Corporate Profile

Company name: Kuraray Co., Ltd.
Representative Director and President: Fumio Ito
Date of establishment: June 1926
Capitalization: 89 billion yen (as of March 31, 2008)
Net sales (consolidated): 417.8 billion yen (fiscal 2007)
Number of employees (consolidated): 6,770 (as of March 31, 2008)
Head offices: Tokyo, Osaka
Plants and laboratories: Kurashiki, Okayama, Niigata, Sajio, Kashima, Tsukuba
Group companies: 32 consolidated subsidiaries, 6 equity method affiliates
Overseas operations: USA, Germany, Belgium, China, Singapore

Overseas Operations

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

Financial Highlights

Change in Consolidated Business Performance (Fiscal 2007)
- Sales by Destination and Location
- Change in Consolidated Total Assets, Net Assets, and ROA*

Consolidated Net Sales by Segment (Fiscal 2007)

Financial Highlights

- Change in Consolidated Business Performance
- Consolidated Net Sales by Segment (Fiscal 2007)

Editorial Policy

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

Scope of the Report

Safety and Environment
- Kuraray Co., Ltd. and 12 domestic affiliated companies occupying Kuraray premises (listed as “Kuraray sites” in the chart below), also “Domestic affiliated companies” in the chart below
- Social: Current progress of projects covering a variety of concerns. Reports focus on Kuraray Co., Ltd. but also some affiliated companies
- Economic: Kuraray Co., Ltd. and 38 consolidated subsidiaries (total 39 companies)

The Kuraray Group

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

Sales by Destination and Location (Fiscal 2007)

Environmental Activities

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

Kuraray Group Philosophy of Production

Corporate Profile

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All italicized product names in this report are trademarks of the Kuraray Group.
Kuraray Respects the True Spirit of CSR

A corporation can only thrive as part of society when business activities build up a solid corporate presence rooted in the community. Of course, this takes more than expanding sales, it means that our goal must be better corporate quality. Kuraray provides products and services that bring pleasure to individual people, and society responds by placing great confidence in our company. The pursuit of profit is not everything. We also believe that working out what we can do “for the world, and the people in it,” and then doing it, is the way to make the Kuraray of the future a valuable corporation.

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

Environmental Problem-Solving

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

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

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

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

Employee Cooperation in Shared Goals

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

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

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

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

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

Representative Director and President
Kuraray has enhanced the Group's CSR Promotion Structure, establishing a CSR Committee in 2003. The CSR Committee is a management-level special committee responsible for examining group-wide policies and objectives regarding CSR activities, and drawing up individual departments' implementation plans for submission to management. Each department then sets out an action plan based on the policies and objectives adopted, and coordinates with other Group organizations in realizing our broad-ranging CSR programs. The CSR Committee sets up Social Responsibility and Economic Committee, Environmental and Industrial Safety Committee, Global Warming Prevention Committee, and Risk Management and Compliance Committee. The committees maintain theme-specific working groups that assist with action plans and evaluate their achievements.

Kuraray’s corporate philosophy is based on respect for each individual, and on using creative technological skills to produce materials that fill a need in people’s lifestyles. What we value is the attempt to contribute to society. As a corporate citizen of society, Kuraray applies this philosophy by using our strength to pay back what we gain from society, acting as custodians for the environment, and contributing to continued social development. We believe that this is our corporate raison d'être, and our social mission, and together with all Kuraray stakeholders, we will continue our quiet efforts.

Kuraray believes that corporate governance designed to maintain appropriate relations with our shareholders and with a wide variety of stakeholders not only contributes to improved corporate business performance and steady development, but also plays an important role in carrying out our social responsibilities. The election of external directors in 2008 is one way in which Kuraray works to improve transparency and fairness.

