Message from the President

We experienced unprecedented events such as the Great East Japan Earthquake and the Fukushima Daiichi Nuclear Power Plant accident that occurred last year on March 11. We would once again like to express our deepest sympathy for those who lost their lives in the earthquake, and to those who are still living in evacuation shelters.

In fiscal 2012, we launched our new three-year medium-term management plan, GS-III. In the first half of our previous mid-term management plan, GS-Twins (from fiscal 2009 to 2011), we implemented a focus on improvement of profit structure as a result of the crisis caused by the Lehman collapse, followed in the latter half by a focus on the creation and expansion of new business and acceleration of our global strategy for core businesses. We are ready for a growth with the capability to realize the goals stated in the long-term corporate vision of becoming a "specialty chemical company with a global presence." In accordance with our long-term corporate vision, GS-III sets out three basic policies: formulating a business plan for net sales of one trillion yen by approximately 2018, building a business foundation that allows for new growth in the Kuraray Group, and realizing a superior management foundation with a global outlook. Under GS-III, in fiscal 2014, the final year of the plan, our targets for net sales and operating income are 550 billion yen and 85 billion yen, respectively.

CSR Spirit
A company naturally needs to achieve profits through its business activities in order to maintain a global presence and work for sustainable growth, but we believe that it is also important to achieve excellent quality in our business operations and to work toward that goal by continuously enhancing the quality of our management. It was the belief of Kuraray’s founder, Magosaburo Ohara, that “returning all the wealth obtained from society back to society,” and the idea of his successor, Soichiro Ohara, that “any profit which a company might gain should be confined to those profits that come from technological innovation and from consideration of the social and economic benefits it brings to the entire nation,” that gave rise to the corporate culture of Kuraray. This culture is encapsulated in the phrase “Contributing to the World and Individual Well-being through Actions that Others are Unable to Produce.” Having a founder who believed in corporate social responsibility even in an era when the term CSR was unfamiliar, Kuraray has inherited a sense of such responsibility. The true meaning of CSR lies not in the expansion of profitability, but in enhancing the quality of business and management with an eye to advancing society.

Under GS-III, CSR management is bolstered through five management strategies in the areas of technological innovation, geographical expansion, utilization of external resources, strengthening of our global business foundation, and environmental measures. Specifically, we will promote the establishment of a global risk management system, further improvements in safety management, revitalization of the ethics and compliance program, and the revamping of the quality management system. As for environmental measures, Kuraray aims to provide, at low environmental load, products which contribute to maintaining and improving the global environment. We have selected environmental efficiency (net sales value per unit of environmental load) as an environmental index on which to base our efforts and we will formulate and implement a Medium-Term Environmental Plan which outlines targets for fiscal 2020. Through the implementation of various measures to achieve this plan, we will make efforts towards global warming solutions, management of chemical substances emissions, and effective use of resources.

Responsibilities and Challenges as a Company
Kuraray was founded in 1926 to pursue business in rayon. In 1950, Kuraray became the first firm in the world to succeed in the commercial manufacture of KURALON (PVA fibers). Ever since, we have been continuously striving to develop and commercialize products useful to society in the field of high-performance resins and chemicals, beginning with Poval, EVAL, and Isoprene, based on our distinctive polymerization and synthesis technology.

However, our founder, Magosaburo Ohara, and his successor, Soichiro Ohara, focused not solely on the expansion of the business, but also founded and assisted with the operation of social enterprises such as Ohara Museum of Art, Kurashiki Central Hospital, Ishi Memorial Aizen-en and the Institute for Science of Labour. These institutes and organizations continue to contribute to society even today. Kuraray continues to provide cooperation and support to these enterprises and additionally tackles social problems through activities within its own field of activity such as “Chemistry Classes for Boys and Girls,” the Kuraray Workshop for people with mental disabilities and “Sending School Bags across the Sea.”

CSR Roots
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.” Kuraray’s 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”—expresses the essence of the social responsibility which is Kuraray’s duty to discharge. We add value to the resources entrusted to us by society through the application of pioneering technology and thereby return this contribution to society. We will carry on realizing sustainable corporate growth through continued research and development and capital investment. With the global economic slowdown brought on by the European sovereign debt crisis which began last summer, and political turmoil in Japan, we find ourselves operating in a troubled environment. I hope nevertheless that, undaunted by this situation, we at the Kuraray group will all react by bringing together our wisdom and facing these challenges with conviction in “Contributing to the World and Individual Well-being through Actions that Others are Unable to Produce.”
Business Outline
Kuraray Co., Ltd. was founded in Kurashiki, Okayama Prefecture in 1926 for the purpose of commercializing 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 use 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 43 sites in a total of 17 countries and regions.

Kuraray Group Financial Highlights (Fiscal 2011)

Trend in Consolidated Business Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (bn ¥)</th>
<th>Operating Income (bn ¥)</th>
<th>Net Income (bn ¥)</th>
<th>ROA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6,000</td>
<td>1,000</td>
<td>300</td>
<td>5</td>
</tr>
<tr>
<td>2010</td>
<td>5,500</td>
<td>900</td>
<td>250</td>
<td>4</td>
</tr>
<tr>
<td>2009</td>
<td>5,000</td>
<td>800</td>
<td>200</td>
<td>4</td>
</tr>
<tr>
<td>2008</td>
<td>4,500</td>
<td>700</td>
<td>150</td>
<td>3</td>
</tr>
<tr>
<td>2007</td>
<td>4,000</td>
<td>600</td>
<td>100</td>
<td>2</td>
</tr>
</tbody>
</table>

Trend in Consolidated Total Assets, Net Assets, and ROA

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (bn ¥)</th>
<th>Net Assets (bn ¥)</th>
<th>ROA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>12,000</td>
<td>4,000</td>
<td>5</td>
</tr>
<tr>
<td>2010</td>
<td>11,000</td>
<td>3,500</td>
<td>4</td>
</tr>
<tr>
<td>2009</td>
<td>10,000</td>
<td>3,000</td>
<td>3</td>
</tr>
<tr>
<td>2008</td>
<td>9,000</td>
<td>2,500</td>
<td>2</td>
</tr>
<tr>
<td>2007</td>
<td>8,000</td>
<td>2,000</td>
<td>1</td>
</tr>
</tbody>
</table>

Consolidated Net Sales Share by Market (Fiscal 2011)

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales (bn ¥)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>6,000</td>
<td>50</td>
</tr>
<tr>
<td>North America</td>
<td>3,000</td>
<td>25</td>
</tr>
<tr>
<td>Europe</td>
<td>2,000</td>
<td>16</td>
</tr>
<tr>
<td>Asia</td>
<td>1,000</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>500</td>
<td>4</td>
</tr>
</tbody>
</table>

Consolidated Net Sales Share by Segment (Fiscal 2011)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (bn ¥)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading</td>
<td>6,000</td>
<td>50</td>
</tr>
<tr>
<td>Others</td>
<td>500</td>
<td>4</td>
</tr>
</tbody>
</table>

* ROA = Return on Assets

Kuraray is a leading diversified chemical company. Its global business encompasses a wide range of businesses, including materials for medical devices, high performance fibers, functional fibers, synthetic leather, and bio materials.

