Message from the President

All of us at Kuraray are praying for those who lost their lives as a result of the Great East Japan Earthquake, and offer our heartfelt condolences to all others victimized by the disaster.

Our Kashima Plant was shaken by the quake, but fortunately there were no injuries, toppling of machinery, or other major incidents. It was nevertheless forced to slow production for a time because parts of its supply chain were cut, and this caused concern to our customers. The Kuraray Group manufactures many products that have no parallels around the world, and we therefore are keenly aware of our social responsibility to assure their sustained supply. We are now rechecking risks from a companywide perspective to make sure that we will be able to stay in operation even in the event of contingencies that are difficult to foresee.

Contribution to the Environment and Society

Fiscal 2011 was the last year of GS-Twins, our three-year medium-term action plan. Shortly after the crisis induced by the failure of Lehman Brothers in fiscal 2009, we posted the aim of profit structure improvement and took steps to weather the difficulties by, for example, deferring additional capital investment, compressing costs, and increasing personnel efficiency. In 2010, our Group performance made a steep recovery driven by our original products and chemicals, beginning with poval, EVAL, and isoprene, based on our distinctive polymerization and synthesis technology. Our development of KURALON, which is at the foundation of today’s Kuraray, grew out of the sense of mission felt by Sochiro Ohara, who was our president at the time. Japan had suffered badly in the second world war, and he was determined to make the world’s first synthetic fiber to assist its recovery and to better the lives of its people, who were struggling with shortages of all sorts of commodities. This spirit lives on in our corporate culture, under the banner of “contributing to the world and individual well-being through actions that others are unable to produce”. We believe that the purpose of our business lies in heightening the value added to the resources we receive from society by applying our unique technology, and then returning them in this high-value added form to that society, for the benefit of all. We use the profit gained from this business for investment in facilities and R&D for further growth. Besides making a return to our shareholders by paying higher dividends through the continuous improvement of our result, we make a proper return to our employees, communities, social activities, and society as a whole.

Kuraray’s corporate philosophy carries on the spirit behind its founding, and is encapsulated in the words “respect for individuals”, “cooperation in shared goals”, and “creation of values”. We consider it the essence of the social responsibility Kuraray should discharge. Japan is now being confronted with unprecedented difficulties. I hope that each and every employee of the Kuraray Group will remain undaunted by this challenge, assist Japan’s recovery by pooling knowledge with each other, and continue to fulfill our obligations to society in the future as well.

Fumio Ito
Representative Director and President
Kuraray Co., Ltd.
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, 2011)
Number of employees (consolidated): 6,544 (as of March 31, 2011)
Head offices: Tokyo, Osaka

Business Outline

Kuraray Co., Ltd. was founded in Kurashiki, Okayama Prefecture in 1926 for the purpose of commercializing the chemical fiber rayon. Ever since, it has applied its original technology to create products that did not exist before. It became the first company in the world to commercially manufacture KURALON (PVA fiber) based on domestic technology, and followed this with production of poval resin, which was created as the base resin for KURALON, photochemical poval film, which is indispensable for LCD devices; EVAL, which has excellent gas barrier features; and a host of isoprene chemical products born of the world’s only synthesis method. We are also doing business in products familiar to ordinary consumers, such as CLARINO, a man-made leather which duplicates the structure of natural leather, and MAGIC TAPE surface fasteners.

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 39 sites in a total of 16 countries and regions.

The Kuraray Group (Consolidated Subsidiaries)

The Kuraray Group has overseas subsidiaries covering 16 countries, which are consolidated subsidiaries. They do not include elimination or the segment internal sales and transfers.

Editorial Policy

Reporting Period

From April 1, 2010 to March 31, 2011
(Some activities conducted before or after the reporting period are included.)

Reference Guidelines


Scope of the Report

Safety and Environment
- Reports focus on Kuraray Co., Ltd. and domestic affiliated companies, but also include some overseas affiliated companies
- 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 33 companies)

The Kuraray Group Financial Highlights (Fiscal 2010)

<table>
<thead>
<tr>
<th>Trend in Consolidated Business Performance</th>
<th>Trend in Consolidated Total Assets, Net Assets, and ROA*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>6,789</td>
</tr>
<tr>
<td>Operating income</td>
<td>924</td>
</tr>
<tr>
<td>Net income</td>
<td>280</td>
</tr>
<tr>
<td>Total assets</td>
<td>17,103</td>
</tr>
<tr>
<td>Net assets (Long-term assets)</td>
<td>9,068</td>
</tr>
<tr>
<td>ROA*</td>
<td>13%</td>
</tr>
</tbody>
</table>

*ROA = Return on Assets

Environmental Report

Approaches to the Environment
Environmental Management
Reduction of GHG Emissions
Reduction of Chemical Substance Emissions
Effective Use of Resources
Products Contributing to Improvement of the Global Environment
Material Flow in Business Activities
Environmental Accounting
Environmental Data

Social Report

Approaches with the Community
Activities of Social Contribution
Communication with the Regional Community
CSR Procurement
Approaches in the Workplace
Basic Employee Data
Diversity and Work-Life Balance
Human Resource Development and Assessment
Occupational Health
Relations with Workers Unions

All italicized product names in this report are trademarks of the Kuraray Group.
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 company lies in efforts to these ends, while respecting the interests of all of our stakeholders, meaning our shareholders, suppliers, consumers, local residents, and employees.

