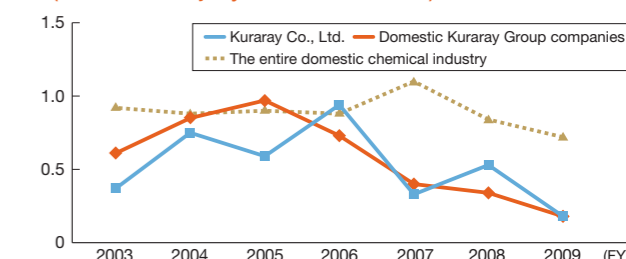
Occupational Safety

We at the Kuraray Group recognize that ensuring employee safety and health is the very basis of a company's business activity. Through properly operating our occupational safety management system, we strive to improve the level of safety among employees toward our goal of safe, accident-free workplaces.

In fiscal 2009, we aimed to have safety activities take firm root as part of the daily routine and foster a safety culture of our organizations. To this end, we undertook various safety activities, such as the voluntary point-and-call practices by employees for the purpose of confirmation. As a result, our occupational safety performance for fiscal 2009 improved steadily with only two lost-time injury incidents. Although we failed to attain the target of zero incidents, this figure was an improvement from four incidents recorded in fiscal 2008.

For fiscal 2010, we are aiming at reducing the lost-time injury incidents to zero by promoting efficient and effective safety activities through the full use of the Safety Level Evaluation System.

Trend in Occupational Safety Performance (Lost-time Injury Incidence Rate)



Lost-time injury incidence rate
 Number of injuries per million work hours
 = Number of injuries / Number of hours worked × 1,000,000

Number of Occupational Injuries

	FY2006			FY2007			FY2008			FY2009		
	Lost-time	No lost-time	Total	Lost-time	No lost-time	Total	Lost-time	No lost-time	Total	Lost-time	No lost-time	Total
Kuraray	5	1	6	2	0	2	3	0	3	1	0	1
Domestic affiliated companies	4	5	9	3	4	7	1	1	2	1	3	4
Domestic Kuraray Group companies total	9	6	15	5	4	9	4	1	5	2	3	5
Domestic subcontracting companies*	1	0	1	7	2	9	1	2	3	1	0	1
Overseas affiliated companies	3	0	3	5	4	9	12	1	13	8	1	9

* Companies performing contracted work in Kuraray plants

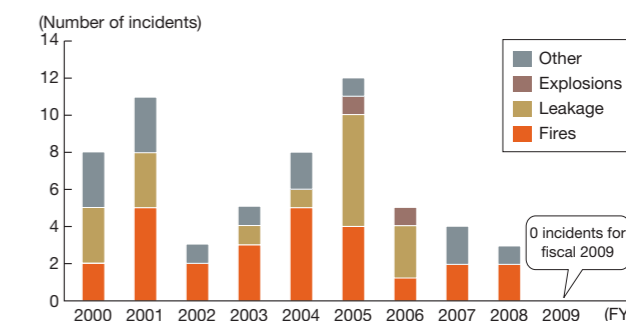
Safety Assurance and Disaster Prevention

At the Kuraray Group, 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 modification 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 fiscal 2009, we took action to prevent accidents and disasters in outsourced work. More specifically, we had each plant review and reconstruct the safety management system in construction work encompassing subcontracting companies, in accordance with the Guidelines for Construction Safety Management in Outsourced Work, which were formulated and issued in fiscal 2008.

As a result of these activities, there were no safety-

Security and Safety-related Accidents (Domestic Plants)



related accidents in fiscal 2009. However, there were two near-accident cases due to insufficient confirmation of safety in workplaces at the time of transfer of responsibility to a construction company. Although these incidents fortunately did not result in actual safety-related or occupational accidents, we are taking them seriously and embarking on activities aimed at providing a safe construction environment in outsourced work for fiscal 2010.

HAZOP

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

General Disaster-prevention Drills

In its production activities, the Kuraray Group handles a huge amount of hazardous substances and high-pressure gas. In readiness for accidents or disasters, each plant is equipped with fire-prevention and -extinguishing facilities, and has an emergency team organized, which regularly conducts drills. In fiscal 2009, these teams conducted drills on the assumption of various situations, including occurrence of fires, leakage of hazardous substances, earthquakes, and tsunami at night and on holidays as well. In addition, because major accidents require crisis

management on a companywide scale, we also conduct drills involving the Emergency Command Center with the participation of assigned executive officers and other representatives of each division at our headquarters. Fiscal 2009 saw the staging of a drill which assumed a leakage of ammonia gas at the Niigata Plant and confirmed coordination between the Plant and the headquarters.



Disaster-prevention drill at the Niigata Plant

Logistics Safety

To prevent damage to society at large due to logistics accidents, we are engaged in an ongoing promotion of activities to assure logistics safety in the aspects of product shipment and storage. These activities are led by the Logistics Safety Conference. In fiscal 2009, expanding the

scope of its agenda from the normal approaches focused on shipment and storage of hazardous cargo to include assurance of safety in storage and handling of ordinary cargo, the Conference held two safety training programs on these agenda for logistics companies with a total of 37 participants.

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 (see page 7).

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

Activities related to quality control and product safety are led by the concerned departments and affiliated companies on a routine basis, while companywide tasks are addressed by the CSR Division (Quality Assurance Group) and the Quality and PL* Working Team, 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 (Quality Assurance Group).

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 31, 2010)

- 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 its 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 2009.

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 2009, we revised our MSDS in response to a change in the substances covered by the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and took steps for conformance with domestic regulations by, for example, preparing for effectuation of the amended Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.. Meanwhile, we made preparations for registration under the EU REACH* regulations. In addition, we are making a switch to classification and labelling based on the GHS for MSDS and product labels.

Web - <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.

Environmental Report

Approaches to the Environment

Environmental Management

Kuraray Group Action Guidelines for the Global Environment

The Kuraray Group has formulated the following Basic Guidelines and Action Principles to govern global environment preservation activities.

Basic Guidelines

The basic guidelines for environmental conservation require that we fulfill our responsibility to future generations through sustainable corporate activities that are in harmony with the global environment and the local community. In order to achieve these basic guidelines, we will undertake the following activities.

- 1 We will assign the highest priority to the environment and safety in the course of our corporate operations.
- 2 We will work to improve the global environment and ensure its sustainability.
- 3 We will develop technologies and products that contribute to the goal of improving the global environment.

Action Principles

- 1 Continual reduction of designated chemical substance emissions into the environment
- 2 Contribution to the prevention of global warming
- 3 Promotion of conservation, reuse and recycling of resources
- 4 Development and supply of technologies for improving the environment and products with low environmental impact
- 5 Utilization of environmentally friendly products
- 6 Public disclosure of environmental information and dialog with the community
- 7 Raising the levels of environmental consciousness and environmental management
- 8 Cooperation with stakeholders

Targets and Actual Results

Item	Scope	Goals for achievement	FY2009			FY2010 target	Page ref.
			Target	Actual results	Evaluation		
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)	[Reduction through measures implemented in FY2009] 2.8% reduction (38,000 t-CO ₂) cf. FY1990 levels	[Emissions] 14% reduction (1,170,000 t-CO ₂) cf. FY1990 levels [Reduction through measures implemented in FY2009] 3.2% reduction (43,000 t-CO ₂) cf. FY1990 levels	◎	[Emissions] 10% reduction (1,226,000 t-CO ₂) cf. FY1990 levels [Reduction through measures implemented in FY2010] 1.8% reduction (25,000 t-CO ₂) cf. FY1990 levels	P.14-15
Effective use of resources	Effective waste utilization rate	Domestic Kuraray Group companies Maintain the rate at 90% or over	90% or over	93%	◎	Maintain the rate at 90% or over	P.17
	Lower levels of waste materials produced	Domestic Kuraray Group companies	[Reduction through measures implemented in FY2009] 4% reduction (3,200 t) cf. FY2007 levels [Implementation of MFCA*]	[Amount of waste produced] 69,000 t [Reduction through measures implemented in FY2009] 4% reduction (3,300 t) cf. FY2007 levels [Implementation of MFCA*] Pilot adoption at Okayama and Saijo Plants	◎	Implement measures to reduce by 1% (690 t) of the waste production level in FY2009	
Emissions management	Emissions of chemical substances designated by JCIA's PRTR	Domestic Kuraray Group companies	90% reduction cf. FY1999 levels	82% reduction cf. FY1999 levels	○	79% reduction cf. FY1999 levels • 82% reduction cf. FY1999 levels • Conduct studies to set targets for the next term	P.15-16
	VOC emissions	Domestic Kuraray Group companies	80% reduction cf. FY2004 levels by FY2010	67% reduction cf. FY2004 levels	○	- All VOCs handled by Kuraray are chemical substances designated by JCIA's PRTR, and approaches are taken as part of PRTR reduction efforts.	

