

Mitsubishi Rayon Group
CSR Report
2008

Mitsubishi Rayon Group CSR Report 2008



 **MITSUBISHI RAYON CO.,LTD.**

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 **MITSUBISHI RAYON CO.,LTD.**

Management Philosophy

Committed to the creation of unique, high-quality products and services that contribute to society as a whole.

Best Quality for a Better Life

Basic management policy

- 1 CSR-Focused management
- 2 Full Human Resource Development
- 3 A Well-Balanced Business Portfolio

About this Report

Boundary

The Mitsubishi Rayon Group

Time Frame

Fiscal 2007 (from April 1, 2007 to March 31, 2008)

Purpose of Issuing Report

The Mitsubishi Rayon Group issued its first Environmental and Safety Activities Report in fiscal 1998. Since then, the Group has introduced initiatives each year from the perspective of its relationships with society. In fiscal 2007, the Group set up the CSR Committee to oversee its CSR activities and changed the title of this report to the CSR Report. The report was revised to communicate with Group employees and achieve the aim of providing stakeholders with a comprehensive introduction to the CSR activities carried out by the Mitsubishi Rayon Group.

Referenced Guidelines

Japan's Ministry of the Environment's Environmental Reporting Guidelines (fiscal 2007 version)

Global Reporting Initiative (GRI)'s 2006 Sustainability Reporting Guidelines (third edition)

Next Scheduled Issue

August 2009

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Please visit our website for further information.

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To retain our position as a company trusted by all members of society, we will advance CSR management based on a sustained awareness of unity with all our stakeholders.



Restructuring Our Approach to CSR Activities

The Mitsubishi Rayon Group has adopted “Best Quality for a Better Life” as its management philosophy. This creed primarily means that the Mitsubishi Rayon Group strives to offer superior products and services that genuinely satisfy customers. Public views on corporate actions have been changing, however. In view of this recent trend, the Group is aiming to achieve the “best quality” from a CSR perspective as well, including corporate governance, compliance, corporate ethics, and relationships with other members of local communities and society and its own employees. The Mitsubishi Rayon Group has engaged in a wide variety of CSR activities to date. Under the Group’s CSR Charter established in June 2007, the previously independent operations of the Corporate Ethics Committee, Risk Management Committee, Information Security Committee, and Safety, Environment & Quality Assurance Committee have been consolidated into the CRS Committee chaired by myself, thereby realizing an organization that facilitates comprehensive initiatives based on the same principle. In a related move, the “Environmental and Safety Activities Report”, first published in fiscal 1998, was renamed as the “CSR Report” in fiscal 2008, after being called it the “Environmental and Social Report” from fiscal 2004 to fiscal 2007.

People Are Our Key Resource in Japan and Abroad.

Employees form the basis of CSR management. We attach a great deal of importance to this aspect, and listed “full human resource development” as one of our focuses in “Global US → 2010,”*1 the medium-term management plan we launched in fiscal 2008. Through the Movable President’s Office program launched upon my inauguration as president two years ago, I have continued visiting manufacturing and research worksites and exchanging views with our employees directly. This dialogue has been an extremely effective way for me to find out our employees’ opinions and deepen their understanding of our management philosophy. I have no doubt that this activity will lead the Group to management that makes the most of human resources. In personnel systems, the Group is using diverse approaches for seeking talent, including the Welcome Back Scheme for reemploying people who have left, year-round recruitment and the employment of foreign nationals. At the same time, we are working to increase support for employees balancing work and family life, and we are focused on developing a energetic working environment.

Facing the Latest Issues and Looking toward the Future

Following the conclusion of the fifth medium-term management plan “US → 2007,” the Mitsubishi Rayon Group formulated its sixth medium-term management plan “Global US → 2010” for the period from fiscal 2008 to fiscal 2010. We have now entered a difficult phase due to the slowdown of the U.S. economy, the yen’s appreciation and the sharp rises in the prices of fuel and raw materials since the second half of 2007. In response to these issues, the Group needs to stabilize its base as a matter of priority. In addition, the Group will adopt “A New Design for Growth” as its basic concept, with the aim of increasing its net sales to 1 trillion yen by around 2015. To ensure its lasting survival and sustained growth, the Mitsubishi Rayon Group will continuously address both short-term and medium-to long-term themes, while considering what the planet will be like for our children and grandchildren.



Time to Set Ambitious Targets and Work on Environmental Matters

One of the items that featured high on the agenda of this year’s Hokkaido Toyako Summit was halving carbon dioxide emissions by 2050. This is also an important issue for us at the Mitsubishi Rayon Group. The Mitsubishi Rayon Group has been working proactively on in-house programs, including those for saving energy, reducing carbon dioxide emissions and promoting 3R activities*2. But this is not enough. I feel that we have entered an era in which products are seen from the perspective of lifecycle assessment. We must always set ambitious goals, manufacture our products, take them to the market and enable our customers to use them. I believe we must accelerate our research and development to achieve new products that contribute positively to the global environment by considering a variety of aspects, including the amount of energy that can be saved and the type of recycling that is feasible in the final disposal process. Fortunately, the Group has many products and technologies that can help the global environment, including carbon fibers that contribute to weight reduction and hollow fiber membrane filters that are useful for wastewater treatment and recycling, and salt water desalination. I believe public recognition that the Mitsubishi Rayon Group is manufacturing high-quality products and building strong inter-personal relationships in good faith leads to the Group fulfilling its CSRs. We are resolved to build the Mitsubishi Rayon Group into a trusted corporate group through our efforts to achieve manufacturing that contributes to people’s future prosperity, including preserving the global environment. We hope all our stakeholders find this report meaningful, and that it helps people understand the initiatives taken by the Mitsubishi Rayon Group in advancing CSR management. We would be grateful if readers would provide us with their honest feedback and suggestions for future activities.

*1 US
US stands for Uniqueness Specialties, which are projects combining originality and advantages at the same time.

*2 3R
3R is a term coined from the initials for the waste processing and recycling processes, arranged in the order of priority:
①Reduce
②Reuse
③Recycle

September 2008
Masanao Kambara
President

鎌原正彦

Mitsubishi Rayon Group Products Around You

Mitsubishi Rayon Group products help people experience comfort and safety in all environments, including in the home, at leisure, on the street and at the office.

At leisure

Tennis rackets

Carbon fiber "PYROFIL"
In addition to being used in tennis rackets, "PYROFIL" is used in bicycle frames and other sports and leisure products that play a big role in people's lives.



Sportswear

Ventilation fiber "VENTCOOL"
Natural crimps of "VENTCOOL" instantly elongate with moisture absorption and shrink as they dry. These "pulsating fibers" excel in hygroscopic properties and drying speed.

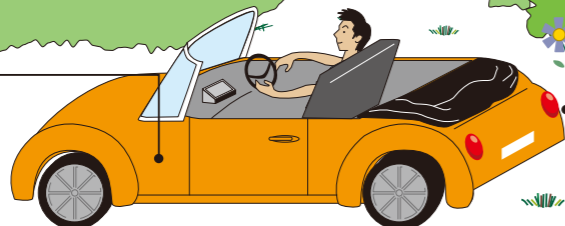
Golf club shafts

Carbon fiber "PYROFIL"
The world's top players and many other golf enthusiasts regularly use golf club shafts made by Mitsubishi Rayon and sold under the "Diamana" and "Bassara" brands.



In-car network

Plastic optical fiber "ESKA"
Lightweight and flexible, this acrylic resin optical fiber contributes to car weight reduction. It is drawing attention as an in-car network material.



Tail lamps

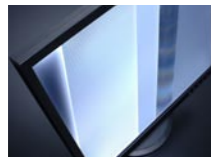
Acrylic molding material "ACRYPET"
In addition to being highly transparent, acrylic resin suffers little degradation from light and is scratch-resistant. It is used in auto parts and optical products.



At the office

Laptop computers

Prism sheets "DIAART"
Prism designs produced using Mitsubishi Rayon's original precision forming technology and sheet-developing technology allow PC manufacturers to make their displays brighter and thinner.

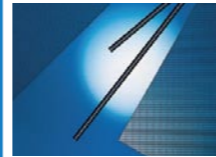


Cellular phones

Acrylic sheets "SHINKOLITE"
Transparent and abrasion-resistant, hard-coated acrylic sheets of "SHINKOLITE" MR are resistant to scratches in normal conditions of use. The sheets are used for the front surfaces of cellular phones.

Multifunctional printers

Rod lens array "RODSCOPE"
"RODSCOPE" is a scanner component whose color characteristics are enhanced to the level of glass with the full use of Mitsubishi Rayon's precision forming and optical design technologies. The rod lens array is popular for use in multifunctional printers.

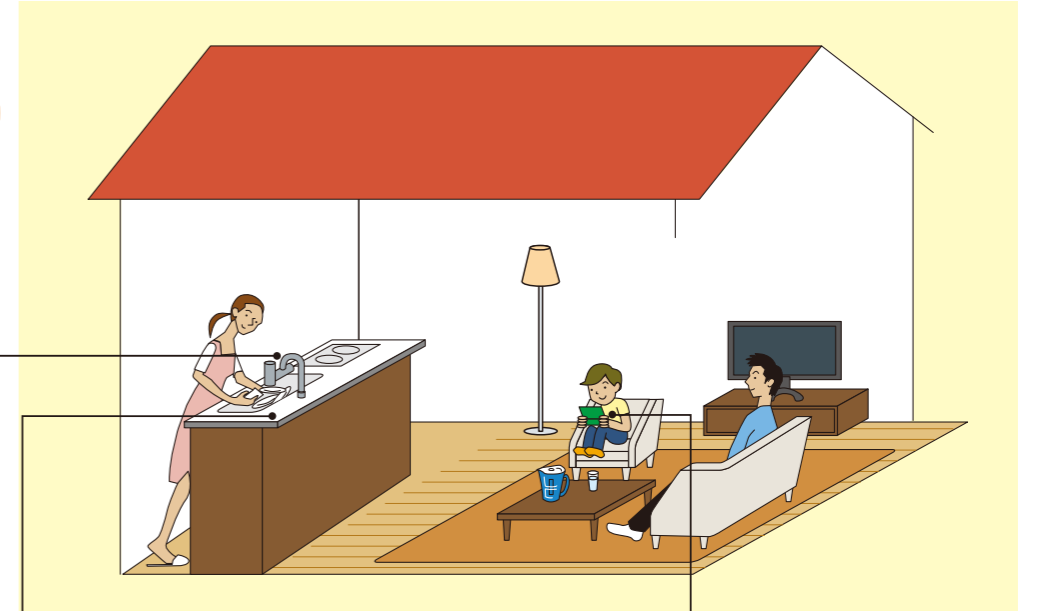


In the home

Water purifiers

Home-use water purifiers "CLEANSUI" using hollow fiber membranes

Using the melt drawing technique, Mitsubishi Rayon manufactures its polyethylene hollow fiber membranes without solvents. The membranes are safe to use with drinking water. Mitsubishi Rayon offers a wide variety of "CLEANSUI" water purifiers, including faucet-mount, under-sink and pitcher models.



Kitchen counters

Solid surface materials "Du Pont™ CORIAN®"
The properties of this acrylic cultured marble are reinforced with high-quality minerals mixed into acrylic resin. "Du Pont™ CORIAN®" offers warmth, softness and depth, despite being cultured marble. It is used for kitchen counters and washstands.



*Registered trademark of Du Pont™ in the United States
"Maxima" kitchen by Composit; photo Du Pont™ CORIAN®

Gaming consoles

Acrylic sheets "SHINKOLITE"
Transparent, clear and abrasion-resistant, hard-coated acrylic sheets of "SHINKOLITE" MR are used for the front guard plates of small LCD gadgets, including gaming consoles, and the front surfaces of TVs and PC displays.

On the street

Water treatment and purification facilities

Hollow fiber membrane filter "STERAPORE"
Water purification facilities purify river water, industrial water and groundwater. High integration allows hollow fiber membranes with a low cubic capacity to purify large volumes of water.