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

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

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

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

Principles for Business Conduct

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

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

Compliance Card

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

Compliance Declaration

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

Internal Reporting System

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

Risk Management

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

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

Communications

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

IR Activities

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

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

Eco-Products 2007

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

Corporate Advertising Campaign

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

Ensuring Safety

Policy Attitudes

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

Concepts and Basic Policy on Ensuring Safety

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

Concepts on Ensuring Safety

“Safety is the Cornerstone of Everything We Do”

Basic Policy on Ensuring Safety (fiscal 2008)

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

Promotion Structure

Safety Activity Management Regulations drawn up in May 2007, form the basis for the occupational safety and disaster prevention activities. The Kuraray Group goal is a safe, accident-free workplace, achieved through appropriate use of an occupational safety management system, and improved safety levels of employees. If an accident should happen to occur, Kuraray works to prevent recurrences by taking prompt action and sharing information through case studies.

Safety Efforts

Item

Occupational accidents

Lost workday injury rate

Domestic Kuraray Group companies

0 incidents 0.3 or less 0.4 ▲ 0.1 or less

Safety and health

Safety climate

Better workplace safety and promotion of measures

Target

Achievement Evaluation

Actual results

FY2007

FY2008 target

0 incidents 0.1 or less

Kuraray Co., Ltd.

Domestic Kuraray Group companies

Safety-related Accidents

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

Disaster Prevention

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

Other Activities

The spirit of the slogan from our 2006 Special Safety Activities - “Safety is the Cornerstone of Everything We Do" - is alive and well. Every year, Kuraray sets a basic policy which is implemented in occupational safety and disaster prevention activities. The Kuraray Group goal is a safe, accident-free workplace, achieved through appropriate use of an occupational safety management system, and improved safety levels of employees. If an accident should happen to occur, Kuraray works to prevent recurrences by taking prompt action and sharing information through case studies.

Safety Efforts

Promotion Structure

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Kuraray Group Responsible Care (RC) Convention

An annual “RC Convention” aimed at raising the level of RC throughout Kuraray Group brings the president, executive officers, and employees together to explore and discuss examples of advanced RC activities in fields such as occupational safety, disaster prevention, and environmental protection. In fiscal 2007, the focus was on occupational safety and disaster prevention. The slogan “Uncover those tiny risks in the workplace! Basic safety is something we need to make together!” was repeated in reports and discussions of activity case studies, and in a special lecture on basic safety in machine design by Dr. Noboru Sugimoto of Nagaoka University of Technology. The participants were all able to reaffirm the importance of conducting business activities safely, and committed themselves to making further efforts in safety initiatives.

Logistics Safety Activities

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

- Organization: A Logistics Safety Conference was set up with contract distribution companies on an organizational level. In fiscal 2007, regular meetings were held at Niigata Plant and Kashima Plant, which both handle many chemical products, and at Tokyo headquarters.

- Working place: Working place inspection visits are aimed at improving workplace safety. Inspections were carried out at all plants by their Purchasing and Logistics Divisions during fiscal 2007.

- Training: In preparation for actual crises, response exercises were carried out using actual vehicles and equipment in hypothetical accident scenarios, both internal and external, at each plant. All contract distribution companies participated in training at Niigata Plant, and the exercise generated a lively exchange of opinion.

Future Tasks and Goals

Although we believe that the overall level of safety has improved, an individual commitment to continuous personal improvement in safety practices on the part of all employees is an essential part of achieving zero industrial disasters. Kuraray will develop better safety preparedness as a more personal issue.

Product Safety

Policy

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

Attitudes

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

Basic Policy on Product Safety

The Kuraray Group provides customers with safe and high-quality products by establishing the basic policy for product safety and advancing activities based on it. The basic policy and the action guidelines are notified by the Kuraray’s intranet.

