Taking into consideration the environment

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

This report conveys the CSR activities that the Kuraray Group implemented in fiscal 2015 with the aim of boosting understanding of them among all stakeholders.

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 affiliate (total 38 companies).

Referenced Guidelines

In accordance with the CORE of the GRI Sustainability Reporting Guidelines (G4) - Environmental Report Guidelines (2012 Edition) of Ministry of the Environments (Japan)

Issue Date

June 2016 (Previous issue: August 2015: Next issue: May 2017 (planned))

The Kuraray Group

36 consolidated subsidiaries/1 equity-method affiliate (38 companies including Kuraray Co., Ltd.)

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 vinylon fibers after the war based on domestic technology, 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 2015)*

<table>
<thead>
<tr>
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<th>Sales (Billion Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibers and Textiles</td>
<td>46.3 billion</td>
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<tr>
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* Sales figures include sales to external customers and the amount of cross-segment internal sales and transfers.

This does not include the adjustment expense of 110.5 billion yen.

Kuraray CSR Report 2016 3

Kuraray CSR Report 2016

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Contributing to planetary and social innovation by fully utilizing originality in material technology

I wish to make Kuraray a company in which people can work with pride and joy. Egami: It is indeed a pleasure to hear when family members and communities say “You are working in a good company.” Ito: That is true. For example, the manufacturing process of vinyl fiber is lengthy and a very long time is needed to restart a machine once it fails and stops. We experienced many accidents before when we tried to trouble-shoot without stopping machines. When I was appointed as the general manager of Vinylon Production Department, I prohibited all such dangerous work and called for the discontinuation of such work even at the sacrifice of productivity. I believed that nobody should be put at risk of injury in a company in which people work to be happy. Egami: Certainly, the message “Let’s live a better life” to employees would fall on deaf ears unless executives themselves act first by thinking about employee safety.

Greatest Strength is Technology

Original to Kuraray

Kuraray is a company rich in thought and philosophy. Mr. Magosaburo Ohara, the founder of the company, was a son of the founder and second generation, left many wise sayings and these sayings are still evident at Kuraray. Ito: Yes, that’s right. As a matter of fact, last year, we restructured our statements as Our Mission, Values (Philosophy and Operating Principles) and Commitment and then disseminated these to all members of the Kuraray Group and outside Japan to utilize the words and thoughts of previous generations since our foundation to our daily activities.

Egami: Upon its foundation, Kuraray set “The Two and Three Mark” as its corporate emblem to remind the company never to become arrogant and lose connection with society even if Kuraray becomes a top company. In this sense also, I believe that Kuraray is a corporation that respects corporate social responsibility. Ito: The emblem expresses our position well. The emblem signifies that we should maintain the spirit of being in second or third position, and always aspire to be better.

Egami: I have written a book about Kuraray before. After knowing more about your company, I have come to really feel that Kuraray is a company rich in thought and philosophy. Mr. Magosaburo Ohara, the founder, and Mr. Souchiro Obara, a son of the founder and second generation, left many wise sayings and these sayings are still evident at Kuraray.

Ito: Yes, that’s right. As a matter of fact, last year, we restructured our statements as Our Mission, Values (Philosophy and Operating Principles) and Commitment and then disseminated these to all members of the Kuraray Group and outside Japan to utilize the words and thoughts of previous generations since our foundation to our daily activities.

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Egami: I understand that your starting point was as a production site. Ito: Yes. I was first assigned to a plant where I first got a job with Kuraray in 1980. During my first assignment, I realized that a broken machine can be fixed, but that human beings cannot be put right even when they are broken. So, human beings should be treated very carefully. I learned the importance of walking together with the staff under the motto “Be strict, but be warm” by giving them maximum consideration with a warm heart while taking a strict stance toward their work.

Ito: Mr. Souchiro Obara also said that the plant was the starting point of all “Laying a new stepping stone of the industry and serving the nation and society.” Economic growth without innovation is not true growth. Let us make efforts for originality and ingenuity at all times.

Ito: The manufacturers are tasked with adding value to their products aside from merely manufacturing them. The price depends on sales and varies from year to year to another. Basically, however, the price is a result of the evaluation by the market for technology incorporated in products. How can a plant figure out a good way forward and raise production efficiency within such evaluated prices? In other words, every day’s earnings are produced by the manufacturing site.

Egami: Those products could be manufactured using raw materials available in Japan, which have scant resources. This is the dream of an entrepreneur. Products can be manufactured easily and at low cost if the raw materials are purchased from other sources.

Responsibility to Work Colleagues

~Significance of living a better life~

Egami: Mr. Ito, you say to your employees “Let’s live a better life,” which is a unique message from a president.

Ito: I ask my members “Why are you working for Kuraray?” The primary purpose is to earn money. However, in my opinion, a lifetime’s way are savings by the manufacturing site.

Egami: I believe that Kuraray makes a wide-ranging impact as a material manufacturer when it triggers innovation. As one example, I foresee that a huge number of lives could be saved by producing a material that can purify any water using activated carbon produced by Kuraray.

Kuraray. Thank you very much for talking to us today about Kuraray’s thought and history.
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 its existence. The corporate statements declared by the Kuraray Group embodies its basic stance in relation to corporate social responsibility (CSR).

**Corporate Statements**

**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.

**Kuraray Group Code of Conduct**

- 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 Protection
- Safety and Disaster Prevention
- Safe and Comfortable Workplace
- Respect for Human Rights
- Establishment of Diversity, Equal Opportunity
- Compliance with Antitrust/Competition Laws
- Prevention of Unfair Competition
- Compliance with Laws Related to Export and Imports
- Prohibition on Entertainment and Gift in an Excessive Manner
- Prohibition on Conflicts of Interest
- Prohibition against Insider Trading
- Protecting Trade Secrets
- Protecting Intellectual Property

As a corporate group engaged in manufacturing, Kuraray Group creates economic and social value through its excellent products and services and provides them to the market. Maximizing our technology that is rich in originality, we believe that our most fundamental responsibility as a company group is to provide solutions to global social issues through our business activities such as resource saving, energy saving, environmental conservation, and enhancement of quality of living. All these 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, local communities, central and local governments, NPOs). The employees, suppliers, and partners, who participate directly in business activities themselves, are also important stakeholders.

Through various opportunities, Kuraray Group will continue to fulfill its CSR through its company activities by further deepening its dialogues and cooperation with the stakeholders.