Signboards

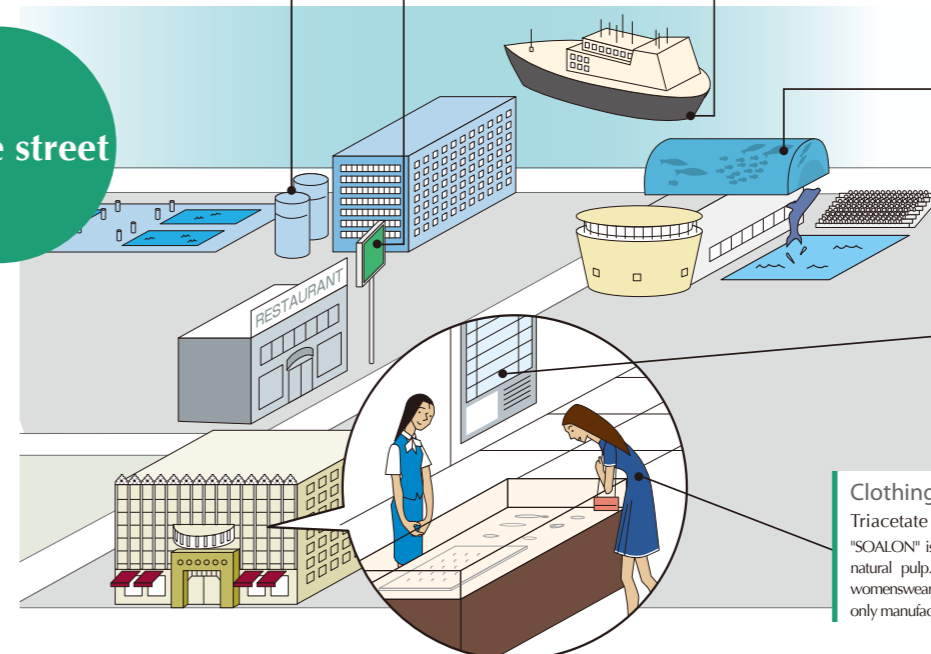
Acrylic sheets "SHINKOLITE"
SHINKOLITE has an excellent resistance to sunlight, weather, and both high and low temperatures.

Anti-polluting paint for ship hulls

Acrylic paint "DIANAL"
"DIANAL" contains no organic tin. This non-tin paint for ship hulls has a negligible marine pollution effect.

Aquariums

Acrylic sheets "SHINKOLITE"
Excellent in transparency and formability, these acrylic sheets are used in large and tunnel aquariums. They vividly convey the activities of ocean life.



Display panels

Lit signboards "ILLUMI LIGHT"
"ILLUMI LIGHT" is a high-intensity diffuser with a uniform brightness designed for LED light sources that are finding growing acceptance. The diffuser allows manufacturers to make LED displays thinner by preventing uneven brightness, even at a short distance from light sources.

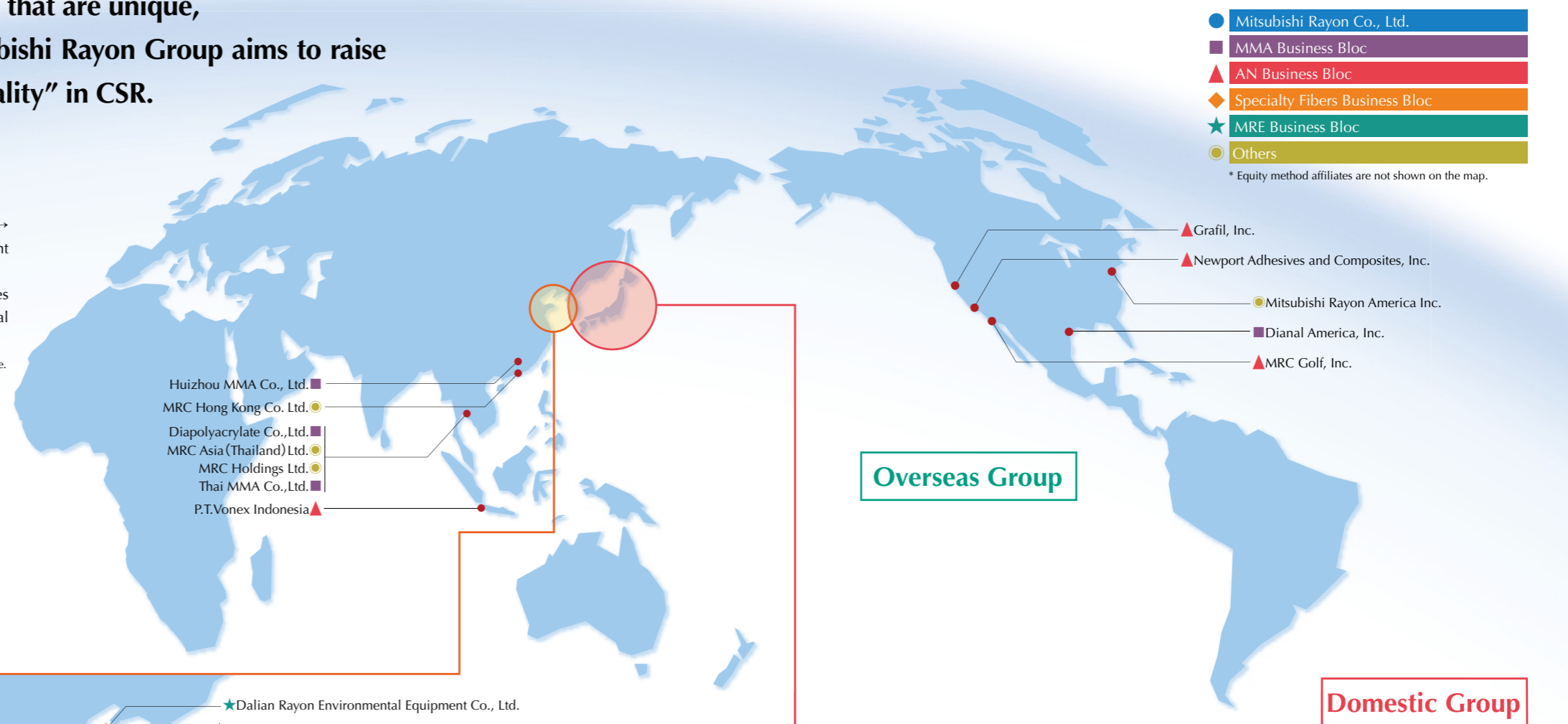
Clothing

Triacetate filaments "SOALON"
"SOALON" is a biomass material or wood fiber made with natural pulp. It is a rare material favored by high-grade womenswear brands around the globe. Mitsubishi Rayon is the only manufacturer of this material in the world.

In addition to offering products and services that are unique, superior and socially responsible, the Mitsubishi Rayon Group aims to raise its corporate value by pursuing the “best quality” in CSR.

Following the conclusion of the fifth medium-term management plan “US* → 2007,” the Mitsubishi Rayon Group formulated its sixth medium-term management plan “Global US → 2010” for the period from fiscal 2008 to fiscal 2010. The Mitsubishi Rayon Group aims to evolve into a corporate group that operates a cluster of US businesses globally, responding promptly to worldwide environmental issues and the rising awareness of CSR.

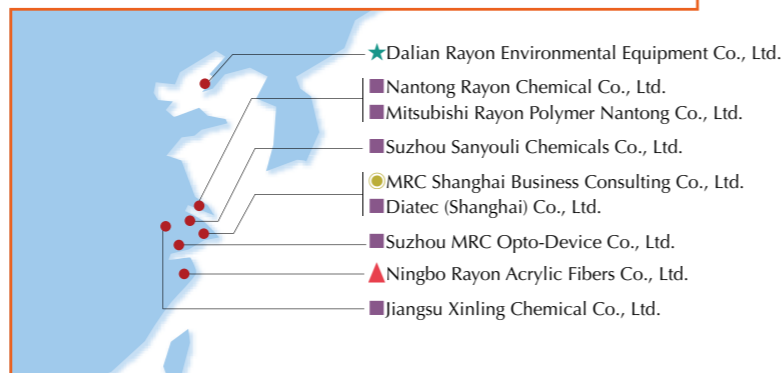
*“US” stands for Uniqueness Specialties, which are projects combining originality and advantages at the same time.



Company Profile

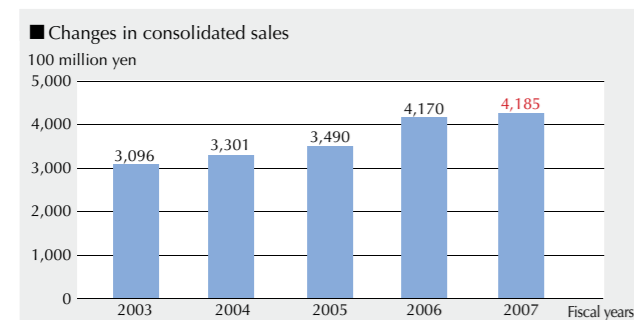
As of March 31, 2008

Company Name	MITSUBISHI RAYON CO., LTD.
Headquarters	6-41, Konan 1- chome, Minato-ku, Tokyo
Date of Formation	August 31, 1933
Paid-in Capital	53,229 million yen
Consolidated Subsidiaries	51 (30 domestic, 21 overseas)
Equity Method Affiliates	19 (14 domestic, 5 overseas)
Production Centers	Otake Production Center, Toyohashi Production Center, Toyama Production Center, Yokohama Production Center and Tokyo Technology & Information Center
Laboratories	Corporate Research Laboratories, Yokohama Corporate Research Laboratories, Toyohashi Corporate Research Laboratories and Production Technology Laboratories
Branches	Osaka Branch, Nagoya Branch and Hokuriku Office
Employees	7,699 (Consolidated)

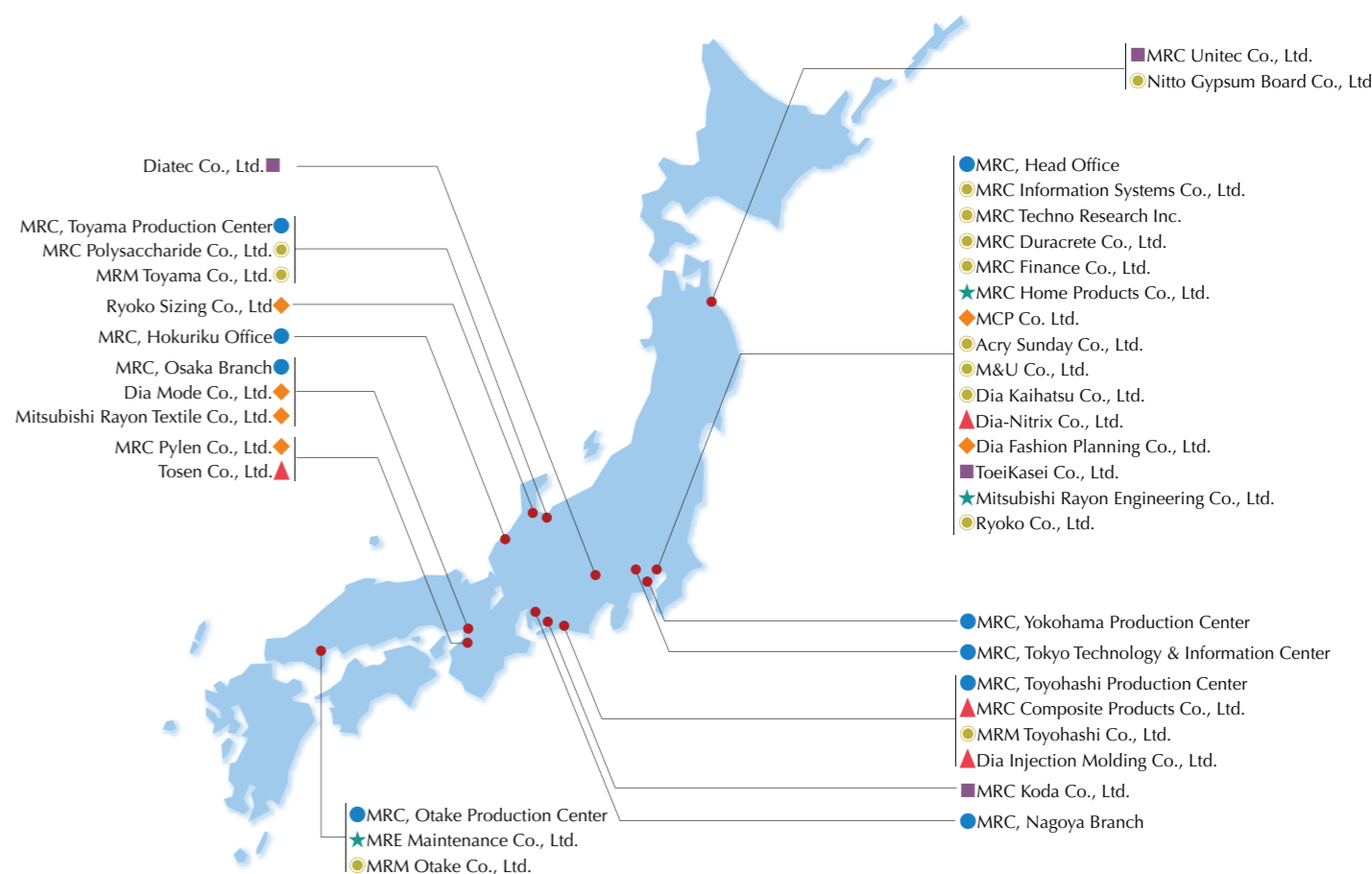


2007 Results (Consolidated)

Consolidated sales rose 0.4% from the previous fiscal year to ¥418.5 billion and consolidated operating income* declined 13.0 % from the previous fiscal year to ¥39.6 billion. This was attributable to the powerful effects of factors such as failing to increase product prices sufficiently to account for skyrocketing fuel and raw material prices, and the yen's sharp appreciation in the second half of fiscal 2007. In line with the sixth medium-term management plan launched in fiscal 2008, the Mitsubishi Rayon Group will stabilize its base against the current challenging management conditions and adopt “A New Design for Growth” as its basic business concept. It will also undertake business activities with an emphasis on bolstering the MMA Chain (methyl methacrylate business units) and the AN Chain (acrylonitrile business units), which comprise its core operations, and focus on developing next-generation core operations.



