Taking into consideration the environment

In an effort to enhance readability

This report uses an easy-to-read font based on the Universal Design (UD) concept.
Overview of the Kuraray Group

Kuraray was founded for the purpose of commercializing chemical fiber rayon in 1926 in Kurashiki City, Okayama Prefecture. Ever since becoming the first firm in the world to commercialize vinyl fibers and textiles after the war based on domestic technology as well as POKVAR, the resin that is used as its raw material, we have made use of this unique technology and have delivered a variety of one and only number-one products to the world as a specialty chemical manufacturer.

Breakdown of Consolidated Net Sales by Segment (Fiscal 2014)*

Vinyl Acetate

237.6 billion

Isoprene

55.7 billion

In this business, we manufacture and sell vinyl acetate, which features water solubility and adhesive properties, and can be applied to liquid crystal displays and is also used for single-use packets for medicines and so on. EVAL, which has an excellent gas barrier property, and PEB PAHs are used as material for laminated glass.

In this business, we manufacture and sell vinylidene ketone, which is used as a substrate material for adhesives, MAGIC TAPES, and also as a material to be used as an antiseptic agent in water treatment. The JENSTAR technology is used to produce water-repellent, stain-resistant, and flame-retardant rayon fiber.

In this business, we import and sell secondary products such as polyolefin film, rayon fiber, and chemical products.

In this business, we manufacture and sell rubber goods and highly functional monomers and systems used in water treatment, conduct an engineering business, as well as handle VECTSTAR, liquid crystalline polymer films which is used mainly for flexible circuit boards.

Others

These figures do not include the adjustment expense of 97.8 billion yen. Adjusted January-December results for both Japan and overseas.

* Sales figures include sales to external customers and the amount of cross-segment internal sales and transfers.

Data on Economic Efficiency

This report conveys the CSR activities that the Kuraray Group implemented in fiscal 2014 with the aim of boosting understanding of them among all stakeholders.

References

GRI Sustainability Reporting Guidelines (Version 4.0)

Corporate overview

Business by Region (business scale)

Overview of the Kuraray Group

Business Outline

Kuraray CSR Report 2015

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Top Commitment

Triggering changes by ourselves and continuing to take on challenges to evolve to be a truly global company!

Expectations of “People” who Support Kuraray Group

Corporate activities are supported by “people.” The following three elements are the elements that I require Kuraray Group members to heed.

First, all people work to be happy. Unfortunately, events such as accidents, disaster, sickness, and personal injury must not take place in workplaces where people work to be happy. “Realization of secure and safe workplaces and companies” is the first priority in company management and is a commitment to working members.

Second, the theme is “living better.” It is desired that Group members conduct work with a high level of ethics and deep “thought” while fulfilling their responsibilities to their families and communities when they are outside their companies, to realize company expansion, as well as human growth and enhancement of their lives, at the same time.

Third, my wish to Group members is that they be “people who can tackle changes.” These are the words contained in a book Action Guideline for Management authored by Toshio Doko, a prominent business executive and former honorary chairman of the Japan Business Federation. The ideal image of a company visualized by myself is indeed a group of such persons.

The starting point of my way of thinking toward work can be traced to my experience in the plants. I was blessed with superiors who were enthusiastic about providing education and training and was later assigned as a deputy manager to oversee veteran staff who were far older than myself. In my starting days in society, I shared life’s joys and sorrows with fellow members in production lines and learned that one must not forget to have a warm heart that values people no matter how rigorous one’s work is. With my experience in years as a new member engraved deeply in my heart, I have spent my days at Kuraray with my favorite motto “Rigorous, but Warm.”

Challenge of being Global Company “GS-STEP”

Simultaneously with my appointment as President in January 2015, I kicked off a new medium-term management plan, “GS-STEP.” I wish the Group companies to be prominent not only in expansion of size, but also in qualitative aspects so as to realize our vision of being “A specialty chemical company with a high rate of return whose presence is prominently felt throughout the world.” The Group already has many products that are enjoying high levels of market share thanks to our unique technologies such as POVAL (EVAL) and isoprene products. I wish to further expand the market for such products and to add new value unrivaled by competitor products for use by society.

“STEP” in “GS-STEP” signifies the step of evolving to be a truly global company. During the period of its previous medium-term management plan, Kuraray was active in M&As including “the acquisition of the vinyl acetate business from DuPont and Mono-Sol, LLC, a manufacturer of water-soluble films. The Group is now at the stage of integrating and reorganizing these businesses and moving to the next phase with a stronger sense of oneness as a group. A variety of difficulties are anticipated in this process, but the Group is determined to dynamically meet the important challenge of further growth.

Challenge: To be a group that flexibly confronts changes through interaction

The history of the Kuraray Group has indeed been a history of responding to various changes of the times, aiming to harmonize between companies and people and between companies and the earth environment. Many themes remain to be resolved between the earth’s environment and economic society such as water and food problems, as well as resource and energy problems. Even before “environmental pollution” became a social problem in Japan, Kuraray entertained the notion of the waste disposer’s liability and was active in fostering a relationship of trust through environmental conservation and in interaction with local communities, to prevent nuisance caused to the local communities and the earth’s environment while enterprises make profit. If an accident or disaster should happen, the Kuraray Group companies share measures to ensure safety with local governments. Additionally, interaction with their customers, partner companies, and shareholders is deepened. The Kuraray Group values interaction with people throughout the world even though their faces are not visible to it.

Thinking about the way the future industry should be, the time has come for enterprises to think by themselves of business models of manufacturing products with a higher value added from small amounts of resources, paying attention to the limit to available resources and to producing a reasonable profit as a price for supplying such products to society. All enterprise activities should be undertaken to provide excellent products and services for their customers and society, to return profits earned there to the shareholders and to bring pride and happiness to their employees and to all people engaged in such activities. I wish the Group companies to be companies that undertake manufacturing with this notion in mind.

The Group is committed to challenge a rugged road and create changes no matter how rugged the road will be, aiming to achieve higher growth.

“Rigorous, but Warm” as the Starting Point

At the beginning of 2015, I took over the task of leading the Kuraray Group from the previous President. I have been with Kuraray for 35 years. I was assigned to a plant when I was first employed. For 20 years after entering the company, I was involved in fiber and textile production and in starting up business in China. I have many years’ experience working at production sites.

The starting point of my way of thinking toward work can be traced to my experience in the plants. I was blessed with superiors who were enthusiastic about providing education and training and was later assigned as a deputy manager to oversee veteran staff who were far older than myself. In my starting days in society, I shared life’s joys and sorrows with fellow members in production lines and learned that one must not forget to have a warm heart that values people no matter how rigorous one’s work is. With my experience in years as a new member engraved deeply in my heart, I have spent my days at Kuraray with my favorite motto “Rigorous, but Warm.”
CSR Activities at Kuraray Group

Ever since its foundation, Kuraray has valued its bonds with society through business activities, believing that fulfillment of its responsibility as a good corporate citizen is a prerequisite for the sustainable continuance of its existence. The corporate statements declared by the Kuraray Group embodies its basic stance in relation to corporate social responsibility (CSR).

Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world. For people and the planet — to achieve what no one else can.

Our Values

(Philosophy)
- Respect for individuals
- Close cooperation to attain shared goals
- Constant creation of new value

(Guiding Principles)
- Safety is the cornerstone of everything we do
- Customers’ needs are our top priority
- We act on ideas in the workplace

Our Commitment

- We will constantly develop and provide safe, high-quality products and services.
- We will maintain a sound relationship with society through good communication.
- We will strive to preserve and improve the global environment, and to secure safety and health in all our workplaces.
- We will value all members of the Kuraray community and respect their rights.
- We will always conduct businesses in a free, fair and transparent manner.
- We will honor all intellectual property and secure data and information in a proper manner.

Code of Conduct of Kuraray Group

- Safety and Quality of products and services
- Disclosure of Corporate Information
- Anti-Bribery/Rules for Donations
- No Relationships with Anti-Social Group
- Contribution to Society
- Environmental Preservation
- Safety and Disaster Prevention
- Respect for Human Rights
- Enhancement of Diversity, Equal Opportunity
- Compliance with Anti-trust/Competition Laws
- Prevention of Unfair Competition
- Compliance with Laws Related to Export, Import
- Protection of Intellectual Property
- Employees
- Regional communities
- Value creation through business activities
- Employees
- Shareholders and investors
- Customers and consumers
- Central and local governments
- NPOs and NGOs
- Suppliers and partners
- Quality management
- Compliance
- Safety
- Risk management

As a corporate group engaged in manufacturing, the Kuraray Group creates economic and social value through its excellent products and services and provides these products and services to the market. Maximizing its technology that is rich in originality and peculiar to the Kuraray Group nurtured in the chemical domain, the Group believes that its most fundamental responsibility as a company is to provide solutions to global social issues through its business activities such as resource saving, energy saving, environmental conservation, and enhancement of quality of living.