**Concept of CSR**

**Realization of Corporate Statements**

- Shareholders and investors
- Customers and Consumers
- Central and Local Governments, NPOs and NGOs
- Suppliers and Partners

**Value creation through business activities**

- Employees
- Local Communities

**Quality management**

- Compliance
- Safety
- Risk management

"Our Mission" states "The reason why Kuraray exists in society" and "With what we contribute to society." "Our Values" states "What we believe in and what we think of as important" when Kuraray members undertake corporate activities. "Our Values" reflect the basic spirit of Kuraray since its foundation. On the other hand, "Our Commitment" declares how we fulfill our accountability and respond the expectations of social context in which we operate. "Kuraray Group Code of Conduct" clarifies "Our Commitment" for our corporate activities and serves as the basis of our compliance activities.
We in the Kuraray Group interact with a variety of stakeholders in each process of our value creation activities as we manufacture products and provide services. Responsible consideration given to our stakeholders is considered an indispensable condition to sustainably engage in our corporate activities.

Kuraray Group is engaged 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 our shareholders and investors, 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 our shareholders and investors for business operation, to distribute the results earned in such investment, to reinforce 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.

Kuraray has established large scale production technology for polyv, a water-soluble synthetic resin, and has succeeded in industrializing synthetic fiber vinylon for the first time in the world using polyv as a raw material. The research results obtained in developing this industrialization process now serve as a foundation of Kuraray’s original technology, providing motive power to create a series of products that support Kuraray’s core business.

Beginning Fiscal 2015, Kuraray has launched a new 3-year plan “GS-STEP” and will be propelling five management strategies (1) Deepening of core businesses, (2) Technological innovation, (3) Next-generation growth models, (4) Optimal allocation of management resources and (5) Environmental contribution. The measures implemented in Fiscal 2015 include a decision to strengthen the production capacities for EVAL and optical polyv films, development of new process technology for vinylon, acquisition of Plastic Technologies Limited of Australia and integration of vinyl acetate related business from Du Pont.

Kuraray is committed to continuously implementing “GS-STEP” steadily and solving social problems, in order to accomplish our mission: “For people and the planet - to achieve what no one else can.”
Identification of Materialities by Kuraray Group

STEP 1: Selection of items

Items (aspects) to be studied in terms of importance and priority were selected.

Seventy items were selected, using GRI Sustainability Reporting Guidelines Version 4.0 (GRI <G4>), which is an international standard, as an indicator, coupled with requirements in ISO 26000 and Responsible Care (RC).

STEP 2: Prioritization

The selected 70 items were evaluated by translating the degree of impact on Kuraray Group in the processes of value chain into points. These processes are procurement (raw materials, equipment, and parts), development to production (waste emission), sales marketing and shipping, processing, consumption, and waste disposal (recycling) and other relations to local communities and central and local governments. Among them, about 30 items that were ranked high priority were extracted.

At the same time, items for which outside stakeholders, financial research organizations, rating agencies and other entities are expecting Kuraray Group to take action were given priority.

STEP 3: Identification

The 18 material items were identified by taking Materiality items for stakeholders and Materiality items for Kuraray Group into considerations. Identified items were validated by CSR Committee and reflected in the tasks and targets for related business activities.

An approach for material items will be made in future. Periodical reviews will be made to ensure appropriate selection and management of items meeting the changes of the times.

Materiality Map of Kuraray Group

CSR Activities at Kuraray Group

For the purposes of meeting various codes and guidelines as social requirements related to our business activities diversify, since 2014, Kuraray Group has been identifying priority issues (materialities). Process of identification, material items (aspects) and future management are posted.

Activity Item Target Material Items Industry Selected Aspects

<table>
<thead>
<tr>
<th>Activity Item</th>
<th>Target</th>
<th>Material Items</th>
<th>Industry</th>
<th>Selected Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-term management plan</td>
<td>ISO 26000 (2011) and G4</td>
<td>Economic performance, Products and services</td>
<td>Kuraray Group operates value-creation activities in accordance with ISO 26000</td>
<td>P9</td>
</tr>
<tr>
<td>Process Safety, and Disaster Prevention</td>
<td>Miseaure to prevent proccess accidents</td>
<td>Process Safety, and Disaster Prevention, Logistics Safety</td>
<td>Process Safety, and Disaster Prevention</td>
<td>P13 to P15</td>
</tr>
<tr>
<td>Safety</td>
<td>Enhancement of safety awareness of individual persons</td>
<td>Safety and health for customers, Labeling of products and services</td>
<td>Safety and health for customers</td>
<td></td>
</tr>
<tr>
<td>Global warming prevention</td>
<td>Greenhouse gas emission</td>
<td>Energy</td>
<td>Environmental, Energy</td>
<td>We will take necessary steps taking into consideration actual situations in areas of our business operations of reducing greenhouse gases and carbon footprint. We will take necessary steps to maintain and improve energy efficiency. We will actively use renewable energy and energy-saving technologies.</td>
</tr>
<tr>
<td>Environmental protection</td>
<td>Water consumption</td>
<td>Water sources in region</td>
<td>Environmental, Water resources</td>
<td>We will reduce water consumption in our business operations and to make a contribution to the conservation of water resources.</td>
</tr>
<tr>
<td>Effective Utilization of Water Resources</td>
<td>Water Sources in region</td>
<td>Water sources in region</td>
<td>Environmental, Water resources</td>
<td>We will reduce water consumption in our business operations and to make a contribution to the conservation of water resources. We will strive to actively use renewable energy.</td>
</tr>
<tr>
<td>Environmental Accounting</td>
<td>Environment in general</td>
<td>Environment in general</td>
<td>Environmental, Environment in general</td>
<td>We will manage our activities to reduce environmental load caused by our business activities and to conserve environment by introducing an accounting management system where preventive measures can be taken.</td>
</tr>
<tr>
<td>Personnel policy allowing employees to feel works worth accomplishing</td>
<td>Providing growth opportunities to employees</td>
<td>Training and education</td>
<td>Personnel policy, Environment, Human rights</td>
<td>We are providing education and training to our employees for gaining knowledge and skills needed in their work, to support career formation in which employees feel worth of working, and to provide global growth opportunities.</td>
</tr>
<tr>
<td>Diversity, work life balance</td>
<td>Promotion of active participation by female employees</td>
<td>Diversity and equal opportunity</td>
<td>Diversity</td>
<td>We will create a workplace environment with a good work life balance and in which employees can work comfortably, in addition to achieving diverse working styles and employment.</td>
</tr>
<tr>
<td>Healthy Management of Mind and Body</td>
<td>Continuation and blossoming of mental health, measures and measures against lifestyle-related disease</td>
<td>Occupational health and safety</td>
<td>Occupational health and safety</td>
<td>Healthy Management of Mind and Body</td>
</tr>
<tr>
<td>Contribution to Cultural, Academic, Environmental and Social Welfare</td>
<td>Implementation of following activities</td>
<td>Local community</td>
<td>Local community</td>
<td>We will contribute to local communities and human resource development by realizing a new unique to Kuraray with a focus on culture, arts and sciences, environment and social affairs.</td>
</tr>
</tbody>
</table>
Safety Activities

Specific Safety Activity at each plant

Individual plant is proactively devising and undertaking various safety activities to build up secure and safe workplaces.