* The figures represent amounts prior to amortization of differences arising from changes in actuarial assumptions



The Mitsubishi Rayon Group and CSR

How the Mitsubishi Rayon Group views CSR

The Mitsubishi Rayon Group regards the fulfillment of corporate social responsibility as the key component of its basic management stance. To unify its approaches to CSR, the Group established the CSR Charter in June 2007 as the common philosophy shared by all Group companies.

Each employee is expected to approach day-to-day tasks with an awareness of CSR and reflect this awareness in their individual actions in order to increase the company's strength. The Mitsubishi Rayon Group positions the CSR Charter as not only the summary of the CSR stance adopted by Group members but also the foundation for actions taken by all Group employees.

CSR affects all aspects of our corporate activities. We consider it our social responsibility to contribute to the sustainable development of society by advancing CSR activities in a variety of areas, including legal compliance, safety, the environment, products and services, and our relationships with stakeholders.

CSR Implementation Structure

Establishment of the CSR Committee

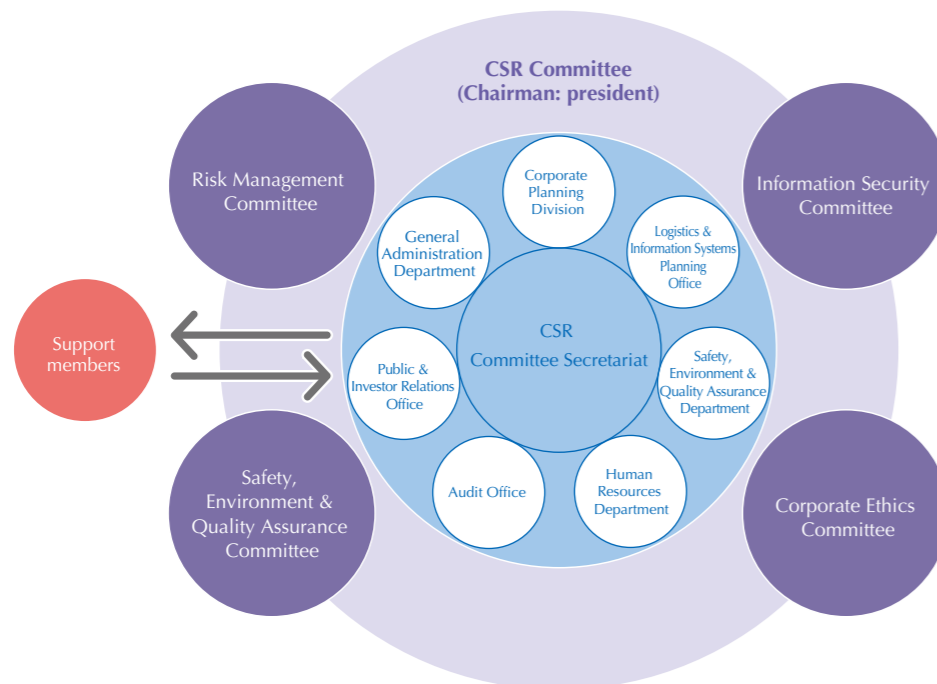
The Mitsubishi Rayon Group established the CSR Committee in April 2007 with the goal of promoting corporate social responsibility (CSR) activities within the Group. As a body that governs operational compliance across the Group, the CSR Committee oversees the Risk Management Committee, the Safety, Environment & Quality Assurance Committee, the Corporate Ethics Committee and the Information Security Committee, which all operated prior to its establishment. It determines the direction of CSR activities undertaken across the entire Group.

The Mitsubishi Rayon Group also set up the CSR Committee Secretariat to assist the CSR Committee with its operations. The Secretariat is structured according to the in-house departments shown in the following figure to provide flexible responses to public inquiries and promote the Committee's activities from a number of different perspectives. In addition, CSR support members are appointed from each respective business bloc. The Secretariat identifies and promotes CSR activities on a Group-wide basis through collaboration with the production center of Mitsubishi Rayon, as well as with Group companies in Japan and overseas.

CSR Charter

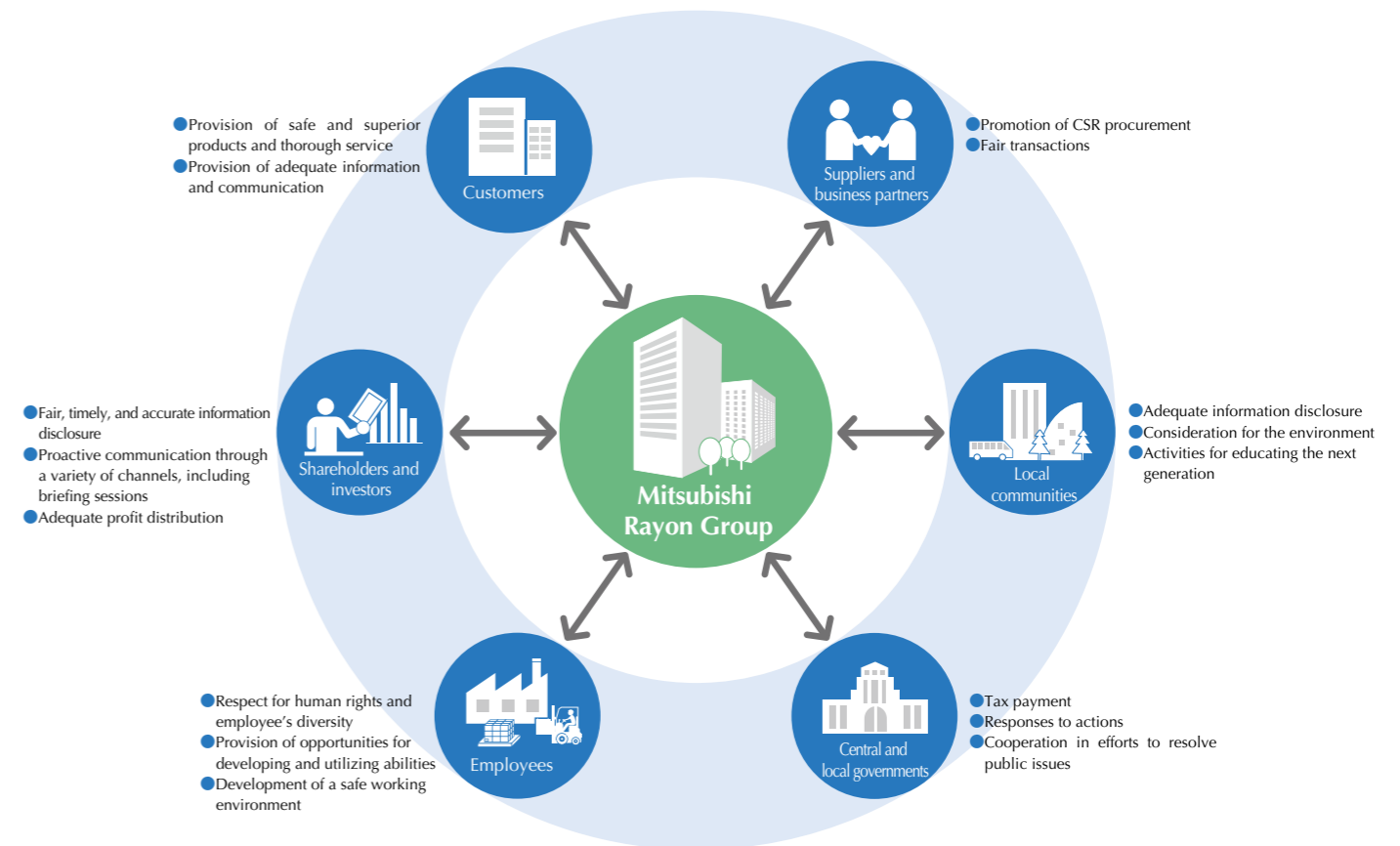
- 1 We will comply with all laws and regulations, and act in line with our Corporate Ethics Policy.
- 2 We will take positive steps to ensure safe business operations, and to contribute to the preservation of the environment.
- 3 We will offer products and services of the best quality.
- 4 We will work constantly to maintain a harmonious relationship with society.
- 5 We value each individual employee.

Established in June 2007



Mitsubishi Rayon Group and major stakeholders

Building relationships of trust with stakeholders is the most important aspect of carrying out CSR activities. We will find out what society expects from us, and exercise our CSR by engaging in communication with our stakeholders.



Priority issues set by the CSR Committee for fiscal 2007	
Strengthening risk management overseas	• Initiatives for bolstering corporate functions in China (See page 11 for details.)
Promotion of Group-wide safety activities	• Convening safety conventions and simultaneous office patrols (See page 12 for details.)
Other activities in fiscal 2007	
Establishment of the CSR procurement policy	• Initiatives for building sound business relationships (See page 33 for details.)

Priority issues set by the CSR Committee for fiscal 2008	
Strengthening risk management overseas (continued from fiscal 2007)	• Sustained audit of and instructions to Group companies in China
Promotion of safety activities (continued from fiscal 2007)	• Continuation of priority safety activities set in fiscal 2007 • Ongoing safety management by Group companies and participating companies in Japan and overseas
Establishment of the crisis management system	• Ongoing production of operational procedures by respective departments and Group companies based on the crisis countermeasure flow chart • Planning and execution of crisis response training
Collaboration with stakeholders	• CSR training for employees • CSR procurement: explanations to and studies of major business partners
Conservation of the global environment	• Promotion of measures for preventing global warming • Reduction in chemical substances emitted

Priority Issues for Promotion of CSR Activities

Strengthening risk management overseas

—Compliance in China—

The Mitsubishi Rayon Group operates in Japan, China, the United States, South Korea, Thailand and Indonesia. Strengthening corporate governance and risk management is becoming more and more important for ensuring management stability, since the Group operates businesses in markets around the globe while coordinating actions across its manufacturing and marketing bases throughout the world. An urgent response is required, particularly in China where the pace of growth has been rapid. In view of this situation, the Mitsubishi Rayon Group has adopted initiatives for strengthening corporate functions (strengthening instructions for operating manufacturing bases and ensuring full compliance) in China, a country in which nine manufacturing companies, two sales companies and other associated companies are concentrated. It has done this as part of its goal of strengthening risk management overseas, a priority issue set by the CSR Committee for fiscal 2007. The Group implemented the following measures to achieve the goal.

Initiatives in fiscal 2007

Initiatives for strengthening corporate functions in China

1 Establishment of the "Safe, Environmental and Quality Products, and Compliance Promotion Office" in Shanghai

To strengthen risk management and governance in the business activities of its manufacturing bases in China, the Mitsubishi Rayon Group established the "Safe, Environmental and Quality Products, and Compliance Promotion Office" at MRC Shanghai Business Consulting in July 2007. Through the establishment of an office in charge of corporate functions in China, the Group aims to promote unified responses to risk management and business activity issues faced by Group companies in China.



Training for local employees in charge of safety

2 Risk audits carried out on Group companies in China and the promotion of efforts for developing the risk management organization

Laws and systems have been established rapidly in China, where the economy continues to develop at a swift pace. Conditions surrounding companies in the country are changing at a dizzying speed. Group companies in China implemented measures stated to be correct for preventing oversight and misjudgment of serious risks, and for performing risk assessment in a more objective manner.



Risk audit carried out by external experts

1. Carrying out risk audits using external experts

- 1 Group companies in China carried out risk audits on their operations in general, and performed risk assessment in a comprehensive and objective manner.
- 2 Group companies in China made a detailed audits of their compliance with laws and systems on safety and environment.

2. Carrying out facility safety inspections using experts in the company

- 1 Group companies in China developed a facility safety inspection system making the most of the knowledge accumulated at the Group's core plants in Japan, and performed inspections in accordance with the system.
- 2 Group companies in China developed systems for safety assessment and safety measures, and furthered their efforts to lay a foundation for safe operation and stable production.