All business activities are undertaken based on compliance (compliance with laws, regulations, and social norms), risk management, and on top of everything, all “safety”. Additionally, quality management in manufacturing provides support in creating values.

On the other hand, all company activities are supported through dialogues with stakeholders (shareholders and investors, customers and consumers, regional communities, central and local governments, NPOs, NGOs, employees, suppliers, and partners). The employees, suppliers, and partners, who participate directly in business activities themselves, are also important stakeholders. The Kuraray Group will continue to fulfill its CSR through its company activities by further deepening its dialogues and cooperation with the stakeholders.
The Kuraray Group interacts with a variety of stakeholders in each process of its value creation activities as it manufactures products and provides services. Responsible consideration given to its stakeholders is considered an indispensable condition to sustainably engage in its corporate activities.

### Responsible Consideration to Stakeholders along the Value Chain

**Shareholders and Investors**

The Group will expand corporate value over the long term through sustainable growth of business operations, to return profits to its shareholders and investors, and will appropriately disclose information.

**Suppliers and Partners**

The Group will further promote developing win-win business relationships with suppliers and partners. The Group will conduct fair and transparent transactions throughout the supply chain and will promote CSR procurement activities with the suppliers and partners.

**Employees**

The Group will continue to create safe and healthy workplaces where personnel of various groups and classes are fairly treated, whose environment is appropriate for their activity or job in them.

**Regional Community**

The Group will be fully considerate in ensuring the environment and safety of regional communities in which its businesses are operated and located, promoting sincere and active communications to build a good symbiotic relationship with them.

**Central and Local Governments, NPOs, and NGOs**

The Group will continue to build sound and constructive relationships based on transparent corporate governance.

**Processing, Consumption, and Waste Disposal**

The Group will build a relationship of trust over the long term by providing products and services that ensure the "safety," "security," and "satisfaction" of its customers and consumers by appropriately providing information.

**Customers and Consumers**

The Group will build a relationship of trust over the long term by providing products and services that ensure the "safety," "security," and "satisfaction" of its customers and consumers by appropriately providing information.

**Distribution of Earnings, Reinvestment**

The Group will contribute to the environment by expanding CSR procurement activities with its suppliers and partners.

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### CSR Activities at the Kuraray Group

The Kuraray Group is engaging in the business of providing its products and services by adding higher value to resources received from society. The responsibility that needs to be fulfilled as a manufacturer is to give maximum consideration not only to impacts on its stakeholders related to the entire material cycle ranging from the activities in which the Group is directly involved, namely, procurement, development, production, selling, and shipping, but also to processing, consumption, waste disposal, and recycling after selling and shipping products to the customers.

On the other hand, the Group believes that it is also an important responsibility to invest funds received from its shareholders and investors for business operation, to distribute the results earned in such investment, to reinvest the funds in equipment and research and development for sustainable growth and to appropriately return such earnings to employees, social contribution activities, and other purposes.

### Medium-Term Management Plan “GS-STEP”

As a compass for its value creation activities, the Kuraray Group has developed and is implementing a medium-term management plan. A new three-year plan “GS-STEP” has been implemented in fiscal 2015. The new plan aims to bring the measures implemented in the previous medium-term management plan “GS-III” to fruition to increase the earnings of the Group and to build a management base for the expansion of business in the next phase in realizing our vision of being “a high-profit specialty chemical company with a global presence’’ which is an ideal future image of the Group.

**“GS-STEP” Propels Five Main Management Strategies**

1) Deepening of core business

Increase competitive advantages by producing results from the effects of investments including business acquisitions and production capacity expansion for a more solid foundation in businesses where Kuraray products are number one in market share or the only ones of their kind. In addition, lay the groundwork for further growth.

2) Technological innovation

Create new business by using highly distinctive, original Kuraray technologies and accelerating their rollout to new domains and technology fields. In addition, establish new and improved processes to achieve overwhelming superiority in product quality and cost.

3) Next-generation growth models

Work to expand into new business domains by making more effective use of external resources, including M&A and alliances. In addition, take on the challenge of establishing an innovative business model for corporate activities including research and development, technical services, manufacturing and sales, and indirect operations.

4) Optimum allocation of management resources

Raise the quality of global management through the optimal allocation and proactive use of management resources such as the expanded bases and human resources resulting from the integration of GLS business and other initiatives.

5) Contribution to the environment

Expand provision of products that contribute to the global environment. In addition, use production processes that reduce environmental load.

The Kuraray Group will steadfastly implement “GS-STEP” and will do its utmost to accomplish the foregoing targets to fulfill its mission of “For people and the planet - to achieve what no one else can.”

### Targets for Business Performance

<table>
<thead>
<tr>
<th></th>
<th>FY 2014*</th>
<th>FY 2017 Plan (&quot;GS-STEP&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥425 billion</td>
<td>¥560 billion</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥51.4 billion</td>
<td>¥90 billion</td>
</tr>
<tr>
<td>Operating income to sales</td>
<td>10.6%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

* (as of Dec. 31, 2014 (see p2 "Reporting Period")

### Main Management Strategies of “GS-STEP”

#### Growth Strategy

- **Synergy**
  - Deepening of core business
  - Next-generation growth models
  - Optimum allocation of management resources
  - Contribution to the environment

- **Profitability**
  - Contributing to the environment

#### Identification of Materiality

The Kuraray Group is identifying priority issues (materialities) to manage its impact on society and to deal with issues that are truly important.

In Step 1, about 70 issue items have been selected as those that affect its business activities including items related to its medium-term management plan “GS-STEP” in addition to those aspects that are identified in the 4th version of the GRI Guidelines (G4), ISO 26000, and Responsible Care.

In Step 2, an evaluation has been made as to which parts of the value chain of the Kuraray Group affect the selected social issues and about 30 items that are considered to be high in priority for taking action have been selected. At the same time, aspects that affect evaluation and decision making by stakeholders have been ranked as high priority. Priority issues have been identified by weighing these two viewpoints. The activity plan will be developed and verification of its validity will be made in the future.
We at Kuraray view corporate governance as necessary for the maintenance of sound relations with our shareholders and the various other parties to society with a stake in our company. We consider it vital not only for assisting in the improvement of our performance and sustained growth as a company but also for fulfilling our responsibility to society.

In fiscal 2003, we established the Board of Directors and Board of Corporate Auditors, and introduced an executive officer system in order to clearly separate the supervisory and executive functions. In fiscal 2008, we further enhanced the Company’s system of corporate governance by appointing outside directors.

### Board of Directors and Board of Corporate Auditors

The board of directors consists of 12 persons, including two directors recruited from outside the Company for decision making on important matters. The board of corporate auditors consists of five persons, including three outside auditors and their members attend important meetings such as meetings of the board of directors. The auditors audit the business execution of directors by hearing the business execution status from them, by auditing business sites of the Group and by other methods.

### Officers’ Remunerations

Officers’ remunerations are designed to be on a remuneration level and a remuneration scheme compatible with their work functions based on the basic recognition and policy of compensating them as a price for realizing a long-term and sustainable enhanced corporate business performance and corporate value. The amounts as bases of such remunerations are paid after consulting the Management Advisory Council, which has seven members including four outside experts who have in-depth experience in management and legal affairs.

### CSR Promotion Structure

In 2003, Kuraray instituted the CSR Committee by integrating the Philosophy and Environment Committee and In-House Ethics Committee, and bolstered its CSR promotion structure on a Group level. Under the CSR Committee are arrayed three subordinate committees as specialized units on the management level (the Social Responsibility and Economic Sub committees: Environmental and Industrial Safety Subcommittee: and Risk Management and Compliance Subcommittees). These committees examine Company-wide policies and targets and report on the same to the 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. By including responsible directors and the presidents of all Group companies as members of the CSR Committee we are taking steps to put in place a system that is capable of considering a host of issues from an increasingly wide range of dimensions.

In fiscal 2014, a review of the organizations of the subcommittees and working teams (WTs) was made.