Promotion Structure

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

Quality and PL Working Team

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

PL (Product Liability)

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

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

**Basic Policy**

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

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

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

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

**Principles of conduct**

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

**Kuraray’s company-wide, medium- to long-term environmental preservation activities**

<table>
<thead>
<tr>
<th>Item</th>
<th>Medium-term target</th>
<th>FY2007</th>
<th>FY2008 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global warming prevention</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2 (Greenhouse gas emissions)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Kuraray</td>
<td>15% reduction cf. FY1999 levels by FY2003</td>
<td>▲</td>
<td>6.0% reduction cf. FY1999 levels (Emissions: 1,156 thousand tCO2)</td>
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<tr>
<td></td>
<td>5.8% reduction cf. FY1999 levels (Emissions: 1,259 thousand tCO2)</td>
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<tr>
<td></td>
<td>Maintenance at 90% or over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Kuraray Group</td>
<td>90% or over</td>
<td>66%</td>
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<td></td>
<td>▲</td>
<td>▲</td>
<td></td>
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<tr>
<td>Effective waste utilization rate</td>
<td>Domestic Kuraray Group</td>
<td>Maintained at 93% or over</td>
<td>▲</td>
</tr>
<tr>
<td></td>
<td>▲</td>
<td>▲</td>
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<tr>
<td><strong>Effective use of resources</strong></td>
<td></td>
<td></td>
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<tr>
<td>Emissions of chemical substances designated by JCA's PBTs</td>
<td>Domestic Kuraray Group</td>
<td>95% reduction</td>
<td>▲</td>
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<td></td>
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<td></td>
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<tr>
<td>VOC emissions</td>
<td>Domestic Kuraray Group</td>
<td>86% reduction cf. FY2004 levels by FY2007</td>
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</tr>
</tbody>
</table>

**Promotion Structure**

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

**Future Tasks and Goals**

The Kuraray Group is standardizing quality control with a company-wide management structure in order to improve quality and PL management, and chemical substance management. We are also continuing to implement projects which promote better awareness of these issues.
Reduction of Greenhouse Gas Emissions

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

Through strategies such as switching fuels for power-generation boilers, and making more use of biomass power generation, Kuraray succeeded in reducing greenhouse gas emissions by 160,000 tons (12% approx. of fiscal 1990 levels) over the three years from fiscal 2005 to 2007. On the other hand, the impact (80,000 tons approx.) of growth during this period in vinyl acetate business and other changes in the structure of our business led to some increases, and CO2 emissions for Kuraray sites in fiscal 2007 totaled 1,310,000 tons of CO2, representing a drop of 52,000 tons of CO2 (3.8%) in comparison with overseas affiliated companies.

Emissions from domestic affiliated companies in fiscal 2007 were 108,000 tons of CO2, while emissions from overseas affiliated companies were 471,000 tons of CO2. Emissions from domestic affiliated companies in fiscal 1990 were 108,000 tons of CO2, while emissions from overseas affiliated companies were 471,000 tons of CO2.

Greenhouse Gas Emissions (1,000 tons/CO2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic affiliated</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,110</td>
<td>1,110</td>
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<tr>
<td>2000</td>
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<td>920</td>
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</tr>
<tr>
<td>2007</td>
<td>910</td>
<td>910</td>
</tr>
</tbody>
</table>

Efforts of Each Plant

Efforts of Consolidation at Kurashiki Plant
Transfer and integration of facilities to the Kurashiki Plant has brought research and development departments previously scattered over nine buildings (280 rooms) together in a “Production and Technology Development Center” in one location. The new facilities incorporate energy-saving features such as solar electric power system (67kW), the adoption of a heat storage system using hydrate slurry* for air conditioning, high-efficiency lighting, and energy-saving architectural components. With these efforts in energy-saving and energy loss reduction, the relevant departments have reduced greenhouse gas emissions to around 6,000 tons in fiscal 2007, an approximately 4,500 tons (40%) reduction compared with the fiscal 2005 level (before consolidation).

Heat storage system using hydrate slurry
A system using hydrate slurry

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

Reducing the Environmental Burden during Transportation
Kuraray is committed to modal shifts* and more efficient transportation, with the goal of reducing unit energy consumption by 1%, the target stipulated by the Revised Law Concerning the Rational Use of Energy. CO2 emissions in fiscal 2007 were around 12,800 tons, a reduction of 90 tons approx. in comparison with fiscal 2006, which represents a drop of 0.3% in unit energy consumption.