Priority Issues for Promotion of CSR Activities

Promotion of safety activities

—To zero serious accidents—

The four safety activities are introduced below. These activities were the key activities that the MRC Group carried out in fiscal 2007 and major part of issues set by the CSR Committee.

With "communication" as the key approach, all workers, including executives, discussed and engaged in these activities, focusing on sharing safety values and aiming to raise their awareness and to perform toward zero serious accidents due to injury.

Initiatives in fiscal 2007

Group-wide safety activities

1 Safety conventions

Management personnel appealed to employees directly of the importance of safety.

The president and other board members of Mitsubishi Rayon visited severally the Otake Production Center, Toyohashi Production Center, Toyama Production Center, Yokohama Production Center and Tokyo Technology & Information Center, and appealed to employees of management views on safety, and conveyed their requests to the employees. The following items were included in the safety conventions:

- 1 Safety message from board member
- 2 Address by the director of the production center
- 3 Address by the chairman of the executive committee at the union chapter
- 4 Safety recitation in unison

In addition to the above items, the safety conventions consisted of events that were carefully planned for each production center, including lectures from invited speakers, presentation of team activity results and discussions between management personnel and employees in charge of safety in the respective divisions.



Safety convention

2 Simultaneous workplace patrols Managers patrolled workplace simultaneously and made an effort at on-site dialogue with workers on a daily basis.

(Fixed time to patrol in MRC: 1:00 p.m. to 1:30 p.m.)

The managers began patrolling workplace at fixed times to share safety awareness and deepen communication with workers. Needless to say, they do not schedule any meetings during this time. Managers' visits at fixed times are creating an atmosphere that encourages conversation and facilitates more dialogue on safety.



Simultaneous patrol

3 Establishment of safety days at each division

Each division established the dates on which serious accidents had occurred as "safety days" in an attempt to keep the memory of the accidents alive and learn from that accident.

4 Designation of December as safety reinforcement month All parties in the Group engaged in various activities throughout the month.

The Mitsubishi Rayon Group designated December as "safety reinforcement month" for the following reasons:

- 1 Serious accidents in recent years have occurred in December.
- 2 Operations stop and construction is done at the beginning and end of the year.
- 3 Work becomes busier toward the end of the year.

The aim of the designation is to get through December with no accidents or disasters.

Production centers staged various events for one month in December 2007. Regrettably, two accidents, which did not require any day away from work, occurred at participating companies during this period. However, no serious accident occurred in the Group.

Events organized during the month included the distribution of safety fliers by managers, safety conventions, lectures, and posting related posters and banners.



Safety flier distribution at the front gate of a production center

Step 1

[System development]

- Establishment of the CSR Committee
- Establishment of the CSR Charter
- Establishment of the CSR procurement policy
- Establishment of the crisis management system

Step 2

[Dissemination of CSR awareness]

- Strengthening risk management overseas
- Promotion of safety activities
- CSR training for employees
- Promotion of measures for preventing global warming

Step 3

[Promotion of CSR activities]

- Social contribution for the next generation
- Promotion of initiatives for protecting the global environment
- Practice and expansion of CSR procurement

Best Quality for a Better Life
Realization of management philosophy

Priority Issues for Promotion of CSR Activities

3

Environmental initiatives

—Measures to preventing global warming—

The Mitsubishi Rayon Group has adopted “Best Quality for a Better Life” as its management philosophy. Based on widespread awareness that measures to preventing global warming are an important issue on a global scale, the Mitsubishi Rayon Group is proactively addressing this subject as a problem whose resolution is indispensable for the sustainable development of our society.

Carbon dioxide (CO₂) is a major greenhouse gas discharged by the Mitsubishi Rayon Group. The Group is working determinedly to save energy at its existing equipment, convert them to more energy-efficient equipment, and switch to fuels that produce less CO₂. Needless to say, equipment built by the Group from now on will keep greenhouse gases to a minimum.

The status of Mitsubishi Rayon initiatives for preventing global warming is outlined below.

Initiatives in fiscal 2007

Initiatives for preventing global warming

1 | Energy-saving activities

The Mitsubishi Rayon Group is advancing its energy-saving activities from two perspectives:

- ① identifying energy-saving measures with the aid of external consultants and implementing them
- ② identifying such measures based on self-reviews and implementing them.

Practical perspective

Identifying energy-saving measures and accumulating results progressively

- ① **Items related to steam:** waste heat recovery, conversion to electricity, removal of unused piping, and repairs to poorly insulated piping sections
- ② **Items related to electricity:** lighting improvement, air-conditioning improvement, and introduction of inverters
- ③ **Items related to air:** repairs to leakage and conversion to low-pressure supplies

2 | Fuel conversion

- ① Conversion from heavy oil and coal to LNG and other fuels that produce less CO₂
- ② Mixed combustion of biomass fuels

The production centers are advancing their studies of various measures, including those stated above. We are exchanging information and checking progress across the board by holding meetings on measures for preventing global warming.

Through an activity currently being planned, the Mitsubishi Rayon is seeking to reduce its CO₂ emissions by approximately 200,000 tons by 2012. We plan to find additional reduction measures and contribute to preventing global warming.

Examples of energy saving initiatives

■ Steam-heating hot-water supply system



■ Heat-pump thermal storage hot-water supply system



The Mitsubishi Rayon Group reduced CO₂ emissions by switching from a steam-heating hot-water supply system to a heat-pump thermal storage hot-water supply system that uses nighttime power.



1

We will comply with all laws and regulations, and act in line with our Corporate Ethics Policy.

Corporations must implement sound business activities by complying with the law and maintaining a high level of ethical practice. We hereby strive to comply with all laws and regulations, establish firm principles of corporate ethics, and base our business activities on fair and free competition.

- Corporate governance
- Compliance
- Risk management

Corporate Governance

We are working to establish organizational systems and control each organizational activity in a cross-sectional manner for transparent and fair corporate management.

Basic Perspective

The Mitsubishi Rayon Group is working to enhance its corporate governance based on its view that "corporate social responsibility consists of undertaking fair business activities in compliance with laws and with a high standard of corporate ethics." To achieve this, the Group has established the following systems:

1 Business operating system for assured decision-making and efficient operational execution

In April 2007, the Mitsubishi Rayon Group discontinued its previous operational divisions and flattened its operating system, with all divisions reporting directly to the President.

2 System for carrying out adequate monitoring and supervision

The Mitsubishi Rayon Group has established internal control and risk management systems.

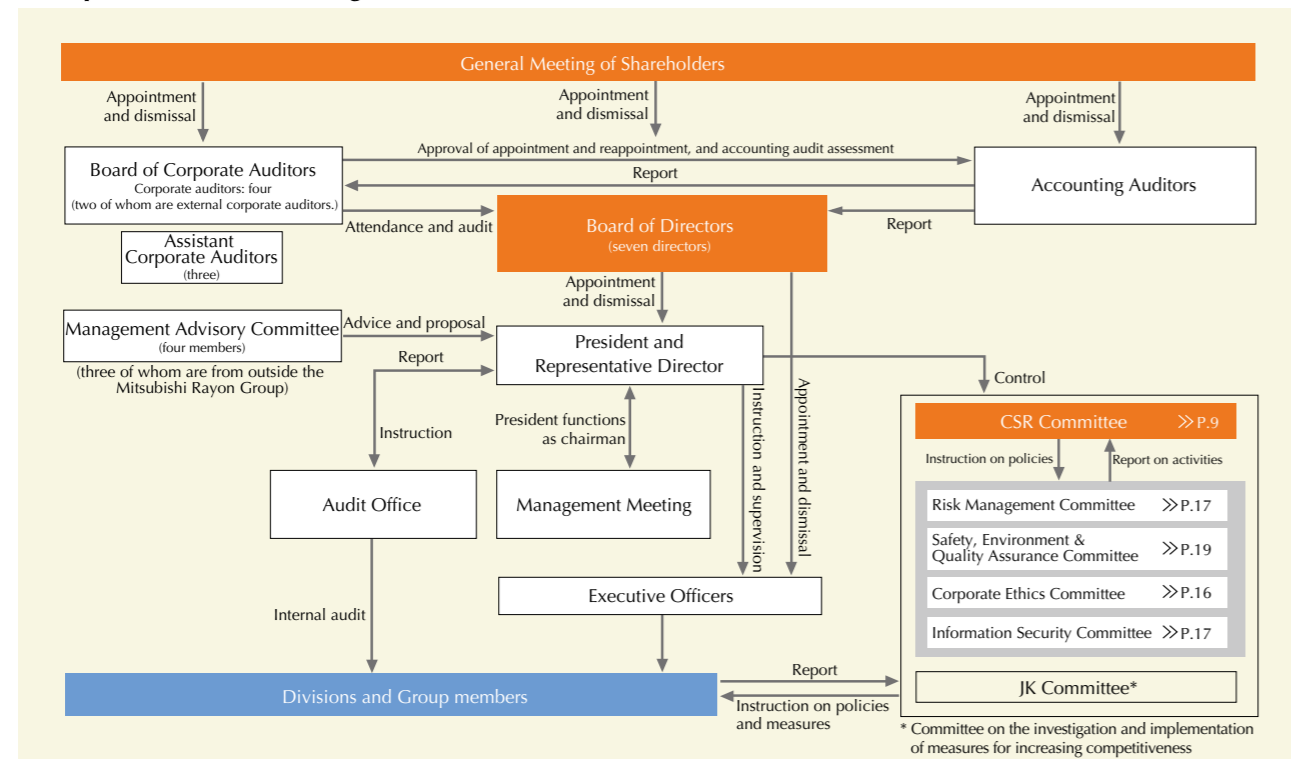
Audit System

The Mitsubishi Rayon Group has established the Audit Office to administer internal audits under the direct control of the President, in addition to a system of audit by corporate auditors and accounting auditors. The corporate auditors, accounting auditors and Audit Office are enhancing their collaboration in order to improve operating standards.

Internal Control

The Mitsubishi Rayon Group is working to establish internal control systems based on the policy on internal control concluded by the Board of Directors. In fiscal 2007, the Group in particular focused on establishing the risk management system (see page 17 for details) and acting in response to the Japanese version of the SOX Act, which was introduced in April 2008 with the implementation of the Financial Instruments Exchange Law.

Corporate Governance Organization (as of June 27, 2008)



Board of Directors (24 meetings held in fiscal 2007)

The Board of Directors makes decisions on key issues relating to the management of the Mitsubishi Rayon Group, and supervises the directors' effectiveness.

Board of Corporate Auditors (12 meetings held in fiscal 2007)

The Board of Corporate Auditors discusses key issues relating to audits it has performed, based on reports provided by the corporate auditors. Under the existing system, the corporate auditors monitor the directors' effectiveness by attending Board of Directors meetings and receiving reports on operations from directors and division managers.

Management Meeting (held once per week in principle)

Chaired by the President, the Management Meeting discusses key operational issues relating to the Mitsubishi Rayon Group, and aims to accelerate decision-making and streamline operations.

Management Advisory Committee (held three times per year in principle)

The Management Advisory Committee aims to secure transparency and fairness in the management of the Mitsubishi Rayon Group. The Management Advisory Committee makes proposals and offers advice to the President from an unbiased, external perspective regarding the course of medium- to long-term management, resignation of the President, appointment of the successor and compensations. The President takes the opinions of the Committee into account when making decisions.

Compliance

We will comply with all laws and regulations, and act in line with our Corporate Ethics Policy.

Promotion of Compliance

The Mitsubishi Rayon Group has established the Corporate Ethics Committee chaired by the President based on its view that comprehensive implementation of corporate ethics is indispensable for the Group's continued existence. The Corporate Ethics Committee holds two regular meetings each year. At the meetings, committee members report on problems relating to compliance and corporate ethics within the Group, and the status of education and training programs. They also discuss and determine measures for circulating and establishing compliance and corporate ethics throughout the Group, based on policies determined by the CSR Committee. Measures determined by the Corporate Ethics Committee are implemented Group-wide with the cooperation of the departments concerned, and the results are conveyed at the next meeting of the Corporate Ethics Committee.

In fiscal 2007, the Corporate Ethics Committee confirmed compliance status with the Guidelines for Preventing Antimonopoly Law Violations (Cartels), reflecting on past examples of Antimonopoly Law violations, as one of the measures for establishing compliance. These guidelines prescribe matters from the perspectives of compliance with the Antimonopoly Law and internal control. Specific matters relating to the Antimonopoly Law and prescribed in the guidelines include restricting the attendance to meetings with other companies in the same business, determining conditions for competition involving two or more parties, and recording decision making process.