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

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 been set up in the headquarters and Environmental and Industrial Safety Departments and Sections have also been established at each Kuraray plant and affiliated company as generalization function of environmental preservation, under the assigned executive officer.

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 began 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.

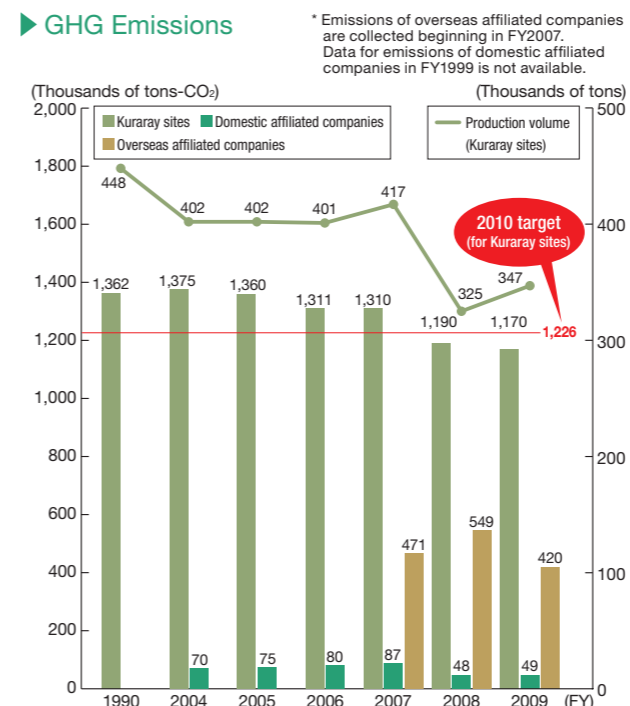
Reduction of GHG Emissions

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 fiscal 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 2009, GHG emissions from Kuraray sites came to 1,170,000 tons. This amount is 14% less than in fiscal 1990, and indicates that we more than met the 10-percent reduction medium-term target.

As compared to fiscal 2008, emissions were reduced by 43,000 tons thanks to higher efficiency in energy utilization, improvement of production processes, and other steps. Because of the increase in production (23,000 tons) along with recovery from the worldwide economic crisis, the net decrease was held to 20,000 tons.

GHG Emissions



* Emissions of overseas affiliated companies are collected beginning in FY2007. Data for emissions of domestic affiliated companies in FY1999 is not available.

Our domestic and overseas affiliated companies purchase their entire supply of energy from outside sources. In fiscal 2009, GHG emissions deriving from energy were calculated at 49,000 tons in Japan and 420,000 tons in other countries, for a Group total of 1,639,000 tons (down 148,000 tons from fiscal 2008).

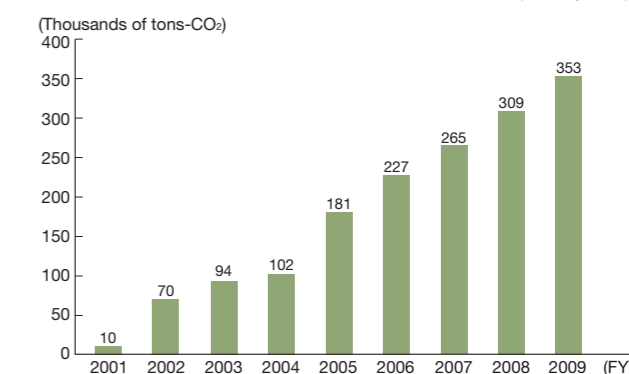
We are considering medium-to long-term measures to mitigate global warming beginning in fiscal 2010, while considering the movement toward new international frameworks and our group's business plans.

Effects of Measures for GHG Reduction

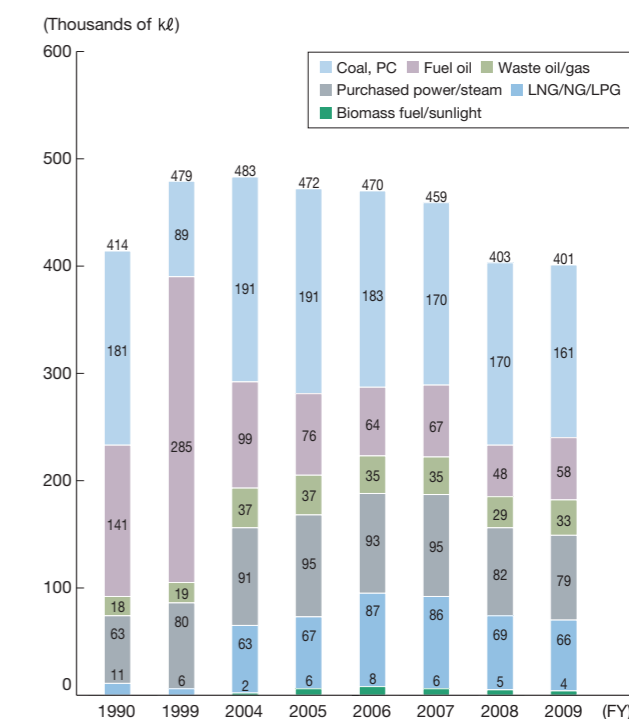
All Kuraray sites produce on their premises almost all of the electrical power and steam they need. They implemented initiatives including promotion of energy conservation, switches from fuel oil to natural gas, and generation of power with biomass to reduce GHG emissions by 353,000 tons over the nine-year period of fiscal 2001-2009. This reduction is equivalent to 26% of the GHG emission level in fiscal 1990.

For fiscal 2010, we are attempting to achieve a further GHG emission reduction of 25,000 tons, mainly through improvement of production processes.

Cumulative GHG Emission Reductions (Kuraray sites)



Breakdown of Energy Use by Type (Crude Oil Equivalent) (Kuraray sites)



* Calculating the amount of CO₂ emissions deriving from the electrical power purchased by domestic Kuraray Group companies based on the adjusted emission coefficient beginning in FY2009 report.

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

Reduction of Environmental Burden during Transportation

The amended Act on the Rational Use of Energy contains the target of reducing the prime 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*. Our prime units of energy utilization decreased by an average annual rate of 3.7% over the three-year period beginning in fiscal 2007 as compared to fiscal 2006, the base year. In fiscal 2009, CO₂ emissions during transportation came to 11,200 tons, 100 tons less than in fiscal 2008.

Prime unit of energy utilization

An indicator for the improvement in energy utilization in reports to the Ministry of Economy, Trade and Industry, which 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).

Modal shift

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

Education about Global Warming

The carbon dioxide (GHG) is emitted not only by the activities of companies but also by those of people in their daily lives. Kuraray plants are calling on employees and their families to participate in the movement for home environmental accounting and environmental activities staged by local governments.

Our Kurashiki Plant has continued to hold environmental education classes for elementary students in the area since 2000. By the end of fiscal 2009, a total of about 1,800 students had attended the classes. Employees of our Okayama Plant and their families took part in the "Future Forest Planting" campaign for the planting of broadleaf trees in vacant farmland.



"Future Forest Planting", an environmental preservation activity



Environmental education

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 2008, we had achieved a reduction of 75% (3,315 tons).

In fiscal 2009, our emissions of chemical substances came to 948 tons, a decrease of 15% (171 tons) from fiscal 2008. This reduction was brought by decreases in emissions of n-hexane, cyclohexane, etc. due to treatment to render combustion with ground flare stack harmless (at our Kashima Plant), and by decrease in emissions of methyl ethyl ketone due to the end to use of organic solvents in production processes (at Kuraray Plastics). Relative to fiscal 1999, the fiscal 2009 figure represented a reduction of 79% (3,486 tons).

As for the future reduction efforts, we have embarked 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 Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act) was enacted. Through the JCIA's PRTR program, 480 chemical substances have been targeted (354 of which are designated by the PRTR Act), and the domestic Kuraray Group companies handle 67 of these chemicals, including 41 chemical substances designated by the PRTR Act.