#### Social and Economic Subcommittee

The Social and Economic Subcommittee has organized the Philosophy WT, tasked to study the direction for social contribution and to integrate social contribution activities, and Work Environment WT, tasked to promote employee diversity, and to study systems for employee fostering, fair and impartial employee evaluation and other aspects. The subcommittee functions to develop a sound organizational culture allowing each employee to humbly grow through work, to create employment opportunities and to promote activities to deal with social challenges and so forth as a corporate citizen.

#### Environmental and Industrial Safety Subcommittee

The Environmental and Industrial Safety Subcommittee organizes three working teams (WTs) namely, Process Safety and Disaster Prevention/Occupational Safety WT: Global Warming Prevention WT and Environmental Conservation WT: and is actively challenging various issues related to the environment and industrial safety.

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. In 1998, Kuraray set its Principles for Business Conduct manifesting the desired optimum condition of each of its employees so that entire corporate activities harmonize with the earth environment and civil society. In 2005, Kuraray compiled the Kuraray Group Code of Conduct that specifically expressed norms on its corporate activities and a compliance handbook that included an explanation of specific cases. These documents have been distributed to the Group employees for guidance.

### Compliance

#### Compliance Declaration

In 2002, the Kuraray Group issued its Declaration of Compliance and is committed to society to give priority to law and regulation compliance and to its Principles for Business Conduct over corporate profits.

#### Education and Enlightenment Activities

As part of an effort to raise the compliance awareness among its employees, the Kuraray Group holds cases that have taken place outside the Group and that have become social problems on its internal website (11 cases posted in fiscal 2014). A series of compliance education is provided to various learner segments on different themes through e-Learning. In fiscal 2014, education and training were provided to managerial personnel of Kuraray and its domestic affiliated companies on subjects such as personnel management and personal interactions in workplaces. All the 727 employees who were selected to receive education and training attended the lecture sessions. The Kuraray Group will continue to provide compliance education and training on a variety of fields in a planned manner.

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**Organization Chart for Corporate Governance**

<table>
<thead>
<tr>
<th>Subcommittees</th>
<th>Working Teams (WTs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Responsibility and Economic Sub committees</td>
<td>Global Warming Prevention WT</td>
</tr>
<tr>
<td>Environmental and Industrial Safety Subcommittee</td>
<td>Process Safety and Disaster Prevention/Occupational Safety WT</td>
</tr>
<tr>
<td>Risk Management and Compliance Subcommittees</td>
<td>Environmental Conservation WT</td>
</tr>
</tbody>
</table>

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**Corporate Governance**

**CSR Management**

**Environmental and Industrial Safety Subcommittee**

- Global Warming Prevention WT
- Process Safety and Disaster Prevention/Occupational Safety WT
- Environmental Conservation WT

**Social and Economic Subcommittee**

- Social Responsibility and Economic Sub committees

**Compliance Declaration**

- 2001: Formulated Our Principles for Business Conduct
- 2015: Distributed Compliance Handbook (1st edition)
- 2018: Distributed Compliance Handbook (1st edition)
- 2017: Published and distributed Compliance Handbooks to overseas bases in the U.S., Germany, China, Belgium and Singapore
- 2017: Compliance education for local employees
- 2017: Contributed compliance education based on e-learning
**CSR Management**

**Internal Reporting System**

We set up the Kuray 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 the early detection and resolution of the same. We also provide our employees with information on methods of internal reporting and rules for the protection of informants through our intranet and in-house magazine. 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.

**Number of Consultations at the Kuray Group Employee Counseling Room**

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

**Risk Management**

To further enhance our management structure at the Group level, we are working to improve Companywide risk management. Based on self-assessments made by the heads of divisions, plants, subsidiaries, and administrative organizations, we are identifying actual risks facing each structure and identifying those judged to be major risks. The CSR Committee selects, evaluates and deliberates on those risks in particular that management ought to address and provides appropriate responses. In addition, the President provides instructions to each structure with the aim of ensuring a swift response to changes in the risk environment through the annual Kuray Group Basic Policy on Risk Management.

### BCP Activities

Since the Kuray Group has many businesses that command large shares of the market and that are based on original technologies, we also create and take steps to enhance a business continuity plan (BCP) for core businesses taking the risk of a prolonged suspension in supply into consideration. In fiscal 2012, we formulated a Companywide policy related to our BCP.

#### Companywide Policies for BCP (Business Continuity Plan)

- Give top priority to securing the safety of employees and offices.
- Aim for the early recovery/restoration of businesses/regions.
- Act in unison with local society for recovery/restoration.

#### Information Management Activities

The management system for trade secrets has been reviewed for improvement and stricter management. In conjunction with the implementation of My Number System in Japan, a review of management rules on various personal information has been started.

### Quality Management

At the Kuray Group, we have created a system that enables the consistent provision of products that satisfy the requirements of individual customers by way of quality management systems such as ISO9001 and ISO14001, which are primarily managed at the manufacturing site level, and quality management in accordance with the flow of goods in each business.

The CSR Division has launched the Quality Assurance and Product Safety VT to strengthen the quality management mechanism that links the entire activities of the divisions and activities of important individual processes. These are the first step in companywide quality management to meet customer needs. We identify challenges that are common among the divisions and improve quality level by the entire Group in the future.

From fiscal 2012 that is the starting year of the Medium-Term Management Plan GS-III, the EVAL Division has kicked off a quality assurance reinforcement project to further enhance customer satisfaction in three years. In fiscal 2014, small-group activities were continuously practiced as a core activity. The results achieved in three years by this project were verified and the project proved to be meaningful. A continuation of this project for two more years was decided. The GENSTAR Division has also decided to launch similar activities.

The CSR Division will ensure the fixation of quality management activities and expansion of results to similar processes and products in each division and continuously support the standardization of work.

**Interchange with Local Communities**

The Kuray Group sponsors plant tours, summer festivals and other events at its plants and sites and is actively and continuously promoting interactions with local communities. The Sapo and Nigata Plants of Kuray Group sponsor cherry blossom viewing parties in their premises to welcome cherry blossoming seasons in fiscal 2014. A total of about 13,000 people visited the plants to enjoy viewing cherry trees in full bloom. The Hachioji Plant continuously sponsors a Christmas fantasy event each year to view Himalayan cedar trees that are lighted up to adorn the night sky.

**Stakeholder Communication**

Based on the Kuray Group Information Disclosure Policy set in May 2007, the Kuray Group is disclosing precise information to its stakeholders in a timely manner to fulfill its accountability to society. In addition to fulfilling responsibilities to its stakeholders, communication between its stakeholders and the Group is promoted.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders and Investors</td>
<td>General meetings of shareholders, plant tours, meetings to explain settlement of accounts</td>
</tr>
<tr>
<td>Suppliers and Partners</td>
<td>Purchasing activities, safety councils, liaison meetings, etc.</td>
</tr>
<tr>
<td>Employees</td>
<td>Employee awareness surveys, labor-management meetings, personal evaluation interviews</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Dialog with local communities by Responsible Care Subcommittee Meetings with local residents’ associations for exchange of views, Plant tours, chemistry classes for boys and girls, Cherry blossom viewing parties, summer festivals and other events</td>
</tr>
<tr>
<td>Local Governments, NPOs, NGOs</td>
<td>Plant tours, firefighting drills, volunteer activities</td>
</tr>
<tr>
<td>Customers and Consumers</td>
<td>Sales and marketing activities, trade fairs (Bio-Products Fair and other fairs), questionnaires</td>
</tr>
</tbody>
</table>

**Investor Relations Activities**

The Kuray Group undertakes IR activities for its shareholders and investors based on a focus on reliability and fairness of its investment information.

An effort is made to provide appropriate and fair information as needed such as video dispatch of scenes of meetings to explain closing of accounts and general meetings of shareholders to general investors through its website; in addition to holding meetings to explain closing of accounts to institutional investors. Meetings to explain business activities of the Kuray Group and other events are sponsored for personal investors to deepen their understanding of the Kuray Group.

Video footage in English of scenes at meetings to explain the closing of accounts in sent to institutional investors in Europe, North America, Asia and other regions. Additionally, institutional investors in those regions are periodically visited to report management information on the Group and to beef up dialog with them.