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

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

Effective Use of Resources

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

Promotion of Zero Emissions
Domestic Kuraray Group companies have been seriously committed to zero emissions* since fiscal 2002. Efforts to reduce final landfill disposal amounts of waste from domestic affiliated companies resulted in nine domestic Kuraray plants and affiliates achieving zero emissions in fiscal 2007, including Kuraray Chemical Co., Ltd., Kuraray Fastening Co., Ltd., Kuraflex Ibaraki Co., Ltd. Continued commitment to existing “effective use” technology also produced an improved result: final landfill disposal waste for domestic Kuraray Group companies totaled 486 tons, or 0.6%, compared with 921 tons of 1.0% for the previous fiscal year.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic affiliated</th>
<th>Domestic affiliated</th>
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<tbody>
<tr>
<td>1999</td>
<td>12.4</td>
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<td>2005</td>
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<tr>
<td>2006</td>
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<tr>
<td>2007</td>
<td>8.2</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Industrial Waste Utilization Rate (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic affiliated</th>
<th>Domestic affiliated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
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<tr>
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<td>1.9</td>
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<tr>
<td>2002</td>
<td>1.8</td>
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</tr>
<tr>
<td>2003</td>
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<td>1.7</td>
</tr>
<tr>
<td>2004</td>
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<td>1.6</td>
</tr>
<tr>
<td>2005</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2006</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>2007</td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

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

Efforts of Kuraray Plants

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

Effective Use of Waste from Dismantling of the Kurashiki Plant (Sakaizuka)
Buildings and plants no longer required due to the relocation and consolidation of the Kurashiki Plant facilities to Tamashima were dismantled during fiscal 2007. Kuraray made effective use of waste materials by transferring dismantled facilities no longer needed to other plants, and using wood from construction waste as fuel for biomass power generation*.

Biomass Power Generation
Power generation facilities which use wood chips, construction waste wood, etc. in bio-power generation. Sakaizuka Kurashiki Plant (sakai) commenced to biomass power generation in June 2004 after dismantling of Kurashiki Plant in August 2003.
Reducing the Emission of Specific Chemical Substances

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

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

Kuraray will continue to work toward our goal of reducing emissions of chemical substances designated by JCIA’s PRTR by 90% of fiscal 1999 levels (443 tons of emissions).

Above-ground Storage of PCB® Sludge Waste

The Niigata Plant has stored PCB® (11) sludge waste (transferred when the former Toyama Factory was closed) appropriately in concrete tanks below ground since 1981, in accordance with the Law Concerning Special Measures Against PCB Waste. However, the sludge has now been stored for over 25 years, creating a risk of leakage from the tanks. All the sludge has now been re-packaged in drums and transferred to warehouse storage. Work was carried out in a sealed tent to avoid contamination of the local soil and environment, and post-operative soil and environmental checks confirm that they remain free of contamination.

Implementation of New Ecological Production Technology

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

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

Future Tasks and Goals

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

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

The Kuraray Group uses a great deal of energy, chemical substances, and water resources in 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 Activities

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Part of the Region, Part of the Community

Environmental Data

Changes in Energy Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Kuraray Group companies</th>
<th>Kuraray sites</th>
<th>Kuraray Group companies</th>
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</thead>
<tbody>
<tr>
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<td>2003</td>
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</tr>
<tr>
<td>2007</td>
<td>488</td>
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</table>

Reducing the Environmental Burden during Transportation

<table>
<thead>
<tr>
<th>Year</th>
<th>CO2 (1,000 tons)</th>
<th>NOx (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>207.5</td>
<td>24.5</td>
</tr>
<tr>
<td>2002</td>
<td>207.5</td>
<td>24.6</td>
</tr>
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</tr>
<tr>
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<tr>
<td>2005</td>
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<tr>
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</tr>
<tr>
<td>2007</td>
<td>207.5</td>
<td>24.6</td>
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</tbody>
</table>

Resource Conservation

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Resource Use (million m³)</th>
<th>Emission of Wastewater (million m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>86.4</td>
<td>86.4</td>
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<tr>
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<td>2003</td>
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<td>2007</td>
<td>86.7</td>
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</tbody>
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Air Pollution Prevention