**[Challenge 100% Activity] Okayama Plant**

The Okayama Plant is aiming at 100% practicing K-I (Kiken Yochi - hazardous prediction) and checking the procedure by painting & call activity before starting operation.

**[Risk Reduction, Education and Training of Human Resources] Kashima Plant**

The Kashima Plant was awarded the 10th Safety Grand Prix of the Japan Chemical Industry Association.


Activities on Occupational Process Safety, and Disaster Prevention, Safety, and Disaster Prevention

The Kuraray Group is promoting creating safe workplaces that are free of occupational incidents, process accidents, and disasters by raising the safety awareness of its employees and operating a safety management system for preventing occupational incidents 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 of accidents or disasters, such as emergency drills, sharing information of accidents or lessons.

**Targets and Performance in Safety Priority Activities**

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2015 Target</th>
<th>FY2015 Performance</th>
<th>FY2016 Priority Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Safety and Disaster Prevention</td>
<td>Measures to Prevent Process Accidents</td>
<td>Setting the detail conditions to prevent process accidents</td>
<td>○ Enhancement of process safety management level ○ Implementation of risk assessment of unusual situations ○ Enhancement of capability to deal with abnormal situations</td>
</tr>
<tr>
<td>Occupational Safety</td>
<td>Transfer of Operational Skills and Techniques from experienced persons to inexperienced persons (Know-How activity)</td>
<td>Transfer of operational skills and techniques from experienced persons to inexperienced persons (Know-How activity)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Comprehensive Understanding of K-I and KY (Kiken Yochi - hazardous prediction) before starting operation</td>
<td>Implementation of risk assessment with aiming at improvement of comprehensiveness ○ Improvement of constructive countermeasures for serious risks ○ Enhancement of Safety Awareness of Individual Persons ○ Compliance with rules to be observed ○ Safety education incorporating training ○ Establishment of emergency plans ○ Dissemination of and compliance with rules ○ Comprehensive understanding of risks ○ Implementation of constructive countermeasures ○ Developing the database “Global Safety Info” ○ Constructing the base for globalisation of safety activity management</td>
<td></td>
</tr>
<tr>
<td>Safety Management</td>
<td>Active morning meetings and mini-training before operation</td>
<td>Activating inter-departmental communication with intermediate affiliates</td>
<td></td>
</tr>
</tbody>
</table>

**Numerical Targets and Achievements**

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2015 Target</th>
<th>Actual</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Safety and Disaster Prevention</td>
<td>Number of Accidents: 0 cases</td>
<td>0 cases</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Number of Lost Time Incidents: 0 cases</td>
<td>0 cases</td>
<td>○</td>
</tr>
<tr>
<td>Occupational Safety</td>
<td>Frequency Rate of All Occupational Incidents: 1.5 or less</td>
<td>1.32</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Frequency Rate of All Occupational Incidents: 2.0 or less</td>
<td>2.50</td>
<td>○</td>
</tr>
</tbody>
</table>

*A frequency rate of all occupational incidents: Number of all occupational incidents per million working hours All occupational incidents 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.*

**Kuraray CSR Report 2016**

<table>
<thead>
<tr>
<th>Concept, Policy, and Guideline</th>
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<tr>
<td><strong>Guiding Principle on Ensuring Safety</strong></td>
</tr>
<tr>
<td>Safety is the Cornerstone of Everything We Do</td>
</tr>
<tr>
<td><strong>Action Courses on Ensuring Safety (FY 2016)</strong></td>
</tr>
<tr>
<td>• Enhance “Safety First, Production (Construction and M&amp;Q) Second”</td>
</tr>
<tr>
<td>• Take 5 seconds before You Act, and Do “CHECK” in order to eliminate Unsafe Situation (action, behavior, condition)</td>
</tr>
<tr>
<td>• Act with sense of ownership and responsibility for all employees, aiming to achieve zero accidents and disasters</td>
</tr>
</tbody>
</table>

**Basic Policy on Product Safety**

Targeting contribution to realizing an affluent and comfortable society by responding to customer needs through supply of products that are safe and reliable.

**Safety Management**

In accordance with Corporate’s Safety Activity Management Regulations, the Kuraray Group develops a safety plan every fiscal year and operates it 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 make 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 companies. In line with this policy, the Group companies are conducting safety activities that reflect the specific action plans of each plant and department. A group of safety representatives from the headquarters, including the executives in charge, visit every plant twice a year to conduct Internal Safety Audits on their safety activity plans, progress management, and the results.
Safety Activities

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 process safety and disaster prevention, earthquake countermeasures for buildings and plants, and conditioning of the safety management system for facilities in all plants.

Industrial Safety Activities

At the Kuraray Group, we are promoting safety self-activities by implementing them as planned: ① Risk assessment, ② Utilization of accident information and ③ Transfer of technical background (Know-Why activity) in accordance with the “Activity Plan for Industrial Safety” compiled by the Japan Petroleum Industry Association.

More specifically, we are undertaking risk assessment of unusual situations such as total power blackout and emergency stop and clarifying the criteria for discriminating abnormal situations in order to activate and enhance effectiveness of risk assessment activities. Additionally, CDP1 activity and KMMS2 are continuously undertaken to promote the transfer of operational skills and techniques from experienced persons to inexperienced persons incorporating the Know-Why activities.

In Fiscal 2015, unfortunately, three minor fire accidents in Japan and one leakage accident occurred outside Japan. All these accidents had no impacts on the external environment or human health and safety.

We will continue to undertake the following activities in Fiscal 2016 and thereafter to prevent accidents:

• Risk assessment activity of unusual situation
• Enhancement of capability to detect abnormal signs and to deal with abnormal situations
• Transfer of operational skills and techniques from experienced persons to inexperienced persons (incorporating Know-Why activity)

Comprehensive Emergency Drill

Kuraray Group handles large amounts of hazardous materials, high-pressure gases and other dangerous materials. For this reason, at the plants of Kuraray Group, we maintain fire protection and firefighting equipment and periodically undertake drills including anti-disaster drills, alert drills, tsunami evacuation drills, and other drills in cooperation with local public fire department anticipating a variety of situations. In Fiscal 2013, a drill was implemented by the Emergency Command Center headed by the president assuming that several plants were simultaneously damaged by Nankai trough mega earthquake. As a first challenge, damage situations were reported to this center on real-time basis by connecting the head office and five locations via video conferencing system.