The Kuraray Group (Consolidated Subsidiaries)

1. Kuraray Co., Ltd.
2. Kuraray Medical Inc.*
5. Kuraray Business Services Co., Ltd.
6. Kyoei Chemical Co., Ltd.
7. Kuraray Saiko Co., Ltd.
8. Kuraray Yamashita Co., Ltd.
10. Kuraray Chemical Co., Ltd.
12. Kuraray Plastics Co., Ltd.
13. Brain Kosan Co., Ltd.
15. Kuraray Living Co., Ltd.
16. Tactico Soft Co., Ltd.
17. Kuraray Fastening Co., Ltd.
18. Kuraray Fashioning Co., Ltd.
19. Kuraray Travel Service Corporation
20. Okajima Feltech Co., Ltd.
21. Osaka Rubber Warehouse and Transport Co., Ltd.
22. Kurashiki Kotsukai Hotel Co., Ltd.
23. Nortake Dental Supply Co., Ltd.*
24. Kuraray Nortake Dental Holdings Inc.*
25. Kuraray Holdings USA, Inc.
27. Kuraray Europe GmbH
28. EVAL Europe N.V.
29. OOG TROSIFOL
30. Kuraray Asia Pacific Pte. Ltd.
31. Kuraray (Shanghai) Co., Ltd.
32. Kuraray (Guangzhou) Co., Ltd.
33. Kuraray America, Inc.*

* Kuraray Nortake Dental Inc. commenced operations following the integration of Kuraray Medical Inc., Nortake Dental Supply Co., Ltd., and Kuraray Nortake Dental Holdings Inc. on April 1, 2012.

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

Editorial Policy

Reporting Period
From April 1, 2011 to March 31, 2012
(Statements 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
Social
Reports focus on Kuraray Co., Ltd., but also include some affiliated companies depending on their activities in the respective field
Economic
Kuraray Co., Ltd., consolidated subsidiaries, and equity method affiliates (total 33 companies)

The Kuraray Group (Consolidated Subsidiaries)
CSR Management

Kuraray’s corporate philosophy is to pursue the value of contribution to society by respecting each and every individual and producing materials that fill a need in people’s lifestyles through its creative technological skills. The purpose of our business is to add value to the resources entrusted to us by society through the application of pioneering technology and thereby return this contribution to society. We believe that how we implement measures to achieve these goals while respecting the interests of all our stakeholders, including our shareholders, suppliers, consumers, local residents and employees, is important as a social responsibility of our company.

Corporate Philosophy

Respect for individuals
Cooperation in shared goals
Creation of values

Corporate Mission

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

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 assuring the improvement of our performance and 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 directors while shortening their term of office, and introduced the executive officer system in order to separate the functions of supervision and execution. In fiscal 2008, we made further enhancements for corporate governance by appointing outside directors.

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 companywide policies and targets and report on the same to management. The themespecific working groups making up the subordinate committees collaborate with various Group units in addressing their respective agenda based on the CSR-related policies.

CSR Committee Organizational Chart

CSR Committee (Secretariat: CSR Division)

Social Responsibility and Economic Subcommittee
Environmental and Industrial Safety Subcommittee
Global Warming Measures Subcommittee
Risk Management and Compliance Subcommittee

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 Risk Management and Compliance Subcommittee as well as the CSR Committee 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 that are regarded as 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 that rest on original technology, we are also integrating individual risks and reevaluating them from the standpoint of business continuity.

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

Principles for Business Conduct

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

Compliance Declaration

- We will comply with the laws and regulations or 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 that society has placed in us.

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 ensure 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, 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 US, German, Handbook with revised contents. To reflect situations published the second edition of the Compliance

Guidelines with examples and commentary on them, and compiled the Compliance Handbook, which consists of the Kuraray Group Code of Conduct describing Business Conduct, over corporate profits.” In 2005, we conducted IR activities for shareholders and investors. In addition to holding results briefings for institutional investors in Japan, we work to provide timely and thorough information to individual investors by posting on our website video footage of results briefings and our general meeting of shareholders while also holding separate briefings for private investors. Additionally, we distribute an English version of the video footage of the results briefings, and regularly visit overseas institutional investors in Europe, North America and Asia, to explain and exchange views on such matters as our company’s financial situation.

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 contract-based, temporary and part-time 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 that includes female employees.

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

http://www.kuraray.co.jp/en/disclosure.html

IR Activities

In keeping with its emphasis on reliability and fairness in its provision of investment information, Kuraray conducts IR activities for shareholders and investors. In addition to holding results briefings for institutional investors in Japan, we work to provide timely and thorough information to individual investors by posting on our website video footage of results briefings and our general meeting of shareholders while also holding separate briefings for private investors. Additionally, we distribute an English version of the video footage of the results briefings, and regularly visit overseas institutional investors in Europe, North America and Asia, to explain and exchange views on such matters as our company’s financial situation.

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Publicity and PR Activities

The Kuraray Group is engaged globally in publicity activities for timely provision of information on our current status. Besides announcements of corporate news through regular news agencies in Japan and overseas, we have a full assortment of tools for this purpose, including display of the latest company information on our websites in Japanese, English and Chinese, and preparation of brochures and videos. To raise recognition of our company and understanding of our business operations, we are promoting PR activities encompasing a corporate advertising campaign centered on TV commercials in Japan, and advertisements in chemistry journals overseas. Also we strive to communicate with our stakeholders through appearance at exhibitions and events.

As part of this communication, we have been exhibiting at Eco-Products, Japan’s largest environmental exhibition, since 2005. In 2011, under the theme of “Environmental Mirabakesso,” we presented a display of environment-oriented materials and technologies which attracted approximately 14,000 visitors.

* Mirabakesso
A keyword used in the Kuraray Group’s corporate advertising campaign, which is a contraction of the catchphrase: “Mirai ni Bakeru Shinsozai.” Translated from the Japanese, it means: “New materials that Transform into the future.”

Video distribution of results briefings

http://www.kuraray.co.jp/en/ir/

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Kuraray CSR Report 2012
Approaches to Safety

The Kuraray Group has a safety management system for detection of risks of occupational and safety-related accidents to prevent any such occurrences. We operate this system to make workplaces that are safe and free of accidents and disasters by heightening the safety awareness of employees. Similarly, in preparation for the event of accidents and disasters, we conduct drills to curtail damage to the minimum. We also attempt to prevent any recurrence through sharing of information on actual cases and their lessons.