<table>
<thead>
<tr>
<th>Year</th>
<th>SOx Emissions (1,000 tons)</th>
<th>NOx Emissions (1,000 tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1.88</td>
<td>1.88</td>
</tr>
<tr>
<td>2002</td>
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<tr>
<td>2003</td>
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<td>2004</td>
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<tr>
<td>2007</td>
<td>1.88</td>
<td>1.88</td>
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</table>

Water Pollution Prevention

<table>
<thead>
<tr>
<th>Year</th>
<th>COD Load (tons)</th>
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<tbody>
<tr>
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<td>2005</td>
<td>1.96</td>
</tr>
<tr>
<td>2006</td>
<td>1.96</td>
</tr>
<tr>
<td>2007</td>
<td>1.96</td>
</tr>
</tbody>
</table>

Environmental Management System (ISO 14001) Certification

- Kuraray Nigata Plant
- Kuraray Okayama Plant
- Kuraray Kashima Plant
- Kuraray Kurashiki Plant
- Kuraray Tsukuba Research Laboratories
- Kuraray Saigo Plant
- Kuraray Chemical Co., Ltd. (Ibuki Plant)
- Kuraray Fastening Co., Ltd. (Production & Development Division)
- Kuraray Trading Co., Ltd.
-Eval Company of America
- SEPTON Company of America
- EVAL Europe N.V.
- Kuraray Europe GmbH
- EVAL N.V.
- EVAL Infrastruktur
- EVAL Solutions
- EVAL Innovation

Policy and Attitudes

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

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

Communicating with the Regional Community

Plant Tours and Briefing Sessions

The plants of Kuraray Co., Ltd., Kuraray Plastics Co., Ltd., and Kuraray Chemical Co., Ltd. hold tours and briefing sessions for local people and other members of the public to gain a better understanding of our plants.

During fiscal 2007, a total of 3,018 visitors experienced Kuraray’s philosophy and activities. We plan to continue this dialog with the regional community, and incorporate it into our business activities.

Relationships with Local Communities

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

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

Efforts of Kuraray Plants

- Kurashiki Plant
  - Christmas Fantasy, Children’s Ball Games Meet, Summer Festival
- Saigo Plant
  - Cherry Blossom Viewing Party, Grand Golf Tournament, Garden Festival, Summer Festival
- Nigata Plant
  - Cherry Blossom Viewing Party, Junior High School Soft Tennis Tournament, Summer Festival
- Okayama Plant
  - VideoRally for Moms Meet, Summer Festival, Children’s Ball Games Meet
- Kashima Plant
  - Summer Festival
- Kuraray Chemical Co., Ltd.
  - Friendship Festival
- Kuraray Plastics Co., Ltd.
  - Summer Party

Efforts of Overseas Kuraray Plants

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

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

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

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

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

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

Chemistry Classes for Boys and Girls

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

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

Donating Books to Elementary Schools

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

Sending School Bags across the Sea

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

The Kurashiki Plant invited local school children for a photo viewing and discussion session. Seeing the photos allowed the children to realize how pleased the recipients were at receiving the school bags and school supplies. Furthermore, at the 19th “Japan Lifelong Learning Festival: Manabi Pia Okayama 2001,” we have introduced our activities of “Sending School Bags across the Sea” to the visitors as well as explaining them the current situations in Afghanistan and Mongolia.

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Environment

Forest Preservation and Mt. Fuji Tree Planting Activities

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

Classroom visit for Environmental Education

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

Clean-up Activities

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

Joining the Mt. Fuji Tree Planting

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

Future Tasks and Goals

Kuraray always intends to make a positive contribution to the society in a way where Kuraray can capitalize on its uniqueness and every employee can participate in its social activities such as the “Chemistry Class for Boys and Girls” program. However, activities mostly involve production plants, and we believe that there is a need to plan new, broader-based ways to serve society, including more projects involving our Tokyo and Osaka headquarters, which have little contact with their local communities.