Realizing that the safety and health of its employees are the basis of business activities, the Kuraray Group aims to create safe and accident free workplaces by striving to enhance the safety level of each of its employees and organizations through appropriate implementation of its occupational safety management system. In Fiscal 2015, there were six lost time incidents of Kuraray Group in Japan, increased by one incident compared with the previous year. The frequency rate was 0.50.

On the other hand, criteria for lost time incidents outside of Japan differ from one country to another and assessment is made using an indicator called a frequency rate of all industrial accidents more severe than slight incidents, instead of lost time incidents. In Fiscal 2015, the frequency rate for Kuraray Group outside Japan was 7.26 and was lower than 9.82 compared with the previous year. 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 there tends to be higher than in Japan. In Fiscal 2016, safety activity management will spread globally, aiming at lowering the frequency rate of industrial accidents outside of Japan.

Logistics 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.

Kuraray Logistic Safety Council, which is the core organization for this activity, marked its 15th year in 2015. In Fiscal 2015, examples of activities at logistics companies for the prevention of accidents in transporting hazardous materials were introduced. Specific measures taken in these activities were applied to similar processes and products and safety awareness among the Group employees was enhanced. (The activities were undertaken by nine companies outsourced for transport of hazardous materials.)

Product Safety

The first paragraph of “Our Commitment,” a statement of Kuraray Group reads: “We will constantly develop and provide safe, high-quality products and services.”

A working group centering on the CSR Division staff has been organized to study products that require a company-wide study of safety and verify product safety. The products to be studied include those that are ingested in the body and that use nanomaterials. In Fiscal 2015, safety measures for workers, the environment and end users were deliberated for those development projects that handle such materials in accordance with the regulation on the handling of nanomaterials. As a result, appropriate safety measures have been taken.

Kuraray Group plans to further strengthen its mechanism in the future for studies of product safety in the design phase; to reliably continue the supply of safe products.

Chemical Substance Management

Kuraray Group is managing chemical substances using an information technology (IT) system. This system enables to be maintained allowing acquisition of information on related laws and regulations and on dangerous and hazardous properties by linking information on chemical substances such as engineered raw materials and products to an outside database containing laws, regulations, safety properties of chemical substances and other information. This system will also allow making of material safety data sheets (MSDS) and other documents.

In Fiscal 2015, the functions of the IT system to make SDS’s for overseas companies were enhanced to better respond to overseas laws and regulations. And managers responsible for the management of chemical substances were appointed in the group companies in Japan and in the corporate divisions. Therefore periodic opportunities could be provided to these managers and their staff to share information. These actions ensure correct grouping of information on laws and regulations of the relevant countries and to take appropriate responses by the group as a whole.

Kuraray Group will further reinforce its organization for the management of chemical substances by proceeding cooperation such as information sharing related for management of chemical substances with Kuraray Group companies outside Japan, for more thorough compliance of laws and regulations and for higher quality of product information to be submitted to our customers.
Recently, the use of biomass materials has been in demand as a foodstuff packaging material. PLANTIC™, one of Kuraray’s products, meets this need. PLANTIC™ is a material for packaging of foods and is widely used in barrier packaging of foodstuffs with a focus on fluidity and Southeast Asian markets. Because of its high gas barrier performance, PLANTIC™ is useful in extending shelf life of food items delivered daily such as preserved food, as well as meat. In Australia, PLANTIC™ is already used as gas-replacement packaging trays for meat in major supermarkets. PLANTIC™ is beginning to be used in Europe and in the United States as well. As it can lengthen shelf life, PLANTIC™ is also contributing to the reduction of Food Waste for which countermeasures are strongly demanded on a global scale.

The scale of the global market for the food packaging business is very large and PLANTIC™ will greatly contribute to reforming GHG emissions and food waste also. Kuraray Group will continue to research the contribution of PLANTIC™ in Europe and the United States in addition to Australia in reducing GHG emissions throughout its life cycle.

**Environmental Management System**

Kuraray Group has set Kuraray Group Global Environmental Action Guidelines and Environmental Activity Policy. Furthermore, continuous improvements in its environmental activities are made by rotating the Plan-Do-Check-Act (PDCA) cycle among the plants, affiliates and head office in accordance with Kuraray Environmental Activity Management Rules.

Kuraray plants and affiliates have acquired certificates under ISO 14001 (Environmental Management Systems) and are undertaking environmental conservation activities by rotating the PDCA cycle. Please visit Kuraray’s website ‘Organisation Chart of CSR Committee’ for more information about the environmental conservation promotion organization of Kuraray Group.

### Approaches to the Environment

We believe that the Kuraray Group’s mission as a material and intermediate material manufacturer is as follows:

- Contributing to society by providing the materials and intermediate materials required for products that are needed to create a low-carbon society and an environmentally conscious society; and
- Production of items with low environmental impact as possible.

With this in mind, we are working consistently to implement environmental conservation activities that include promoting measures against global warming, managing chemical substance emissions, and the beneficial use of wastes.

#### Environmental Targets and Results

<table>
<thead>
<tr>
<th>Scope</th>
<th>Target</th>
<th>Actual performance</th>
<th>Future</th>
<th>Medium term environmental target (FY2020 target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global warming emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuraray Group in Japan</td>
<td>(Measures to reduce GHG emissions)</td>
<td>△◎</td>
<td>△◎</td>
<td>△◎</td>
</tr>
<tr>
<td></td>
<td>(Measures to reduce waste generated)</td>
<td>△◎</td>
<td>△◎</td>
<td>△◎</td>
</tr>
<tr>
<td>Overachieved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management of chemical substance emissions</td>
<td>(Measures to reduce chemical substance emissions)</td>
<td>△◎</td>
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<td>Overachieved</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of waste</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective utilization of water resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Environmental Management

**Kuraray Group Action Guideline for the Global Environment**

- **Basic Guidelines**
  - We will assign the highest priority to future generations through sustainable corporate activities that are in harmony with the global environment and the local community. In order to achieve these basic guidelines, we will establish the following activities:
    - We will identify the location and priority of the environment and safety in the course of our business.
    - We will comply with the laws and regulations.
    - We will develop technologies and products that contribute to the goal of improving the global environment.