**Responding to Product Complaints**

At the Kuray Group, we are working to respond quickly to complaints and prevent recurrence through the integrated management of information on complaints. We respond to major cases in accordance with the Regulations on Product Liability-related Accident Response and Quality Complaint Report. In fiscal 2014, there were no product recalls or accidents causing major health problems or damage to property such as fire.
Safety Activities

Process Accident and Disaster Prevention
In our business operations, the Kuraray Group handles large amounts of inflammable materials, high-pressure gases, and other hazardous materials. Therefore, Kuraray Group Plants maintain fire protection and firefighting equipment. Each plant organizes self-fire department and conducts regular emergency drills in preparation for process accidents and disasters. In fiscal 2014 also, all the plants undertook emergency drills, emergency alert drills, tsunami evacuation drills, and other drills in cooperation with local public fire department, on various suppositions such as fire, leakage of a hazardous material, earthquake, or tsunami in accordance with the hazardseness of the materials handled.

Because company-wide crisis management is needed in a serious accident, at Kuraray, we regularly conducts Company Emergency Headquarters drill, which is headed by the President.

Voice

Striving to Maintain and Upgrade Firefighting Techniques in Preparation for Emergencies
Toshin Kiris, Chief, Self-Fire Department, Nagaoka Plant
We, Nagaoka Plant Self-Fire Department, are striving to maintain and upgrade our firefighting techniques in preparation for external emergency cause analysis and learning the latest firefighting techniques. Drills are routinely conducted to minimize damage in case of a fire or other accident.

Safety Activities

Concept, Policy, and Guideline

Basic Policy on Occupational Safety and Disaster Prevention (FY 2015)
- Ensuring “Safety First and Production (Construction and R&D) Second”
- Do “CHECK” in order to eliminate Unsafe Situation (action, behavior, condition) in every aspect of Your Operation
- An aiming to achieve zero accidents and disasters, all employees act with sense of ownership and responsibility

Activities on Occupational Safety, Process Safety, and Disaster Prevention

The Kuraray Group is promoting creating safe workplaces that are free of: (a) occupational injuries, process accidents, and disasters (b) by raising the safety awareness of our employees and operating a safety management system for preventing: (c) occupational accidents and process accidents through early discovery of the risks for them. In preparation for accidents or disasters, we make efforts to minimize damage and to prevent the recurrences accidents or disasters, such as emergency drills, sharing information of accidents or lessons.

Targets and Performance in Safety Priority Activities

Numerical Targets and Accomplishments

<table>
<thead>
<tr>
<th>Item</th>
<th>Target (Inside and Outside Japan)</th>
<th>FY 2014</th>
<th>FY 2015 Target (Inside and Outside Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Safety and Disaster Prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency Rate of All Occupational Incidents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Accidents</td>
<td>0 cases</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of lost time Incidents</td>
<td>0 cases</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Safety Level Evaluation System</td>
<td>1.0 or less</td>
<td>1.34</td>
<td>0.82</td>
</tr>
<tr>
<td>Frequency Rate of All Occupational Incidents</td>
<td>1.5 or less</td>
<td>1.34</td>
<td>0.82</td>
</tr>
</tbody>
</table>

Frequency rate of all occupational injuries: Number of all occupational injuries per million working hours. All occupational accidents are defined as incidents requiring at least minor medical attention, based on the definition of a recordable incident by OSHA (Occupational Safety and Health Administration) of the US.

Safety Management

In accordance with Corporate’s Safety Activity Management Regulations, the Kuraray Group develops a safety plans every fiscal year and operates them to ensure occupational safety, process safety, and disaster prevention. To be more specific, each year, at the Safety Promotion Committee attended by the President and executives in charge, we makes an overall assessment and discussion of safety activity performances of previous year and decides activity policy for the coming fiscal year, and we disseminate decided activity policy to all Group plants and departments.

The following actual safety data is retained in the data which to reflect data for January to December including past data.

Conclusion

The Kuraray Group is promoting creating safe workplaces that are free of: (a) occupational accidents, process accidents, and disasters by raising the safety awareness of our employees and operating a safety management system for preventing: (c) occupational accidents and process accidents through early discovery of the risks for them. In preparation for accidents or disasters, we make efforts to minimize damage and to prevent the recurrences accidents or disasters, such as emergency drills, sharing information of accidents or lessons.
Safety Activities

Process Safety and Disaster Prevention

At the Kuraray Group, we consider it a major responsibility to prevent the occurrence of explosions, fires, leakage of hazardous materials, and other accidents 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 this purpose, we have undertaken activities such as risk assessment related to safety and disaster prevention, quake-damping measures for buildings and plants, and conditioning of the safety management system for facilities in all plants. In response to the 2011 Great East Japan Earthquake, a slight fire broke out in one of the plants in Japan. This fire was soon extinguished using a fire extinguisher and no personal injury or property damage was caused.

■ Process Safety and Disaster Prevention Activities in Fiscal 2014

Countermeasures on new sources of hazards learned from accidents at other companies have been taken and lessons learned at other plants of the Group have been applied to other processes and plants inside the Group to prevent process accidents. The CDP2 activity (development of capabilities of individual personal) KMMS (Kuraray Maintenance Management System), and other programs have been continued for technique and technology transfer and for enhancing readiness to counter crises. These education and training using simulators and e-Learning have been provided for transfer of techniques and technologies in the management of process operation and equipment.

■ Fiscal 2015 Plans

- We will upgrade operator competence through CDP, KMMS, and other programs.
- We will analyze causes of accidents by examining information on accidents that took place in the past, to upgrade readiness in an emergency by risk-assessing many cases of accidents.
- In order to enhance the safety management level, we will perform the following measures: conform to a new earthquake disaster standard for equipment, risk assessment in an unstable state, development of a medium- and long-term facility maintenance plan and personal operation plan, and enhancement of safety management organization, along with other measures.

Safety Activities of the Kuraray Group

At the Kuraray Group, every undertaking safety activities tailored to their own circumstances to upgrade safety awareness on occupational safety, process safety, and disaster prevention and to refine hazard sensitivity.

■ Lectures on Disaster Prevention

Experts on disaster prevention are invited to convey lecture meetings on process safety.

■ Safety Hands-On Classroom

Recently, hazards are experienced less frequently at workplaces and the lowering of hazard sensitivity of individual persons is concerned. Hazard sensitivity is enhanced and maintained through training that incorporates experience of being exposed to hazards.

KY Contest

Meetings to present the results of KYT (Riken Yochi Training: Hazardous Prediction Training) that is effective in finding and solving hazard elements are conducted. Teams participating in the meetings work hard in friendly rivalry to enhance their KYT competence.

Occupational Safety

To prevent damage to society at large caused by logistics accidents, the Kuraray Group is engaged in an ongoing promotion of activities to ensure logistics safety in the aspects of product shipment and storage. The Logistics Safety Conference, which loads these activities, entered its 14th year. In fiscal 2014, the conference introduced safety activity using an indicator called a frequency rate of all industrial accidents more severe than slight accidents, instead of lost time incidents. When a comparison is made using this indicator, the frequency rate of all industrial accidents in fiscal 2014 for the Kuraray Group outside of Japan was high. 9.82, compared with 3.14 for the Group in Japan. Averaging 3.23 for the Group inside and outside of Japan. Generally, the companies in Europe and North America undertake activities focusing on preventing severe accidents and the frequency rate of industrial accidents including slight accidents tends to be higher than in Japan. In fiscal 2015, safety activity management will spread globally, aiming at lowering the frequency rate of industrial accidents outside of Japan.

Logistics Safety

The Kuraray Group believes that the provision of safe products to its customers is the utmost concern of a manufacturing group, and the first paragraph of the Kuraray Group Code of Conduct points to this idea. The Group’s specific direction is stated in its Basic Policy on Product Safety and Action Guidelines for Product Safety. (Please see page 15)

The Group conducts daily management at the business unit and affiliate level and has built a system to confirm that product safety and other risks are being managed at an acceptable level when the Group develops and sells products that require company-wide examination, such as those that are ingested into the body and those that use nanomaterials through working groups led by the CSR Division. In fiscal 2014, the Group consulted on development projects based on a rule for handling of nanomaterials.

Substance Management

From fiscal 2012, the Kuraray Group has introduced a new IT system in order to manage chemical substances in an integrated manner without omission.

By managing safety information on raw materials and products supplied to the customers and compliance information in the IT system, compliance with laws and regulations and provision of Product Safety

information to the customers are made more reliable.