Working with Suppliers

Policy and Attitudes

Kuraray believes that a good relationship with business partners is an essential part of maintaining supplies of raw materials and equipment so that we can provide our customers with good quality, safe, and eco-friendly products. By encouraging CSR procurement along with healthy communications, we hope to achieve good results for both Kuraray and our suppliers.

CSR Procurement

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

Green Purchasing

Kuraray continued to encourage purchases of low-environmental impact paper and stationery products in fiscal 2007, in accordance with our Green Purchasing Guidelines. However, last year’s scandals regarding the proportion of recycled paper and recycled resin actually included in products mean that we must review the green purchasing rate shown in CSR reports up until last year. The issue is currently being investigated, and future options considered.

Communicating with Suppliers

Procurement prices and delivery dates are the subject of tense negotiations, and viewed in the short term, the added necessity of requiring suppliers to agree with our CSR Policy certainly creates a dilemma. It was difficult at first to develop an understanding of our CSR philosophy, but over the past three years, face to face meetings and direct appeals have gradually gained us the cooperation of our suppliers.

Future Tasks and Goals

Although Kuraray’s CSR procurement activities involving our main suppliers have achieved a certain amount of success, social pressure for CSR has also increased in recent years. Kuraray will promote the green purchasing starting with Kuraray Chemical Co., Ltd. and Kuraray Plastics Co., Ltd., and then further extend this effort to other Group companies in the future.
Creating Rewarding Workplaces

The Kuraray Group Global HR Policy

Policy and Attitudes

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

Basic Employee Data

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
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<tr>
<td>Kuraray Group</td>
<td>6,770</td>
<td>5,842</td>
<td>928</td>
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<tr>
<td>Kuraray Co., Ltd.</td>
<td>3,301</td>
<td>2,655</td>
<td>646</td>
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Staff Configuration by Region

<table>
<thead>
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<th>Region</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
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<td>North America</td>
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<tr>
<td>Asia</td>
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<tr>
<td>Europe</td>
<td>653</td>
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</table>

<table>
<thead>
<tr>
<th>Employee Turnover Rate</th>
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</thead>
<tbody>
<tr>
<td>% of Leaving Employment</td>
</tr>
<tr>
<td>Personal Reasons</td>
</tr>
<tr>
<td>Retirement</td>
</tr>
</tbody>
</table>

Diversity and Equal Opportunity

Rehiring of Retired Employees

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

Employment Opportunities for Women

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

Employment of People with Disabilities

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

Flexible Employment Systems

Kuraray has introduced flexible employment systems to make it easier to work efficiently and achieve an appropriate work/life balance. In specific terms, we introduced discretionary labor system, the “de facto working hour” system for out-of-office works, and variational working hours system. We post manuals concerning these systems on the Kuraray intranet and work to familiarize employees with them. In fiscal 2007, Kuraray did not receive any guidance regarding management of working hours from the Labor Standards Inspection office.

Support for Childcare and Nursing Care

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

Employees can take consecutive or non-consecutive nursing care leave of up to 365 days in total for each qualifying family member.

We permit childcare reduced working hours until the time a child completes the first grade of elementary school.

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

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

<table>
<thead>
<tr>
<th>(Year)</th>
<th>Childcare leaves</th>
<th>Nursing care leaves</th>
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<tbody>
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<td>12</td>
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<td>2001</td>
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The Next Generation Support Certification mark

Called the Kurumin Mark

Employers who prepare and implement action plans for childcare support in accordance with The Next Generation Education and Support Promotion Act and who achieve their plan objectives can obtain certification.
HR Development

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

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

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

Global Human Resources Development Program

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

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

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

Employee Evaluation System

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

The new system has employees set individual goals for their own work at the beginning of each year, and evaluates progress and achievement of these goals in discussions with supervisors at the end of each quarter and fiscal year. Discussions also cover ways of further improving knowledge and skills, and how to reach even higher levels of achievement. Through these schemes, we intend to help employees achieve a good balance between personal growth and accomplishments.

Likewise, we also carry out additional programs such as the interview skill training for managers on an ongoing basis.