- **Policy of Environmental and Industrial Safety Management**
  - Center for Fiscal 2015
    - The Kuraray Group has prepared the following schemes:
      - Promote environmental conservation and environmental improvement activities in accordance with the environmental management system
      - Comply with statutory requirements
      - Promote improvement of environmental goals to accomplish medium-term and long-term goals.
Approaches to the Environment

■ Medium-Term Environmental Targets and Review of the Targets
Kuraray Group has mapped out its Medium-Term Environmental Plan setting Fiscal 2010 as a base year and Fiscal 2020 as a target year and has been undertaking activities since Fiscal 2011. Kuraray’s Medium-Term Environmental Plan incorporates an indicator called an “environmental efficiency”* to numerically assess activity results. The targets are supplied in the table on the right.

Nevertheless, the business environment of Kuraray Group has greatly changed compared with the time when the plan was mapped out due to M&A cases outside Japan and more investments made to increase production equipment. In view of this situation, consider present Medium-Term Environmental Targets should be reviewed. Therefore we are an investigation indicator and mapping out new targets during 2016.

The reduction volume of GHG of Kuraray Group in Japan was 18,000tons-CO2. It’s result of their CO2 reduction efforts, such as increasing biomass fuel volume, using of waste plastics as a fuel, higher operating efficiency, installing of energy saving equipment, and steady energy saving activities. As the result, the environmental efficiency of Kuraray Group in Japan is steadily progressing (119, environmental efficiency in 2010 was 100), however that didn’t reach the initial target (112).

On the other hand, energy consumption of abroad Kuraray Group increased compared to 2014 due to the business expansion with M&A and increasing production volume, even though abroad Kuraray Group also addresses energy saving activities. As the result, environmental efficiency of abroad Kuraray Group has extremely decreased since 2014, and it was as same as the efficiency of benchmark, 2010. Because more intermediate manufacturing processes are in operation after business acquisitions, causing an increase in energy consumption that doesn’t contribute directly to an increase in sales. Actual GHG emissions and energy consumption in 2015 are as follows.

The targets are supplied in the table on the right.

Power Generation by Biomass Fuel
At Kurashiki Plant of Kuraray in Tamashima, Kurashiki City, a biomass fuel (wood chippings from construction debris and other sources) has been used as a substitute fuel of coal and the consumption of biomass fuel is steadily increasing. In 2015, efforts were made to increase the supply sources of biomass fuel and about 55,000 tons of biomass fuel, roughly the same level as that in Fiscal 2014, was consumed, contributing to a reduction of about 82,000 tons-CO2 in its emissions.

* Biomass absorbs CO2 in the atmosphere as it grows and can be considered to emit no CO2 when the CO2 that is generated while biomass is burnt is subtracted from CO2 that is absorbed during its growth.

Environmental Efficiency = Net sales/environmental load
Environmental load: volume of GHG emissions, chemical substance emissions, waste generated, etc.

Global Warming Prevention

Image of Control on Emissions of Greenhouse Gases in Entere Sco pe-3 Supply Chain (10) to (17) show categories of Scope 3

■ Emissions of Scope 1 GHG
The GHG Protocol* classifies GHG emissions into three categories, Scope 1, 2 and 3.

Mandated under the law by which businesses voluntarily calculate 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 ever since.

In the case of Scope 3 GHG emissions that take into account the entire supply chain, there is movement for Japanese applicant manufacturers 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 2015 for 7 categories in Scope 3, among 15 categories in total, excluding 4 categories that are not applicable to Kuraray and 4 categories for which data could not be collected.

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

Based on the Law Concerning Reporting, etc. of Pollutant Release and Transfer Register (PRTT Law), the domestic Kuraray Group checks, records and reports on pollutant chemical substances to the state. The Kuraray Group similarly discloses on its website and other places emissions of chemical substances not covered by the PRTT Law, but designated by the Japan Chemical Industry Association (JCIA) by checking and recording them. In addition to them, persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous atmospheric pollutants (HAPs) and particulate matter (PM) are considered to be chemical substances and Kuraray is taking action as explained in the table.

Control on Emission of Chemical Substances

Control on Emission of Chemical Substances

Distribution | Name of Substance | Action Taken
--- | --- | ---
POPS | Polychlorinated phenyl | Dispose properly/…. POPs are highly toxic and persistent substances, accumulation in the living organisms and long-term effect on human life.
Dioxin and the like | | Strive to reduce the amount of POPs and list all chemical substances with the least amount of POPs.
HAP | Volatile organic compounds (VOCs), hazardous atmospheric pollutants (HAPs) | Reduce the generation of POPs and list all chemical substances.
PM | PM, Particulate matter | Reduce the generation of POPs and list all chemical substances.
Approaches to the Environment

Since Fiscal 2007, Kuraray Group in Japan has been maintaining “an effective utilization rate of waste of 95% or higher and final landfill disposal rate of 1% or lower.” In Fiscal 2015 also, these rates were maintained by registering an effective utilization rate of 97.6% and final landfill disposal rate of 0.33%.

In Fiscal 2015, the environmental efficiency stood at 99.4 compared with 100 for Fiscal 2010 as the base year and remained almost unchanged.

Owing to increases in its production volume, industrial waste generated by Kuraray Group in Japan has been slightly increasing in the past several years. The plants and affiliates are making continuous efforts to maximally reduce waste generated such as by improving product yields.

The reasons why the amount of waste generated by our overseas affiliates is very small compared with the domestic Kuraray group is that utilities such as electricity are purchased from outside suppliers and that wastewater treatment at the plants is outsourced to outside disposal companies so that soot and incineration residues from boilers and sludge from wastewater treatment facilities are not generated physically.

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Mechanism to Support Autonomous Career Development

Beginning Fiscal 2015, the domestic Kuraray group has inaugurated a "mechanism to support autonomous career development," aiming at creating organizations in which each employee actively tackles his or her development and engages with work enthusiastically.

The mechanism roughly consists of "training for designing employee career by self" and a "career advisor system." The training is provided to employees of three age brackets, and career visions are envisioned reflecting a stage for each age bracket and a set of values of each employee. As one feature of this mechanism, interviews by supervisors of the employees and by career advisors are planned before and after the training, and people around the employees support them to realize their career visions.

After participating in training: Masakazu Oshima (Technology and Maintenance Dept., Okayama Plant)

The training was started by recalling our past. We looked at hard sets of our values and human relations at present and thought how we should live in the future after setting objectives. I experienced something that I do not want to recall now, but I know a sense of accomplishment with my present job and life after squarely facing and defining my future objectives in those two days of training free from routine work.