Reduction of VOC

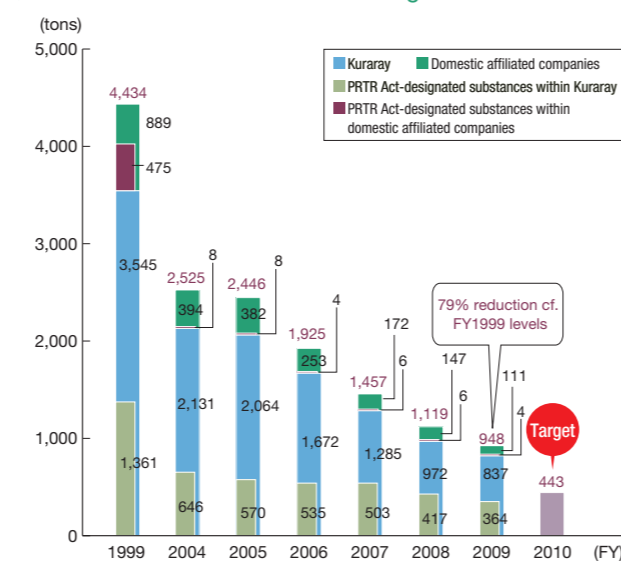
The regulations for VOC* emissions seek a reduction of

30% relative to fiscal 2000 by 2010. To achieve this reduction, the domestic members of the Kuraray Group are promoting reduced emissions of VOCs such as methyl alcohol, toluene, and formaldehyde. In fiscal 2009, VOC emissions amounted to 755 tons, for a reduction of 72% (1,978 tons) relative to the base year.

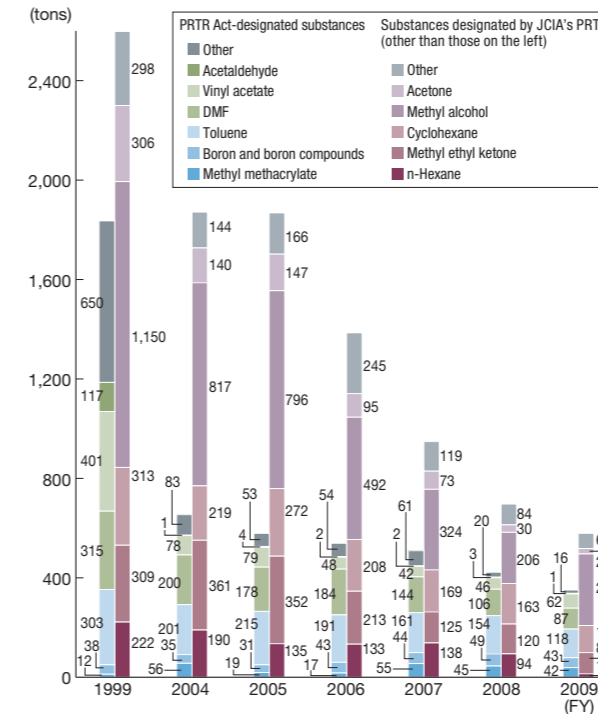
Volatile Organic Compounds (VOC)

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.

Trend in Emissions of PRTR-designated Substances



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



Violations of the Environmental Laws and Regulations by Kuraray Group Companies

In fiscal 2009, at the Kuraray Chemical Tsurumi Plant (plant for production of activated charcoal), it was found that application had not been made for the operation of some drainage facilities for which approval must be obtained under the Act concerning Special Measures for Conservation of the Environment of the Seto Inland Sea. As a result of this discovery, an investigation was made of facility compliance with related laws and regulations. This investigation revealed the existence of some soot-emitting facilities for which notification had not been made as prescribed under the Air Pollution Control Act and environmental-related ordinance of Bizen City, Okayama Prefecture. Although it was assumed that there were no emissions in excess of the control levels under these laws, we decided to halt the operation of some of these facilities for improvement or scrapping, and to make due applications and notifications. This situation was caused by an inadequate understanding of the concerned laws and regulations, and holes in the system for internal checking. The company disclosed relevant information and took action to prevent recurrence.

The Kuraray Group made an investigation of the system for legal compliance and bolstered the setup for control to see that such violations never occur again.

Products Contributing to Improvement of the Global Environment

Besides striving to alleviate the environmental burden accompanying our business activities, the Kuraray Group is developing and manufacturing environmentally friendly products harnessing the technical expertise of our chemical manufacturers.

Wastewater Treatment System

Our wastewater treatment system uses PVA gel, a microbe fixation body with ultra-fine pores with diameters on the order of 20 microns. Delivering a high-efficiency biological treatment by fixing bacteria on the PVA gel, it enables a capacity increase and performance of advanced treatment with the use of conventional activated sludge treatment facilities. It is, in addition, the first system in the world to offer a simultaneous and substantial reduction of surplus sludge, which is conventionally disposed of as waste.

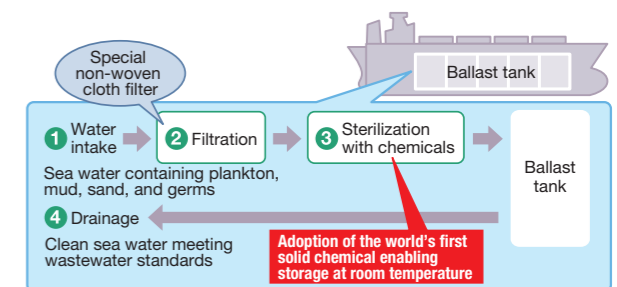
Development of Energy-related Products

Photovoltaic (PV) power generation is attracting a lot of attention as a form of renewable energy. Kuraray handles the PVB film used to seal PV panels, and also develops the whole organic thin-film solar cells. In addition, we created a hydrocarbon electrolytic film that greatly increases the generation performance to serve as a component of fuel cells, a clean form of power generation using hydrogen as energy.

Ballast Water Management System (MICROFADE)

At Kuraray, we developed the ballast water management system *MICROFADE* to help resolve environmental problems caused by ballast water. The system brings together technology accumulated through our business in films for industrial water treatment. It performs high-precision filtering using a special filter of our own creation. It has been given high marks from the industry for its compact size, high efficiency, and environmental friendliness.

Mechanism of Ballast Water Management System



Ballast water

Ballast water is the sea water stored in the ballast tank of a ship as a weight for maintaining balance after cargo has been unloaded. It is generally expelled from the ship in the waters of countries other than that of intake. This can have an adverse impact on the ecosystem, because the organisms contained in the expelled water may proliferate in locations differing from their native habitat.

Effective Use of Resources

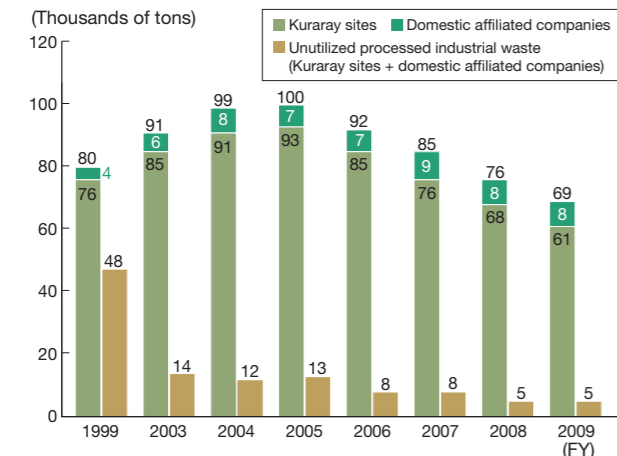
In fiscal 2007, the domestic Kuraray Group companies achieved an industrial waste utilization rate of more than 90% and held the final landfill disposal rate below 1% as targeted in the Medium-Term Environmental Plan. At present, they are striving to reduce the very levels of waste derivation in addition to promoting recycling.

In fiscal 2009, the amount of waste generated by the domestic Kuraray Group companies came to 69,000 tons, 7,000 tons less than in fiscal 2008. This reduction resulted from measures such as a decrease in the amount of waste liquid due to a revision of reaction processes and transformation of scrap derived in the production process back into usable resources. In fiscal 2009, we also launched studies of activities from a new perspective, as exemplified by the introduction of Material Flow Cost Accounting* in model units as a method linked to reduction of amounts of waste derivation.

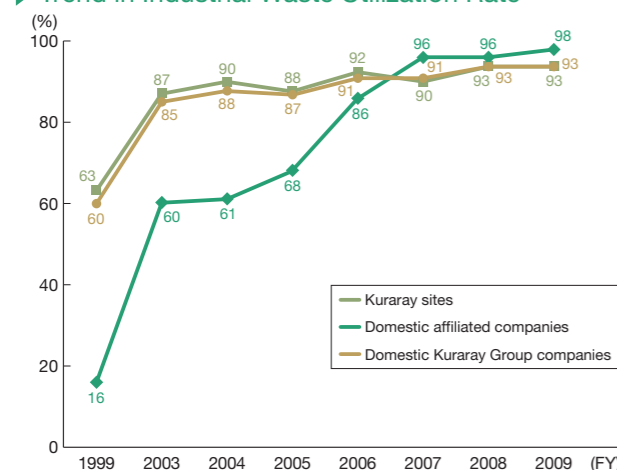
Material Flow Cost Accounting

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.