Safety Management

In accordance with the Safety Activity Management Regulations established in May 2007, the domestic Kuraray Group companies prepare safety plans every fiscal year in their efforts to ensure 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 director in charge, we make an overall assessment of the safety activities performances and determine policy for such activities in the coming fiscal year. 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.

Basic Policy and Concepts in Occupational Safety and Disaster Prevention

“Safety is the Cornerstone of Everything We Do”

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 2011, each unit worked to carry out effective and efficient safety activities by making improvements in weak points in safety activities identified through the Safety Level Evaluation System implemented last year, and by making the results of the improved safety activities visible in terms of the safety level. The level of safety in each unit is steadily rising, as shown by the three occupational safety incidents in fiscal 2011 (two lost-time injuries and one no lost-time injury), which represented an improvement over the five incidents of fiscal 2010 (three lost-time injuries and two no lost-time injuries).

As a new initiative in fiscal 2012, to appropriately evaluate the organization’s safety level, the following two measures will be carried out:

1. Evaluation of occupational incidents based on the potential degree of injury, and an analysis of the causes of the incident (error evaluation) in addition to evaluation based on the result of an incident
2. Measurement of the Occupational Incidents Rate, which covers all occupational injuries in order to implement evaluation based on unified standard for domestic companies and overseas subsidiaries

By carrying out these measures, and implementing activities effectively and efficiently to evaluate and improve our safety level as an organization and enhance the safety awareness of individual employees, we are working to reduce the number of lost-time injuries to zero.

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

At the Kuraray Group, we consider it a major responsibility to prevent the occurrence of explosions, fires, leakage of hazardous substances, 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 our risk management, we have especially dealt with safety assessment and management of change, when the facilities are newly built or remodeled, and operating conditions are changed. In addition, we have formulated and carried out action plans to strengthen safety assurance on the envisaged scope and began to revise and formulate plans based on appropriate evaluation of activity results, improvement of efficiency and effectiveness by performing PDCA cycles of safety activities and utilizing the Safety Level Evaluation System, which was formulated as a tool to objectively assess the level of safety and weak points in each unit.

Operational Safety and Disaster Prevention

At the Kuraray Group, we consider it a major responsibility to prevent the occurrence of explosions, fires, leakage of hazardous substances, other accidents, and disasters that could have an immense impact on society, as well as to reduce the damage to equipment to the minimum. The area had been managed to reduce security risks according to the size of the risk, and by evaluating the organization’s safety level, the following two measures will be carried out:

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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. Each plant also has emergency teams which regularly conduct drills. In fiscal 2011, we conducted the drills on the assumption of various situations at each plant, including occurrence of fires, leakage of hazardous substances, earthquakes, and tsunami both at night and on holidays.

In addition, because major accidents require crisis management on a companywide scale, we also conduct drills involving the Emergency Command Center with the participation of the President and other representatives from each division at our headquarters. In December 2011, a drill based on the scenario of a fire at our Okayama Plant was conducted, and coordination between the plant and our headquarters was confirmed. Furthermore, in fiscal 2011 a disaster drill based on the scenario of an earthquake directly hitting Tokyo was conducted. Emergency Command Centers were established at both our Tokyo and Osaka headquarters, and coordination responses between the centers were confirmed.

In its production activities, the Kuraray Group handles chemical substances in total on subjects including verification of an accident caused by a fall of a worker during loading of a wing open type box truck. This training was provided for logistics personnel and concerned mainly with the transport of general cargo.

At the Kuraray Group, we recognize that the basis of our business activities is the provision of safe products and our Principles for Business Conduct state our commitment to the development and provision of products and services while taking safety into consideration (see page 7).

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

Promotion Structure

Activities related to quality control and product safety are led by the concerned departments and affiliated companies on a routine basis, while companywide tasks are addressed by the CSR Division (Quality Assurance Group) and Working Team for Product Quality and PL, which deliberate on countermeasures and initiatives for improvement. Fiscal 2011 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 devices and products that make use of nanomaterials (ex. CNT). Similarly, chemical substance management is basically led by the concerned departments and affiliated companies, and monitored by the CSR Division (Quality Assurance Group).

Quality Assurance

Quality Management System

At the Kuraray Group, our quality management system is devised in accordance with ISO 9001, other standards and the procedural flow of our business operations. In line with our Basic Policy on Product Safety and Action Guidelines for Product Safety, we also collect product information on items such as customer needs and degree of satisfaction, and strive to provide high-quality products for customers.

Product Complaints Handling

Kuraray emphasizes fast handling of customer complaints regarding quality, in accordance with its quality management system and Regulations on Product Liability-related Accident Response and Quality Complaint Report. We receive the customers’ opinions and requests sincerely, and use them in our business activities.

Within the entire Kuraray Group, there were no product recalls or accidents of the sort to cause fires or significant harm to health in fiscal 2011.

Chemical Substance Management

In accordance with the General Management Regulations for Chemical Substances and other regulations, the Kuraray Group adheres to 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 ensure the safe handling of chemical substances, we have established Safety Data Sheet (SDS) Management Regulations regulating our preparation and provision of these sheets, which present information on proper ways of handling products and their degree of hazard. Also, as a provision for future business expansion and changes in chemical-related laws and regulations, we are planning to introduce a centralized system for information management of chemical substances.

Under the EU REACH* regulations, May 31, 2013 is the deadline for registration of existing chemical substances, more than 100 tons of which we manufacture or import in the EU every year. Through preparations led by the European members of our Group, we are now making provisions for registration.

Chemical Substance Management

The regulations became effective in June 2007.

The regulations incorporate new approaches, mainly as follows:

1. Treatment of the risk assessment formerly made by government authorities as a manufacturer obligation
2. Imposition of a requirement for registration of not only new chemical substances but also existing ones by every manufacturer
3. Enforcement of two-way sharing of information on chemical substance safety and handling through the supply chain, and
4. Requirement for determination of information on the presence or absence and, if present, the purpose of chemical substances contained in articles.

The regulations became effective in June 2007.

* Safety Data Sheet (SDS)

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

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

REACH constitutes the EU regulations for chemical products. The REACH regulations incorporate new approaches, mainly as follows:

1. Treatment of the risk assessment formerly made by government authorities as a manufacturer obligation
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The regulations became effective in June 2007.
Approaches to the Environment

Besides aspiring to harmonize with the environment in our business development and provision of products, the Kuraray Group operates an environmental management system in accordance with ISO 14001. By operating that system, we are engaged in ongoing approaches to preserve the environment in various ways, including promotion of measures to prevent global warming, management of chemical substance emissions, and effective use of waste and water resources.

Environmental Management

Kuraray Group Action Guidelines for the Global Environment

Kuraray has formulated the following basic guidelines and action principles as a basis for engaging in corporate environmental activities, and we deal with the global environment through the following.