**Corporate Philosophy**
- **Respect for individuals**
- **Cooperation in shared goals**
- **Creation of values**

**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 Measures Subcommittee, and Risk Management and Compliance Subcommittee). These committees examine company-wide policies and targets 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 policies.

**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.

**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 permanent members, including four external intellectuals.
Risk Management

To enhance our management structure on the Group level, we are making an overall review of and provisions for risk management. Based on the self-assessments made by the heads of divisions, plants, subsidiaries, and administrative organizations, we are identifying actual risks and having the CSR Committee (Risk Management and Compliance Subcommittee) deliberate on those judged to be major ones that could have a substantial impact on our management. In addition, our executives make their own judgments on situations as regards important business risks, determine basic Group policy for their management, and issue instructions for requisite specific guidelines. In this context, our approaches emphasize the detection of latent risks of a spontaneous nature that are both difficult to foresee and significant, and the classification and quantification of risks from a companywide perspective in order to build setups for priority countermeasures. Because the Kuraray Group has many businesses that command large shares of the market and rely on original technology, we are also integrating individual risks and reevaluating them from the standpoint of business continuity as well.

In addition, we confirm and improve the status of risk management through a variety of risk checking systems, including our security control program, environment and safety management system, and assessment of internal control related to financial statements.

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

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 in 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 2005, we compiled 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, and provided all of our domestic employees (including part-time, contract-based and temporary staff) with a copy of the Handbook for education. In 2009, we published the second edition of the Compliance Handbook with revised contents. To reflect situations at our overseas locations, we prepared separate editions for different countries, i.e., a US edition in 2007, German and Chinese editions in 2008, Belgian edition in 2009, and Singaporean edition in 2010. These editions were distributed to our subsidiaries in these countries, which are using them for employee education.

We also distribute the Compliance Card*, which all employees of the Kuraray Group in Japan, including temporary staff.

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.

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.).

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, we are promoting PR activities that encompass approaches to communication with our stakeholders 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 exhibition, since 2005. In 2010, under the theme of “Mirabakenso for the earth” we displayed environment-oriented products and systems in the three spheres of the environment, energy, and optics and electronics.

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. As a new initiative, we held a tour for shareholders at our Okayama Plant to give them their firsthand look at a production site and deepen their understanding of our activities.
Approaches to Safety

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 next 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.

Safety Management

Concepts on Occupational Safety and Disaster Prevention

“Safety is the Cornerstone of Everything We Do”

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 safety representatives from the headquarters, including the assigned executive officer, visits each plant to conduct Site Safety Inspections in aspects such as the drafting of action plans, and action taken based on the results and its results. The findings of this inspection are reflected in the activity policy for the next fiscal year.

Since fiscal 2009, each unit has been operating the Safety Level Evaluation System, which was formulated as a tool to objectively assess the level of safety and weak points in each unit. This has enabled each unit to carry out safety activities with a focus on appropriate items efficiently and effectively.

Targets and Actual Results

Basic Policy on Occupational Safety and Disaster Prevention (Fiscal 2011)

1. Ensuring “Safety First, Production Second”
2. Do “CHECK” based on a fundamental principle, implement “Safety First” (CHECK: confirmation before taking every action)
3. All employees have a strong will for achievement of zero accidents and disasters

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 for the entire organization as well as each employee toward our goal of safe, accident-free workplaces.

In fiscal 2010, we had each unit conduct assessments based on the Safety Level Evaluation System, which was formulated in fiscal 2009. The purpose was to identify the weak points in safety activities in each unit and make the results of safety activities visible in terms of the safety level. By so doing, we executed safety activities with closely circumscribed objectives that were both efficient and effective. There were five occupational safety incidents (three lost-time injuries and two no lost-time injuries), and this did not represent an improvement from fiscal 2009, when the same number was recorded (two lost-time injuries and three non lost-time injuries). We nevertheless believe that the level of safety in each unit is steadily rising.

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

Number of Occupational Injuries

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 company-wide approaches in areas such as risk assessment related to safety and disaster prevention (based on HAZOP®, etc.), quake-proofing measures for buildings and plants, and tightening of their observance of safety assurance from various perspectives.

In the Great East Japan Earthquake that struck in March 2011, our Kashima Plant and Tsukuba Research Center (in the respective cities of Kashiwa and Tsukuba, Ibaraki Prefecture) experienced strong tremors, but there was no major damage to their production or research facilities, thanks to the effects of anti-quake measures and training conducted to date. Appropriate response prevented the incidence of any deaths, injuries, or accidents.

HAZOP®

Risk and Operability Study: A technique for the drafting and analysis of scenarios for hazards in chemical processes.
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 2010, 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.