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Basic Approach to Human Resources

Policy for Global Talents

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

The Kuraray Group Global HR Policy

- We will respect the human rights of individuals.
- We will address discrimination and respect diversity and individuality.
- We will carry out our HR activities on full compliance with applicable laws and regulations.
- We will create HR systems that uphold equality, fairness and justice.
- We will strive to improve the environment of workplaces.
- We will strive to employ personnel who are able to contribute to the development of the Kuraray Group.
- We will place the right person in the right job.
- We will implement evaluation and benefit systems that are fair and just.
- We will support professional development.
- We will strive to promote communication and disclosure information as appropriate.

Number of Employees

As of December 31, 2015

<table>
<thead>
<tr>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuraray Group as a whole</td>
<td>8,405</td>
<td>7,006</td>
</tr>
<tr>
<td>Kuraray only</td>
<td>3,127</td>
<td>2,988</td>
</tr>
</tbody>
</table>

* Group = consolidated subsidiaries

Employee Turnover Rate

FY2015

<table>
<thead>
<tr>
<th>Personal reasons</th>
<th>Number of those leaving employment</th>
<th>Turnover rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>76</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

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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’s Worth Accomplishing</td>
<td>Positioning of growth opportunities to the employees</td>
<td>A junior program to assign mentors to new employees and to support functional orientations. A system to provide a basis to expand the objective of the program.</td>
<td>A system to expand the objective of the program</td>
<td>A further break-up of the mentorship program.</td>
</tr>
<tr>
<td>Promotion of active participation by female employees</td>
<td>Creation of a “career advisor system.” The training is for designing employee career by self and the career advisor system.</td>
<td>Female employees and employees from abroad actively participate in training. Helps keep on track the career advisor system.</td>
<td>The mechanism to support career development and self-arranging the cultivation of human resources</td>
<td>Continued implementation of the CIT program.</td>
</tr>
<tr>
<td>Reinforcement and Promotion of Schemes for Management of Healthy Mind and Body</td>
<td>Continued and beefing up of mental health improvement measures.</td>
<td>The information is used by the employees in their careers.</td>
<td>The mechanism to support career development and self-arranging the cultivation of human resources</td>
<td>Continued implementation of the CIT program.</td>
</tr>
</tbody>
</table>

Trends in the Number of Employees

<table>
<thead>
<tr>
<th>Number of Employees in Kuraray Group Companies</th>
<th>Number of Employees in Kuraray</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>4,050</td>
<td>4,265</td>
</tr>
<tr>
<td>1,327</td>
<td>1,375</td>
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</table>

Trends in Number of Employees by Region

<table>
<thead>
<tr>
<th>Number of Employees by Region</th>
<th>Others</th>
<th>Asia</th>
<th>Americas</th>
<th>Europe</th>
<th>Japan</th>
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<tr>
<td>2011</td>
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~ Career Support ~

Toward creating an organization in which each employee actively tackles career building and works energetically full of life

Mechanism to Support Autonomous Career Development

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Activities at Workplace

■ Approach to Human Resource Development
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 to part-time and contract based ones, as necessary. In addition, Kuraray Companywide Training Programs at Kuraray

- Hierarchical Training
- Selective Training
- Business Skill Training
- Cafeteria-Type Training
- Career support

【Global Talent Development Program】
Training is provided at each level of the organisation to foster personnel who can actively play a part on the global stage to further enhance global growth of the Kuraray Group. In Fiscal 2015, group training (AGM and GTT) was provided to department manager and section manager classes. Short-term Trainee Program was provided to staff level employees. The number of participants was more than 50 from domestic and overseas Kuraray sites.

In Fiscal 2016, the training programs that were provided in Fiscal 2015 will be refined, and EMT will be provided to executives.

Global Talent Development Program

HR System
Kuraray has instituted a personnel system in which elements such as improvement of job execution capabilities, performance, roles, and spirit to challenge demanding targets (as opposed to seniority and personal factors) are reflected in remuneration. Specifically, we instituted a scheme to determine ranks for management position, 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.

【Leave for Childcare and Nursing Care】
Kuraray has a scheme in place to support childcare and nursing care by its employees. 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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Male Employees</th>
<th>Female Employees</th>
<th>Nursing Care</th>
</tr>
</thead>
<tbody>
<tr>
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<td>35</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
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<td>53</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>59</td>
<td>38</td>
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</tr>
<tr>
<td>2014</td>
<td>46</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>48</td>
<td>18</td>
<td>0</td>
</tr>
</tbody>
</table>

【Re-employment System for Retirees】
A reemployment scheme has been established and is in operation for those employees who have left the Company due to childcare, nursing care or moving of residence because of job reduction of spouse, but who desire to work again.

Promotion of Diversity
Kuraray has as a goal the maximisation of the capabilities of a variety of personnel including females, people with disabilities and temporary workers to activate workplaces and to upscale organisational power. These viewpoints are chosen especially for priority tasks: Employment of female employees, expansion of areas of responsibility for them and fixation of them in workplaces.

In Fiscal 2015, temporary leave for employees allowing them to accompany their spouses when their spouses are assigned to overseas posts.

In Fiscal 2016, Kuraray will plan training programs to create a climate for promoting energetic activities by female employees and for enhancing career awareness of female employees, to satisfy both career development and household circumstances such as child rearing.

Scheme for Life-Work Balance
Kuraray has refined 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.

Activities for Comfortable Workplace Environment

【Support for Health Improvement】
Enhancement of health awareness of the employees is promoted through personal guidance on health, promotion of health improvement campaigns and other means. "Health Improvement Operation" is carried out companywide urging the employees to voluntarily deal with improvement of their lifestyles. Health checkups featuring backup items surpassing the checkup items required by laws are provided to find employees who need health improvement.

【Mental Health Care Schemes】
Kuraray has four care schemes including schemes for self-care and line care in an effort to reduce mental disorders. Training for preventing mental disorders, a scheme for counselling, a system for scheduling work attendance taking time for mind and body rehabilitation into consideration for employees on temporary leave who desire to return to workplace and other schemes are in place and are implemented.

Support for Health Improvement
In addition to meeting the statutory employment rate (2.0%), Kuraray is supporting self-sufficiency of people with disabilities in cooperation with communities and support groups for people with disabilities.

Kuraray has opened workshops for people with intellectual disabilities in cooperation with local welfare facilities.

Kuraray Basic Policy on Occupational Health
In keeping with Our Commitment, the Kuraray Group recognizes that ensuring the safety and health of employees and other stakeholders is the basis of a company’s business activity. Kuraray strives to provide a healthy and safe work environment for its employees and engages in health promotion activities.

Employment of People with Disabilities
Kuraray is supporting self-sufficiency of people with disabilities in cooperation with communities and support groups for people with disabilities.