Kuraray Group’s Management System

1. We will establish and maintain an environmental management system in accordance with ISO 14001 proceedings.

2. We will perform our business activities in conformance with ISO 14001.

Kuraray’s Management System

Kuraray has established the following environmental management system at Kuraray’s companywide, medium to long-term environmental preservation activities are facilitated by the Global Warming Prevention Committee and Environmental and Industrial Safety Committee, both of which were established within the CSR Committee.

Kuraray has also established the following environmental management system at domestic Kuraray Group companies.

1. We will set environmental management goals, and strive to achieve them on an annual basis.

2. We will publish the results of our environmental management activities annually.

3. We will report our environmental management activities to various parties.

Kuraray Group’s Environmental Management System

Kuraray’s companywide, medium- to long-term environmental preservation activities are facilitated by the Global Warming Prevention Committee and Environmental and Industrial Safety Committee, both of which were established within the CSR Committee. These committees are in charge of the promotion of global warming solutions, management of chemical substance emissions, and effective use of waste and water resources for the entire Kuraray Group.

New Medium-Term Environmental Targets

The scope of our current medium-term environmental targets was previously limited to Kuraray sites and domestic Group companies, but the new medium-term environmental targets will apply to the entire Kuraray Group, including overseas affiliated companies. We have determined targets for fiscal 2020 with the aim of achieving environmental efficiency by 2020 at Group companies in Japan and overseas affiliated companies. We have also added the effective use of water resources to these targets as a priority item.

Global Warming Prevention

As part of our new medium-term environmental plan, we have set the targets of a 40% improvement in the environmental efficiency of GHG emissions at domestic Kuraray Group companies and a 10% improvement in the environmental efficiency of energy usage at overseas affiliated companies. Both targets are relative to fiscal 2010 levels. Through GHG emission reduction measures in fiscal 2011, the Kuraray Group companies had achieved a 1% improvement in environmental efficiency relative to fiscal 2010. At overseas affiliated companies, meanwhile, a large improvement of 8% relative to fiscal 2010 was achieved through measures such as revision of production conditions to reduce the use of steam. GHG emissions in fiscal 2011 in Kuraray Group were 1,735,000 tons (an increase of 4,000 tons from fiscal 2010).

• Domestic group companies: 1,257,000 tons
• Domestic affiliated companies: 50,000 tons
• Overseas affiliated companies: 476,000 tons

Reduction measures implemented in fiscal 2011 included the launch of operation of a high-efficiency gas engine generator at the Nikagata Plant (3,000 tons-CO2), and an estimated 13,000 tons-CO2 in fiscal 2012, reduction in the use of fossil fuels at the Kurashiki Plant through expanded use of waste and other products as biomass fuel for biomass energy generation (13,000 tons-CO2), and the installation of energy-saving devices and revised production conditions at each plant, which resulted in a reduction of 96,000 tons of GHG emissions.

Biomass Power Generation

In 2002, Kuraray introduced biomass fuel (i.e. scrap wood from building demolition) as a replacement for coal, which had been the major fuel source for the boiler at our Kurashi Kikken Plant (Tamashima). In fiscal 2011, our usage of biomass fuel greatly increased compared to the previous fiscal year, because of expanded supply sources for biomass fuel and soaring prices for coal. This contributed to a reduction of CO2 emissions.

High-Efficiency Gas Engine Power Generation

At our Nikagata Plant, we installed a high-efficiency gas engine which uses natural gas as its fuel source. Because of that, we achieved an appropriate supply of power and steam in a low environmental load. We expect that this will contribute to a reduction in CO2 emissions throughout fiscal 2012.

Educational Activities

Besides working to reduce environmental load in our production activities, all Kuraray sites actively participate in environmental activities sponsored by prefectural and municipal governments. In fiscal 2011, our Kashima Plant got a prize in the environmental management category of Ibaraki Prefecture’s Environmentally Friendly Business Awards for the Plant’s successful efforts to implement concrete environmental preservation activities. Additionally, our Okayama Plant participated in Okayama Prefecture’s Energy Saving Summer Challenge, and we received a certificate of appreciation for the positive energy saving efforts made by the approximately 500 households of the Plant’s employees.

Promotion Structure for Environmental Management

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Management of Chemical Substance Emissions

We improved the environmental efficiency of the domestic Kuraray Group companies in fiscal 2011 by 18 percent compared to fiscal 2010. That was completed through emissions-reducing measures such as detoxification treatment of cyclohexane and other substances at our Kashima Plant and changeover to inorganic solvents for adhesive manufacture at Kuraray Plastic Co., Ltd., which achieved a 153 ton reduction compared to fiscal 2010. In fiscal 2011, total chemical substance emissions for the entire Kuraray Group were 1,117 tons, a decrease of 130 tons over the previous fiscal year. The emission of chemical substances subject to JCIAs PRTR program came to 952 tons for domestic Kuraray Group companies (900 tons from Kuraray sites and 52 tons from domestic affiliated companies) and 165 tons from overseas affiliated companies.

Effective Utilization of Waste Materials

Since fiscal 2007, the domestic Kuraray Group companies have maintained a rate of more than 90% for effective utilization of waste and a final landfill disposal rate of 1% or less. Since fiscal 2009, these activities have been implemented to maintain the effective utilization rate and final landfill disposal rate, and new activities to reduce the generation of waste are being promoted.

Waste generation levels are themselves strongly influenced by production volume. Focusing on the amount of decrease through waste generation-reducing measures, we set the target of reducing waste generation in fiscal 2011 by an amount equivalent to 1% or more of the amount generated in fiscal 2010. Each site took measures including recycling of waste products and products which do not meet standards and optimization of production facility operating conditions. As a result, the domestic Kuraray Group companies reduced waste generation by 3,494 tons (4.7% relative to the fiscal 2010 level). Compared to fiscal 2010, environmental efficiency was improved by 1%.

Effective Utilization of Water Resources

In recent years, global attention on water resources has been heightened. Of the earth’s water resources, 2.5% is fresh water and this less than 0.1% is in a form that is usable such as underground water, river water and lake water. As the Kuraray Group uses large amounts of fresh water in our daily production activities, we have added “effective utilization of water resources” to our environmental activities list. Over the next three years, the domestic Kuraray Group companies will investigate measures to effectively utilize water and in 2015 we will decide whether we should set numerical targets. Overseas affiliated companies will strive to achieve a 10% improvement in the environmental efficiency index by fiscal 2020 compared to fiscal 2010 levels.

Treatment of PCB* Waste

The Kuraray Group practices proper storage, management and detoxification of PCB waste and waste containing a small amount of PCB (trace-PCB waste) in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes. In fiscal 2011, Kuraray disposed of some PCB-containing waste which had been stored at a Kunishi Research Center and Kurashiki Plant through Japan Environmental Safety Corporation. Also, some waste containing trace amounts of PCB (waste oil) at our Sajio Plant was disposed of through the Ehime Prefecture Waste Disposal Center.