### 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. The Logistics Safety Conference, which leads these activities, entered its tenth year, and conducted safety training (two sessions with a total of 44 participants) on subjects including logistical safety in transport. The training was provided for logistics personnel and concerned mainly the transport and storage of hazardous cargo and general cargo.

### 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

- 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.
- Minimize any anticipated risk associated with the products we supply.
- Maintain an appropriate quality management system to ensure that all products meet requisite quality and safety standards.
- Provide accurate product information to customers and end users to prevent accidents due to inappropriate use or handling.
- Strive to develop safer products and improve product safety technologies.
- Strive to strengthen information gathering and internal and external cooperative frameworks to ensure and improve product safety and quickly respond to accidents.
- 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), which serves as the secretariat and deliberates on the know-how and experience of concerned units. Fiscal 2010 saw deliberation on product safety measures by the concerned department and the CSR Division in connection with the provision of materials for new applications in fields such as medical services and civil engineering. Similarly, chemical substance management is basically led by the concerned departments and affiliated companies, and monitored by the CSR Division (Quality Assurance Group).

### Quality Management System Certifications

(As of March 31, 2011)

- ISO 9001
- Kuraray Nippon Plant
- Kuraray Kashima Plant
- Kuraray Okayama Plant
- Kuraray Kurashiki Plant
- (Membrane Production and Development Dept., Poval Film Production and Technology Development Dept.)
- Kuraray Yamashita Co., Ltd. (Exter Plant)
- Kuraray Sajo Plant
- Kuraray Plastics Co., Ltd. (Ishii Plant)
- Kuraray Chemical Co., Ltd. (Tsurumi Plant)
- Kuraray Fastening Co., Ltd. (Maruoka Plant)
- Kuraray Engineering Co., Ltd.
- Kuraray Trading Co., Ltd. (Chemicals & Industrial Materials Div., Belt Products Dept.)
- Kuraray Technical Co., Ltd. (Building Maintenance Service Division)
- EVAL Europe N.V.
- Kuraray Europe GmbH (Division PVA/PLB, Division TROSIFOL)
- Kuraray Dental Bemowo B.V.
- Kuraray America, Inc. (EVAL BU, SEPTON BU)
- Kuraray Asia Pacific Pte. Ltd.
- Kuraray China Co., Ltd.
- Kuraray Engineering Co., Ltd. (Building Maintenance Service Division)
- EVAL Europe N.V.
- Kuraray Europe GmbH (Division TROSIFOL)
- ISO 13485 (Medical devices)
- Kuraray Medical Inc.
- ISO/TS 16949 (Automotive production and relevant service part organizations)
- EVAL Europe N.V.
- Kuraray Europe GmbH (Division TROSIFOL)
- OOO TROSIFOL

### Material Safety Data Sheet (MSDS)

MSDS provides the detailed and essential information necessary to ensure the safe handling of chemicals, 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, namely as follows: 1) removal 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 safety, and handing through the registration system of new substances and elimination of redundant or overlapping regulations. For further information, visit the website: [http://www.kuraray.co.jp/en/products/msds/index.html](http://www.kuraray.co.jp/en/products/msds/index.html)

### Chemical Substance Management

In accordance with the General Management Regulations for Chemical Substances and other regulations, the Kuraray Group certifies 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.

Under the EU REACH regulations, December 1, 2010 was the deadline for registration of chemical substances, more than 1,000 tons of which we manufacture or import in Europe every year. Through preparations led by the European members of our Group, we completed such registration for the chemical substances we manufacture or import there.
Approaches to the Environment

Kuraray Group Action Guidelines for the Global Environment

- Basic Guidelines
  The basic guidelines for environmental conservation require that we fulfill our responsibility to future generations through sustainable corporate activity. Each Kuraray Group business 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.
  4. 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
  5. Development and supply of technologies for improving the environment and products with low environmental impact
  6. Utilization of environmentally friendly products
  7. Public disclosure of environmental information and dialogue with the community
  8. Raising the levels of environmental consciousness and environmental management
  9. Cooperation with stakeholders

Promotion Structure for Environmental Preservation

Kuraray’s companywide, medium- to long-term environmental preservation activities are facilitated by the Global Warming Prevention Committee and Environmental and Industrial Safety Committee which were established in the CSR Committee. These committees work on promoting global warming solutions, reduction of chemical substance emissions, and effective use of resources for the whole Kuraray Group. The Environmental and Industrial Safety Management Center has been set up in the CSR Division, and Environmental and Industrial Safety Departments and Sections have also been established at each Kuraray plant and affiliated company as companywide generalization function of environmental preservation.

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.

