

Corporate Social Responsibility

Trailblazing efforts to form a richer society and the history of Kuraray's development as a company are inseparable. Demonstrating a commitment to a social mission rather than the simple pursuit of profits is at the heart of the Kuraray Group's tradition. Typically, we apply our technological capabilities to produce materials useful in people's everyday lives and provide the materials to those that need them. The unflagging efforts of the Company's founding fathers have created a valuable inheritance that lives on as part of Kuraray's corporate DNA.

OVERVIEW

Since its establishment in 1926 to commercialize rayon, the Company has sought to benefit people's lives and society in the pursuit of business ventures.

Our founding business, rayon, or the so-called "man-made silk," underpins rich comfortable lifestyles in a wide variety of ways as a substitute material for limited natural resources. As well as being a business entrepreneur, Magosaburo Ohara, the Company's first president, was a social engineer and a pioneer of philanthropy in Japan. He provided financial assistance for orphanages, established hospitals, constructed an art museum, and instituted scholarship programs.

Soon after the Second World War, in 1950, our second president, Soichiro Ohara, achieved the world's first successful commercialization of the synthetic PVA fiber *KURALON*. This material contributed significantly to people's lives as a substitute for cotton. Furthermore, aiming to enable people outside Japan to enjoy the benefits of this new material, we exported a manufacturing plant to China even before Japan had resumed diplomatic ties with China. In addition, after a single-minded development effort, Soichiro Ohara succeeded in commercializing the man-made leather *CLARINO* in 1965. This is one example of our development of materials by studying natural materials and adding new properties to them.

Initiated from the fiscal year under review, the GS-21 Medium-Term Business Plan's name combines the "G" from G-21, the previous Medium-Term Business Plan, which stands for Growth,

Green, Globalization, and Group, and a new keyword, Sustainability, represented by "S." Because companies exist in the global environment as members of international society, protecting the environment and contributing to the sustainability of society have a significant bearing on the continuation of companies themselves. With this in mind, we are pursuing business refinement that shifts the source of our competitiveness from quantity to quality. By producing smaller quantities of products with higher-value-added, we will reduce the burden we place on the environment.

We are a chemicals manufacturer with operations that require large volumes of natural resources, water, and air. Therefore, eco-friendliness is, of course, one of our responsibilities. As early as 1970, we established a section devoted to environmental protection. Furthermore, we have participated in the Japan Responsible Care Council since it was established in 1995. Also, we have implemented a wide range of environmental measures, including the development of products and processes that place less burden on the environment and substitutes for environmentally harmful substances.

In addition, Kuraray maintains long-standing commitments in the field of philanthropy. To this day, Kuraray's employees take part in volunteer activities at hospitals that are strongly associated with the Company's founder. Also, we dispatch our employees to participate in a range of activities. For example, our researchers offer Chemistry Classes for Boys and Girls. We intend to extend the scope of such philanthropic initiatives.

CSR PROMOTION STRUCTURE

The CSR Committee, established in 2003, plays a central role in implementing the Kuraray Group's CSR activities. The far-reaching social responsibility required of companies necessitates response across an organization. The CSR Committee is a management level special committee that decides group-wide policies, objectives, and action plans, and puts into practice wide ranging CSR programs with the cooperation of other Group organizations.

The CSR Committee maintains the Social Responsibility and Economic Subcommittee, the Environmental and Industrial Safety Subcommittee, and the Risk Management and Compliance Subcommittee. The subcommittees maintain theme-specific working teams that focus on implementing concrete activities and ascertaining and evaluating results. The Office of CSR and Communications serves as the CSR Committee's secretariat, administering the Committee's activities and bearing responsibility for the vitalization of activities by means of two-way communication through information dissemination within the Group and beyond, information gathering, and feedback.



SOCIALLY BENEFICIAL ACTIVITIES – POLICIES

As set forth in the Corporate Mission, the Kuraray Group's primary mission is to create new businesses by means of pioneering technology and to benefit society through superb products and services.

At the same time, as a good corporate citizen, we devote efforts to wide-ranging interaction with society and socially beneficial activities, especially in the host communities with which we are closely involved through our business activities.

We engage in steady, community-based initiatives in the areas of education, health care, and social services, placing importance on activities that take advantage of the imagination and ingenuity of our employees, activities in which everyone can participate on their own initiative, and activities that can be continued over time.