In fiscal 2014, the system for compliance with laws and regulations was reinforced by: 1) Compilation and maintenance of a written procedure to make clear judgments as to whether or not compliance with laws and regulations is required when a new product is developed; 2) Start of operation of a system for management of schedules for compliance with laws and regulations; 3) Launch of a mechanism to confirm chemicals related to emissions in laws and regulations and to implement appropriate actions; and 4) Start of operation of a system for the tabulation work in reporting amounts and quantities of chemicals required by Chemical Substances Control Law. The Kuraray Group finished to input MSDSs (material safety data sheets) of products and raw materials into the system and reinforced the organization to ensure accurate information provision to customers.

The Kuraray Group will thoroughly comply with laws and regulations and will further enhance the quality of product information supplied to its customers by continuing to maintain and manage information reliably and also by continuously utilizing the systems in the future.
Approaches to the Environment

~ Assessment of Contribution of CO₂ Reductions throughout the Lifecycle of Products Using Kuraray Group Materials ~

Great Contribution is made in Reducing Emissions of Greenhouse Gases (GHGs) in Lifecycle from Raw Material Procurement to Manufacturing and Discarding of Final Products.

Kuraray CSR Report 2015

Evaluation of the contribution of CO₂ reductions throughout the Lifecycle of Products Using Kuraray Group Materials.

"Chemical products" refer to a large amount of greenhouse gases (GHGs) in their processes from mining of raw materials to their manufacture. When the lifecycle from raw material mining to discarding of finished products, such as automotive and electronic home appliances are considered, there are quite a few products that rather greatly contribute to a reduction of CO₂ emissions. Kuraray manufactures many such products and assesses how much effect such products have in reducing CO₂ emissions compared with comparable products.

In fiscal 2014, the assessment of "capacitors," "canisters," and "nitrogen gas generators" was made among products that use activated carbon manufactured by Kuraray Chemical Co., Ltd. in the Kuraray Group. Activated carbon is known as a material used in the filters of air purifiers and water purifiers. Recently, activated carbon has become an important material in products that are found near us such as capacitors (components to store electricity) in automobiles and other products and in devices for the prevention of loss of evaporated gasoline (fuel). The assessment has shown that the three products contributed to reducing about 316,000 tons of CO₂ in total.

The reduction in CO₂ emissions combines the previous assessment made with "EVAL-STAR (Environmental Value Assessment System)" to the three applications of activated carbon totals about 630,000 tons of CO₂, representing about 50% of the total annual CO₂ emissions by the Kuraray Group in Japan in fiscal 2014.

Environmental Targets and Results

 FY2014 FY2015 Target

Environmental Efficiency (GHG emissions)

Global Emission

Domestic

Overseas

Improvement target: Reduce "GHG emissions (energy consumption)" by 7% compared with FY2013

Reduction in emissions: Reduce to MYR 11 by 2015

Reduce by 26.8% in FY14 compared with FY2013

Almost all electric power and steam is purchased from external sources at Kuraray's overseas affiliated companies. Because the source of supply has a large effect on GHG emissions, efforts to purchase electric power and steam from external sources at Kuraray's overseas affiliated companies were evaluated.

Environmental Management System

The Kuraray Group has set the Kuraray Group Action Guidelines for the Global Environment and Environmental Activity Policy (Policy of Environmental and Industrial Safety Management Center). Based on this guideline and policy, the Group is undertaking environmental conservation activities in accordance with the PICA (plan-do-checkact) cycle at each plant and affiliated company by developing an activity plan, by implementing activities, by result verification and by reflecting verified results for the plants for the following years.

The plants and affiliated companies of the Kuraray Group in Japan have individually acquired ISO 14001 (Environmental management system) certification and maintain high environmental awareness.

The Kuraray Group head office has been auditing environmental data reported to the local municipal governments by the plants and affiliated companies. In fiscal 2014, environmental data of the Okayama Plant, Tokushima Research Center and Kuraray Plants Co., Ltd. (an incorporated plant by the Kuraray Group head office) was inappropriate handling of environmental data was not found in the environmental data audit so for, indicating that appropriate handling of the environmental data has already been deep-rooted within the Group. A new scheme is therefore studied for implementation beginning fiscal 2015.

A prize scoring is carried out not only on installation or an expansion of a facility whether or not compliance with environmental laws and regulations is made and environmental load is minimized satisfactorily in accordance with the Safety and Environment Examination Standards. Facility installation or expansion is made employing a method that minimizes the environmental load.

Kuraray Group Action Guideline for the Global Environment

Basic Guidelines

We assure environmental sustainability through sustainable corporate activities that are in harmony with the global environment and the local community. In order to achieve these basic guidelines, we will undertake the following activities.

Action Principles

Policy of Environmental and Industrial Safety Management Center for Fiscal 2015

Kuraray Group (Global) following three principles:

Promoting environmental conservation and environmental improvement activities in accordance with the environmental management system

Assessment of the environmental load to accomplish medium-term environmental targets.
Approaches to the Environment

Organization of Promotion for Environmental Conservation

To undertake companywide environmental conservation activities, Kuraray operates the Environmental and Industrial Safety Subcommittee, organized under the umbrella of the CSR Committee supported by the Global Warming Prevention Working Team (WT) and Environmental Conservation WT, to tackle tasks such as measures to prevent global warming, management of chemical substance emissions and effective utilization of industrial waste.

Medium-term Environmental Targets

We have formulated a medium-term environmental plan aimed at fiscal 2020 relative to the fiscal 2010 targets set in the spring of 2010. Activities toward these targets were first implemented in fiscal 2011. We introduced the “Efficiency” as a part of our medium-term plan so that we can evaluate quantitatively the effects of our activities.

- Environmental efficiency: Set targets to reduce environmental load of GHG emissions, chemical substance emissions, waste generated, etc. Even if GHG emissions are reduced in the manufacturing process, the absolute amount of emissions will increase as business activities expand, which means that efforts to reduce emissions will not be evaluated appropriately. We introduced “Environmental Efficiency” as an indicator for evaluating how our production activities were efficient based on net sales and environmental load. Our target is to raise this Environmental Efficiency.

Global Warming Prevention

In fiscal 2014, both the domestic Kuraray Group and overseas affiliated companies improved upon the benchmark standard of 100 (FY2010) with results of 118 and 108, respectively. The levels of achievement of the Group overseas affiliated companies since fiscal 2012 have been high and match their targets for fiscal 2020. However, the acquisitions of Mitsubishi in fiscal 2012 and vinyl acetate business (GLS business) from DuPont in fiscal 2013 increased GHG emissions and energy consumption. In spite of these factors, the overseas affiliated companies are maintaining average target levels for them, even though their environmental efficiencies decreased compared with their figures for fiscal 2013.

A further effort will be made in the future aiming at accomplishing results surpassing the energy efficiency target.

On the other hand, the environmental efficiency of the domestic Group greatly improved thanks to a reduction in GHG emissions and higher sales compared with fiscal 2013. Through its efforts made in achieving a reduction in CO2 emissions (by means of use of more biomass fuels, use of waste plastics as fuel, higher plant operating efficiency, installation of energy-saving equipment and steady energy saving activities allowing no wastefulness), the domestic Group reduced 54,000 tons of CO2, achieving a reduction result in excess of “more than 20,000 tons as a result of implementing measures for a reduction,” which was the target set for a single fiscal year. Added to selling electricity to an electric utility, which had a high GHG emission coefficient, in fiscal 2014, the total GHG emissions of the domestic Group decreased about 1.5% compared with fiscal 2013 (notwithstanding an increase in GHG emissions caused by purchased electricity due to the shutdown of nuclear power stations). Results for GHG emissions and energy consumption in fiscal 2014 were as follows.

- Power generation by Biomass Fuel

The Kurashiki Plant of Kuraray Group in the City of Okayama Prefecture has started to use biomass fuel as an alternative fuel for coal and is gradually increasing its consumption. Subsequent to fiscal 2013, in fiscal 2014, the plant searched for more producers of biomass fuels and greatly increased its biomass fuel consumption (13,360 tons more), greatly contributing to reducing GHGs (less 14,038 tons of CO2). The plant plans to consume about 50,000 tons of biomass fuels in fiscal 2015 also, almost equal to consumption in fiscal 2014.

- Starch-Based Polyol

The Kurashiki Plant of Kuraray Group in the City of Okayama Prefecture has started to use biomass fuel as an alternative fuel for coal and is gradually increasing its consumption. Subsequent to fiscal 2013, in fiscal 2014, the plant searched for more producers of biomass fuels and greatly increased its biomass fuel consumption (13,360 tons more), greatly contributing to reducing GHGs (less 14,038 tons of CO2). The plant plans to consume about 50,000 tons of biomass fuels in fiscal 2015 also, almost equal to consumption in fiscal 2014.