Targets and Actual Results

<table>
<thead>
<tr>
<th>Item</th>
<th>Goal</th>
<th>Status of achievement</th>
<th>Target</th>
<th>Actual results</th>
<th>Deviation</th>
<th>FY2011 target</th>
<th>FY2011%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions (GHG emissions)</td>
<td>90% reduction of FY2004 levels</td>
<td>N/A</td>
<td>Reduction through measures implemented</td>
<td>42.3% reduction</td>
<td>60%</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Emissions of chemical substances designated by JQA (t/A)</td>
<td>50% reduction of FY2004 levels by 2009</td>
<td>N/A</td>
<td>Reduction through measures implemented</td>
<td>50% reduction</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Emission of volatile organic substances (t/A)</td>
<td>50% reduction of FY2004 levels by 2009</td>
<td>N/A</td>
<td>Reduction through measures implemented</td>
<td>50% reduction</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Effective waste disposal rate</td>
<td>90%</td>
<td>N/A</td>
<td>Maintain the rate at 90% or over</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Lower levels of waste products</td>
<td>N/A</td>
<td>N/A</td>
<td>Reduction through measures implemented</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Reduction of GHG Emissions

In our Medium-Term Environmental Plan, we posted the target of curtailing GHG emissions (from Kuraray sites) to 1,226,000 tons (a reduction of 10% relative to fiscal 1990) in fiscal 2010. We actually exceeded this target two years earlier, in fiscal 2008. To continue meeting this target in fiscal 2009 and succeeding years, we decided to work to hold the increase in emissions accompanying expansion of our business to the minimum, and have been taking approaches mainly on the following fronts: 1) promotion of energy conservation, 2) switch to clean fuel, and 3) introduction of new energy.

In fiscal 2010, GHG emissions from Kuraray sites came to 1,201,000 tons. This was 11.8% less than in fiscal 1990 and bettered the medium-term target of 10% again, as in fiscal 2009.

All of our plants have organized subcommittees especially for the purpose of reducing GHG emissions and launched into related activities. In fiscal 2010, steps including increases in the efficiency of energy utilization, improvement of yield, and revisions of production processes had the effect of reducing emissions by 39,000 tons. Nevertheless, the total increase in the production volume pushed emissions up by 31,000 tons from fiscal 2009.

Trend in Measures for GHG Reduction

At Kuraray, we are striving to save energy by rationalizing processes, revising operating conditions, and introducing energy-saving equipment in our production activities. At the same time, for our in-house facilities for generation of power and steam, we are making a shift in fuels from heavy oil to natural gas, introducing biomass power generation, and installing photovoltaic power generation systems. These and other measures succeeded in reducing our GHG emissions by 391,000 tons (equivalent to 28.7% of the amount in fiscal 1990) over the ten years fiscal 2001-2010.

In fiscal 2011, we plan to introduce energy-saving equipment, improve manufacturing processes, and take other measures with the effect of reducing these emissions by about 30,000 tons.

As for our medium-term targets for the period beginning in fiscal 2011, in addition to reducing emissions accompanying our production activities as far as possible, we consider it important to make a contribution to reducing GHG emissions worldwide through provision of high-performance materials needed for building low-carbon societies, in keeping with our character as a manufacturer of unique chemical materials. We are therefore pursuing studies aimed at setting targets that enable reflection of contribution in terms of the entire product life cycle.
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 more than 1% per year. To attain this target, Kuraray is taking various steps for more efficient transportation, including modal shifts*. In fiscal 2010, our CO2 emissions came to 123,300 tons, up 1,100 tons from fiscal 2009, owing to an increase in sales. In terms of prime unit of energy utilization, however, we achieved a decrease averaging 3.5% annually (relative to fiscal 2006) over the four-year period beginning in fiscal 2007.

Educational Activities

Besides working to reduce GHG emissions in their production activities, all Kuraray sites are engaged in educational programs for employees and their families. They encourage them to practice environmental accounting in the home and invite them to take part in various environmental activities.

In fiscal 2010, our Kashima Plant entered the Eco Drive Contest held by the Ministry of the Environment and other organizations, and was awarded the Eco Drive Activity Prize for its activities, which include a switch to hybrid vehicles for its company cars, posting of fuel graphs on these cars, showing of eco-drive movies, and other action to spur the spread of eco-driving.

Reduction of Chemical Substance Emissions

Kuraray has posted the goal of reducing emissions of PRTR-designated substances by domestic Kuraray Group companies by 90% (3,999 tons) relative to fiscal 1999. Thus, we have focused on sources of emissions that are high and thought to exert a strong impact on the environment, and took measures such as blocking the sources, rendering the emissions harmless through combustion, and eliminating use of organic solvents in manufacturing processes. As a result, by fiscal 2010, we had cut these emissions by 75% (3,313 tons) relative to fiscal 1990, but this was short of the initially targeted 90%.

We made a voluntary assessment of environmental impact inside and outside our sites due to emissions of chemical substances at present. This assessment found that there were no emission sources requiring emergency response, and that the remaining ones were generally scattered and had low emission levels, which meant that further reduction faced technical and economic difficulties. We consequently decided not to set a target for the total emission level, and instead to continue with studies aimed at finding efficient reduction measures for individual sources while curtiling any additional emissions due to installation of new or expansion of existing facilities.

- 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 Control Act (the PRTR Act) was enacted. Through the JCIA's PRTR program, key chemical substances have been targeted at each of our sites for which data are designated by the PRTR Act, and the domestic Kuraray Group companies handle 7% of these chemicals, including 50-chemical substances designated by the PRTR Act.