SOCIALLY BENEFICIAL ACTIVITIES

Sending School Bags across the Sea



Distributing school bags in Afghanistan

Thanks to the understanding and cooperation of everyone involved, in 2005 Kuraray was able to continue the Sending School Bags across the Sea campaign successfully introduced in 2004. Numerous celebrities,

including Athens Olympic women's wrestling bronze medalist Ms. Kyoko Hamaguchi and 73rd All Japan Figure Skating Championships women's singles champion Ms. Miki Ando, attended a January kickoff event for the campaign. In 2005, 12,120 school bags were donated to children in Afghanistan and 1,560 school bags to children in Mongolia.

Chemistry Classes for Boys and Girls



One of our chemistry classes

In 1992, Kuraray began the Chemistry Classes for Boys and Girls program with the goal of enabling children in a higher grades at elementary school to experience the fun of chemistry.

On school holidays, young Kuraray employees volunteer to serve as instructors or assistants to conduct classes at special classrooms on plant premises and at local elementary schools and public facilities. In 2005, Kuraray

conducted 18 classes in which 640 children in total participated. Many children have emerged from the program with great enthusiasm for science, and no doubt many are today playing active roles as members of society.

Kuraray also participates and conducts chemistry classes at the “Dream Chemistry-21” event (held by the Chemical Society of Japan with cooperation from the Tsukuba Research Laboratories), the Youngsters’ Science Festival Niigata Convention (held with cooperation from the Niigata Plant), the Okayama Research Park’s Interesting Experience event (held with cooperation from the Okayama and Kurashiki Plants), and other events. Kuraray will continue to provide venues to enable as many children as possible to encounter and experience the fun of chemistry.

Disaster Relief Activities

Fiscal 2005 was the second consecutive year of numerous typhoons, earthquakes, and other major natural disasters around the world. Kuraray made monetary contributions through the Red Cross Society for disaster relief for the victims of hurricane Katrina, a major hurricane that struck the southern part of the United States at the end of August, and the victims of the Pakistan-India earthquake, which struck the northern part of Pakistan in early October, to return to their previous way of life as soon as possible. The Kuraray Group will continue to actively engage in relief activities to aid victims in times of natural calamities.



Aizenbashi Hospital

Contributing to Society through Social and Medical Services

Kuraray contributes to society through social and medical services. We provide support for Kurashiki Central Hospital (Okayama Prefecture), Aizenbashi Hospital (Osaka City),

and Saijo Central Hospital (Ehime Prefecture), hospitals with which the Kuraray Group has historically maintained close ties, including involvement in their establishment. To contribute to addressing nursing care problems facing local communities, which will become an increasingly pressing issue as the aging of society progresses, we utilize idle employee welfare facilities at our plants to operate a communal assisted-living facility and a geriatric nursing facility.

On the second Wednesday of each month, employees of the Osaka headquarters volunteer their time to enable residents of the special elderly nursing home adjacent to Aizenbashi Hospital to enjoy the atmosphere of a Japanese-style pub. Each month, the residents, their families, and workers at the facility look forward to this event, which has been conducted since September 2001.

The Kuraray Group intends to continue to be responsive to the desires of our host communities and expand our activities to areas not sufficiently covered by government institutions.

MEDIUM-TERM ENVIRONMENTAL PLAN

Policy

The Kuraray Group has established the Medium-Term Environmental Plan as part of the G-21 Medium-Term Business Plan (covering the years from fiscal 2001 to 2005) and is actively engaged in environmental preservation activities in line with specific numerical targets set forth in the plan. We are reviewing the plan in accordance with legal and regulatory trends and progress to date.