* Polychlorinated biphenyl (PCB): A chemically synthesized organic chlorinated compound once used in various applications, including insulating oil for electrical equipment and thermal media for heat exchangers. Because of its toxicity, its manufacture and import have been prohibited since 2001. Business operators with stores of PCB waste are required to render them harmless by 2016. In addition, in 2002, it was found that some electrical equipment consisting not to use PCB actually contained insulating oil contaminated with traces of PCB. Business operators are consequently required to render such equipment harmless, like PCB waste, by 2016.
Environmental Accounting

Environmental Preservation Costs (million yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment Cost</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>375,000 yen</td>
<td>Operating cost of environmental facilities, measures to prevent emissions of chemical substances</td>
</tr>
<tr>
<td>Global environmental preservation costs</td>
<td>276,11 million yen</td>
<td>Installation of gas engine-type electric generation for the drive</td>
</tr>
<tr>
<td>Resource recycling costs</td>
<td>1,011,11 million yen</td>
<td>Transformation of production process scrap into a resource</td>
</tr>
<tr>
<td>Total</td>
<td>1,667,22 million yen</td>
<td></td>
</tr>
<tr>
<td>Domestic Kuraray Group Companies</td>
<td>1,232,68 million yen</td>
<td></td>
</tr>
</tbody>
</table>

Environmental Preservation Effects

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>FY2010</th>
<th>FY2011</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions</td>
<td>1,000 tons-CO2</td>
<td>1,201</td>
<td>1,207</td>
<td>6</td>
</tr>
<tr>
<td>SOx emissions</td>
<td>1,000 tons</td>
<td>430</td>
<td>375</td>
<td>-55</td>
</tr>
<tr>
<td>NOx emissions</td>
<td>tons</td>
<td>1,528</td>
<td>1,516</td>
<td>-12</td>
</tr>
<tr>
<td>Soot and dust emissions</td>
<td>tons</td>
<td>27</td>
<td>22</td>
<td>-5</td>
</tr>
<tr>
<td>COD load</td>
<td>tons</td>
<td>583</td>
<td>579</td>
<td>-4</td>
</tr>
<tr>
<td>PRTR substance emissions</td>
<td>tons</td>
<td>943</td>
<td>939</td>
<td>-4</td>
</tr>
<tr>
<td>Wastewater (excluding seawater)</td>
<td>million m3</td>
<td>586</td>
<td>588</td>
<td>2</td>
</tr>
<tr>
<td>Unutilized externally processed industrial waste</td>
<td>0.01</td>
<td>0.01</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Resource recycling activities</td>
<td>-</td>
<td>587</td>
<td>589</td>
<td>2</td>
</tr>
<tr>
<td>Water resource usage*</td>
<td>million m3</td>
<td>65</td>
<td>67</td>
<td>2</td>
</tr>
<tr>
<td>Total discharge of wastewater*</td>
<td>million m3</td>
<td>585</td>
<td>583</td>
<td>-2</td>
</tr>
</tbody>
</table>

* Excluding seawater

Investment in Environmental Facilities (million yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,241</td>
<td>1,289</td>
<td>1,432</td>
<td>1,512</td>
<td>1,559</td>
<td>1,673</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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</tbody>
</table>

Environmental Management System (ISO 14001) Certifications

- Kuraray Nihata Plant
- Kuraray Okayama Plant
- Kuraray Kashima Plant
- Kuraray Kurashiki Plant (including Kurashiki Research Center)
- Kuraray Tsukuba Research Center
- Kuraray Saigo Plant
- Kuraray Chemical Co., Ltd. (Tsumami Plant)
- Kuraray Plastics Co., Ltd. (Ibuki Plant)
- Kuraray Fastening Co., Ltd. (Maruoka Plant)

- Kuraray America, Inc. (EVAL BU, SEPTON BU)
- EVAL Europe N.V.
- Kuraray Europe GmbH (PVA/PVB Division, Trostol Division)
- OOO TROSFIOL
- Kuraray Asia Pacific Pte. Ltd.
Social

Approaches with the Community

We in the Kuraray Group consider the sound and sustainable advancement of society a precondition for corporate growth and prosperity, as well as the ultimate objective of corporate activities. It goes without saying that we see it as our duty to contribute to society through provision of products of genuine value to people. Beyond this, we consider assistance with the resolution of social issues within an appropriate scope to be another important form of social contribution in our capacity as a corporate citizen.

Social Contribution Activities

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

Chemistry Classes for Boys and Girls

Kuraray conducts the “Chemistry Classes for Boys and Girls” program with the goal of enabling elementary school students to experience the fun of chemistry through hands-on experiments.

From 1992, this program has been held every year in each plant, and 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. Since 2002, we have been exhibiting at Dream Chemistry-21, a chemistry experiment show for children held by the Japan Chemical Industry Association. In fiscal 2011, a total of 449 children participated in 12 sessions of “Chemistry Classes for Boys and Girls,” bringing the number of classes we have held to over 200. At Dream Chemistry-21, our experiment for production of aromatics using highly water-absorbent resin attracted the participation of about 1,200 children and their parents.

In October 2011, we were awarded a prize at the Chemistry Communication Awards sponsored by Japan Union of Chemical Science and Technology in recognition of our activities over the past 20 years.

Chemistry Classes for Boys and Girls Held

<table>
<thead>
<tr>
<th>Plant</th>
<th>Classroom</th>
<th>No. of classes to date</th>
<th>No. of participants to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kurashiki Plant</td>
<td>Fun Chemistry House</td>
<td>59</td>
<td>1,682</td>
</tr>
<tr>
<td>Saijo Plant</td>
<td>Exciting Chemistry Class</td>
<td>35</td>
<td>1,267</td>
</tr>
<tr>
<td>Okayama Plant</td>
<td>Fun Chemistry Class</td>
<td>34</td>
<td>1,128</td>
</tr>
<tr>
<td>Niigata Plant</td>
<td>Mindful Laboratory</td>
<td>44</td>
<td>1,432</td>
</tr>
<tr>
<td>Akita Plant</td>
<td>Fun Chemistry Class</td>
<td>11</td>
<td>961</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>204</td>
<td>6,760</td>
</tr>
</tbody>
</table>

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 2011 marked the eighth year since the start of the program in 2004. The program has been steadily expanding and we received some 10,000 school bags from all parts of the country in 2011. 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 affiliated groups as well as Kuraray Group employees, before being sent overseas with the cooperation of many other volunteers. This year, we again delivered bags to children in need of them.

In efforts to widen the scope of our activities, we continued to participate in the Himalaya Project held at Aikita 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 Independent Life of the Mentally Challenged

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

The Kuraray Workshop at the Niigata Plant opened its doors as a place of work for the mentally challenged in 1997, with the cooperation of Nakajo town (the current city of Tainai) and the Nanahokai social welfare organization’s “Nj-i-no-ie.” Employees at the workshop perform sorting for recycling of scrap material generated in production processes and produce articles. At the Himawari Workshop, which opened on the grounds of the Saijo Plant in 2007, employees engage in recovery and weighing work required for recycling of leftover fiber generated in production processes.