Reduction of VOC

The provisions for curtailment of VOC emissions in the Air Pollution Control Act target a 30-percent reduction relative to fiscal 2000 in emissions from specified sources by fiscal 2010. All of the VOCs handled by domestic sites in the Kuraray Group are on the list of PRTR-designated substances. We therefore set the ambitious target of reducing VOC emissions by 80% relative to fiscal 2004 and took action to this end in the context of our activities to reduce emissions of PRTR-designated substances. In fiscal 2010, our VOC emissions amounted to 859 tons (62% less than in fiscal 2004). Although we failed to reach our voluntary target, we reduced emissions by 75% relative to fiscal 2000, far above the target in the aforementioned Act.

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.

The reduction of waste derivation are strongly influenced by the production volume. Focusing on the amount of decrease by derivation-reducing measures, we set the target of reducing derivation in fiscal 2010 by an amount equivalent to 1% or more of the amount derived in fiscal 2009. Each site took measures including the revision of conditions applied in operation of production facilities and decrease in brand switchover loss through rationalization of production schedules. As a result, the domestic Kuraray Group companies reduced waste derivation by 2,644 tons (3.8% relative to the fiscal 2009 level), and therefore attained the target. Nevertheless, the production increase pushed the total waste derivation amount to 75,000 tons, up 6,000 tons from fiscal 2009.

Reduction of Soot and Dust Emissions

The Kuraray Group is also working to reduce emissions of SOx, NOx, and soot and dust. The Tsurumi Plant of Kuraray Chemical has many smoke- and soot-emitting facilities that are regulated by the Air Pollution Control Act. Besides observing the limits set down in laws and regulations for soot and dust emissions, the plant posted the voluntary target of reducing the emission level by about 90% (78 tons) relative to fiscal 2008, through an effort beginning in fiscal 2010 and extending to facilities not covered by the law. To this end, it is reinforcing the capacity of emission gas incinerators and dust removal facilities. It expects to attain the target upon the completion of its second phase of measures planned for fiscal 2011.

Trend in Industrial Waste Utilization Rate

Trend in the Amount of Unutilized Processed Industrial Waste

Trend in the Amount of Waste Generated

Approaches to the Environment

Environmental Report
Improper Disposal of Trace-PCB Waste

In fiscal 2010, our Kuraray Shikoku Plant discovered that we had mistakenly discarded one piece of electrical equipment that had used insulating oil containing traces of PCB in February 2006. The Plant immediately notified the Kure city and municipal authorities and disclosed all pertinent information to them. The disposal was caused by an act mistaking equipment containing PCB, which should have been stored, for equipment not containing PCB. The insulating oil in the equipment had already been combusted in use as recycled fuel. It contained only a trace of 0.5 grams of PCB, and this is thought to have a negligible impact on the environment.

After this discovery, we reviewed all sites and confirmed that all trace-PCB waste was being properly managed.

From now on, we are going to further strengthen our control of trace-PCB waste and work to prevent the recurrence of any such accidents by educating employees.

Concentrating Lens for Solar Power Generation

As one of its approaches in the field of new energy, Kuraray has developed, and has begun supplying to customers, concentrating lens that serves as a key component of solar power concentrating photovoltaic system*. Applying our original precision molding technology, the lenses feature high transcription properties. Each one realizes a high degree of precision and light-concentrating efficiency. Moreover, improvement of methacrylic resin, one of Kuraray’s raw materials, endows the lenses with excellent characteristics in respect of resistance to light and weather.

* Power concentrating photovoltaic systems: Systems that concentrate sunlight with lenses or mirrors to irradiate small-area power generation cells. They enable an efficient and low-cost generation of power by allowing use of high-performance, high-cost cells with smaller areas.

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 to contribute to improvement of the global environment.

Abrasive Grain/Coolant Recycling System

In the context of its aqua business, Kuraray developed, and has begun supplying to customers a system for recycling of abrasive grain* and coolant* used when cutting silicon in manufacturing processes for products such as solar cells. The system is a sophisticated fusion of Kuraray’s original high-performance membrane filtration technology and special centrifugal separation technology. It retrieves liquid coolant and solid grain with a high efficiency to permit their reuse. Because it also efficiently separates out and retrieves silicon powder from cutting oils, Kuraray’s raw materials, endows the lenses with excellent characteristics in respect of resistance to light and weather.