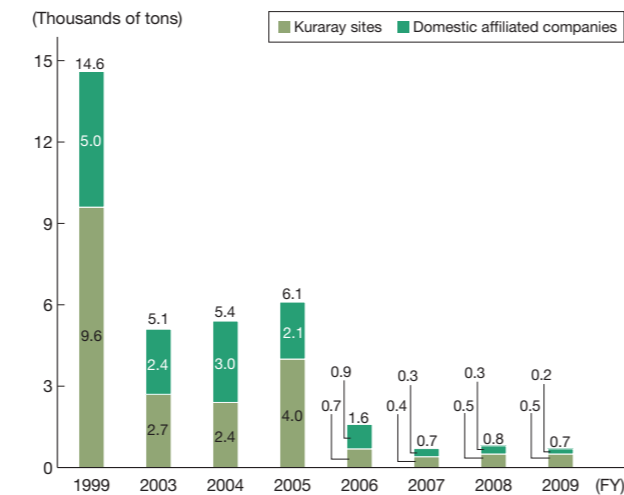
Trend in the Total Amount of Waste Generated and the Amount of Unutilized Processed Industrial Waste



Trend in Industrial Waste Utilization Rate



Trend in the Volume of Unutilized Externally-processed Industrial Waste



In-house Recycling of PC Ash

PC (petroleum coke) is one of the fuels used in boilers that generate steam and 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 was able to turn 6,300 tons of the ash back into a fuel in fiscal 2009.

Treatment of PCB Waste

The Kuraray Group practices proper storage and management of PCB* waste and waste containing a small amount of PCB in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes. We are also steadily promoting treatment to render PCB stores harmless, in line with laws and regulations.

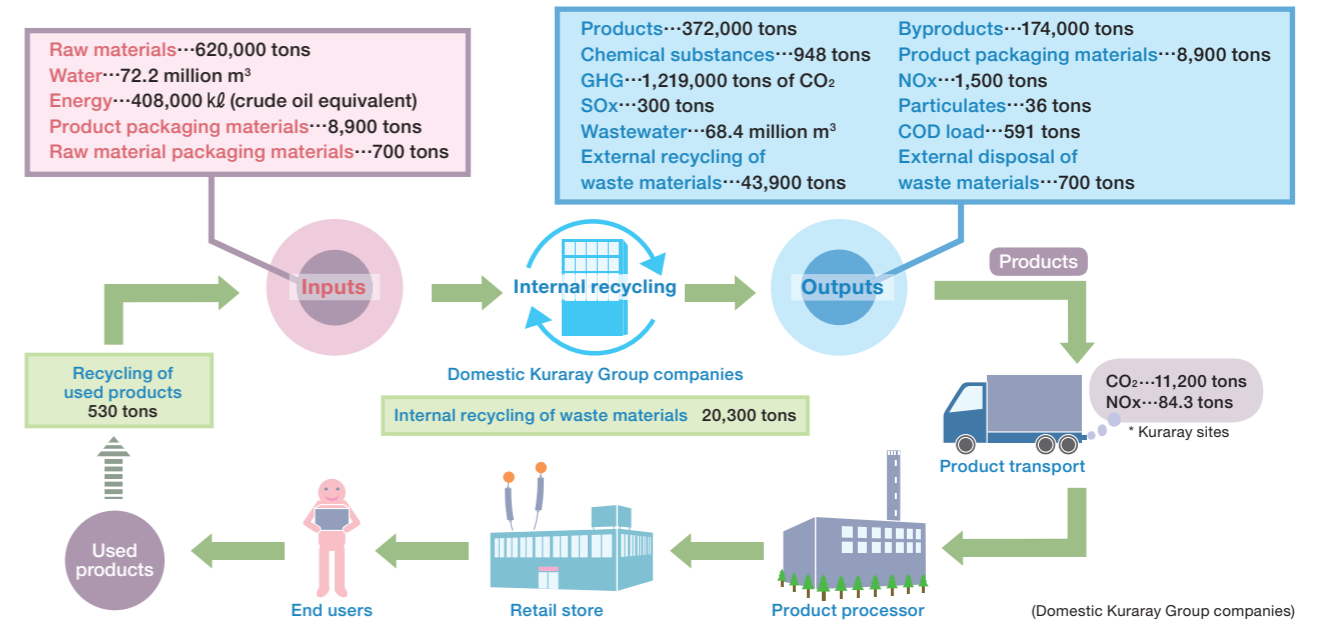
Polychlorinated biphenyl (PCB)

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 2009)

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.



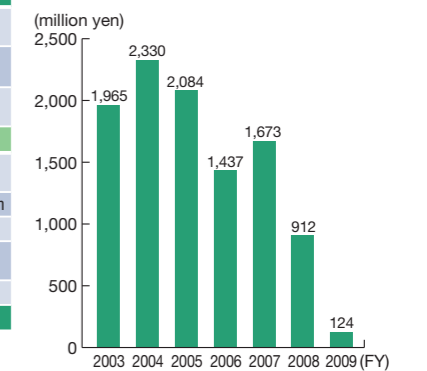
Environmental Accounting

Environmental Preservation Costs (million yen)

Category	Investments	Cost	Principal activities	
Costs within the sites	Pollution prevention costs	96	2,103	Operating cost of environmental facilities, measures to prevent emissions of chemical substances
	Global environmental preservation costs	20	500	Enhancement of in-house reuse of PC ash as a fuel
	Resource recycling costs	8	699	Enhancement of transformation of production process scrap back into a resource and in-house reuse of PC ash as a fuel
Total	124	3,302		
Upstream and downstream costs	-	114	Recycling and reuse of packaging materials, improvement of container packaging	
Administrative costs	-	155	ISO 14001, environmental measurement, environmental education	
Research and development costs	-	130	Development of environmentally friendly products	
Social activity costs	-	0	Afforestation, beautification, provision of environmental information to host community residents	
Environmental damage costs	-	0		
Total	124	3,701		

● Total investment during the reporting period: 15.2 billion yen (totalled in accordance with the scope of environmental accounting)
 ● Total R&D costs during the reporting period: 11.2 billion yen (same as above)

Investment in Environmental Facilities



Environmental Preservation Effects

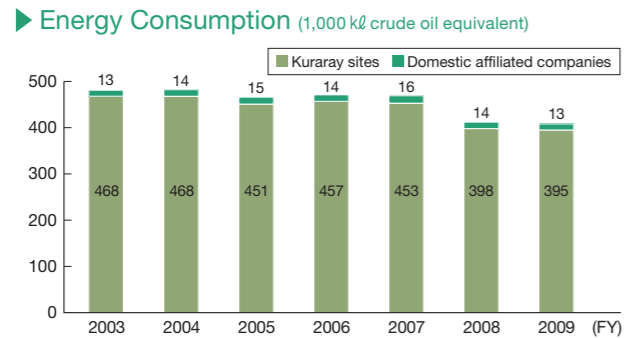
Category	Unit	FY2008	FY2009	Variance	
Pollution prevention effect	SO _x emissions	tons	302	295	-7
	NO _x emissions	tons	1,432	1,507	75
	Particulate emissions	tons	39	29	-10
	Emissions of PRTR Act-designated substances	tons	972	837	-135
Global environment preservation activities	COD load	tons	587	589	2
	GHG emissions	1,000 tons of CO ₂	1,190	1,170	-20
Resource recycling activities	Energy consumption	1,000 kℓ (crude oil equivalent)	398	395	-3
	Unutilized externally-processed industrial waste	tons	480	503	23
	Industrial waste utilization rate	%	92.7	92.9	0.2
	Water resource use	million m ³	73.2	71.3	-1.9
Total emission of wastewater	million m ³	69.3	67.7	-1.6	

① Basis for environmental accounting calculations
 ● Reporting period: April 1, 2009 to March 31, 2010
 ● Scope covered: Kuraray Co., Ltd.
 ② Environmental preservation cost calculation criteria
 ● Depreciation: Straight-line method
 ● Standard for allocating costs: In principle 100% of costs are allocated to individual environmental preservation items. However, a portion of costs is allocated on a pro rata basis.
 ③ 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.
 ④ 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.