Kuraray has opened workshops for people with intellectual disabilities in cooperation with local welfare facilities.

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The Kuraray Group recognizes that tackling social issues is an important contribution as a corporate citizen. We undertake activities with a focus on four fields, culture, science, environment, and social welfare in accordance with our social contribution policy.

Goals and Actual Results in Social Interaction

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<th>Fiscal Year</th>
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<tr>
<td>2005</td>
<td>12,076</td>
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<td>2006</td>
<td>5,504</td>
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<td>2007</td>
<td>6,894</td>
</tr>
<tr>
<td>2008</td>
<td>7,022</td>
</tr>
<tr>
<td>2009</td>
<td>7,522</td>
</tr>
<tr>
<td>2010</td>
<td>8,073</td>
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<tr>
<td>2011</td>
<td>11,144</td>
</tr>
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<td>2012</td>
<td>6,894</td>
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<td>2015</td>
<td>7,111</td>
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<tr>
<td>Cumulative total</td>
<td>97,300</td>
</tr>
</tbody>
</table>

Social Contribution Activities

Social Contribution Activities by the Kuraray Group

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 with genuine value to the 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.

In fiscal 2015, the Kuraray Group carried out activities focusing on culture, science, environment, and social welfare in accordance with its policy for social contribution activities.

Kuraray Group Policy for Social Contribution Activities

To fulfill its responsibilities as a member of society, the Kuraray Group shall make vigorous approaches to social contribution activities in accordance with the following policy.

Types of Activities

- Activities that lead to a resolution of social issues
- Activities rooted in local communities where Kuraray’s establishments are based
- Activities emphasizing participation by employees on their own initiative
- Activities that are sustainable in the long term

Areas of Activities

- Priority areas: culture, science, environment, and social welfare

Undertaken Social Contribution Activity Areas

- Culture
- Social Welfare
- Environment
- Science

[Activities in Culture Field]

The Kuraray Group continues to support the Ohara Museum of Art, which was established by Magosaburo Ohara, the first president of the company. The Group also supports cultural activities at its plants and sites.

[Okayama Plant]

Okayama Plant has been holding the Elementary School Student Painting and Calligraphy Contest annually since 2005. Having become a fixture in the local community thanks to its ongoing successes, this contest received numerous artwork entries from five elementary schools in Fiscal 2015. Winning entries are displayed at the local community center, and all entries are shown on the Kuraray website. This contest will be continuously sponsored.

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Interaction with Society

Various plants of Kuraray are sponsoring sports events from the standpoint of fostering healthy juveniles and teenagers by continuously supporting on-going activities.

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 experimental work. In this program, employee volunteers of Kuraray serve as lecturers and assistants in dedicated classrooms in Kuraray plant premises, as well as in elementary schools and public facilities in the areas. This program has been sponsored every year since 1992 at Kuraray plants in Japan. In 2015, 173 children and family members participated in new class events. Tokyo Head Office participated in the Children's Summer Chemistry Experiment Show held in Tokyo's Chidoda Ward. Kashima Plant participated in the Kamisu Festa held in Kamisu City, and the Science Festival for Youths in Hokota City, all in Ibaraki Prefecture. Kuraray’s Sohita were visited by about 2,800 people. We will continue these events in the future and actively participate in outside events.

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 blossom viewing parties were held at the Saijo and Niigata Plants tuned to the cherry blossoming season. Residents of nearby social welfare facilities visited the plants and enjoyed viewing cherry blossoms. These activities will be continued.

In cooperation with local welfare facilities, Kuraray has built workshops for people with disabilities to support their self-sufficiency by providing employment opportunities. In cooperation with Nakajo Town (currently Tainai City) and Niko no kai (meaning “Rainbow House”), operated by a social welfare corporation, Nanaho-kai, the Kuraray Workshop of Kuraray’s Nikaga Plant opened in 1997 for people with architectural disabilities. The workshop sorts plastic waste generated in the production process for recycling and manufactures supplies and fittings. In 2007, the Hitawari Sunflower Workshop opened at Kuraray’s Saijo Plant. In 2013, the Kashima Plant opened its Aozora Blue Sky Works assisting a social welfare corporation, Kamisu Kairi-en. 12 instructors and 39 workers now work at four of Kuraray’s plants to continue a variety of job assignments, including those employees at Kuraray’s Kurashiki Plant engaged in cleaning of uniforms and labeling on Kuraray products. They mingle with Kuraray’s employees through sports events and other occasions. These workshops and employment of those with intellectual disabilities will be maintained and continued.

Activities in Environmental Field

Aiming at implementing forest conservation work and volunteer cleaning work carried out every year, in Fiscal 2015, Okayama Plant undertook “Kuraray Mirai no Mori (Kuraray Forest of Future) Activity,” and Niigata Plant undertook the “MIRAKAESSO Forest Creating Activity.” All the plants undertook volunteer cleaning work.

At each Kuraray plant, employee volunteers engage in forest conservation activities, cleaning parks, roads and mossing gardens in day nurseries in cooperation with local governments and NPOs. As a topic for Fiscal 2015, “Kuraray Mirai no Mori (Kuraray Forest of Future) Activity” was undertaken jointly by Kibi-Chuo Town of Okayama Prefecture, Kuraray’s Okayama Plant, and was taken up in a supplementary reader for fifth graders at elementary school of Okayama Prefecture as an example of afforestation activities by an enterprise. This activity will be 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 our Green Procurement Standards in 2002 to promote global environmental preservation with the cooperation of our business partners. We also distributed a booklet comprising the above standards to around 1,323 key business partners and evaluated the status of initiatives at each company by way of a checklist.

We established the Kuraray Furusato 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 2015, activities were undertaken contributing to local communities such as donating nursing care supplies, books and other articles mainly to welfare facilities, local governments, and schools in the neighborhoods of Kuraray plants. The fund will be continuously used for the sake of social welfare.

Kuraray's Employees donated nursing care supplies, books and other articles to welfare facilities.

Develops into CSR Procurement (2005−)
In 2005, we formulated the Kuraray CSR Procurement Policy based on the 10 principles of the United Nations Global Compact, which are both international and universal. This policy has become more comprehensive than before as it has added sections on “Respect for human rights and individuality” and “Compliance” to the “Promotion of Green Procurement” section. We expanded the understanding of this policy from business partners and grasped the CSR procurement status of around 700 key business partners by conducting questionnaires about CSR procurement. Following the survey, we provided feedback and improvement requests to business partners in Japan with some problems.