Recycling of coolant 775 tons

Environmental Accounting

Environmental Preservation Costs (million yen)

Material Flow in Business Activities (Fiscal 2010)

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 Preservation Activities

Approaches to the Environment

Investment in Environmental Facilities

Byproducts: 1,472,000 tons

Product packaging materials: 10,530 tons

SOx: 1,600 tons

COD load: 584 tons

External disposal of waste materials: 700 tons

PCB: 12,300 tons

NOx: 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

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- 700 tons

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- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

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- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

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- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

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- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons

- 12,300 tons

- 95.0 tons

- 200,000 tons

- 1,600 tons

- 700 tons

- 584 tons
Environmental Data

Trends in Energy Consumption

Energy Consumption (1,000 t crude oil equivalent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Kuraray sites</th>
<th>Domestic affiliated companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>74</td>
<td>18</td>
</tr>
<tr>
<td>2005</td>
<td>77</td>
<td>16</td>
</tr>
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<td>2006</td>
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<td>2007</td>
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<td>20</td>
</tr>
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<td>2008</td>
<td>93</td>
<td>22</td>
</tr>
<tr>
<td>2009</td>
<td>99</td>
<td>23</td>
</tr>
<tr>
<td>2010</td>
<td>103</td>
<td>24</td>
</tr>
</tbody>
</table>

Reducing the Environmental Burden during Transportation (Kuraray sites)

CO2 and NOx Emissions during Transportation (CO2: 1,000 tons/NOx: tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>CO2</th>
<th>NOx</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>110.6</td>
<td>12.6</td>
</tr>
<tr>
<td>2005</td>
<td>111.6</td>
<td>12.6</td>
</tr>
<tr>
<td>2006</td>
<td>109.4</td>
<td>12.7</td>
</tr>
<tr>
<td>2007</td>
<td>112.7</td>
<td>12.8</td>
</tr>
<tr>
<td>2008</td>
<td>113.8</td>
<td>12.9</td>
</tr>
<tr>
<td>2009</td>
<td>115.1</td>
<td>13.0</td>
</tr>
<tr>
<td>2010</td>
<td>116.4</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Resource Conservation

Water Resource Use (million m$^3$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Kuraray sites</th>
<th>Domestic affiliated companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2.8</td>
<td>1.1</td>
</tr>
<tr>
<td>2005</td>
<td>2.9</td>
<td>1.2</td>
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<tr>
<td>2006</td>
<td>2.8</td>
<td>1.2</td>
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<tr>
<td>2007</td>
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<td>1.2</td>
</tr>
<tr>
<td>2008</td>
<td>3.0</td>
<td>1.3</td>
</tr>
<tr>
<td>2009</td>
<td>3.1</td>
<td>1.3</td>
</tr>
<tr>
<td>2010</td>
<td>3.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Air Pollution Prevention

SOx Emissions (1,000 tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Kuraray sites</th>
<th>Domestic affiliated companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>2005</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2006</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>2007</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>2008</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>2009</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2010</td>
<td>1.6</td>
<td>1.6</td>
</tr>
</tbody>
</table>

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 282 children participated on ten occasions in fiscal 2010.

In Singapore as well, Kuraray Asia Pacific Pte. Ltd. invited junior high schoolers to tour its plant and experience chemical experiments by themselves. 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 2010, our experiment for production of aromatics using highly water-absorbent resin attracted the participation of about 1,200 children and their parents.

Activities of Social Contribution

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 2010 marked the seventh year since the start of the program in 2004. The program has been steadily expanding and we collected some 9,000 school bags from all parts of the country in 2010. 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.

In efforts to widen the scope of our activities, we continued to participate in 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.
Support for Self-help Efforts of the Mentally Challenged

Kuraray continues to offer support in the management of numerous medical, welfare, and cultural/research institutions. Together with the staffs of Kurashiki Central Hospital, and Doubashiki Sajio Central Hospital, in addition we operate a nursing facility for the aged utilizing welfare facilities in our plants.

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 Ishi Memorial Aizen-ken, Ohara Museum of Art, Kurashiki Central Hospital, and Doubashiki Sajio Central Hospital. In addition, we operate a nursing facility for the aged utilizing welfare facilities in our plants.

Communication with the Regional Community

Plants and Tastings 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 2010, such activities at seven Kuraray Group plants in Japan attracted an extended number of 2,979 participants, and served to deepen their understanding of activities at these sites.

Support for Interchange with Local Residents

In response to the Great East Japan Earthquake, the Kuraray Group donated 100 million yen to those victims by the disaster and the affected areas. As material aid, we also donated Kuraray products of various types, including sanitary masks and clothes, sterilized wipers, and candies. Meanwhile, all of our sites collected donations from employees mainly through the Kuraray Fureai Fund, and member companies both inside and outside Japan matched them with gifts of their own. As this indicates, our Group provided relief and assistance for the affected areas in various forms.

In addition, our Nigata Plant opened employee housing to evacuees from the affected areas and supported their residence in them.

Kuraray Fureai Fund

We set up Kuraray Fureai Fund in July 1992. Under this fund, companies make donations consisting of the donations made by their employees plus a matching gift of the same amount. Employees entering the Fund agree to donate amounts of less than 100 yen from their salaries to it, and the company matches this amount. The funds collected in this way are used for purchase of items for donation to social welfare organizations or other such parties, for contribution to the good of society.

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.

Status of Activities

We requested a total of 97 suppliers whose approaches to CSR procurement were deemed inadequate in the fiscal 2010 survey to take more aggressive action. As a result, approaches were found to be adequate at 73 of these firms and still inadequate at 20. Of the 67 suppliers covered by the survey, approaches are now deemed adequate at 91%. We are going to continue asking these suppliers to enhance their efforts for CSR procurement.