Review of Medium-Term Environmental Targets

The overseas business environment of the Kuraray Group is undergoing a major change as in the acquisitions of Monofil in fiscal 2011 and a joint venture business (IJBC Business) of DuPont in fiscal 2014 and Plastics Technologies of Australia in April 2015. The on-going Medium-Term Environmental Plan was developed in fiscal 2011 and these changes were not anticipated at that time. For this reason, all the environmental efficiencies of the overseas affiliated companies of the Group were for fiscal 2014 as before the efficiencies achieved in the previous year. Kuraray is building a plan at its affiliated company in the United States and it is expected that the environmental load of the Group may further increase in the near future.

In view of these circumstances, a study of whether or not a correction of on-going Medium-Term Environmental Targets is necessary will be made during the period of the Medium-Term Management Plan GS-STEP (2015 - 2017). If a correction is deemed necessary, the targets will be modified to appropriate target values.

Reducing Environmental Load during Product Transportation

Kuraray is also reducing its environmental load in the distribution stage of delivering its products to the users, in addition to GHGs emitted by itself during the manufacture of its products at its plants and other facilities.

Kuraray is also active in the ‘modal shift’ of changing transportation means from trucks to cargo trains, ships and other means. Since fiscal 2010, its emissions of GHGs and nitrogen oxides during transportation have gradually been decreasing. In fiscal 2014, emissions of GHGs decreased about 4.5% and of nitrogen oxides, about 3.5% compared with fiscal 2013.

Start of Scope-3 GHG Emission Calculation

Under the GHG Protocol, GHG emissions are categorized in three categories, Scope 1, 2 and 3.

Scope 1: Direct emissions, GHG emissions generated by fuel combustion, such as at factories, offices, etc.

Scope 2: Indirect emissions, GHG emissions associated with purchased energy, such as waste power generation.

Scope 3: Other indirect emissions, GHG emissions along the entire supply chain (from raw materials to product disposal).

Mandated under the law by which businesses voluntarily launched and report Scope 1 and Scope 2 to the government, we have been reporting these to the government and publishing the results in our CSR Report and elsewhere. In case of Scope 3 GHG emissions that take into account the entire supply chain, there is movement for domestic companies to manufacture to calculate and announce Scope 3 emissions. Due to the increasing number of survey questionnaires requesting company Scope 3 emissions that are being received from environmental NGOs and other organizations, Kuraray decided to start calculations from those giving fiscal 2013 performance.

Calculations were made in fiscal 2014 also for eight categories in Scope 3, among 15 categories in total, excluding four categories that are not applicable to Kuraray and three categories for which data could not be collected (Please see the Illustration).

As a result, Scope-3 GHG emissions for fiscal 2014 were found to be equal to the calculation results of fiscal 2013 as a result of some changes in the overall production volume.

Kuraray will continue to calculate Scope 3 emissions in the years to come and plans to examine a reduction effect of reducing CO2 emissions along its supply chain.

* GHG Protocol (Greenhouse Gas Protocol) is an initiative to develop international standards and related tools on greenhouse gases and climate change led by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) and participated by corporations, NGOs, government institutions and other organizations throughout the world.

Image of Control on Emissions of Greenhouse Gases in Entire Scope 3 Supply Chain (10 to 13 show categories of Scope 3)

Based on the Law Concerning Reporting, etc. of Pollutant Release and Transfer Register (PTRR Law), the domestic Kuraray Group checks, records and reports relevant chemical substances to the state. The Kuraray Group similarly discloses on its website and other places emissions of chemical substances not covered by the PTRR Law, but designated by the Japanese Chemical Industry Association (JCIA) by checking and recording them.

Emissions of PTRR substances designated by JCIA totaled 965 tons, less 22 tons (2.2%) compared with actual emissions in fiscal 2013. The Kuraray Group is implementing measures to control an increase in emission volume by reducing emission volume increases such as by changing its production process from an organic solvent system to a water system.

20 Kuraray CIR Report 2015

Kuraray CIR Report 2015
The Group environmental efficiency is improving year after year thanks to the activities undertaken. In fiscal 2014, the index of 100 taking fiscal 2010 as a base year greatly improved to 132, even though the result is slightly below average compared with the target for fiscal 2020 of a 100% improvement over fiscal 2010. Total emissions are decreasing compared with fiscal 2010 thanks to the efforts made by the plants and other sites. This may be explained by sales that are not increasing as originally estimated, even though sales themselves are increasing in total.

The Group environmental efficiency is improving year after year thanks to the activities undertaken. In fiscal 2014, the index of 100 taking fiscal 2010 as a base year greatly improved to 132, even though the result is slightly below average compared with the target for fiscal 2020 of a 100% improvement over fiscal 2010. Total emissions are decreasing compared with fiscal 2010 thanks to the efforts made by the plants and other sites. This may be explained by sales that are not increasing as originally estimated, even though sales themselves are increasing in total.

Since fiscal 2007, the domestic Kuraray Group is continuing to keep ‘The Beneficial use of waste ratio of 90% or higher and/ or landfill disposal ratio of 1% or lower.’ In fiscal 2014 also, the domestic Group accomplished an effective utilisation ratio of industrial waste of 98.4% (up 1.1 points) and landfill ratio of 0.2%. The effective utilisation ratio has been levelling off at about 95% in the past several years. In Fiscal 2014, an outside use of sludge generated at the Okayama Plant was found, enabling the plant to sell the sludge as a cement raw material, instead of simply incinerating it at the plant, to further improve the effective utilisation ratio.

Against the medium-term environmental targets of increasing the environmental efficiency by 10% in fiscal 2030, the environmental efficiency improved 8% in fiscal 2014 compared with fiscal 2010, greatly improving over fiscal 2013. This could be attributed to reduction efforts such as improving yields at the plants and other sites, keeping increases in emissions to about 0.4%, which is roughly the same level achieved in the previous years, in spite of an increase in sales. The amount of industrial waste generated by the domestic Kuraray Group is slightly increasing parallel with an increase in its production volume. The plants and affiliated companies of the Group are continuing to make efforts to reduce the volume of industrial waste generated such as increasing product yields.

On the other hand, the volume of industrial waste generated by the overseas Kuraray Group also increased due to expansions in its business scale after the acquisitions of Monosol and GLS business, significantly increasing to 22,000 tons, up 44% compared with the previous year. For this reason, as a result, the environmental efficiency lowered to 98.3% below the benchmark. The trends will be watched in the future and efforts will continuously be made including optimizing operating conditions and recycling resources as raw materials.

Kuraray has set an Activity Policy for Conservation of Biodiversity and is promoting the development of technologies and products conducive to biodiversity conservation.

* For more information, visit kuraray.co.jp/csr/report2015/

### Provisioning of Products Conducive to Biodiversity Conservation

<table>
<thead>
<tr>
<th>Action Policy for Biodiversity Conservation (Sep. 25, 2004)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Promote biodiversity conservation</td>
<td>✔️ Areas and evaluate the biodiversity potential for biodiversity and the extent to which biodiversity has been damaged. Conduct an environmental assessment when we are planning/constructing projects that may negatively impact biodiversity.</td>
</tr>
<tr>
<td>2) Awareness raising and education</td>
<td>✧ Promote awareness raising and education for stakeholders, including our employees. Provide education on biodiversity that should be considered when we are conducting business.</td>
</tr>
<tr>
<td>3) Support activities</td>
<td>✧ Connect with company volunteers and stakeholders, and evaluate and support their activities. Publish information related to biodiversity conservation and communicate about it with stakeholders.</td>
</tr>
</tbody>
</table>

### Material Flow in Business Activities (Fiscal 2014)

The Kuraray Group uses large amounts of energy, chemical substances, and water resources in the course of its business activities. We make quantitative surveys of used resources and emit substances, and thus this information is necessary to minimize the environmental load associated with our business activities.