High-Priority Tasks

- Environmental load reduction efforts
 1. Reduction in emissions of harmful chemical substances into the environment
 2. Reduction in emissions of carbon dioxide
 3. Achievement of zero emissions of industrial waste
- Expansion of CSR procurement and green logistics
- Quantification of the environmental load of Kuraray products
 1. Expanded application of lifecycle assessment (LCA)
 2. Introduction of Type III environmental labels
- Development and supply of environment-friendly products
- Strengthening and improvement of communications
 1. Greater information disclosure
 2. Enhanced environmental accounting
 3. Strengthened risk communication with local communities

PROGRESS WITH NUMERICAL TARGETS IN THE MEDIUM-TERM ENVIRONMENTAL PLAN

Target			Unit	Base year	Fiscal 2005	Target fiscal year	Activities in fiscal 2005		
Reduction of 90% in emissions of PRTR-designated substances	Kuraray	All substances	Tons	Fiscal 1999	3,545 (100%)	2,064 (58%)	Fiscal 2007	354 (10%)	<ul style="list-style-type: none"> • Installation of a cover for a wastewater pool (prevention of methanol evaporation)
		PRTR-designated substances			1,361 (100%)			570 (42%)	
	Domestic affiliates	All substances	Tons		889 (100%)	382 (43%)		89 (10%)	
		PRTR-designated substances			475 (100%)	8 (2%)		48 (10%)	
	Total	All substances	Tons		4,434 (100%)	2,446 (55%)		443 (10%)	
		PRTR-designated substances			1,836 (100%)	578 (31%)		184 (10%)	
Reduction of 90% in external disposal volume of unutilized industrial waste	Kuraray	Thousand tons	Fiscal 1999	9.6	3.6	Fiscal 2005	1.0	<ul style="list-style-type: none"> • Start of use of a gasification fusion furnace • Conversion of film scraps into fuel • Effective utilization of other individual waste materials • Reduction in the quantity of coal ash effectively utilized (negative impact) 	
	Domestic affiliates			5.0	2.2		0.5		
	Total			14.6 (100%)	5.8 (39%)		1.5 (10%)		
Increase of 30 percentage points or higher in effective waste utilization	Kuraray	%	Fiscal 1999	63	87	Fiscal 2006	—	<ul style="list-style-type: none"> • Start of use of a gasification fusion furnace • Conversion of film scraps into fuel • Effective utilization of other individual waste materials • Reduction in the quantity of coal ash effectively utilized (negative impact) 	
	Domestic affiliates			16	68		—		
	Total			60	85		90		
Reduction of 10% in CO ₂ emissions per unit of output	Kuraray	Tons CO ₂ / ton	Fiscal 1990	2.93 (100%)	3.33 (112%)	Fiscal 2010	2.64 (90%)	<ul style="list-style-type: none"> • Boiler fuel conversion • Expanded use of biomass fuel 	
Increase of 6 percentage points or higher in energy efficiency (one point per year)	Kuraray	%	Fiscal 1999	—	−6	Fiscal 2005	6	<ul style="list-style-type: none"> • Energy efficiency improvement at a power plant 	

Numerical Targets

1. Reduction of 10% in carbon dioxide emissions per unit of output in fiscal 2010 from the fiscal 1990 level
2. Increase of 6 percentage points or higher in energy efficiency in fiscal 2005 from the fiscal 1999 level
3. Reduction of 90% in emissions of the Japan Chemical Industry Association's PRTR-designated substances in fiscal 2007 from the fiscal 1999 level
4. Reduction of 90% in the external disposal volume of unutilized industrial waste in fiscal 2005 from the fiscal 1999 level
5. Increase of at least 30 percentage points in the effective waste utilization rate in fiscal 2006 from the fiscal 1999 level (from 60% to 90%)

Summary of Target Achievements during the Term of G-21 and Action Points

- With regard to improvement in the effective utilization of industrial waste, owing to the early achievement in fiscal 2002 of the initial target reduction of 20 percentage points, the target was revised

to reduction of 30 percentage points (effective utilization rate of 90%). We aim to achieve the revised target in fiscal 2006 (actual result of 85% in fiscal 2005). We will continue to implement utilization measures, including the conversion of waste into fuel.

- With regard to the target of a reduction of 90% in external disposal volume of unutilized industrial waste, achievement in fiscal 2005 was only about 60%. We will redouble our efforts to curb the volume of waste generated.
- With regard to the target of a reduction of 90% in emissions of PRTR-designated substances, emissions have been sharply reduced since fiscal 1999, and we will engage in capital investment to achieve further reductions.
- With regard to measures to prevent global warming (reduction of CO₂ emissions), we have engaged in various energy conservation measures and moved forward with the use of biomass fuel. We have installed photovoltaic power generation facilities at Tsukuba Research Laboratories as a new energy source. We will expand use of photovoltaic power generation and consider the introduction of new energy sources, such as wind power generation.