Comprehensive Compliance Training

In addition to offering employees regular stratified training on compliance in general, in fiscal 2007 the Mitsubishi Rayon Group distributed a textbook on legal and other compliance-related matters to respective departments to ensure penetration of compliance to its corporate employees, and promoted understanding and circulation of compliance at every workplace. The textbook covered a variety of topics including human rights and labor, environment and resources, crime in the workplace, consumers, fair competition, ethics expected of civil servants, insider trading, and the protection of personal information and intellectual property. Furthermore, the Group organized lectures given by external invited speakers, as well as introducing an e-learning system to enable employees who had been provided with the textbook to check their level of understanding. In addition, the Mitsubishi Rayon Group offered training on security-related export controls to Group member employees in charge of export, to ensure further penetration of compliance with export controls for security assurance in accordance with the Foreign Exchange and Foreign Trade Control Law.



Textbook distributed to employees (Published by Dai-ichi Hoki)

Compliance Consultation Desk

The Mitsubishi Rayon Group has established the Regulations Pertaining to the Compliance Consultation Desk, Etc. and set up two in-house desks (staffed by the Director of the Audit Office and corporate auditors) and one external desk (staffed by attorneys) to provide consultation and receive reports on legal violations and corporate ethics breaches within the Group.

Consultation is offered not only to Group employees but also to temporary workers dispatched by employment agencies and business partners. The service is available on either an identified or an anonymous basis. People who identify themselves when consulting are treated with anonymity if they prefer. In every instance, reports are made to persons who identify themselves when consulting on the results of research carried out concerning the matters raised.

Corporate Ethics Policy

We, the Mitsubishi Rayon Group, adopt the following nine principles to guide the conduct of Group employees, in order to ensure that our Group remains a good corporate citizen.

Nine Principles

- 1 Striving for products and services of the best quality
- 2 Respect for relationships with stakeholders
- 3 Fair, transparent and free competition
- 4 Respect for the dignity of individuals
- 5 Disclosure of information, and proper handling of confidential and personal information
- 6 International cooperation and respect for different cultures
- 7 Positive approach to safety and environmental matters
- 8 Respect for and emphasis on social justice
- 9 Introduction and full execution of this Policy

(Established in 1998)

Risk Management

We will continue to strengthen our risk management for the sustainable development of the Mitsubishi Rayon Group.

Basic Perspective on Risk Management

The Mitsubishi Rayon Group is aware that in order for the Group to meet public demands and sustain its development, it is essential for it to establish a mechanism for thoroughly understanding and managing various key risks both within and outside its business, in other words a "risk management system." With this awareness, the Mitsubishi Rayon Group has undertaken the following activities for managing risks.

1 Establishment of the Risk Management Committee

In October 2007, the Mitsubishi Rayon Group established the Risk Management Committee for strengthening its risk management system. The Risk Management Committee determines policies and controls basic processes for risk management activities carried out by the Mitsubishi Rayon Group. In an emergency, the Crisis Control Center is established under the Committee. With its unified chain of command and swift policy decisions, the Control Center works to prevent damage escalation and achieve rapid restoration. The Mitsubishi Rayon Group operates in compliance with the Risk Management Regulations, which prescribe the policies and methods for managing key risks involved in operational execution, along with methods of responding to presupposed individual crisis situations.

2 Risk management activities in fiscal 2007 (refer to the list shown on the right)

The Mitsubishi Rayon Group has identified, analyzed and assessed key risks on a business unit basis. Based on the results, the Group has specified the Key Risks Shared by Group companies to be addressed on a Group-wide scale. The Group has formulated Standard Risk Measures as basic aspects for the daily management of these key risks, and it is undertaking risk management activities in accordance with these measures. In fiscal 2007, the Mitsubishi Rayon Group focused its efforts on the risks shown on the right. Departments in charge held briefing sessions and training on laws, and the Risk Management Committee examined the implementation status of the standard measures in order to put the PDCA cycle into practice.

Information Security

The Mitsubishi Rayon Group established its Information Security Policy in fiscal 2004. The Group is undertaking activities to increase information security, with the Information Security Committee at the center of these activities. In fiscal 2007, the Mitsubishi Rayon Group examined the status of information security measures together with activities for managing the risks shared by Group companies, and took comprehensive steps to establish measures for improving information security and training employees. In addition, the Group introduced the Physical Security Integrated Admission System (PIAS), a unified entry and exit management system for the entire Group, and distributed an IC card* (PIAS Card) to all workers, including employees of cooperating companies. Using the PIAS Card, the Group is advancing its efforts to increase security from a physical perspective, including facilities and installed equipment.



PIAS Card (sample)

PDCA cycle of the basic processes for risk management activities undertaken by the Risk Management Committee



Risks addressed in fiscal 2007

- Raw material issues
- Fires, explosions and other accidents
- Distribution of dangerous articles
- Legal violations
(The Labor Standards Law, the Antimonopoly Law, etc.)
- Security-related export controls
- Information security

* IC card
IC cards refer to cards mounted with IC chips (integrated circuits) for data storage and computation. IC cards in widespread use include "Suica" and "ICOCA" issued by JR railway companies.



2

We will take positive steps to ensure safe business operations, and to contribute to the preservation of the environment.

We recognize the unsurpassed importance to our continued corporate existence of efforts to ensure safety and contribute to the preservation of the environment. In addition to complying with all laws pertaining to safety and environmental preservation, we will keep the issues of safety and the environment at the forefront of our minds at all times as we conduct our business activities.

- Management System
- Safety and Disaster Prevention Initiatives
- Overview of Environmental Burdens at the Mitsubishi Rayon Group
- Initiatives for Reducing Environmental Burdens
- Initiatives for Preventing Global Warming
- Environmental Data and References

Management System

Based on the Responsible Care* policy, we undertake business activities in consideration of the environment, safety and quality assurance.

Basic Policies on Safety, the Environment, and Quality Assurance

- Top priority shall be placed on safety and the environment in all business activities, as these are essential for corporate existence.
- We shall supply our customers with satisfactory, safe, and reliable products.

(Established in 1998)

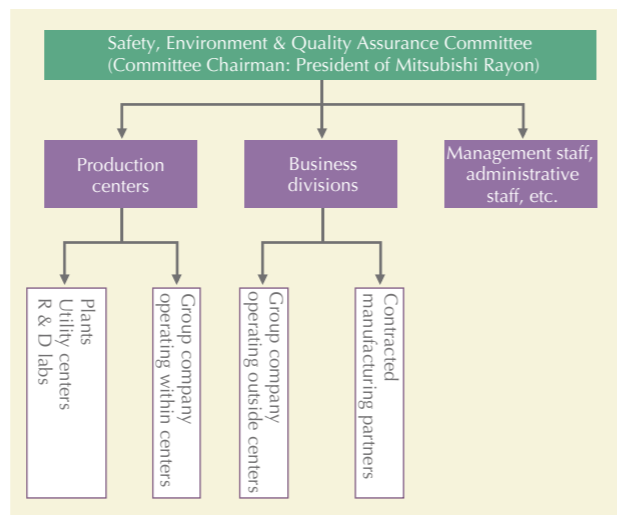
Action Guidelines on Safety and the Environment

- 1 All laws and regulations shall be observed, with additional measures stricter than what is legally required adopted when deemed necessary.
- 2 All actions shall be taken with a strong sense of responsibility so that any and all types of accident are prevented.
- 3 All actions shall be rooted in the spirit of self-accountability and autonomous management.
- 4 All business activities shall be carried out under careful consideration to the environment.
- 5 Every possible effort shall be made to uphold safety and reduce environmental burden throughout the entire life cycle of each product.
- 6 Education shall be used to improve consciousness of safety and the environment, with the result put to practical use at the workplace.
- 7 Active communication shall be maintained with international and local communities to raise the level of corporate transparency.
- 8 Scientific and technical means shall be utilized to make improvements on a constant step-by-step basis.

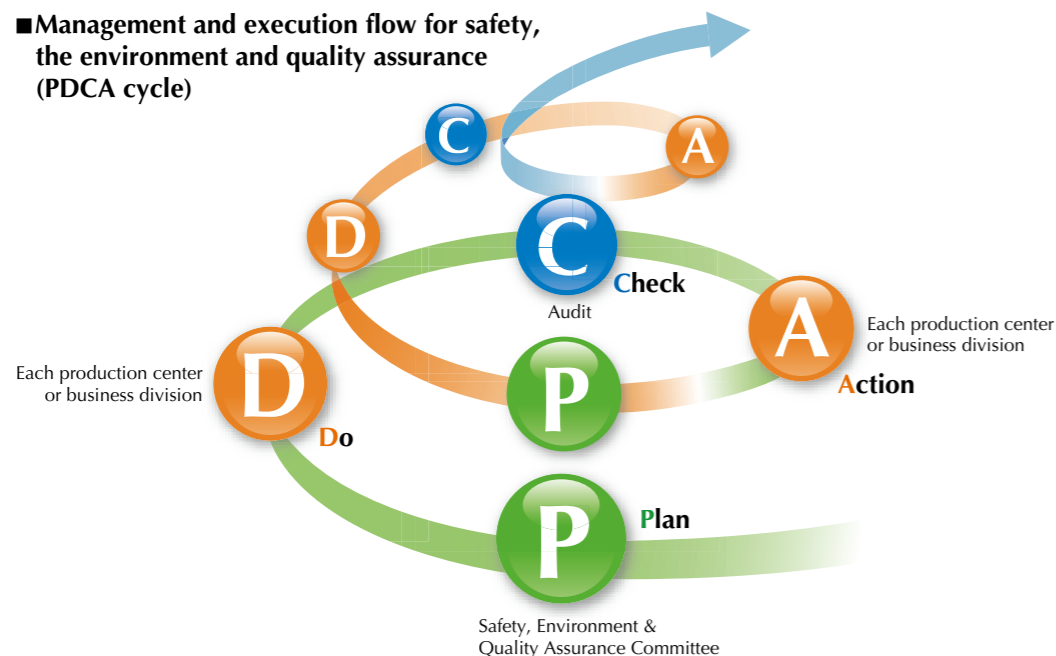
(Established in 1998 and partially revised in 2001)

Organization for Promoting the Management of Safety, the Environment and Quality Assurance

The Mitsubishi Rayon Group adopts a top-down approach for managing safety, the environment and quality assurance, according to which the Safety, Environment & Quality Assurance Committee determines basic management policies and measures (Committee Chairman: President of Mitsubishi Rayon). Placed beneath the CSR Committee established in April 2007, the Safety, Environment & Quality Assurance Committee plays a role in CSR activities carried out by the Mitsubishi Rayon Group.



Management and execution flow for safety, the environment and quality assurance (PDCA cycle)



* Responsible Care
"Responsible care" is a Voluntary Initiative with company's commitment to improve all aspects (all stages of chemical substances throughout the product's life cycle, from development through disposal) of Environment, Health and Safety and to communicate with the public about activities and achievement.

Audit on Safety, the Environment and Quality Assurance in Fiscal 2007

Audit types

Audit type	Audit target
General audit Audit of management conducted by the Safety, Environment & Quality Assurance Committee.	MRC★
Departmental audit Audit to supplement general audit; this is a detailed audit on the sampled departments.	MRC★
Group company audit Audit that is implemented as part of the Group's management under approval by the Safety, Environment & Quality Assurance Committee.	Group companies
Special audit Audit that is implemented under the direction of the Chairman of the Safety, Environment & Quality Assurance Committee in the event of a serious accident or disaster.	Mitsubishi Rayon Group
Product liability and quality assurance audit Audit that is implemented on the entirety of business activities from marketing to production under approval by the Safety, Environment & Quality Assurance Committee.	MRC★ product lines
Extraordinary audit Extraordinary audit that is not one of the above regular audits.	Mitsubishi Rayon Group
Quality assurance audit to contract manufacturing partners Quality assurance audit of companies manufacturing MRC★ products as subcontractors.	Contract manufacturing partners

★ Refer to "Targets for combining environment-related data" on page 29 for the scope of the audit.