**Raw materials** - 900,000 tons
- Water (excluding seawater) - 60.9 million m³
- Energy - 412,000 GJ (made of oil equivalent)
- Product packaging materials - 9,000 tons
- Raw materials, packaging materials - 1,100 tons

**Products** - 458,000 tons
- GASE: 1,198,000 tons CO₂
- NOx: 1,800 tons
- SO₂: 480 tons
- Soot and dust: 28 tons

**Wastewater (excluding seawater)** - 60.9 million m³
- COD: 462 tons
- External recycling waste: 30,100 tons
- External disposal of waste materials: 720 tons

* Visit the Kuraray website for more information on environmental accounting and collection of environmental data. kuraray.co.jp/csr/report2015/
Employees in Kuraray domestic and overseas operations in their 30s and 40s gathered for “Global Team Training”

Global Talent Development Program of Kuraray Group

Leadership Development Program [Global Team Training (GTT)]

GTT is a leadership development program for all employees of Kuraray Group. The training program covers a period of about six months including three intensive training sessions in teams. Members are grouped into five to six project teams and final presentations are made in front of executives after finishing Kuraray Group issues. GTT was first launched in 2007 with the 13th program session in 2015. More than 200 employees in total have completed the program. Aside from brushing up global leadership skills through training, GTT also comprises of supporting new GTT members and linking them to networks across borders.

My Experience in GTT: By Christian Amad, kuraray America, Inc. (the left photo)

Many of my colleagues at Kuraray America already participated in GTT and I looked forward very much to having this opportunity. GTT was a very positive and challenging experience for me. I could mingle with colleagues of the Kuraray Group in various parts of the world with different cultures, ways of doing work and definitions of success. Before participating in GTT, I had entirely no opportunities to spend a long time with colleagues of the Kuraray Group including program intensive of 2007.

Recalling my experience in GTT, it was a very enjoyable one and the relationship built with the colleagues who participated in GTT will continue forever.

Approaches in the Workplace

Through the Kuraray Group Global Human Resources (HR) Policy, Kuraray Group is making efforts to develop its organizational system regarding the 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.

Sociality Goals and Actual Performance

<table>
<thead>
<tr>
<th>Theme</th>
<th>Goal</th>
<th>Event and Result</th>
<th>Evaluation and Challenges</th>
<th>Fiscal 2015 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing Personnel Policy Allowing Employees to Feel Work Is Worth Accomplishing</td>
<td>Providing a growth opportunity to employees</td>
<td>• A mentor is assigned to each new managerial worker for a minimum period of two years. • Empowerment of employees to feel the value of their work.</td>
<td>• Startled to operate beginning fiscal 2014 and evaluation will be held in the first fiscal year. • Performance of employees is expected and enhancement of employees’ leadership competence is expected. • Anchoring down of this system as a concrete practice is a challenge.</td>
<td>Continuous implementation of the GTT system.</td>
</tr>
<tr>
<td>Promotion of Diversity and Work-life Balance</td>
<td>Workshops and annual paid vacation</td>
<td>• Annual 8% increase of annual paid vacation on average. (See page 27)</td>
<td>• Start of comprehensive strategy • Continuation of the social diversity of the employment with the GTT system</td>
<td>Deposition of various systems meeting diverse working style.</td>
</tr>
<tr>
<td>■ Stage 1 (Tokyo)</td>
<td>Support for childcare, child care and nursing</td>
<td>• Visit to local entity (1 day)</td>
<td>• The training plan has been advanced generally, and tangible results have been obtained. However, some plants have yet to implement the training. Support for providing training is a challenge.</td>
<td>Continuous training and Stress check to be made.</td>
</tr>
<tr>
<td>■ Stage 2 (Germany)</td>
<td>presentations for childcare and nursing care</td>
<td>• Workshops (4 days)</td>
<td>• Continuous reinforcement of support on everyday life and routine work.</td>
<td>Continuous reinforcement of personal and professional development.</td>
</tr>
<tr>
<td>■ Stage 3 (Tokyo)</td>
<td>Presentations to employees (1 day)</td>
<td>• Presentations on project themes</td>
<td>• Continuous reinforcement of support on everyday life and routine work.</td>
<td>Continuous reinforcement of personal and professional development.</td>
</tr>
</tbody>
</table>

Policy for Global Talents

The basic approach of the Kuraray Group toward human resources is incorporated entirely in the Kuraray Group Global Human Resource Policy.

Kuraray Group Global HR Policy

1. We will respect the human rights of individuals.
2. We will abolish discrimination and respect diversity and individuality.
3. We will establish measures to improve employee engagement.
4. We will establish mechanisms to ensure that Kuraray work practices accord with applicable laws and regulations.
5. We will build HR systems that uphold equality, fairness and transparency.
6. We will strive to improve the environment of workplaces.

Basic Approach to Human Resources

<table>
<thead>
<tr>
<th>Trends in the Number of Employees</th>
<th>Kuraray Group companies</th>
<th>Kuraray Group Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 6,544</td>
<td>6,608</td>
<td>6,648</td>
</tr>
<tr>
<td>2011 6,766</td>
<td>6,774</td>
<td>6,816</td>
</tr>
<tr>
<td>2012 7,332</td>
<td>7,260</td>
<td>7,332</td>
</tr>
<tr>
<td>2013 7,550</td>
<td>7,376</td>
<td>7,550</td>
</tr>
<tr>
<td>2014 8,316</td>
<td>8,296</td>
<td>8,316</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trends in the Number of Employees by Region</th>
<th>Kuraray Group companies</th>
<th>Kuraray Group Americas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010亚洲 6,544</td>
<td>6,544</td>
<td>6,544</td>
</tr>
<tr>
<td>2011亚洲 6,766</td>
<td>6,774</td>
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<tr>
<td>2014亚洲 8,316</td>
<td>8,296</td>
<td>8,316</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Employees As of December 31, 2014</th>
<th>Total 8,316</th>
<th>Kuraray Group as a whole 8,316</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8,316</td>
<td>8,316</td>
</tr>
<tr>
<td>Full-time</td>
<td>8,296</td>
<td>8,296</td>
</tr>
<tr>
<td>Part-time</td>
<td>19</td>
<td>19</td>
</tr>
</tbody>
</table>

Employee Turnover Rate FY2014

<table>
<thead>
<tr>
<th>Turnover rate</th>
<th>Number of those leaving employment by cause/Number of Kuraray’s employees at the beginning of the fiscal period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal reasons</td>
<td>67</td>
</tr>
<tr>
<td>Retirement</td>
<td>67</td>
</tr>
</tbody>
</table>

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

Comprehensive Training Programs at Kuraray

Kuraray CSR Report 2015

Activities for Comfortable Workplace Environment

Activities at Workplace

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 domestic 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.

Comprehensive Training Programs at Kuraray

In fiscal 2013, group training (AGM and GTT) will be provided to department manager and section manager classes. Short-term trainee programs will be provided to employees mainly several years in service after employment and employees prior to becoming section managers. These training programs are provided to Kuraray employees from around the world.

A Fair, Impartial, and Transparent HR System

Kuraray has a hierarchical system in which elements such as improvement of job execution capabilities, performance, roles, and seniority to challenge demanding targets (as opposed to seniority and personal factors) are reflected in remuneration.

Specifically, we instituted a scheme of role ranks for management positions, under which remuneration scales with the role and performance, and one of skill qualifications for ordinary employees, under which remuneration reflects the extent of skills and performance. Wages and bonuses are determined on the basis of these schemes. We have also incorporated a scheme whereby personnel can change education courses to suit their desired career paths. In fiscal 2015, a review of wages, allowances, bonuses and work systems will be continued to further enhance an understanding of the employee treatment system.

(Results of Employee Awareness Survey)

An employee awareness survey was undertaken in fiscal 2013. The survey showed that “Understanding and sharing of management policy” and “Satisfaction of employees of section manager class” were low among the survey items.

Evaluation

Personnel are evaluated on the basis of objectives, in which goals for job duties and competence development are set after consultation between superiors and subordinates, and actual performances of individual employees are evaluated. Assessor training is continuously provided also.

Promotion of Diversity

Goals are set to maximize the capabilities of females, senior workers and temporary workers to activate workplaces and to upgrade organizational power.

Three themes, namely, employment of female, expansion of areas of responsibility at work for men and female, and promotion of women, have been selected as priority issues. More information has been shared, views have been exchanged more actively with other companies and more in-house discussions have taken place to implement tangible measures in fiscal 2015. In fiscal 2015, an effort will be made to achieve an enhanced education and training program to promote active participation by female employees, to maintain a flexible work system, and to promote betterment of the workplace environment for more efficient work and other matters as specific issues.