Commendation System at Kuraray

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

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

Patent Incentive System

Kuraray has a system under which it acquires from employees the patents to service inventions and provides compensation payment. Under the Patent Incentive System, Kuraray not only pays compensation at the time patents are applied for and registered, but also evaluates patents according to importance and the time patents are applied for and registered, but also evaluates patents according to importance and the time patents are applied for and registered, but also evaluates patents according to importance and the success of these processes, we intend to help employees achieve a good balance between personal growth and accomplishments. Likewise, we also carry out additional programs such as the interview skill training for managers on an ongoing basis.

I participated in a very exciting program, “Global Team Training,” which forms part of the Global Human Resources Development Program. Training involved using English for lectures on global management, and in discussions with overseas colleagues, and proposals for new business plans. I learned a great deal from this training, including how difficult decision-making and discussions can be between colleagues from different cultures. I plan to continue working on acquiring more skills and knowledge, in the hope of becoming a leader capable of taking his place on the stage of global business.

Global Human Resources Development Program

Kuraray Group Training Scheme

• Setting higher goals
• Evaluate achievement of goals
• Improve corporate satisfaction

Global Human Resources Development Program

Kuraray Plastics Co., Ltd.

Shogo Otani, Technology Group, Technology Department, Ibuki Plant

Satoshi Yoshida, Technology Group, Technology Department, Ibuki Plant

Yoshio Nobe, Film Development Team, New Film Development Department, Ibuki Plant

Tomohiko Minowa, Film & Laminate Production Section, Film & Laminate Division

Global Human Resources Development Program

Awards

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

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

Kuraray Group Training Scheme

- Setting Individual Goals
  - Accurate concept of role
  - Control work content
  - Setting higher goals

Commendation and Award Programs at Kuraray

Commendation and Award Programs at Kuraray

President’s Award

Outstanding Achievement Award

Plant Innovation Contribution Award

Special President’s Award

Social Contribution Award

President’s Award

Outstanding Achievement Award

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

### Supporting Better Health

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

### Medical Examinations

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

#### AED* (Automated External Defibrillator) Installed

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

#### Future Tasks and Goals

- **To create opportunities for:!**
  - intra-corporate communication and a corporate culture
  - opportunities for employees from different hierarchies, particularly our company president and other executive officers, and employees, holding informal talks between the management and employees through the Kuraray Times, management and employees through the Kuraray Times, and the thinking of executive management to employees.
  - To communicate the Kuraray Group’s business strategy and the thinking of executive management to employees, Kuraray creates opportunities for direct dialog between management and employees through the Kuraray Times, at company-wide gatherings, and during employee training and plant visits.
  - Also, the President Room, a president’s page, has been opened on the Kuraray intranet as a mechanism for employees and the president to directly exchange opinions and engage in question and answer and for other employees to join in discussion.

#### Employee Values and Attitudes Survey

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

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

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

#### The Creation of Workplaces Where Dialog is Valued

Dialog with Executive Management

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### Support for Socially Beneficial Activities

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

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

Working with the Community to Help Disabled People Become More Independent

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

However, the truth is that society is not yet fully prepared to accept intellectually disabled people in particular. We at Kuraray also felt that employing people with intellectual disabilities posed many difficulties, because of the risks involved in frequent handling of machinery and hazardous chemicals with the risk of explosions or fires. Despite the situation, Kuraray’s Niigata Plant, in Tainai City, Niigata Prefecture, has overcome many of these problems and for the past decade has run a workshop.

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

Employment of Disabled People at Kuraray

Partnership with Local Welfare Corporations

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

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

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

Finding work that can be safely carried out at the workshop is another of the guidance staff’s tasks. Keiko Kon notes that the workshop has become more visible, pointing out that although a particular type of work sometimes comes to an end, depending on changes in the products handled by Niigata Plant, recently departments contact the workshop to ask whether they could handle this or that job. At present, the workshop mostly handles sorting for recyclables, and making equipment for use at Niigata Plant. The workshop contributes to more efficient operations and more active recycling, and also meets with approval from Plant employees who comment that the equipment they make represent a savings in costs and are just as well-made as those purchased from external suppliers. Work requested by other departments also helps the workshop employees feel that they are truly part of Kuraray.