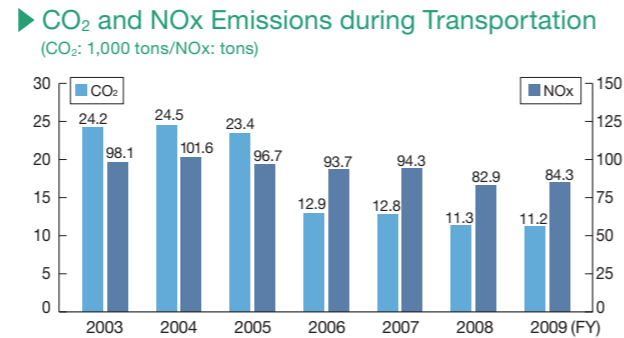
Social Report Approaches with the Community

Environmental Data

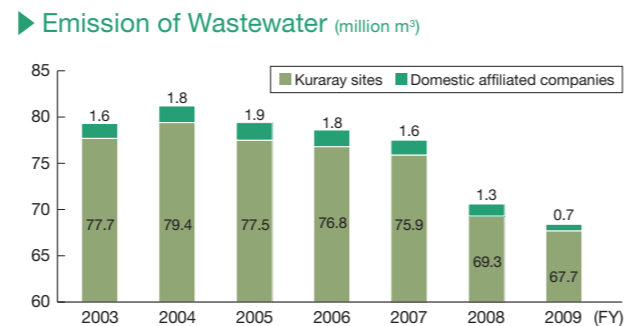
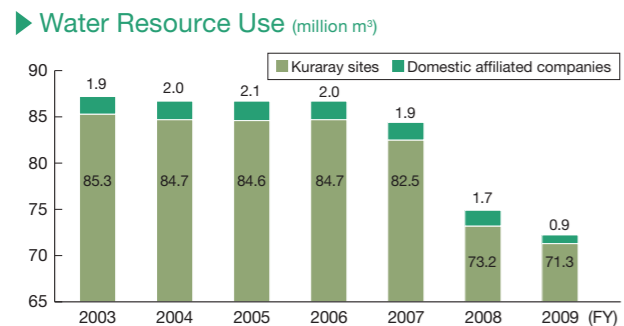
Trends in Energy Consumption



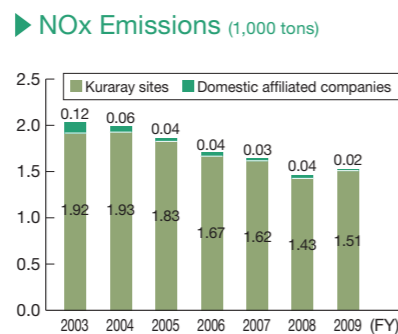
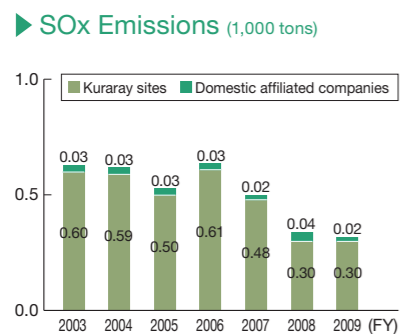
Reducing the Environmental Burden during Transportation (Kuraray sites)



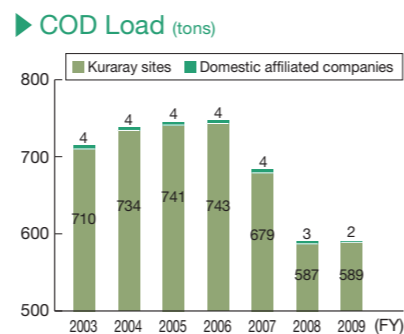
Resource Conservation



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 Center) ● Kuraray Tsukuba Research Center ● 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.

the program in 2004. The program has been steadily expanding and we collected some 10,000 school bags from all parts of the country in 2009. Filled with the good wishes of the children, the bags are sorted and packed by the members of the JOICFP (Japanese Organization for International Cooperation in Family Planning) 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 elementary school students 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 513 children participated on twelve occasions in fiscal 2009.

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 2009, our experiment for production of aromatics using highly water-absorbent resin attracted the participation of about 1,500 children and their parents.



Scene at Dream Chemistry-21

We also widened the scope of our activities in fiscal 2009. A case in point is the Himalaya Project held at Akita Prefectural University to bring electric lights to elementary schools in Himalayan villages. Through this project, we presented school bags and stationery supplies to Nepalese children.



Children in Afghanistan (photo provided by JOICFP)



Children in Nepal using donated school supplies (photo provided by the Akita Prefectural University Himalaya Project)

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	55	1,600
Saijo Plant	Exciting Chemistry Class	50	1,477
Okayama Plant	Fun Chemistry Class	31	1,072
Niigata Plant	Wondrous Laboratory	38	1,259
Kashima Plant	Fun Chemistry Class	8	600
Total		182	6,008

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 letters to children in Afghanistan and other countries where wartime devastation has robbed children of schooling opportunities.

The year 2009 marked the sixth year since the start of

Support for Self-help Efforts of the Mentally Challenged

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 three 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 the management aspect to the Ishii Memorial Aizen-en, Ohara Museum of Art, Kurashiki Central Hospital, and Doushinkai Saijo Central Hospital. In addition, we operate a nursing facility for the aged utilizing welfare facilities in our plants.



Ohara Museum of Art



Kurashiki Central Hospital



Saijo Central Hospital

▶ 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)

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 2009, such activities at seven Kuraray Group plants in Japan attracted an extended number of 2,351 participants, and served to deepen their understanding of activities at these sites.



Cherry Blossom Viewing Party



Illuminated Christmas tree

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 2009, a combined approximately 9,000 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. In fiscal 2009, the Okayama Plant was certified under the provisions established by Okayama Prefecture for assessment and certification of amounts of CO₂ absorbed by forests planted by companies and other organizations.

▶ Major Activities at Kuraray Plants

Plant	Activities
Kurashiki Plant	Christmas Fantasy, Children's Ball Games Meet, Summer Festival, Ground Golf Tournament
Saijo Plant	Cherry Blossom Viewing Party, Ground 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, Children's Ball Games Meet, Summer Festival
Kashima Plant	Volleyball for Moms Meet
Kuraray Chemical Co., Ltd.	Summer Festival
Kuraray Plastics Co., Ltd.	Summer Festival

CSR Procurement

Kuraray established the Green Procurement Policy in fiscal 2001. As the next stage of our green procurement efforts, we also established the CSR Procurement Policy in fiscal 2005 in order to make our purchasing activity more impartial, fair, and transparent. Based on the Ten Principles of the United Nations Global Compact, which is an international statement of universal principles, the CSR Procurement Policy consists of eleven items in three fields. With the cooperation of our major suppliers, we have been further enhancing our CSR procurement activity.

CSR Procurement Policy

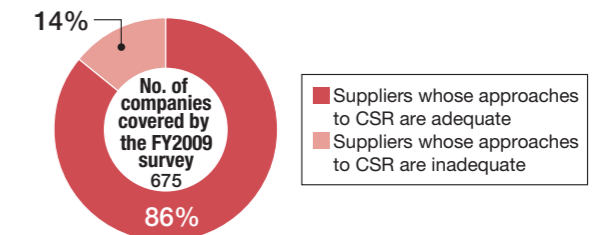
- ◆ Respect for human rights
 - ① Respect for human rights and individuality
 - ② Observance of the International Labor Organization's core labor standards
 - Guarantee of freedom of association and the right of collective bargaining
 - Prohibition of compulsory labor
 - Prohibition of child labor
- ◆ 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
 - ISO 14001 certification
 - Education and awareness campaign for green procurement

fiscal 2009, we expanded the coverage to 675 suppliers accounting for 95% of the same amount in order to further contribute to society and to fulfill our responsibility to take a lead in promoting CSR procurement through our purchasing activity. Another reason for this change is that the approaches to CSR-minded procurement by nearly 100% of these suppliers are now rated as adequate*. We are going to continue asking these suppliers to enhance their efforts for CSR procurement.

Criterion for determining adequacy of CSR activities

Implementation of eight or more items out of the eleven items set forth in the CSR Procurement Policy

▶ Results of the CSR Survey



Green Purchasing

As a part of its CSR procurement activities, Kuraray preferentially purchase environmentally friendly (green) products in line with its Green Purchasing Guidelines. In fiscal 2009, in order to adapt to changes in environment-related laws and regulations and social needs as well as technological advances, we made a review and revised our standards of judgment to make them more specific and easy to grasp. We are going to continue working for a further increase in our green purchasing rate.