Green Purchasing

As part of its CSR procurement activities, Kuraray preferentially purchases environmentally friendly (green) products in line with its Green Purchasing Guidelines, which was revised in fiscal 2009. We are going to continue working for a further increase in our green purchasing rate.
## Approaches in the Workplace

### 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 authority or standing that hinders the development of employees, in particular, shall be absolutely prohibited.
2. We will abolish discrimination and respect diversity and individuality. In all aspects of HR activities, including hiring, training, personnel development, assignment and evaluation, or discipline, it shall be prohibited in work ability and performance, race, nationality, gender, or religious belief, the treatment of people, shall be allowed. We will endeavor to promote diversity that accepts the personal traits, culture and background of people from various areas.
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 work to eliminate all forms of discrimination.
5. We will strive to improve the environment of workplaces, which allow employees to work safely and with regard for their physical and mental health.

### Basic Employee Data

#### Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2,727</td>
<td>1,547</td>
<td>1,180</td>
</tr>
<tr>
<td>2001</td>
<td>2,918</td>
<td>1,607</td>
<td>1,311</td>
</tr>
<tr>
<td>2002</td>
<td>3,044</td>
<td>1,676</td>
<td>1,368</td>
</tr>
<tr>
<td>2003</td>
<td>3,365</td>
<td>1,909</td>
<td>1,456</td>
</tr>
<tr>
<td>2004</td>
<td>3,950</td>
<td>2,254</td>
<td>1,696</td>
</tr>
<tr>
<td>2005</td>
<td>5,000</td>
<td>2,800</td>
<td>2,200</td>
</tr>
<tr>
<td>2006</td>
<td>5,500</td>
<td>3,000</td>
<td>2,500</td>
</tr>
<tr>
<td>2007</td>
<td>6,000</td>
<td>3,400</td>
<td>2,600</td>
</tr>
<tr>
<td>2008</td>
<td>6,500</td>
<td>3,600</td>
<td>2,900</td>
</tr>
<tr>
<td>2009</td>
<td>6,584</td>
<td>3,657</td>
<td>2,927</td>
</tr>
<tr>
<td>2010</td>
<td>6,630</td>
<td>3,632</td>
<td>2,998</td>
</tr>
</tbody>
</table>

*Group = Consolidated Subsidiaries

#### Trend in the Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6,919</td>
<td>6,842</td>
<td>6,630</td>
<td>6,584</td>
</tr>
<tr>
<td>Americas</td>
<td>3,706</td>
<td>3,687</td>
<td>3,579</td>
<td>3,566</td>
</tr>
<tr>
<td>Europe</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total(Summary)</td>
<td>5,706</td>
<td>5,687</td>
<td>5,579</td>
<td>5,566</td>
</tr>
</tbody>
</table>

#### Employee Turnover Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Personal reasons</th>
<th>Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>17</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>2008</td>
<td>26</td>
<td>24</td>
<td>2</td>
</tr>
<tr>
<td>2009</td>
<td>33</td>
<td>32</td>
<td>1</td>
</tr>
</tbody>
</table>

**Note:** Turnover rate = Number of people leaving employment / Average number of employees in the beginning of the fiscal period.

#### Trend in Staff Numbers by Region

<table>
<thead>
<tr>
<th>Year</th>
<th>Americas</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3,706</td>
<td>2,000</td>
</tr>
<tr>
<td>2008</td>
<td>3,687</td>
<td>2,000</td>
</tr>
<tr>
<td>2009</td>
<td>3,579</td>
<td>2,000</td>
</tr>
<tr>
<td>2010</td>
<td>3,566</td>
<td>2,000</td>
</tr>
</tbody>
</table>

## 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 work, 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total average working hours</th>
<th>Rate of taking yearly paid vacations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,827</td>
<td>1.9%</td>
</tr>
<tr>
<td>2008</td>
<td>1,901</td>
<td>2.1%</td>
</tr>
<tr>
<td>2009</td>
<td>1,958</td>
<td>2.3%</td>
</tr>
<tr>
<td>2010</td>
<td>2,000</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

**Note:** Total average working hours for FY2008 and FY2009 reflect the impact of reduced operating days due to the crisis incurred by the failure of Lehman Brothers as well as reduced overtime work and rate of taking yearly paid vacations.

### 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.

#### Statutory employment rate: 1.8%

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 2010, childcare leave was taken by 25 employees at Kuraray. We recommend male employees to take childcare leave to encourage more fathers to get involved in child rearing.

Employees can also use our reduced working hour system 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 in March 2007 and March 2009. We are now working on the third-stage action plan for the period between fiscal 2009 and 2012.

### Employment of the Challenge

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.

### 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 2010, five employees took special vacations to take part in volunteer activities for natural preservation or in other activities.