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

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

Working with the Community

Toward the Next Step

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

We want to create more opportunities for a diverse range of members of society to work in accordance with their abilities, and to widen our quiet efforts to support independence for people with disabilities. That is how we feel, here at Kuraray.
The Kuraray Group believes in contributing to society by using our own unique technology to create products and services that create value for the world and the people in it. We want to be a trusted corporation able to meet the ever-evolving needs of society.
Benefiting the Community: Kuraray Group Philosophy of Production

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

Kuraray Group Philosophy of Production

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

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

“We believe that there are things that the Kuraray Group can achieve in responding to the changing needs of each age, just because of who we are. This philosophy is responsible for the many different products that make the Kuraray Group of today what it is.” Yoichi Ninagawa, originally an R&D man himself and now the chief executive responsible for development and technology, explains Kuraray’s stance.

Wastewater Treatment System Helps Protect the Environment

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

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

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

Sales staff also greeted the Wastewater Treatment System with enthusiasm. As Yuko Takami points out, “All our customers have trouble reducing amounts of excess sludge. When I explain that the Wastewater Treatment System does not use chemicals or consume energy, a great many of our customers are interested to hear how it reduces both running costs and the burden on the environment. I hope we can continue to suggest all-in-one solutions that provide cost benefits, and also benefits that extend to environmental and social aspects.”

Installation of the Wastewater Treatment System has now been completed at three corporate plants in Japan, including a Shizuoka textile corporation. Our clients have been pleased with the reduction in excess sludge and the stable improvement in the quality of treated wastewater. Preparations for introduction and sales of the Wastewater Treatment System are already underway in Taiwan, Korea, and other Asian countries. Yasuhiro Baba hopes that the Wastewater Treatment System will provide relief for countries vexed by environmental problems related to global warming and other causes. Yuko Takami also comments that “Kuraray technology not only helps customers but also contributes to environmental preservation. My awareness of this motivates me in my work.” Creating products that help solve society’s problems has a huge influence on how Kuraray employees involved with these products feel about their work.

How Wastewater Treatment System Works

Further Efforts to Use Products to Solve Social Problems

Of course, the Kuraray Group’s ultimate goal was not achieved with the development of the Wastewater Treatment System. As Yoichi Ninagawa stresses, “We need a stronger focus on a philosophy of product creation that leads to real solutions to global warming and natural resource depletion, through reduced energy consumption or more effective use of resources.” “The major issue is how to combine corporate growth with these other issues. That is exactly why Kuraray Group creates innovation through product and technology development, moving the corporate center of gravity from expanded quantities to a revolution in quality. I believe that is where the future of product creation lies for us.”
How Does Society View Kuraray?

Survey Results

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

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

Global 100

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

FTSE4Good

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

MS-SRI

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

Message to Our Readers

Thank you for reading the 2008 Kuraray CSR Report. The concept, “Companies exist to serve society,” has been part of Kuraray since the establishment, and it underlies the Kuraray Group attitude to social responsibility. Serving society by providing products and services that society recognizes the value of is central to our business activities.

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

The environment is a major concern for the chemical manufacturing industry, since we use large amount of energy and a wide variety of chemicals. Reducing emissions of GHG (greenhouse gases) has become a particularly visible global issue. At Kuraray, we set our reduction target for the decade in fiscal 2000, and have put considerable effort into measures such as switching power-generation boilers to alternate fuels, and using renewable fuels. These projects resulted in a reduction of 160,000 tons in GHG emissions over the three years (fiscal 2005 to 2007). However, plant expansion and reconfiguration has at the same time increased emissions, so that the reduction for fiscal 2007 is no greater than 3.8% of fiscal 1990 levels. The next medium-term business plan is to be formulated during fiscal 2008. The new plan will set medium- to long-term goals oriented to the emerging low-carbon society, and review environmental strategies with the twin goals of developing technologies and products that help prevent global warming, and reducing GHG emissions.

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

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