Status of Activities

The CSR surveys up to and including fiscal 2008 covered 423 suppliers accounting for 90% of our purchasing amount. In

▶ Table of Green Purchasing Practices

Field	Item	Purchasing amount (millions of yen)	Green purchasing rate			
			FY2008	FY2009		
1	Paper (recycle)	3 items	Copier paper, printing paper, toilet paper	44	14%	14%
2	Stationery (recycle)	82 items	Mechanical pencils, ballpoint pens, magic markers, pencils, etc.	13	75%	75%
3	Office supplies (reuse)	10 items	Chairs, desks, shelves, umbrella stands, storage items, bulletin boards, low partitions, coat hangers, blackboards, white boards	5	100%	100%
4	OA equipment (energy conservation)	4 items	Personal computers, printers, copiers, fax machines	34 (leasing fee)	100%	100%
5	Home electrical appliances (energy conservation)	2 items	Refrigerators, TVs	1	59%	92%
6	Lighting (energy conservation)	2 items	Fluorescent lamps, bulb-type lamps	1	80%	81%
7	Automobiles (reduced environmental pollution)	1 item	Automobiles	35 (leasing fee)	100%	100%
8	Uniforms and work clothes (recycle)	2 items	Uniforms (for female employees at headquarters), work clothes	2	100%	100%
9	Fire extinguisher	1 item	Fire extinguisher	5	78%	85%

* Green purchasing rates for fiscal 2008 were calculated based on the revised green purchasing standards.

Cooperation and Support for Ishii Memorial Aizen-en

History of Ishii Memorial Aizen-en

This year marks the 130th anniversary of the birth of Magosaburo Ohara, the founder of Kuraray. Magosaburo left behind a legacy of social and cultural enterprises as outstanding as his achievements as a businessman. Many of these enterprises were expanded and carried on, such that they are still making a contribution to people alive today.

In 1907, Juji Ishii* established facilities in Osaka City in connection with the Okayama Orphanage in the Nagamachi district of that city. These facilities were the Aizenbashi Nursery School, to take care of the children of working parents; Aizenbashi Night School, to educate children unable to attend regular school due to poverty; and the Nihonbashi Dojoen, which provided services in guarantee, job referral, and visits and charity medicine for the poor. These were pioneering *rinpo* service* that were rooted in slum districts and aimed for the resolution of social problems in an era when there were not yet any systemic social and welfare services.



Juji Ishii

In 1917, the third year after Juji's death, Magosaburo established the foundation Ishii Memorial Osaka Aizen-en and carried on this work. In addition, he expanded the scope of social and educational activities to include Aizen Elementary School, a Sunday school, cultural lectures, a sports club, and health consultation. Furthermore, he established Aizenbashi Hospital for the purpose of providing protection for mothers and infants/toddlers, with low-cost services in early diagnosis and treatment. Osaka Aizen-en was visited by wartime devastation and its facilities burned down with the exception of Aizenbashi Hospital, which was miraculously spared by the flames. In 1952, it was reconstructed and reorganized as a social welfare corporation. It continues to operate social welfare service with a history of more than 100 years through the devoted efforts of its staff, who are still carrying on the aspirations of Juji's Christian spirit and Magosaburo's humanism.



Aizenbashi Hospital

Juji Ishii (1865-1914)

Juji Ishii was a pioneer of social welfare in Japan, and opened the country's first full-fledged orphanage.

Born in what is now Miyazaki Prefecture (to the Takanabe Clan), he was baptized in the Okayama Church and studied at the Okayama School of Medicine. He was heavily influenced by his acquaintance with George Müller, who headed an orphanage in Bristol, Great Britain and met Ishii on his visit to Japan. While assisting the examination of patients at a clinic in Kami-Achi, Ishii was entrusted with the child of an impoverished pilgrim, and this occasioned his establishment of the Japan Orphan

Education Group (the predecessor of the Okayama Orphanage). At age 23, he decided to abandon ideas of a career as a physician, for which he had studied six years, and to devote his life to saving orphans. The number of children residing, cared for, and educated in the Okayama Orphanage reached 1,200 for a time owing to events such as the Nobi Earthquake, Russo-Japanese War, and serious famine in the Tohoku region. Magosaburo Ohara empathized with Ishii's faith and practice, and deepened ties of friendship with him. Magosaburo was ungrudging in providing Ishii with support, and the two exerted a strong influence on each other's management and social work.

Three Social Welfare Services

Rinpo Service

The *rinpo* service provides a diversity of nursery-type programs rooted in the community. Besides Aizenbashi Nursery School, which dates from its founding, and Aizenbashi Children's Hall and Nanko-Higashi Nursery School (in Naniwa and Suminoe Wards, respectively), the list includes Wakakusa Nursery School, which opened in the Airin district of Nishinari Ward in 1970; Aozora Nursery for children unable to enter ordinary nursery schools; and Imaike Children's House, for juvenile health and development. Its Nishinari Civic Hall, which it runs on consignment from the Osaka City, is engaged in *rinpokan* activities such as assistance of self-supporting lives and cultural enhancement through services in life consultation and counseling for local residents, and various events undertaken in collaboration with many NPOs.

(Capacity: 300 children, Staff: 54 plus 6 civic consultants and counselors)



Wakakusa Nursery School (foreground) and Nishinari Civic Hall (background)

Medical Service

Aizenbashi Hospital was opened in 1937 for the purpose of providing services in diagnosis and treatment, at little or no charge and with complete care, for conditions that were a cause of poverty. The main building was constructed in 1965, and the services were expanded to those of a general hospital. The new main building was constructed in 2005. The hospital now plays a major role as a distinctive social welfare hospital offering services of both medical and welfare consultation as well as a core community hospital.

In the field of medical care for newborns, which was one of the main reasons for its establishment, the hospital has been designated a maternal and perinatal care center*. In this capacity, it is contributing to the resolution of new problems brought by the times as a main hospital for the Neonatal Mutual Cooperation System.

(Hospital beds: 274, Outpatients: 600 outpatients/day, Staff: 350 physicians, nurses, and other employees)

Nursing Service

Aizen, the special nursing facility for the aged situated next to the Aizenbashi Hospital, provides total medical and nursing services plus

Rinpo service

The Japanese equivalent of the Settlement Movement to provide relief for the poor and distressed that began in Great Britain. These were programs of community welfare in which persons with specialized knowledge would be always on hand at welfare facilities (*rinpokan*) set up in districts characterized by serious problems of poverty, lack of education opportunities, discrimination, etc. Through personal interchange with residents, they helped to reform and improve the lives of the latter.

Maternal and perinatal care center

Facilities that have arrangements for acceptance of women and newborns brought to them in the perinatal period from the 22nd week of pregnancy to less than seven days after childbirth. To be so designated, the facilities must be capable of furnishing medical care for high-risk pregnancies and high-level medical care for the newborns.

support for independent living with an emphasis on the individual. Other nursing services include group homes, domiciliary services, and care services based on visits to homes.

(Capacity: 80 for the aged, 9 for group homes, 10 for short stays, Staff: 60)

Continuation of and Support for Social Programs

In the tumultuous period from the early part of the 20th century, when capitalism arose and began to burgeon in Japan, to the 1930s, when the country headed into the Second World War, Magosaburo Ohara advocated respect for the uniqueness of each and every individual making up the society and a heightening of human dignity through execution of moral responsibilities by each individual. Such assertions were liable to be viewed as manifestations of radical thought in those days, but Magosaburo's true worth is evidenced by the fact that he took them beyond the level of a mere moral outlook and launched social programs around them, with active investment of wealth, in the attempt to find humanistic solutions for social ills such as poverty, exploitation, and juvenile vagrancy. The man who pioneered philanthropy in modern Japan was not a warmhearted benefactor but a practitioner of social and educational programs grounded in personalism.

Ishii Memorial Aizen-en is a crystallization of Magosaburo's thought. As a company carrying on the principle of "respect for individuals", Kuraray regards the return of a



Izakaya Aizen

certain amount of its business resources to such social programs as a major part of its corporate social responsibility.

Down through the generations, Kuraray's executives have participated in the operation of Ishii Memorial Aizen-en in the capacity of president or managing director. We are committed to continued cooperation and support for it in the aspects of management (e.g., dispatch of managing directors), financing (e.g., financial guarantees for the funding of hospital construction), and activities (e.g., volunteer work by employees for nursing care facilities, through operations such as Izakaya Aizen).