List of audits executed in fiscal 2007

Audit	Departments and companies	Areas of audit
General audit	Otake Production Center, Toyohashi Production Center, Toyama Production Center and Yokohama Production Center	Safety and the environment
Departmental audit	Otake Production Center (five departments), Toyama Production Center (three departments), Toyohashi Production Center (three departments) and Yokohama Production Center (two departments)	Safety and the environment
Group company audit	Group companies overseas (five companies) and Group companies in Japan (two companies)	Safety, the environment and quality assurance
Special audit	Production center in Japan (one department) and group members overseas (two companies)	Occupational and other serious accidents
Product liability and quality assurance audit	Departments in charge of Cleansui products, acrylic fibers, carbon fibers and chemical products	Product liability and quality assurance
Quality assurance audit on manufacturing subcontractors	Contract manufacturing partners (six companies)	Quality assurance

Audit results for fiscal 2007

Audit	Report
General audit	An audit was carried out on the progress of safety and environmental activities undertaken by each production centers. The each production centers was instructed to continue with their efforts in view of the achievements produced by the activities.
Departmental audit	An audit was carried out on the progress of safety and environmental activities undertaken by respective departments. Each department carried out numerous activities, and improvements were observed at a management level. They were instructed to prioritize the implementation of high-risk items.
Group company audit	An audit was carried out on progress with regard to establishing safety management, environmental management and quality assurance management systems, and on the progress of related management activities. Activities were confirmed for the respective companies in accordance with structured management systems. Stable PDCA cycle operation for each activity was requested.
Special audit	An audit was carried out on the progress of investigating the cause and measures for preventing recurrence of the occupational accident in February 2007 and the leakage incident in November 2007. An audit was carried out to confirm safety before resuming operations after the fire in October 2005. The respective departments and Group companies had already been taking measures, but they were advised of additional steps to take and requested to implement them.
Product liability and quality assurance audit	An audit was carried out on the progress of quality assurance by departments in charge of the development, manufacture and sales of various products. Operational execution under structured quality assurance systems was confirmed, but closer interdepartmental communication was requested.
Quality assurance audit on manufacturing subcontractors	An audit was carried out to confirm that reliable quality management was in place for products manufactured by subcontractors. Improvement to certain quality management operations was requested.

Targets for combining environment-related data

Only companies that mainly engage in manufacturing and processing are subject to the combination of environment-related data. Turn to page 29 for subject companies and data. See (1) through (4) below for expressions used in this report.

- (1) MRC Group: companies that come under the following categories (2) to (4)
- (2) MRC: Mitsubishi Rayon and Group companies operating at Mitsubishi Rayon's production centers
- (3) Domestic Group: consolidated subsidiaries in Japan other than those which come under the above category (2)
- (4) Overseas Group: consolidated subsidiaries in other countries

Safety and Disaster Prevention Initiatives

We are undertaking safety management and disaster prevention activities based on the “three principles of safety” to ensure the safety and health of our employees and people in local communities.

Measures Related to Safety Management in Fiscal 2007

With this being the final year of the fifth medium-term management plan, the Mitsubishi Rayon Group engaged in additional activities for achieving its target of eliminating injuries with days away from work and eradicating industrial accidents in fiscal 2007.

As described in the Special Feature section of this report, the most important pillar of these new activities is “communication”. These activities were driven not only by Mitsubishi Rayon’s production centers, but also by Mitsubishi Rayon Group companies. As these activities were launched recently, they will not produce results immediately. The Group will continue making steady efforts to expand and strengthening their base. [See page 12 for details.](#)

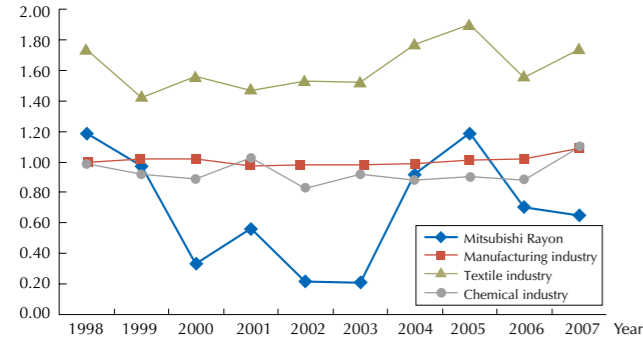
For Reducing Occupational Accidents

Occupational injuries

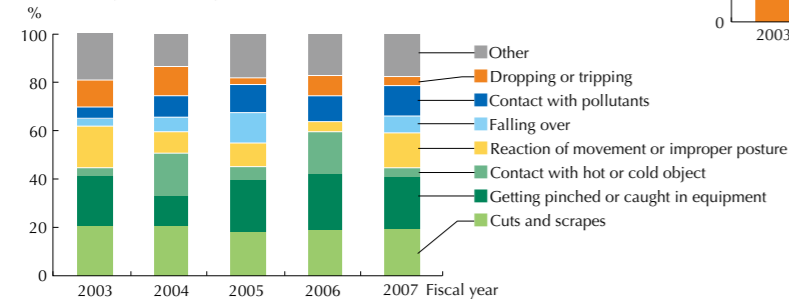
No serious occupational injuries away from work for four days or more occurred in the Mitsubishi Rayon Group in fiscal 2007. However, frequency of days away from work due to injury remained at the previous year’s level. The major causes included operators being getting pinched or caught in equipment and contact with pollutant.

Frequency of days away from work due to injury* (one or more days of lost work time)

* Frequency of days away from work due to injury: Days missed due to injury / 1 million work hours



Causes of occupational accidents (MRC Group*) (including cooperating companies)



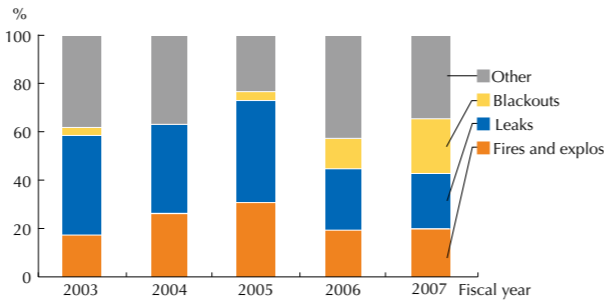
Three Principles of Safety

- 安全3原則
 - 決めたことは守る
 - 安全優先の行動をとる
 - 管理者は安全確保の責務を果たす
- Three Principles of Safety
 - Honor your commitments
 - Make safety your top priority in your conduct
 - Managers shall be responsible for securing safety
- 关于安全的基本三原则
 - 遵守已定事项
 - 采取安全优先的行动
 - 管理者履行确保安全的职责

Accidents

Increased blackouts characterized the types of accidents recorded across the MRC Group in fiscal 2007.

Graph of accidents by type (MRC Group*)



*Refer to “Targets for combining environment-related data” on page 29 for the scope of the subject data.

Occupational Health

Promotion of mental healthcare

With regard to mental healthcare, the Mitsubishi Rayon Group established the Mitsubishi Rayon Mental Healthcare Guidelines in 2002, distributed a booklet on the subject to Group employees, and organized related seminars. Through these and other activities, we are making a proactive effort to maintain and promote mental health. In 2006, the Group introduced a counseling system using specialists. This system was made available on the Internet in April 2008, making it easier for employees overseas to use. In addition, we have set up a system that allows employees to trial working or shorter working hours upon their return to work after a long period of absence due to unavoidable circumstances, including a mental or physical illness or injury. This assists them with making a smooth transition to resuming work. [See page 43 for details.](#)

Responses to GHS*

The Mitsubishi Rayon Group is revising the label descriptions on its manufactured chemical substances and is updating MSDS (Material Safety Data Sheet) in response to GHS. At the same time, the Group is making efforts to obtain GHS-compliant MSDS for the chemical substances it uses as raw materials. The Group is working to gather legislative trends in Asia, Europe, the United States and other overseas regions and provide adequate responses, as GHS is being incorporated into the regulations of countries around the globe.

Disaster Prevention Measures

Logistics safety

The Mitsubishi Rayon Group offers training to logistics business operators so that they can prevent accidents and disasters during transport, and take swift and appropriate action in case of an accident. The Mitsubishi Rayon Group requires drivers to carry a yellow card outlining hazard information of shipping products and accident handling methods whenever they ship highly hazardous products, like chemicals.

Disaster prevention activities

The Mitsubishi Rayon Group handles a wide variety of chemicals. To prevent disasters, the Group provides safety training to employees, and inspects and maintains its facilities. The Group also carries out disaster prevention drills to minimize a damage from disaster. In addition to these efforts, the Group takes part in joint disaster prevention drills with companies located nearby and in local communities.

* GHS: Globally Harmonized System of Classification and Labeling of Chemicals
An international undertaking for unifying the classifications and labeling of hazardous chemical substances

Safety Inspection Programs for Existing Chemical Substances with High Production Volumes

These programs are international activities for gathering safety information that is in short supply on existing chemical substances with high production volumes, and assessing this information. Since 1999, the Mitsubishi Rayon Group has been taking part in an international program called the ICCA Initiative under 20 substance categories (activities have been completed for eight substances, and the Group withdraw from activities on one substance) and a domestic program called the Japan Challenge Program under two substance categories. The Group will continue its efforts to gather safety information.

Voice

For delivering safe products



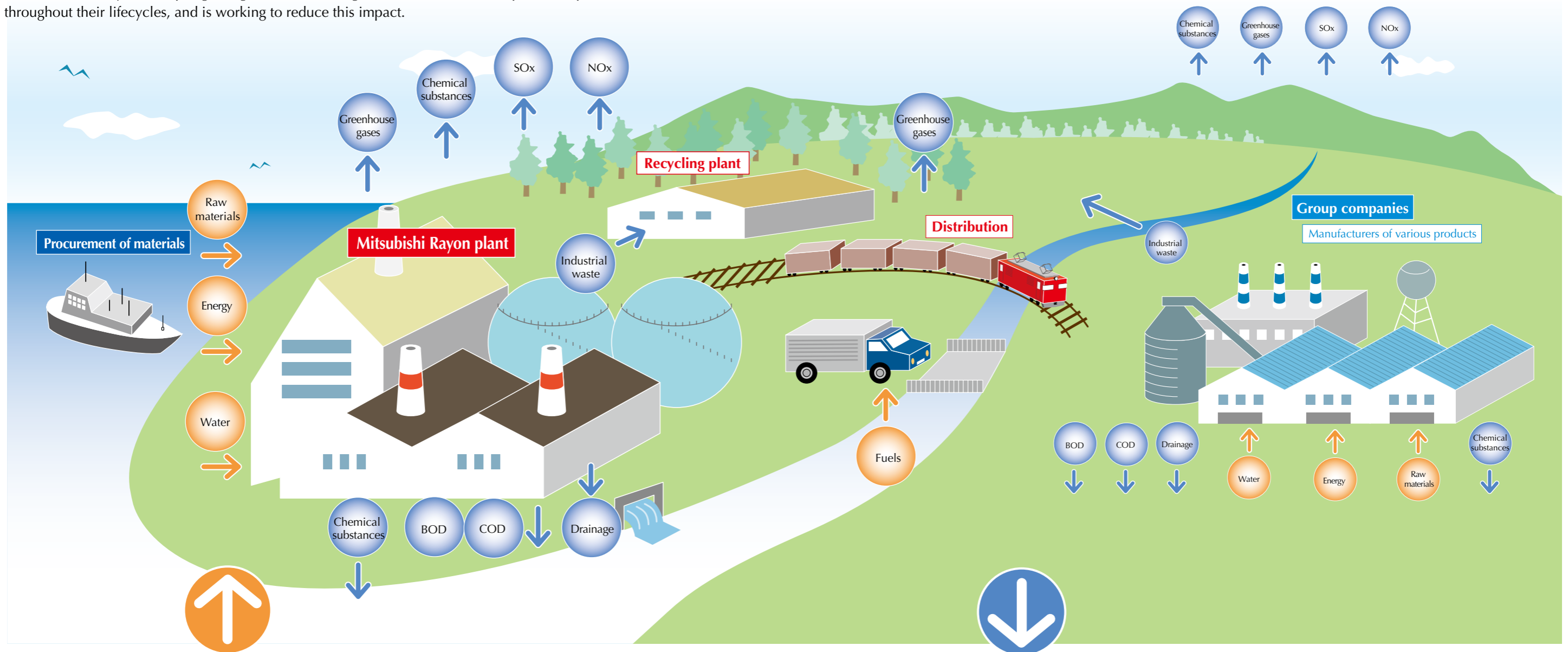
Kazuhiro Ishii
Logistics Group
MMA Administration Department*

Logistics accidents during the storage or transport of dangerous articles and/or substances may cause fire, explosions, leaks and so on, giving local residents a sense of insecurity. As responsible cargo owners, we hold regular safety meetings with cooperating logistics companies to prevent such accidents and to respond swiftly if they do occur. We study the properties of transported materials and past accidents at these meetings. We are also distributing MSDS and yellow cards and reviewing our emergency communication system. As part of a specific effort, our staff members have been visiting forwarding companies to give direct safety training to the drivers of tankers that transport large volumes of dangerous articles and/or substances by land. In addition to these activities, we commenced a safety audit of the companies in fiscal 2007 to check their management systems, the status of their in-house training and ensure the absence of any conditions constituting legal violations.

* Affiliation is as of March 31, 2008.

Overview of Environmental Burdens at the Mitsubishi Rayon Group

The Mitsubishi Rayon Group is gaining an understanding of the environmental impact of its products throughout their lifecycles, and is working to reduce this impact.