In February 2011, we also opened Aozora Works at our Kashima Plant with the help of the social welfare organization Kamisu Kei-en. The workers there have begun making bags for packaging liquid resin.

Kuraray America provides the La Porte Education Foundation with support through donations as well as volunteers. Every year, some employees collect donations and participate in “Dollar Patrol,” where teachers are presented checks to fund grant requests to enhance education.

With the inclusion of those engaged in the tasks of cleaning work clothes and affixing labels to dental materials at our Kurashiki Plant, we employ 10 instructors and 33 workers with disabilities at a total of four locations.

Support for Medical and Welfare Facilities

Magasaburo 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 social contribution activities, the Kuraray Group continues to offer support in the management aspect to the Ishii Memorial Aizen-en, Ohara Museum of Art, Kurashiki Central Hospital, and Doushinkai Saijo Central Hospital. In addition, we operate a nursing facility for the aged using welfare facilities in our plants.
Communication with the Regional Community

- **Plant Tours and Briefing Sessions**
  Kuraray plants and the plants of Kuraray Plastics Co., Ltd., Kuraray Chemical Co., Ltd. and Kuraray Fastening Co., Ltd. hold tours and regular briefing sessions for the purpose of communication with local residents. In fiscal 2011, such activities attracted a total of 2,976 participants, and served to deepen their understanding of activities at these sites.

- **Interchange with Local Residents**
  Our Saijo and Niigata plants each stage a Cherry Blossom Viewing Party when the cherry trees on their grounds have flowered. In fiscal 2011, a combined total of approximately 10,000 people visited their grounds to admire the trees in full bloom. In December, our Kurashiki Plant opened its gates to local residents for the staging of a Christmas Fantasy event whose centerpiece is a Himalayan cedar decorated and illuminated like a Christmas tree. Various events were held inside and outside Japan in 2011 to mark 150 years of friendship between Germany and Japan. Kuraray Europe GmbH was the main sponsor of Japan Week in Frankfurt, and many of the company’s employees participated in the related events and played a role in the cultural exchange between Germany and Japan.

### Major Activities at Kuraray Plants

<table>
<thead>
<tr>
<th>Plant</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kurashiki Plant</td>
<td>Christmas Fantasy, Children’s Ball Games Meet, Summer Festival, Ground Golf Tournament</td>
</tr>
<tr>
<td>Saijo Plant</td>
<td>Cherry Blossom Viewing Party, Kendal Cultivation, Summer Festival</td>
</tr>
<tr>
<td>Niigata Plant</td>
<td>Cherry Blossom Viewing Party, Junior High School Soft Tennis Meet, Summer Festival</td>
</tr>
<tr>
<td>Okayama Plant</td>
<td>Volleyball for Moms Meet, Children’s Ball Games Meet, Summer Festival</td>
</tr>
<tr>
<td>Kashiwa Plant</td>
<td>Volleyball for More Meet</td>
</tr>
<tr>
<td>Kuraray Chemical Co., Ltd.</td>
<td>Summer Festival</td>
</tr>
<tr>
<td>Kuraray Plastics Co., Ltd.</td>
<td>Summer Festival</td>
</tr>
</tbody>
</table>

### CSR Procurement

#### CSR Procurement Policy

**Respect for human rights**
- Respect for human rights and individuality
- Observance of the International Labor Organization’s core labor standards
- Guarantee of freedom of association and the right to collective bargaining
- Prohibition of compulsory labor
- Prohibition of child labor

#### Compliance

- Compliance policy
- Compliance systems
- Compliance education program

#### Promotion of green procurement

- Preparation of environmental policies and environmental reports
- Green procurement implementation plan and implementation apparatus
- ISO 14001 certification
- Education and awareness campaign for green procurement

Kuraray established its CSR Procurement Policy in 2005. 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 further enhanced our CSR procurement activity.

### Table of Green Purchasing Practices

<table>
<thead>
<tr>
<th>Field</th>
<th>Item</th>
<th>Purchasing commitment (millions of yen)</th>
<th>Green purchasing rate FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper (recycle)</td>
<td>3 items</td>
<td>Copier paper, printing paper, toilet paper</td>
<td>49</td>
<td>16%</td>
</tr>
<tr>
<td>Stationery (recycle)</td>
<td>60 items</td>
<td>Mechanical pencils, ballpoint pens, magic markers, pencils, etc.</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>Office supplies (new)</td>
<td>10 items</td>
<td>Chairs, desks, shelves, umbrella stands, storage items, bulletin boards, low partitions, coat hangers, blackboards, white boards</td>
<td>11</td>
<td>80%</td>
</tr>
<tr>
<td>OA equipment (energy conservation)</td>
<td>4 items</td>
<td>Personal computers, printers, copiers, fax machines</td>
<td>79 (leasing fee)</td>
<td>100%</td>
</tr>
<tr>
<td>Home electrical appliances (energy conservation)</td>
<td>2 items</td>
<td>Refrigerators, TVs</td>
<td>2</td>
<td>93%</td>
</tr>
<tr>
<td>Lighting (energy conservation)</td>
<td>2 items</td>
<td>Fluorescent lamps, bulb-type lamps</td>
<td>3</td>
<td>69%</td>
</tr>
<tr>
<td>Automobiles (reduced environmental pollution)</td>
<td>1 item</td>
<td>Automobiles</td>
<td>69 (leasing fee)</td>
<td>90%</td>
</tr>
<tr>
<td>Uniforms and work clothes (recycle)</td>
<td>2 items</td>
<td>Uniforms (for female employees at headquarters, work clothes)</td>
<td>22</td>
<td>100%</td>
</tr>
<tr>
<td>Fire extinguisher</td>
<td>1 item</td>
<td>Fire extinguisher</td>
<td>16</td>
<td>91%</td>
</tr>
</tbody>
</table>

* As the company uniform for female employees at headquarters was abolished, the results are for work clothes only.

### Status of Activities

We requested a total of 20 suppliers whose approaches to CSR procurement were deemed inadequate in the fiscal 2011 survey to take more aggressive action. As a result, approaches were found to be adequate at 5 of these firms and still inadequate at 14. Of the 670 suppliers covered by the survey, approaches are now deemed adequate at 98% of them.

#### Results of the CSR Survey

- Suppliers whose approaches to CSR are adequate: 97%
- Suppliers whose approaches to CSR are inadequate: 3%

### Green Purchasing

As a 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.

- **Promotion of green purchasing**
  - Prefers environmentally friendly products in line with its Green Purchasing Guidelines, which was revised in fiscal 2009.