A Center of Community Welfare

Rooted in the spirit of good Samaritanism advocated by Juji Ishii, Ishii Memorial Aizen-en is a unique social welfare corporation engaged in the three fields of *rinpo*, medical care, and nursing services for a wide range of people, from newborns to 107-year-old woman. Aizenbashi Hospital provides medical services with close ties to the community; about 60% of its patients are residents of Naniwa and Nishinari wards. At the same time, we aspire to be a general hospital that is trusted by people in the Kinki region as a whole, by full exercise of its strength as the sole center of maternal and perinatal care center in Osaka City. We intend to bolster our community ties and operate Aizen-en in a manner assuring its delivery of safety and security. (Katsuya Hashimoto, Managing Director)



Social programs of Magosaburo Ohara (1880-1943)

- 1900- **Programs of relief for orphans**
Support for the work of the Okayama Orphanage of Juji Ishii and cooperation with a nationwide campaign to collect donations for the same
Relocation of the Okayama Orphanage to Chausubaru, Miyazaki Prefecture by 1912, and temporary suspension of its activities in 1926, followed by restart as Ishii Memorial Yuuaisyu in 1945
- 1901- **Social education programs**
Establishment of the Worker Education Department (Kurashiki Spinning Co.), Kurashiki Commercial Continuation School, and Kurashiki Scholarship Association
Holding of the Kurashiki Sunday Lecture series (beginning in 1902) featuring noted speakers including Soho Tokutomi, Inazo Nitobe, Shigenobu Ohkuma, and Aizan Yamaji; succeeded by the Ohara Magosaburo-Soichiro Memorial Lecture series (in Kurashiki)
- 1906- **Improvement of employee health and welfare at Kurashiki Spinning Co.**
Total abolition of the bunkhouse system and construction of dispersed single-story quarters for female workers (1914)
- 1907- **Programs for promotion of agriculture**
Staging of groups for appraisal of the quality of rice produced by sharecroppers, for improvement of farming
Establishment of the Ohara Institute for Agricultural Research headed by Mantaro Kondo (1914; the current Okayama University Institute of Plant Science and Resources, Okayama)

- 1917- **Ishii Memorial Osaka Aizen-en**
Support for the Osaka *rinpo* programs of the Okayama Orphanage (i.e., the Aizenbashi Nursery, Aizenbashi Night School, and Nihonbashi Dojoen led by Shokichi Tomita), and succession of the same in establishment of Aizenbashi Hospital (the current Ishii Memorial Aizen-en, Osaka)
- 1919- **Ohara Institute for Social Research**
Establishment of the Institute for Social Research in Osaka Aizen-en under the leadership of Iwasaburo Takano, in the conviction that it was better to prevent poverty than to relieve it (the current Ohara Institute for Social Research in Hosei University, Tokyo)
- 1921- **Kurashiki Institute for Science of Labour**
Establishment of the Kurashiki Institute for Science of Labour headed by Gitou Teruoka for improvement of labor hygiene for female workers of the spinning plant (the current Institute for Science of Labour, Tokyo)
- 1923- **Kurashiki Central Hospital**
Establishment of a community medical facility grounded in the principle of equality, toward the ideal of a treatment-centered facility genuinely dedicated to provision of treatment for patients (Kurashiki)
- 1930- **Ohara Museum of Art**
Establishment of Japan's first private museum of Western art in commemoration of the painter Torajiro Kojima (Kurashiki)
- 1936- **Japan Folk Crafts Art Museum**
Financial aid for establishment of a museum by Soetsu Yanagi and other leaders of the folk art movement for folk crafts (the current Japan Folk Crafts Museum, Tokyo)

Social Report 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 will respect the human rights of individuals.

Based upon our Corporate Philosophy, "Respect for individuals", we will respect the individual character and the human rights of all people working in the Group. Any abuse of human rights, such as sexual harassment, bullying, child labor, forced labor and so on, should be eliminated.

2 We will abolish discrimination and respect diversity and individuality.

In all aspects of HR activities, including hiring, treatment, personnel development, assignment and evaluation, no distinction unrelated to work ability and performance, nor discrimination based upon individual attributes such as race, nationality, gender or beliefs, shall be allowed. We will esteem and promote diversity that accepts the personal traits, culture and worldview of people from various nations.

3 We will carry out our HR activities in full compliance with applicable laws and regulations.

We will strictly comply with applicable laws and regulations of each country in carrying out the implementation of personnel policies.

4 We will create HR systems that uphold equality, fairness and transparency.

In implementing our HR policies, we will give full consideration to equality, fairness and transparency, and will seek due satisfaction to all of the Group employees.

5 We will strive to improve the environment of workplaces.

From the perspective of occupational health and safety, we will strive to maintain working environments that enable people to work safely and with regard for their physical and mental health.

6 We will strive to employ personnel who are able to contribute to the development of the Kuraray Group.

We will employ people who are highly skilled and knowledgeable, and who possess a sound sense of morals and ethics, as well as the desire to make significant contributions to the development of the Kuraray Group.

7 We will place the right person in the right job.

We will place each individual in its right job, in due consideration of capabilities, knowledge, suitability and skill development, with an aim to maximizing operational contributions and job satisfaction.

8 We will implement evaluation and benefits systems that are fairly satisfactory.

We shall implement an evaluation and benefits systems that is fairly satisfactory to employees, with a focus on job description, exercise of potential, performance, attitude and action through dialogue with evaluations.

9 We will support professional development.

We will provide an appropriate level of support for job skill development with a focus on development through performance of individual works.

10 We will foster communication and maintain appropriate levels of disclosure.

So that all Kuraray Group personnel may possess a sense of unity in working toward the fulfillment of a shared mission, we will provide appropriate levels of disclosure and conduct direct and indirect communications with them.

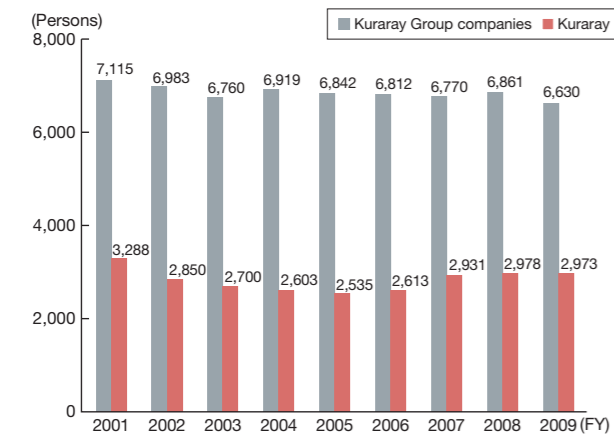
Basic Employee Data

▶ Number of Employees

	As of the end of March 31, 2010		
	Total	Male	Female
Kuraray Group as a whole	6,630	5,643	987
Kuraray only	2,973	2,703	270

* Group = consolidated subsidiaries

▶ Trend in the Number of Employees

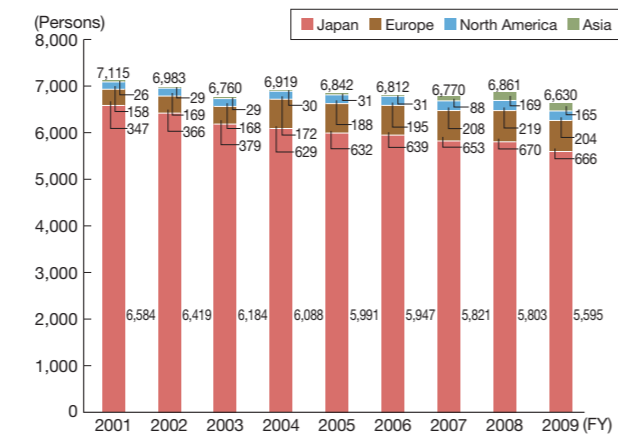


▶ Employee Turnover Rate

	Fiscal 2009	
	No. of those leaving employment	Turnover rate
Personal reasons	23	0.8%
Retirement	50	1.7%

* Turnover rate = Number of those leaving employment by cause / Number of Kuraray's employees at the beginning of the fiscal period

▶ Trend in Staff Numbers by Region

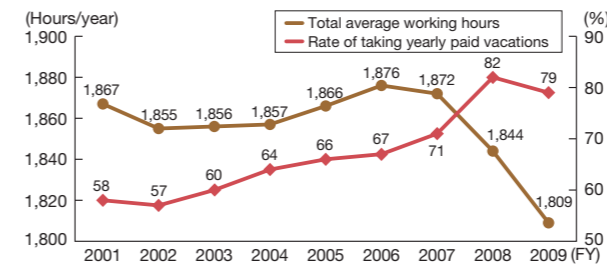


Diversity and Work-Life Balance

Employment Systems and Average Working Hours

Kuraray has instated systems for flexibility in employment. The main such systems enable discretionary labor systems for adaptation to the nature of individual work, the "de facto working hour" system for out-of-office works, and variational working hours. We also have no-overtime days and are striving to improve the rate of taking yearly paid vacations.