INPUT

Energy consumption (Converted into crude oil)	
MRC	372,000 kl
Domestic Group	29,000 kl
Overseas Group	118,000 kl

Water consumption	
MRC	118 million m ³
Domestic Group	11 million m ³
Overseas Group	5 million m ³

OUTPUT

Total Drainage volumes	
MRC	98 million m ³
Domestic Group	8 million m ³
Overseas Group	2 million m ³

BOD level	
MRC	38 tons
Domestic Group	1 ton
Overseas Group	9 tons

Chemical substances	
MRC	1,755 tons
Domestic Group	131 tons
Overseas Group	568 tons

COD level	
MRC	793 tons
Domestic Group	199 tons
Overseas Group	176 tons

Greenhouse gases (converted into CO ₂)	
MRC	1,447,000 tons
Domestic Group	35,000 tons
Overseas Group	382,000 tons

NOx emission	
MRC	1,895 tons
Domestic Group	127 tons
Overseas Group	47 tons

SOx emission	
MRC	556 tons
Domestic Group	82 tons
Overseas Group	9 tons

Initiatives for Reducing Environmental Burdens

The Mitsubishi Rayon Group is making an effort to reduce the emission of substances that burden the environment. At the same time, the Group is proactively working to reduce waste and promote recycling.

Reduction in Chemical Substances Emitted

Management of chemical substances

The MRC Group is engaged in activities for reducing the chemical substances emitted, based on the 3rd Chemical Substance Reduction Plan. The Group has now established the 4th Chemical Substance Reduction Plan to continue its efforts towards lowering environmental burdens, with fiscal 2010 as the target year.

Activities under the 3rd Chemical Substance Reduction Plan

[Targets]

① Total emissions

To MRC and MRC Group companies operated by the end of fiscal 2003, total emission target in fiscal 2007 for the MRC-PRTR*1 substances (490 chemicals) shall be 70% of emissions in the fiscal 2000 (reference year).

② Emissions of individual substances (target establishment for respective substances)

- i) Of the priority substances as defined under the Air Pollution Control Law, the 5 substances that are handled by MRC (MRC's emissions into the air)
- ii) 7 substances which Mitsubishi Rayon emits the most (total emissions by the MRC Group)
- iii) 21 VOC*2 substances which Mitsubishi Rayon emits the most (MRC's emissions into the air)

[Results]

① Reduction in total emissions

As a result of reduction activities, total emissions declined at the rate of 38% from 3,061 tons in the base year to 1,898 tons.

② Reduction in emissions of individual substances

Targets were achieved for 21 substances. However, results for the other 7 substances did not reach target levels. In particular, emissions of inorganic cyanogen compounds increased substantially from their fiscal 2006 levels as a result of facility expansion.

Activities under the 4th Chemical Substance Reduction Plan

[Targets]

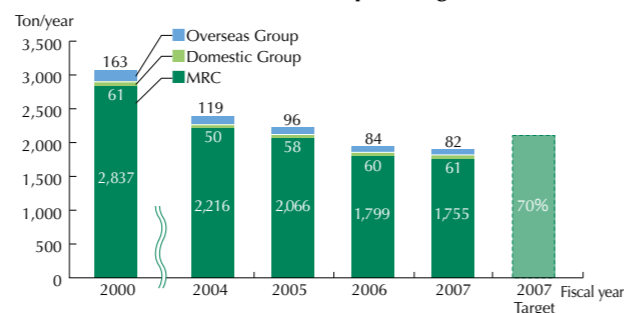
① Total emission targets (target year: fiscal 2010)

To MRC and MRC Group companies operated by the end of fiscal 2003, total emission target in fiscal 2010 for the MRC-PRTR substances (490 Chemicals) shall be 50% of emissions in the fiscal 2000 (reference year). To the other MRC Group companies, operation started fiscal 2004 and thereafter, total emission target in fiscal 2010 for the same substances shall be 75% of emissions in fiscal 2007 (reference year).

② Reduction in emissions of individually managed substances (target year: fiscal 2010)

Target substances and target values for the relevant substances are currently under consideration.

Total chemical emissions (3rd plan target ①)



Reduction of individually managed substances (3rd plan targets ②)

Substance	Fiscal year					
	2000	2004	2005	2006	2007	Target
Acrylonitrile	88	44	37	21	21	24
Dichloromethane	52	41	35	50	40	37
1,3-Butadiene	40	14	14	14	7	10
Acetaldehyde	16	7	7	1	0	6
Ethylene oxide	13	1	1	1	1	1
Acetone	713	660	583	518	493	519
Dimethylacetamide	548	397	467	416	419	415
Methyl methacrylate	195	125	93	84	75	81
N,N-dimethylformamide	143	72	42	34	33	85
Styrene	117	91	83	21	20	28
Toluene	97	29	30	25	23	24
Methyl alcohol	40	39	38	38	31	42
Propylene	39	39	47	41	47	47
Isopropyl alcohol	34	41	34	33	30	27
Tert-butyl alcohol	30	30	29	30	30	30
Dimethyl ether	28	28	25	27	28	28
Tetrahydrofuran	22	20	5	1	0	11
Vinyl acetate	20	13	13	12	9	13
Methyl ethyl ketone	14	1	1	0	1	0
Butyl acrylate	9	4	4	5	4	4
n-hexane	9	13	14	20	15	13

MRC Group's total emissions of individually managed substances (targets ii)

Substance	Fiscal year					
	2000	2004	2005	2006	2007	Target
Methyl methacrylate	332	226	174	136	121	174
N,N-dimethylformamide	168	74	44	35	35	89
Styrene	123	92	84	24	23	30
Toluene	117	33	33	28	25	28
Acetone	757	691	630	564	541	555
Dimethylacetamide	652	504	574	518	512	509
Inorganic cyanogen compound	40	41	32	21	37	28

Management of Chemical Substances in Procured Goods

The Mitsubishi Rayon Group commenced Green Procurement Surveys in fiscal 2005 to ascertain about and manage substances in raw materials and other procured goods that burden the environment or may cause health hazards. In fiscal 2007, Mitsubishi Rayon and Group companies in Japan continued surveys that closely examined the responses obtained from suppliers sequentially, and took required measures. The Mitsubishi Rayon Group companies overseas will launch surveys for suppliers and will take the steps necessary for managing chemical substances in fiscal 2008.

State of Compliance with Environmental Laws

Soil contamination

In fiscal 2007, two cases of minor contamination were found on land used by Mitsubishi Rayon and a Group company. One case was discovered at rented land in Toyama Prefecture, where Mitsubishi Rayon's production center maintains facilities. The other case was identified at the plant site for an investment company in Saitama Prefecture. We reported both cases to the administrative authorities, and took adequate measures under their guidance. We will continue to appropriately manage and respond to such cases.

Spill accidents

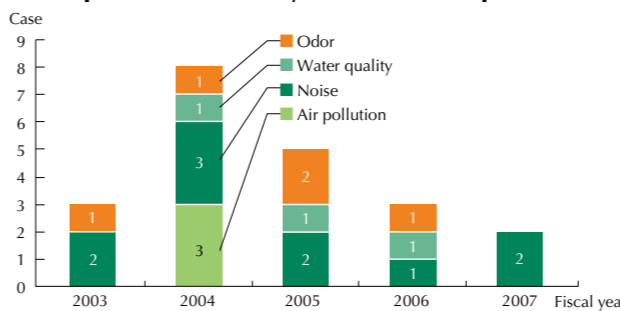
In March 2008, an accident occurred with a Group company in China, whereby water containing an organic solvent seeped into the ground through a crack in part of the ditch around a storage tank. The company immediately repaired that ditch, confirmed the presence of an absence of contamination in surroundings, and took the appropriate steps under the guidance of the Environmental Protection Agency. In June and November 2007, water with an abnormal pH level and water containing an organic solvent discharged by Mitsubishi Rayon's Toyama Production Center accidentally flowed into public water areas. No environmental impact was observed in either case. The Mitsubishi Rayon Group will continue its efforts to securely take measures for preventing leaks, including reviews of drainage routs and management systems.

Environmental Complaints

Mitsubishi Rayon's Toyama Production Center and a Group company in Gifu Prefecture received complaints about noise in fiscal 2007.

That production center and that Group company took immediate action in response to the complaints. The Mitsubishi Rayon Group will continue to consider local residents when undertaking its business activities.

Complaints received by the MRC Group



*1 MRC-PRTR substances

MRC-PRTR substances consist of 480 substances subject to the PRTR research conducted by the Japan Chemical Industry Association on its corporate members (including 354 substances subject to legal notification), and of Dimethylacetamide and other substances emitted by MRC in high volumes.

Waste Reduction and Recycling

MRC has set targets for reducing its external landfill volume, excluding power combustion ash. MRC revised the fiscal 2010 target in fiscal 2007 because it had achieved this target ahead of schedule since fiscal 2005. Total waste for MRC increased from the fiscal 2006 level, however the external landfill volume for MRC reduced as a result of increased recycling.

[New target]

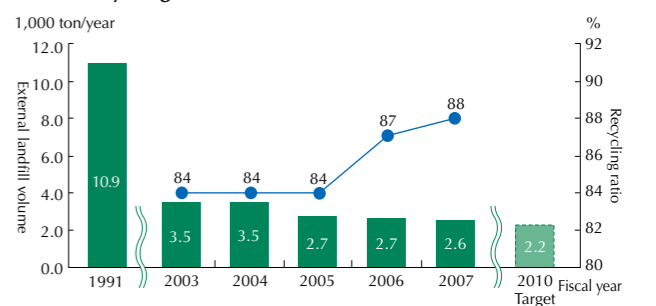
By fiscal 2010, the external landfill volume, excluding power combustion ash, shall be reduced to 20% of the volume in fiscal 1991.

[Results]

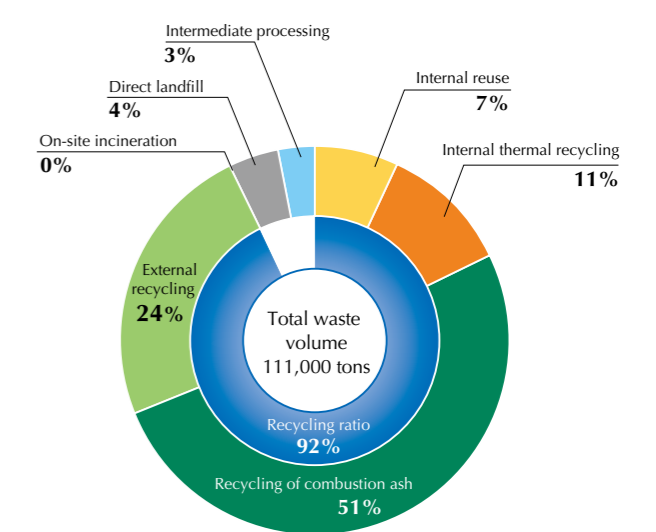
24% of the fiscal 1991 volume

Achievement ratio: 95% of the target level for fiscal 2010

External landfill volume (excluding power combustion ash) and recycling ratio for MRC



Breakdown of total MRC waste in fiscal 2007



*2 VOCs: Volatile Organic Compounds

VOCs are volatile organic compounds. This generally refers to organic compounds with high vapor pressures at room temperature. The Air Pollution Control Law prescribes the regulation of suspended particulate matters (SPMs) and VOCs emitted by plants and businesses, and voluntary SPM and VOC controls.

Initiatives for Preventing Global Warming

The Mitsubishi Rayon Group does its utmost to achieve a sustainable society, focusing on activities to reduce carbon dioxide emissions and save energy.

To Achieve Targets Established by the Kyoto Protocol

We are undertaking a wide variety of activities to prevent global warming. Carbon dioxide (CO₂) accounts for the vast majority of greenhouse gases emitted by the MRC Group. Eighty percent of CO₂ emitted by the Group comes from energy. In consideration of this fact, we are exercising ingenuity in our fuel-conversion and resource-saving activities as well as our core energy-saving activities in an attempt to reduce our CO₂ emissions.

Our major activities

- Energy-saving activities in production departments and offices
- Energy-saving and fuel-conversion activities in logistics departments
- Fuel-conversion activities centered on energy departments
- Resource-saving activities

[New targets]

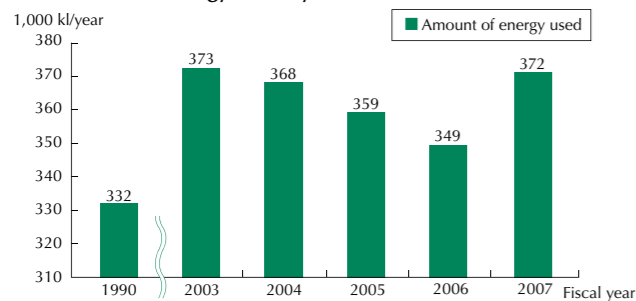
● Energy consumption per unit of production

MRC has increased its target for reduction for the average energy consumption per unit of production from fiscal 2008 to fiscal 2012. The previous target was 10% of the consumption in fiscal 1990, and the new target is more than 20% of the consumption in fiscal 1990.