- **Results of the CSR Procurement Policy**
  - Suppliers whose approaches to CSR are adequate: 97%
  - Suppliers whose approaches to CSR are inadequate: 3%
Through the Kuraray Group Global Human Resources (HR) Policy, Kuraray Group is making efforts to develop its organizational system regarding promotion of diversity, fostering of human resources, and fair and just evaluation of performances as well as establishing a healthy corporate culture and creating new employment opportunities, so that each employee can work in a way which leads to personal growth through the fulfillment of his or her duties.

The Kuraray Group Global HR Policy

1. We will respect the human rights of individuals. Based upon our Corporate Philosophy “Respect for individuals,” we will respect the individual character and the human rights of all people working in the Group, Any abuse of human rights, such as sexual harassment, bullying, and other forced labor and so on, shall be prohibited.

2. We will establish discrimination and respect diversity and individuality, in all aspects of activities, including hiring, treatment, personnel development, assignment and evaluation, no distinction or discrimination based on sex, race, nationality, gender, or social status, shall be allowed. We also ensure and provide diversity that accepts the personal beliefs, cultures and work styles of various nationalities.

3. We will carry out our HR activities in full compliance with applicable laws and regulations. We will carry out our HR activities in full compliance with applicable laws and regulations of work in securing our implementation of personnel policies.

4. We will strive to improve our HR systems so that employees can simulate their future work in a way which leads to personal growth through the fulfillment of his or her duties.

5. We will strive to improve our HR systems so that employees can simulate their future work in a way which leads to personal growth through the fulfillment of his or her duties.

6. We will strive to improve our HR systems so that employees can simulate their future work in a way which leads to personal growth through the fulfillment of his or her duties.

Basic Employee Data

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>As of March 31, 2012</th>
<th>Average Working Hours</th>
<th>Rate of Employment of Disabled Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuraray Group</td>
<td>6,776</td>
<td>1,876</td>
<td>1.7%</td>
</tr>
<tr>
<td>Male</td>
<td>5,806</td>
<td>1,856</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>970</td>
<td>1,897</td>
<td></td>
</tr>
<tr>
<td>Kuraray only</td>
<td>2,962</td>
<td>1,880</td>
<td>1.9%</td>
</tr>
<tr>
<td>Male</td>
<td>2,603</td>
<td>1,860</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>279</td>
<td>1,900</td>
<td></td>
</tr>
</tbody>
</table>

Employee Turnover Rate

<table>
<thead>
<tr>
<th>Region</th>
<th>Kuraray Group (cons.)</th>
<th>Japan</th>
<th>Korea</th>
<th>America</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Turnover Rate</td>
<td>1.8%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.3%</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 are discretionary labor systems for adaptation to the nature of individual work, the “the facto working hour” system for out-of-office works, and variational working hours. We also have no-over-time days and are striving to improve the 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. 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. We recommend male employees to take childcare leave to encourage more fathers to get involved in child rearing.

- Employment of Disabled Persons
  Kuraray not only attains the statutory employment rate of 1.8% but also has taken other action to help the disabled lead self-sufficient 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.

  (2) Refresh Vacations
  On the occasion of commendation for 25 years of continuous service, employees may choose to receive a travel voucher for an award. In this case, they may take special vacations to go on a trip with this voucher.

  (3) Life Planning Support
  Kuraray offers employees life planning courses for each stage of life. We have also introduced web tools that are tailored to our wage and retirement benefit systems so that employees can simulate their future income and expenditure at home.
Human Resource Development and Assessment

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

The training is open not only to regular employees but also part-time and contract-based ones, as necessary. In addition, Kuraray plants and group companies plan and implement their own training programs and provide their employees with finely-tuned support for skill development and career-building.

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

Global Talent Selection

In fiscal 2007, we started 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 business 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 Overseas Business School offering open classes at business schools in other countries, and an external training scheme utilizing open courses between group companies inside and outside Japan.

The Program is early development of personnel equipped including those outside Japan. The purpose of the Program is to train employees for the next generation, taking into consideration demand for employees with global perspectives and to train employees for the next generation, taking into consideration demand for employees with global perspectives.

Trainees

200 participants completed these courses.

In the two years up to fiscal 2011, around 200 participants completed these courses.

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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 Overseas Business School offering open classes at business schools in other countries, and an external training scheme utilizing open courses between group companies inside and outside Japan, and external training scheme utilizing open courses at external institutions in Japan. Over the three-year period ending with fiscal 2009, the Program attracted about 160 participants both from Japan and overseas.

Since fiscal 2010, we have planned and executed other programs in addition to the existing ones. These include the global communication training revolving around language and intercultural training, Cross Category of Business Program jointly conducted with other firms, and follow-up programs for graduates of GF and GTT. In the two years up to fiscal 2011, around 200 participants completed these courses.

Kuraray Group Training Scheme

To provide a 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.

Mental Health

Kuraray has a companywide approach to 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 principles 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.

(3) Assistance with Return to the Workplace

We installed a rehabilitative attendance system to support a phased return to the workplace by employees who have been off the job for a long time.

Support for Building Health

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

In our employee health exams, besides testing for the items stipulated in the Industrial Safety and Health Act, we have expanded the applicable age and added items for tackling lifestyle diseases and gynecological testing.

Relations with Workers Unions

Employees of Kuraray belong to the Kuraray Workers Union and the Federation of Kuraray Workers Unions, which consists of all workers unions for Kuraray Group employees. Through venues such as labor-management councils and councils on occupational safety and health, we engage in earnest consultation with representatives of these unions on various issues and work for their resolution through mutual cooperation.

Table of Contents

- Human Resource Development and Assessment
- Global Talent Selection
- Global HR Development Program
- Mental Health
- Support for Building Health
- Relations with Workers Unions
- Kuraray Basic Policy on Occupational Health
The Challenge to Create

Ohara Museum of Art: A Mission Passed Down

On a corner of the Kurashiki Bikan Historical Quarters in Kurashiki City, Okayama Prefecture, a building in the style of a Greek temple is remarkably conspicuous among the rows of white-washed walls that are relics of the Edo-era Shogunate. Ohara Museum of Art, established by Kuraray founder, Magosaburo Ohara, was the first privately owned museum of Western art in Japan. Magosaburo Ohara’s successor, Soichiro Ohara, guided the direction of the museum to focus on promoting and supporting the challenge of new creation activities. Through various assistance measures for Ohara Museum of Art, Kuraray currently supports the fine arts in taking on new challenges.