▶ Trend in Total Average Working Hours and Rate of Taking Yearly Paid Vacations (Kuraray)



Leave for Childcare and Nursing Care

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

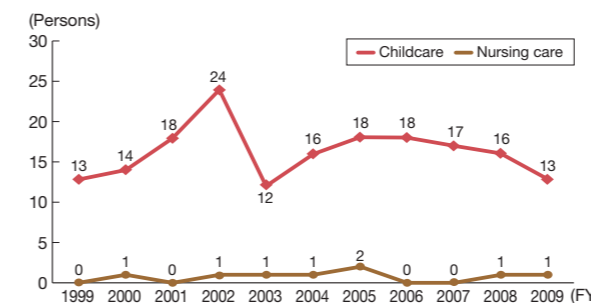
In consideration of the timing of admission into a day-care center, employees are allowed to take childcare leave either until the end of April in the year after the child turns one or until the child is one year and six months old, whichever is longer. In fiscal 2009, childcare leave was taken by 13 employees at Kuraray. We have also instated provisions for reduced working hours for childcare up to the point when the child finishes the third year of elementary school. Almost all of the female employees who gave birth avail themselves of these systems.

Provisions for leave and reduced working hours for nursing care up to one year each, for a total of two years maximum, are available to employees.

Kuraray was certified by the Minister of Health, Labour and Welfare upon achievement of its action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children.



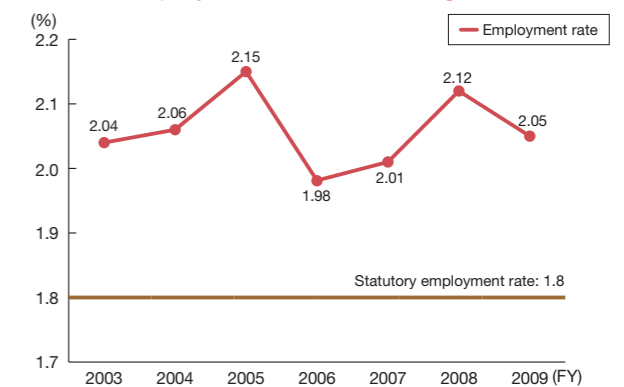
▶ Number of Employees Taking Leave for Childcare/Nursing Care (Kuraray)



Employment of the Challenged

Kuraray not only attains the statutory employment rate of 1.8% but also has taken other action to help the challenged lead self-supporting lives, such as the establishment of workplaces especially for the mentally challenged in coordination with local welfare facilities (see page. 20).

▶ Rate of Employment of the Challenged (Kuraray)



Other Provisions

(1) Support for Social Contribution

Kuraray employees may use accumulated yearly paid vacations, which ordinarily lapses with the prescribed passage of time, as special vacations (up to 60 days a year) for social contribution activities. We have also made provisions for social contribution leave, and support diverse activities of this type by our employees. In fiscal 2009, nine employees took special vacations to take part in volunteer activities for natural preservation or in other activities.

(2) Refresh Vacations

On the occasion of commendation for 25 years of continuous service, employees may choose to receive a travel coupon for an award. In this case, they may also take special vacations to go on a trip with this coupon. In fiscal 2009, 14 employees took such vacations.

(3) Life Planning Support

Kuraray offers employees life planning courses for each stage of life. We have also introduced web tools that are tailored to our wage and retirement benefit systems so that employees can simulate their future income and expenditure at home.

Human Resource Development and Assessment

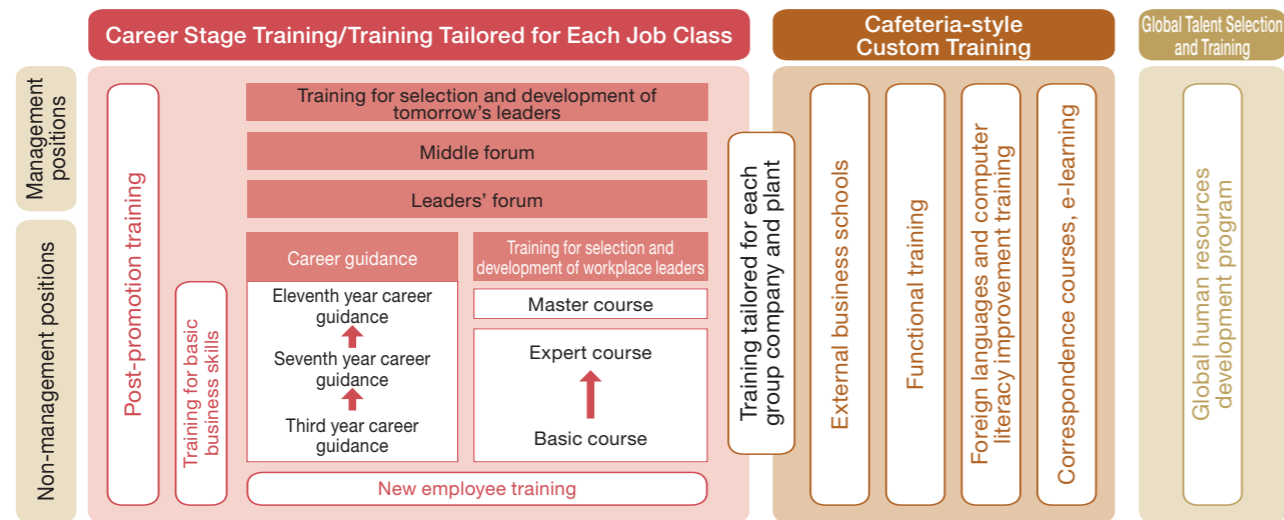
For the domestic Kuraray Group companies, we have established a companywide training scheme to support acquisition of the knowledge and skills required for jobs and career-building efforts by employees themselves.

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

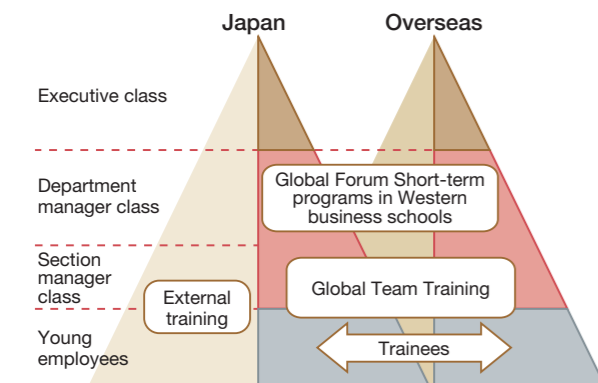


Global HR Development Program

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 2009, it drew the participation of 36 employees from various countries.

Of these 36 participants, 23 are in the Global Forum and Global Team Training programs, both aimed at learning about Kuraray's management DNA and mastering business

▶ Global HR Development Program



skills; ten are in training programs entailing school attendance; and three are in training programs for which they were sent to Group companies in other countries.

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, roles, and spirit to challenge demanding targets (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.

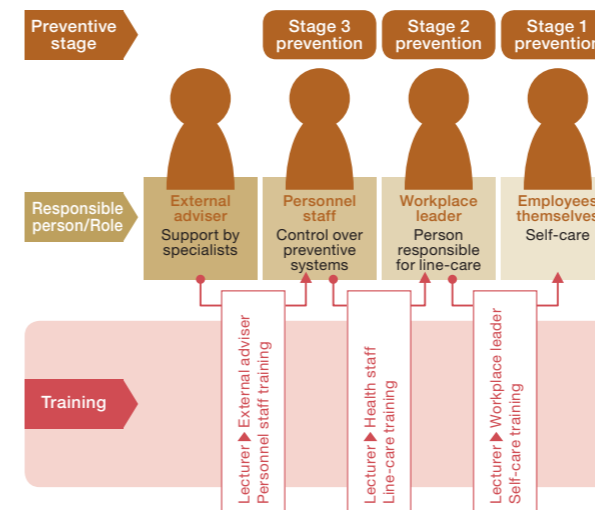
Mental Health

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

With guidance from the Institute for Science of Labour, we continue to implement training for self-care (action taken by employees themselves) and line-care (action taken by managers and workplace leaders) with an awareness that the employees themselves as well as their superiors and personnel staff are the principals of initiatives to maintain mental health.

▶ Preventive System



Relations with Workers' Unions

Employees of Kuraray belong to the Kuraray Workers' Union and the Federation of Kuraray Workers' Unions, which is composed of all workers' unions for Kuraray Group employees. Through venues such as labor-

(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 2009, 13 employees made use of this system.

Support for Building Health

To promote the health of its employees, Kuraray is deploying a companywide program for improvement of life habits under the banner "Health Up Strategy". In this program, each employee sets his or her own goals (for amounts of exercise, eating, etc.) and works to attain them on his or her own initiative.

Other steps being taken to build health include improvement of the menu in the employee cafeteria, the holding of exercise events such as walks, and lectures on ways to prevent lower back pain.

In our employee health exams, besides testing for the items stipulated in the Industrial Safety and Health Act, we lowered the applicable age and added items in connection with measures against lifestyle disease and gynecological testing.