2. **Refresh Vacations**
   - On the occasion of commemoration 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 2010, 24 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 company-wide 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

In fiscal 2007, we instated the Global HR Development Program for all employees of the Kuraray Group, including those outside Japan. The purpose of the Program is early development of personnel equipped for activity on a global scale. Under the Program, we plan and execute a wide variety of activities, including the Global Forum (GF) and Global Team Training (GTT) for group training at overseas sites, the Global Talent (GT) for training of activities, including the Global Forum (GF) and Global Talent (GT) for training of those outside Japan. The purpose of the Program is early development of personnel equipped for activity on a global scale.

Global HR Development Program

Kuraray CSR Report 2011

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 workplace activities.

Mental Health

Kuraray has mounted a company-wide 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.

(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.

Support for Building Health

To promote the health of its employees, Kuraray is deploying a company-wide 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.

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-management councils and councils on occupational safety, we engage in earnest consultation with representatives of these unions on various issues and work for their resolution through mutual cooperation.
Kuraray was the first firm in the world to commercially manufacture vinylon, Japan’s first domestically produced synthetic fiber. Last year, which marked the 60th anniversary of the start of our operations, vinylon was registered as a “Technological Legacy for the Future” by the National Museum of Nature and Science. The technologies sponsored by vinylon and the development of business in poval, its base material, are major pillars supporting the business of today’s Kuraray Group.

Along with vinylon, we have always cherished our management philosophy, whose kernel conviction is summed up in the words of Soichiro Ohara, our second president: “The profit that companies ought to gain must be that as compensation for benefit and contribution to society and the national economy through technical innovation.”

Commitment to Purely Domestic Production

In November 1950, Kuraray began to produce five tons of vinylon per day at its Okayama Plant. Commercial manufacture of vinylon grew out of a solid sense of mission on the part of Soichiro Ohara, who believed it would face the spirits of the Japanese after their loss of confidence with their defeat in the war. Around the same time, other Japanese firms began producing nylons with technology introduced from the United States, but vinylon was the focus of high hopes among the Japanese, for a different reason: in resource-poor Japan, it could be synthesized by means of limonene, electricity (hydroprope), and air (oxygen), and was to be the first purely domestically produced type of fiber.

In May 1949, Kuraray held an exhibit and sale show for vinylon, which was then in trial production, at Mitsukoshi’s main store in Tokyo. The show was absolutely thronged, and underscored the magnitude of the reaction generated by the product.

Nevertheless, production of vinylon required an immense investment of some 1.4 billion yen, far outweighing the 250 million yen which the Kuraray of that day had in capital. Unable to get the amount of financial aid it anticipated from the government in connection with policy for development of synthetic fiber industry, its procurement of the necessary funds reached an impasse; Soichiro decided to go directly to Mr. Hsiao Ichimada, then the governor of the Bank of Japan, and sought his cooperation, pointing out that the business was not for the profit of a single company but for the recovery of Japan’s textile industry as a whole. His enthusiasm led to the determination of joint financing of 1.4 billion yen by a consortium of 15 banks in October 1949. This financing proved vital to vinylon, but the business was endangered for a while, partly due to problems such as a low amenability to dyeing, when the Japanese economy slumped once a truce was declared in the Korean War. Thereafter, however, Kuraray made repeated technical innovations and gradually built the business up while expanding the circle of applications to fishing nets, industrial materials, and school uniforms and other apparel.

The Contribution of Vinylon

With the subsequent rise of the general-purpose fiber polyester, vinylon fell out of favor in the field of apparel. It nevertheless made inroads in applications making the most of the features of this original technology, including high levels of strength and modularity, hydrophilic properties, and resistance to chemicals and weather. Kuraray promoted its use for items such as cheesecloth (a woven sheet) for mercury-free alkali batteries and oil brake hoses in automobiles. Vinylon has also found an expanding demand as a reinforcing agent for cement, especially in Europe. It is helping to improve the environment and contributing to the safety of consumers. I intend to use these three insights on our standpoint or role as guidelines to be applied in running the business into the future. Because it is a corporate activity, we naturally have to turn a profit. But I also aim to determine it to be true to the spirit of “for society and for people.”

The Torch Kindled by Shiko Munakata’s “Vinylon Shohanga Saku”

When the commercialization of vinylon was in its final stages, Soichiro made the following comment to sculptor artist Shiko Munakata: “I am making our destiny on the vinylon business. We must get vinylon production on track, also to put the Japanese economy on an independent footing. I need a guiding torch for this challenge. I wonder if you could express these aspirations of mine for vinylon in woodcuts?” At the time, Japan was right in the middle of an economic slump triggered by the so-called “Dodge Line,” and Soichiro was having trouble managing the company. He sought the encouragement needed to break through the difficulties in Munakata’s art.

Munakata wielded his chisels with the perspiring face almost touching the surface of the wood he was carving. Eventually, he produced a series of four works, each measuring one square meter and consisting of four carved panels. Titled “Vinylon Shohanga Saku” (“Woodcuts in Praise of Vinylon”), the series is one of Munakata’s major works and based on Friedrich Nietzsche’s “Thus Spake Zarathustra.”

The real which Soichiro felt about vinylon as the foundation of Kuraray’s CSR philosophy and business, and so is being carried on today.