◆ For the Sake of Japan’s Art World

Magosaburo respected the passion and talent of Torajiro Kojima, a Western-style painter who was supported by Ohara scholarships. Torajiro asked Magosaburo to collect works of art and said, “Ask you not for my own sake, but for the sake of the art world in Japan.” That was in 1919. Magosaburo began to appreciate the meaning of collecting and exhibiting Western works of art to Japanese society and agreed to accommodate Torajiro’s wishes the following year. Torajiro visited the studio of the Impressionist artist, Monet, and purchased 27 pieces including “Portrait of Madame Monet” and “Water Lilies.” When Magosaburo exhibited the pieces at an elementary school in Kurashiki City, people flocked from all over Japan to see the works and he became convinced of the significance of the collection. Following this, Torajiro actively continued collecting not only Western pictorial art, but also antique art from places such as China, Egypt and Persia until his untimely death in March 1929 at the young age of 47. Magosaburo mourned the passing of Torajiro at such a young age, and decided to found an art museum in his honor. Thus, in 1930 Ohara Museum of Art was opened. The museum was born of the friendship between Magosaburo and Torajiro, and Magosaburo hoped that the museum would be significant to wider society and have significance to people living today.

◆ An Art Museum that Lives and Grows

Based on the philosophy that an art museum is a thing that lives and grows, Soichiro expanded the collection and extended the exhibition space. Firstly, he worked to expand the collection of modern Western pictorial art, which had been started by Magosaburo and Torajiro. Soichiro collected works by artists from the 1920s, the so-called School of Paris. He also named his attention to new artistic movements and collected works by contemporary artists in both Europe and America. In addition, he began to actively collect corresponding pieces of modern Japanese art. The pieces were carefully chosen based on his unique view of pieces which would create new value rather than being based on a systematic approach to art history.

In 1950, to commemorate the 20th anniversary of the founding of the art museum, Soichiro held a piano recital by Luan Levy, a professor from the Conservatoire de Paris, and began a new initiative to unite the fine arts and music. It is not unusual to hold a music concert at an art museum these days, but it is believed to have been quite possibly the first such experiment in Japan. Soichiro also actively organized art courses and lectures and believed that Ohara Museum of Art should not be limited to art and design, but instead be a comprehensive base for all culture. Soichiro felt an art museum should not be simply a somber place for exhibits, but instead a place where people are able to continue.

◆ Growth as a Company

At the same time as striving for the growth of the art museum, Soichiro was also tackling new initiatives as the manager of a company. He was seeking to establish an industrial manufacturing system for the all Japanese synthetic fiber simply by moving from the studio of Torajiro Kojima, the first Japanese who became a member of the Salon de la Société Nationale des Beaux-Arts. Beginning with his “The Garden of Mercy.” In these ways, the principles of both Magosaburo and Soichiro have deeply colored our perspective at Kuraray and Ohara Museum of Art, which are rooted in a shared approach to social responsibility expressed by the idea, “Contributing to the World and Individual Well-being through Actions that Others are Unable to Produce.”

Ohara Museum of Art and Kuraray share a mission to support people who take on challenges. Kuraray wants to continue to take on challenges in its business and at the same time, also wishes to contribute to society by supporting the art museum in taking on new challenges.

Soichiro’s management philosophy was the idea that “any profit which a company might gain should be confined to those profits that come from technological innovation and from consideration of the social and economic benefits it brings to the entire nation.” He believed that without technical innovation and contribution to society and the national economy, a company would not be able to continue.

This philosophy has been handed down and Kuraray continues to grow as a company and meet current challenges in businesses which emphasize unique technologies including E302 and its isoprene chemical business.

◆ Supporting People Who Take on Challenges

The philosophies of both Magosaburo and Soichiro regarding contributions to society have been handed down to Ohara Museum of Art and Kuraray. At Ohara Museum of Art, once or twice a year on days when the museum is closed, “All the School at the Art Museum” activities are carried out. On these days, all the students from local elementary schools come to the museum as if the entire school has moved into the art museum. Initiatives for interactive appreciation, written expression and reproduction and initiatives to promote awareness of the art museum’s functions are implemented.

The museum is proceeding with the Artist in Residence Kurashiki, Ohara (ARKO) program, which provides the former studio of Torajiro Kojima, “a somber place used not only to create works of art, and the Artist Meets Kurashiki (AM Kurashiki) program, in which curators who are working on a form of artistic expression such as video work/image work and performance are invited to create works whose subject matter is Kurashiki. Through these programs, this museum supports artists who take on the challenge of creating new works of art.

Since 1992 Kuraray has conducted the Chemistry Classes for Boys and Girls program with the goal of enabling students to experience the fun of chemistry. We also allow children to experience what a manufacturing site is really like through a program of plant tours. We aim to develop personnel who will lead future technological innovation, and Kuraray plants provide the opportunity for local children to directly experience chemistry. In addition, the Ohara Memorial Scholarship supports the studies of outstanding students, which is another way in which Kuraray supports the development of capable personnel to lead future technological innovation.

Through the Kuraray Workshop (established in 1997), Kuraray also offers workshops for the mentally challenged, who are often faced with limited employment opportunities.

Another program, Sending School Bags across the Sea (established in 2004), sends school bags and learning material used by Japanese school children to the children of Afghanistan, whose educational opportunities have been limited by the war. These unique programs are planned and carried out with the cooperation of local people and organizations.

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**Kuraray Group Products**

The Kuraray Group believes in “Contributing to the World and Individual Well-being” through unique technology, and wants to contribute to society by using this value. To meet the needs of a constantly changing society, our aim is to be a company that is trusted.

### Aqua Business

**Elastomer**

- Aqua Business: developing water, energy-saving technologies, has a precious structure and consistently aims to be a leader in the field of elastomers. We are working on introducing new materials and technologies that contribute to reducing environmental impact. We are also focusing on developing materials that have excellent durability and flexibility, based on the properties of EVAL, the material for medical products.

### Viscose Business

**KURAFLEX**

- Viscose Business: a fiber structure created through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Dental Materials

**KURALON K-II**

- Dental Materials: a fiber structure created through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Isoprene Business

**Clone Chemicals**

- Isoprene Business: developing high-performance materials through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Vinylic Fiber

**Simona**

- Vinylic Fiber: fiber structure created through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Polymers Business

**MOMITAL PVB Resin and TROSIFOL PVB Film**

- Polymers Business: developing high-performance materials through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Poval Film

**Poval**

- Poval Film: a material which has high transparency and high flexibility, and is used predominantly for industrial applications. The material is used not only for industrial applications, but also for commercial applications. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### Polystyrene

**Polyester Fiber**

- Polystyrene: developing high-performance materials through the polymerization of 2,5-xylidene bis(2-methacryloyloxyethyl) phthalate, a ballast water management system. The materials are used in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.

### SEPTON

**SEPTON**

- SEPTON: SEPTON is one of the most widely used thermoplastic elastomers. It is used in a wide range of applications, including in such processes as the brewing process of beer, where particulates from liquids are utilized in various ways, or domestic wastewater treatment and industrial wastewater treatment. Furthermore, the materials have been used in various industries, which uses unique technology for fiber organization. In the future, we plan to develop new materials for the home and office, contributing to the preservation of the marine ecosystem.