[Continuation of CSR Procurement - 2016 Onward] The Kuraray Group will continue to check the CSR procurement activities of suppliers before purchases are made from new suppliers. In purchasers of equipment and materials, a system has been built allowing checks of CSR procurement activities of suppliers through the Internet by renovating the purchasing system. This system will allow a more precise understanding of purchasing situations of suppliers.

Kuraray’s Activities for Purchases of Green Commodities
In 2002, Kuraray set its Green Procurement Guidelines for purchases of 107 items in nine product categories needed for its business operations, including stationery, office equipment and automobiles. Since then, the Kuraray Group has been undertaking activities preferentially and actively purchase Green Commodities that are low in environmental load. These activities will continuously be undertaken.

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CSR Management

Corporate Governance

We at Kuraray view corporate governance as necessary for the maintenance of sound relations with our shareholders and 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.

Kuraray in Fiscal 2003 separated supervision and business execution by reinforcing its board of corporate auditors by increasing the number of outside auditors, setting up a management advisory council, shortening the terms of office of directors, introducing an executive officer system and other measures. From Fiscal 2008, outside directors have been elected. These measures contributed to putting corporate governance into effect. In Fiscal 2015, the Basic Policy for Establishment of Internal Control System was amended to strengthen the governance system for Kuraray Group.

Organization Chart for Corporate Governance

As of March 2016

Quality Management

Within Kuraray Group, quality management is carried out by implementing quality management systems such as ISO 9001 at each manufacturing site. The divisions have built a mechanism for each of their businesses to supply products that incorporate the requirements of customers. The corporate CSR Division undertakes activities aiming at reinforcing quality management within the entire group.

Among Kuraray’s divisions, beginning 2012, the EVAL Division has been continuing its RQS activity aimed at enhancing customer satisfaction, and is improving the quality of its activities such as by undertaking cross-sectionalal improvements. Beginning Fiscal 2015, the GENESTAR Division has launched a similar activity. The Quality Assurance and Product Safety Working Team inaugurated in 2014 is taking up common themes for the entire Kuraray Group. In Fiscal 2015, the team carried out two themes. (1) Information exchange on the management of outsourced processing and suggestions for improvement and (2) Summary and analysis and information sharing for survey from our customers on quality management.

In Fiscal 2016, the scope of the RQS activity will be expanded further. A handbook of "Our Commitment" under theheading of "quality management" will be prepared to disseminate these activities widely. As a new activity, "Sanki Activity (meeting to discuss quality management)" will be started for the Business divisions and CSR division in union to improve the activities of quality management at each division.

Risk Management

Within Kuraray Group, risks are managed vertically by Divisions, Offices, Plants, and affiliates by identifying, assessing and responding to intrinsic risks. Risks are also managed horizontally by corporate staff in charge, assessing pure risks that cause only negative impacts when such risks become realities, such as natural disasters and violations of laws and regulations, for cross-sectional management. Additionally, material risks that need to be managed by the management level are identified among those risks that are identified in these management activities, to implement countermeasures on a priority basis. The president of Kuraray directs a group risk management policy to various organizations such as the Group Employee Counseling Room has been set up for all employees of the group inside and outside Japan to access a contact window forקיראראב 2016.

CSR Promotion Structure

In 2003, Kuraray instated CSR Committee by integrating Philanthropy and Environment Committee and to house Ethics Committee, and bolstered its CSR promotion structure on a Group level. Three committees of experts (Social Responsibility and Economic Subcommittee, Environmental and Industrial Safety Subcommittee, and Risk Management and Compliance Subcommittee) are organized under CSR Committee. Nine working teams are organized in each committee of experts. These committees of experts and working teams study company-wide policies and targets and propose them to the management. Each department constituting these committees and working teams collaborate with various organizations in Kuraray Group in addressing respective themes in accordance with company-wide CSR policy. Multifaceted studies are made possible by appointing responsible directors and presidents of all companies as members of CSR Committee.

Compliance

Kuraray Group is implementing compliance activities without letting itself to merely complying laws and regulations in a narrow sense, to create an organizational climate in which executives and employees act by high ethical standards individually as ‘good citizens’ and integrate corporate management using ‘Our Commitment’ states the principles of our conduct which we should observe in doing our business. Kuraray Group Code of Conduct serves as guidelines to implement the commitment in performing day-to-day work. The top person of Kuraray Group has declared that we will comply with laws and regulations under any circumstances. In order to share these principles and commitments among all Kuraray Group personnel throughout the world, Compliance Handbook has been compiled containing the foregoing declaration by the top person and explanations of ‘Kuraray Group Code of Conduct.’ The handbook is written in eight languages: Japanese, English, German, Chinese, Hungarian, Russian, Flemish and Czech, and has been distributed to group employees. We plan to appoint compliance officers at Plants, Offices and Laboratories of Kuraray and group companies and to organize a compliance committee in each region to effectively and sustainably promote and implement compliance activities within the group as a whole.

Whistleblower System

As a whistleblower system to prevent and to identify and troubleshoot any compliance violation at an early stage, Kuraray Group Employee Counseling Room has been set up for all employees of domestic Kuraray Group including part-time employees, contract employees and dispatched staff. Whistleblower contact windows are also provided at major subsidiaries in Europe and North America. In recent years, globalization of Kuraray Group has accelerated rapidly through M&I and other activities and the group is building a system at subsidiaries that do not have such contact windows yet, allowing all employees of the group inside and outside Japan to access a contact window.

In Fiscal 2016, the scope of the ICS activity will be expanded further. A handbook of "Our Commitment" under the heading of "quality management" will be prepared to disseminate these activities widely. As a new activity, "Sanki Activity (meeting to discuss quality management)" will be started for the Business divisions and CSR division in union to improve the activities of quality management at each division.

Handling of Product Complaints

Within Kuraray Group, information on complaints and claims received from the customers is managed by its divisions, so responses to customers can be promptly made and action is taken swiftly to prevent the recurrence of same flaws. Material complaints and claims are also handled in accordance with the "Regulations on Product Liability-related Accident Response and Quality Management (Claim Report)". In Fiscal 2015, no product recalls or accidents that cause severe damage to health or damage to property such as fire were reported.

Number of Consultations at Kuraray Group Employee Counseling Room

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<tr>
<th>Year</th>
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</tbody>
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On-site Inspection by Fair Trade Commission

On March 1, 2016, Fair Trade Commission of Japan made an on-the-spot inspection at Kuraray involving competitive bidding on textile products purchased by Acquisition, Technology and Logistics Agency, Defense Ministry. Responding sincerely to this fact, we fully cooperate in the inspection and strive to more strictly implement compliance enforcement.