Scheme for Work Life Balance

Employment Systems and Average Working Hours

Kuraray has instituted systems for flexibility in employment. These main systems include discretionary labor systems for adaptation to the nature of individual work. The “de facto working hour” system for out of office work, and variable working hour system. We also have no overtime days and are striving to improve the ratio of taking yearly paid vacations.
The “Sending School Backpacks Across the Sea” Campaign Is Carried out for Children in Areas Where Commodities Are in Dire Need

Backpacks Full of Joyful Memories and Best Wishes Start Walking Their Second Life.

“Sending School Backpacks Across the Sea” is an international contribution activity in which elementary school children in Japan send school backpacks to children in Afghanistan and other areas who are deprived of education opportunity by war. The backpacks are donated every year together with stationery and presents. Up to now, these backpacks have been sent to Afghanistan, Mongolia and Nepal.

Started in 2000, this activity marks its 11th anniversary this year and the scale of it is expanding every year. In fiscal 2014, 7,508 backpacks were donated from all parts of Japan. In cooperation with JOCFP, the backpacks filled with joyous presents of the children are sorted by groups affiliated with JOCFP and the Kuraray Group employees, and are shipped across the sea through the cooperation of many more volunteers. In October and November, the backpacks and school supplies were donated to 31 elementary schools in Nuristan Province, Afghanistan.

As of fiscal 2014, a cumulative total of 90,729 backpacks were sent. This contribution activity will be expanded to other countries in the future.

“Transform Itself into Future.”

Wishing this campaign will produce something that will Transform Itself into Future.

For more information, visit kuraray.co.jp/en/awards/"
**Social Activities**

**Activities in Science Field**
In fiscal 2014, the Kuraray plants sponsored the Chemistry Classes for Boys and Girls, participated in outside events and sponsored sports tournaments for future healthy juniors and teenagers by continuously supporting on-going activities.

**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. In this program, employee volunteers of Kuraray serve as lecturers and assistants in dedicated classrooms in Kuraray plants premises, as well as in elementary schools and public facilities in the areas. This program is sponsored every year since 1992 at the Kuraray plants in Japan. In fiscal 2014, 255 employee volunteers participated in nine class events targeting at sponsoring the Chemistry Classes for Boys and Girls by all the Kuraray plants, and also in outside events. The Tokyo Head Office participated in the Children’s Summer Chemistry Experiment Show held in Tokyo’s Chiyoda Ward. The Kaiho Plant participated in the Kamisu Festa held in Kamisu City. Ngikai Festa in Ikaho District in Gunma City, and Science Festival for Youth in Hakata City, all as Ikaho Prefecture. The Kuraray booths were visited by about 3,000 people. These events will be continued in the future and active participation will be made in outside events also.

**Activities in Environmental Field**
Aiming at implementing forest conservation work and volunteer cleaning work carried out every year, in fiscal 2014, the Okayama Plant undertook ‘Kuraray Mira no Mori (Kuraray Forest of Future) Activity’, while the Niigata Plant undertook the ‘MIRAKAKESI Forest Creating Activity’ and Osaka Head Office: the ‘Mt. Biwa Handyrout Project Cherry Tree Planting Activity.’ All the plants undertook volunteer cleaning work. Environmental activities will be continued with a focus on forest conservation and volunteer cleaning work.

**Environmental Conservation Activities**
At each Kuraray plant, employee volunteers engage in forest conservation activities, cleaning parks, roads and moving gardens in day nurseries in cooperation with local governments and NPOs.

Kuraray’s Okayama Plant received an environmental impact certificate from the Okayama Prefectural Government for absorbed dose of CO2 by forests in recognition of its activity ‘Kuraray Mira no Mori (Kuraray Forest of the Future) Activity’ undertaken in cooperation with Kei-chuo Town in Okayama Prefecture. Joining in its labor unisonary is a continuous tree planting activities on Mt. Fuji. In fiscal 2014, 50 Kuraray employees participated in this activity. In the past, nine tree planting events have been undertaken and this activity will be continued actively in the future also.

Slightly more than 20 employees of Kuraray Shingolith Co. and their family members participated in a tree planting activity at Shanghai Bay National Forest Park.

**Activities in Social Welfare Field**
Aiming to support and continue the employment of people with intellectual disabilities and to undertake the Kuraray Furusato Support Fund Raising Campaign, Kuraray's Kurashiki, Saijo, Niigata and Kashima Plants operated workshops and donated money raised in the campaign. Also, cherry blossoms viewing parties were held at the Saigo and Niigata Plants turned to the cherry blossoms blossoming season. Residents of nearby social welfare facilities visited the plants and enjoyed viewing cherry blossoms. These activities will be continued in the future also.

**Supporting People with Disabilities**
In cooperation with local welfare facilities, Kuraray has built workshops for people with disabilities to support their self-sustenance by providing employment opportunities.

In cooperation with Nakayamachi Town (currently Tama City) and Nji no nu (meaning “Rainbow House”), operated by a social welfare corporation, Sanaba-ko: the Kuraray Workshop of Kuraray’s Niigata Plant opened in 1997 for people with intellectual disabilities. The workshop sorts plastic waste generated in the production process for recycling and manufactures supplies and fittings. In 2007, the Hamurata Butterfly Workshop opened at Kuraray’s Saijo Plant. In 2011, the Kashima Plant opened its Aozora Blue Sky Works assisted by a social welfare corporation. Kamisu Kusen, 10 instructors and 39 workers now work at four of Kuraray’s plants to accomplish a variety of job assignments, including those employees at Kuraray’s Kashima Plant engaged in cleaning of uniforms and labeling on Kuraray products.

They mingle with Kuraray employees through sports events and other occasions. These workshops and employment sites with intellectual disabilities will be maintained and continued.

**CSR Procurement**

**History of Kuraray’s CSR Procurement Activities**
Promotes Green Procurement to Business Partners (2002–)
Under the Kuraray Group Action Guidelines for the Global Environment (established in 1993), we formulated the Green Procurement Standards in 2002 to promote global environmental preservation with the cooperation of our business partners. We also distributed a checklist comprising the above standards to around 800 key business partners and evaluated the status of initiatives at each company by way of a checklist.

**CSR Procurement Policy of Kuraray**
- **Respect for Human Rights**
  - Respect for Human Rights
  - Observance of the International Labor Organization’s core labor standards
  - Guarantee of the right to organize and the right to collective bargaining
  - Prohibition of compulsory labor
  - Protection 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 appearances
  - ISO 14001 certification
  - Education and awareness campaign for green procurement

**Kuraray Furuai Fund**
We established the Kuraray Furuai Fund in July 1992. Under this fund, companies make donations consisting of those made by their employees plus a matching gift of the same amount. Employees endorsing 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 social welfare programs.

In fiscal 2014, the Kuraray Group undertook 31 activities such as preventing nursing care supplies, books and other articles, and raising donations for welfare facilities. Supporting NPOs and schools in the neighborhoods of Kuraray’s plants for victims of natural disasters was our main aim. The fund will be continuously used for the sake of social welfare.

**Kuraray Cup Middle School Soft Tennis Tournament**
Kuraray Cup Middle School Soft Tennis Tournament (Niigata Plant)

<table>
<thead>
<tr>
<th>Plant</th>
<th>Class name</th>
<th>Number of classes</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kurashiki Plant</td>
<td>Fun Chemistry House</td>
<td>65</td>
<td>1,755</td>
</tr>
<tr>
<td>Saijo Plant</td>
<td>Existing Chemistry Class</td>
<td>64</td>
<td>1,903</td>
</tr>
<tr>
<td>Okayama Plant</td>
<td>Fun Chemistry Class</td>
<td>39</td>
<td>1,300</td>
</tr>
<tr>
<td>Niigata Plant</td>
<td>Wondrous Laboratory</td>
<td>49</td>
<td>1,490</td>
</tr>
<tr>
<td>Kashima Plant</td>
<td>Fun Chemistry Class</td>
<td>19</td>
<td>1,228</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>236</td>
<td>7,086</td>
</tr>
</tbody>
</table>

**Sponsoring Sports Events**
From the standpoint of fostering healthy juniors and teenagers, the plants of Kuraray sponsor sports events. Targeting at continuing on-going events, in fiscal 2014, the Kurashiki, Okayama and Niigata Plants sponsored sports tournaments such as softball, soccer, soft tennis, football and baseball tournaments. The baseball grounds, gymnasiums and tennis courts owned by Kuraray were opened to students in their neighborhoods, striving to promote sports in local communities. These efforts will be continued in the future.