● Energy-derived CO₂ emissions

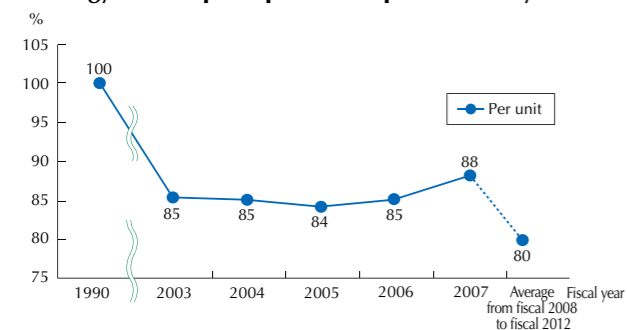
MRC has set a new target for energy-derived CO₂ emissions. We will work to keep the average energy-derived CO₂ emissions from fiscal 2008 to fiscal 2012 below the volume of the emissions in fiscal 1990.

■ Amount of energy used by MRC (converted into crude oil)



The increase in fiscal 2007 resulted from increased production.

■ Energy consumption per unit of production by MRC



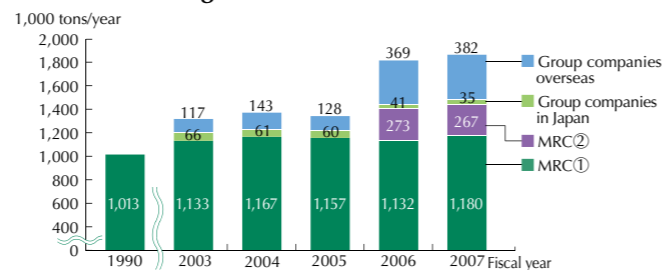
Average from fiscal 2008 to fiscal 2012

Combination Results for Greenhouse Gases

The Mitsubishi Rayon Group has worked to save energy, convert fuel, and use fewer resources. However, production volumes rose at its bases in Japan and abroad, causing energy-derived CO₂ to increase. The Group will work harder to save more energy and convert more fuel.

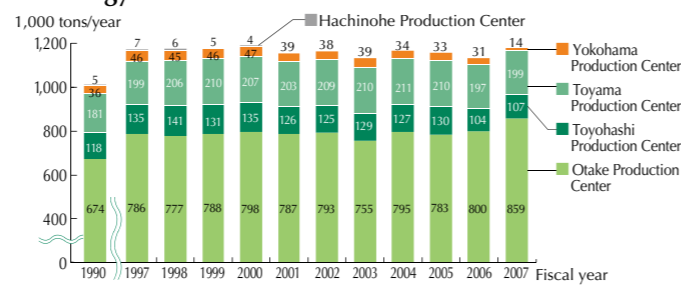
*Figures presented below include those for the Head Office, branches and Group members not involved in manufacturing.

■ Greenhouse gas emissions (converted into CO₂)



Note 1) MRC① is the volume of CO₂ emissions derived from utilities and fuel use at plants in four production centers.
Note 2) MRC② is the volume of CO₂ emissions derived from items added to comply with the revised Law for the Promotion of Measures to Deal with Global Warming and the revised Law Concerning the Rational Use of Energy.

■ Energy-derived CO₂ emissions



■ Greenhouse gas emission of fiscal 2007 (converted into CO₂)

Breakdown for fiscal 2007 1,000 tons/year	CO ₂		Five other gases
	Energy-derived	Derived from other sources	
MRC	1,208	236	2
Domestic Group	35	0	0
Overseas Group	298	84	0

Energy-saving Activities

The Mitsubishi Rayon Group is reducing energy-derived CO₂ emissions through energy saving activities in which all Group employees participate.

In fiscal 2007, the Group focused its activities on visualizing energy with external assistance, in addition to continuing its own efforts.

Topics

Ingenious approach to fluorescent lighting (at Otake Production Center)

A single fluorescent light is sufficient for securing the required level of illumination when a high-efficiency reflection board is used. The commitment of each individual and small, practical ideas are important when saving energy.



Fuel Conversion in Logistics

In June 2007, the Toyama Production Center reversed its previous plan of solidifying and disposing of waste oil from its cafeterias, and began supplying the waste oil to Toyama BDF Co., Ltd., which is located in the adjacent Eco Town Industrial Park. Toyama BDF processes the waste oil into biodiesel fuel (BDF), which the Center now uses in 4-ton logistics trucks operated within its premises (quantity of BDF used: approximately 5,000 liters per year (400 liters to 500 liters per month)). The Toyama Production Center plans to use the BDF in other trucks and forklifts operated within its premises.



Operated with fuel made from waste tempura (deep-frying) oil

Modal Shift

To contribute to efforts for preventing global warming in the field of logistics as well, MRC has worked to reduce its CO₂ emissions as a cargo shipper. MRC has taken steps to streamline its transport operations from various perspectives, including a modal shift (conversion from trucking to shipping and transportation by JR trains), a shift from export from major ports to export from the ports closest to the respective production centers, transport with larger volumes, improvement in loading efficiency, transport from the most suitable production base, and product swaps with other companies. In a major step forward, in fiscal 2007 MRC switched its mode of transportation for cargo shipped on a chartered and consolidated basis from the Otake Production Center to the Chukyo, Kanto and Tohoku regions from trucks to JR containers, with the cooperation of shipping companies. The switch enabled MRC to reduce its CO₂ emissions by 142 tons. MRC will continue to advance company-wide initiatives of this type for streamlining transportation, including modal shifts based on partnerships with shipping companies and a shift to exporting from the nearest ports. It will also intensify its activities for generating greater reductions in CO₂ emissions and/or increased energy savings.

■ CO₂ emissions in logistics

Fiscal year	1,000 tons/year				
	2003	2004	2005	2006	2007
CO ₂ emissions	43	43	42	17	15

* The calculation method was changed in fiscal 2006 in compliance with the revised Energy Saving Law.



Modal shift (conversion of transportation method from trucks to JR containers)

Resource-saving Activities (Chemical Recycling)

One property of acrylic resins is that they dissolve into raw materials called MMA (methyl methacrylate) monomers when heated. These resins are chemically recyclable. In 1997, a chemical recycling plant began operating at the Toyama Production Center. At this plant, waste materials produced through in-house acrylic resin manufacturing are returned to high-purity MMA monomers. Chemical recycling of acrylic resins not only contributes to the achievement of a recycling-based society through the partial recycling of manufactured resins to monomers, but also means that the amount of energy used is smaller than the amount of energy required to manufacture products from crude oil.

Chemical recycling reduces the volume of waste as well. It can be described as a technology capable of contributing to the achievement of a sustainable society, with beneficial effects including a reduction in CO₂ emissions, a cause of global warming.

The Mitsubishi Rayon Group introduced a sizeable facility in fiscal 2007 to build a larger chemical recycling system for converting acrylic resin products distributed in the market into resources. The Group will take proactive steps for achieving a sustainable society, including test plant operations on an industrial scale.



Chemical recycling plant

Use of City Gas

The Toyohashi Production Center is introducing gas engines and proceeding with a switch to mixed combustion boilers that are compatible with city gas.

In fiscal 2008, we plan to further increase the ratio of city gas use, and aims to cut CO₂ emissions by approximately 3,000 tons per year. We will continue its efforts to prevent global warming.



Mixed combustion boiler compatible with city gas

Environmental Data and References

Environmental data subject to totalization in fiscal 2007

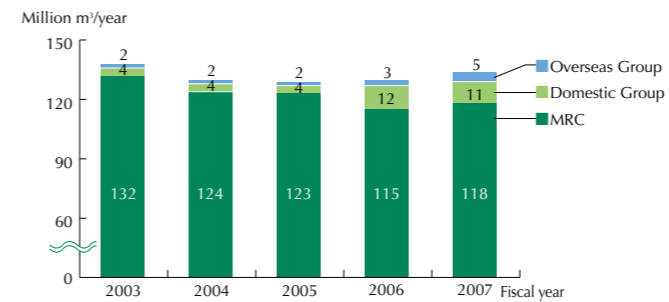
	Chemical Emissions	Air Pollutants Emissions	Water Pollutants & Emissions	Reduce of waste				Prevention of global warming	Observance of environmental laws and regulations				ISO Certification			
				Water consumption	Drainage	External landfill	Recycling rate		Breakdown of Recycling	SOx emissions	NOx emissions	BOD level	COD level	ISO9001	ISO14001	
② MRC	Otake Production Center and on-site group companies	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Toyohashi Production Center and on-site group companies	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Toyama Production Center and on-site group companies	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Yokohama Production Center and on-site group companies	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Tokyo Technology & Information Center	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
③ Domestic Group	MRC Unitec Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Diatec Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	ToeiKasei Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	MRC Koda Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Dia-Nitrix Co., Ltd. (excluding plants within MRC site)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Tosen Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Ryoko Sizing Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Nitto Gypsum Board Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Thai MMA Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Huizhou MMA Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
④ Overseas Group	Suzhou Sanyouli Chemicals Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Jiangsu Xinling Chemical Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Diapolyacrylate Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Nantong Rayon Chemicals Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Mitsubishi Rayon Polymer Nantong Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Diatec (Shanghai) Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Dianal America, Inc.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Suzhou MRC Opto-Device Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Ningbo Rayon Acrylic Fibers Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	P.T.Vonex Indonesia	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Grafil, Inc.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Newport Adhesives and Composites, Inc.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
	Dalian Rayon Environmental Equipment Co., Ltd.	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

Environmental data for fiscal 2007 by production center

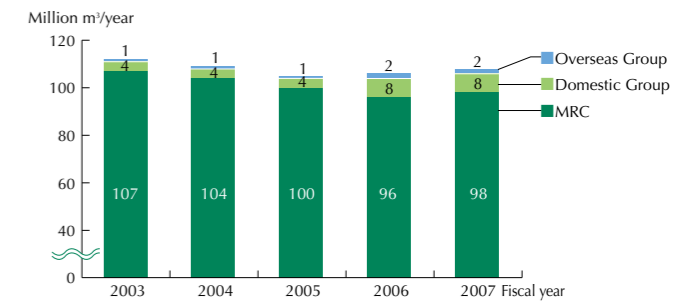
Name	Otake Production Center	Toyohashi Production Center	Toyama Production Center	Yokohama Production Center	Tokyo Technology & Information Center
Location	Miyukicho, Otake City, Hiroshima Prefecture	Ushikawadori, Toyohashi City, Aichi Prefecture	Kaigandori, Toyama City, Toyama Prefecture	Daikokicho, Tsurumi-ku, Yokohama City, Kanagawa Prefecture	Noborito, Tama-ku, Kawasaki City, Kanagawa Prefecture
Chemical emissions (tons) (Figures in brackets show the number of substances.)	1,131 (80)	52 (41)	566 (33)	6 (18)	0 (0)
SOx emissions (tons)	461	46	49	0	0
NOx emissions (tons)	1,369	184	341	1	0
COD level (tons)	779	11	—	3	0
BOD level (tons)	—	8	30	—	0
Drainage (million m ³)	79	6	12	2	0
External landfill volume (excluding power combustion ash) (tons)	1,181	35	1,321	38	—
Energy use per unit (year-on-year change)	Up 10.6%	Down 12.1%	Down 1.7%	Up 17.6%	—
Group companies within the centers	Mitsubishi Rayon Engineering Co., Ltd., MRE Maintenance Co., Ltd., MRM Otake Co., Ltd., MRC Information Systems Co., Ltd., Dia-Nitrix Co., Ltd. and UMG ABS, Ltd.	MRC Pylen Co., Ltd., MRC Composite Products Co., Ltd., Dia Injection Molding Co., Ltd., Mitsubishi Rayon Engineering Co., Ltd., MRE Maintenance Co., Ltd., MRM Toyohashi Co., Ltd., MRC Information Systems Co., Ltd. and DuPont MRC DryFilm Ltd.	Mitsubishi Rayon Engineering Co., Ltd., MRE Maintenance Co., Ltd., MRC Polysaccharide Co., Ltd., MRM Toyama Co., Ltd., MRC Information Systems Co., Ltd., Dia-Nitrix Co., Ltd. and Du Pont-MRC Co., Ltd.	Mitsubishi Rayon Engineering Co., Ltd. and Dia-Nitrix Co., Ltd.	

Major Environmental Index

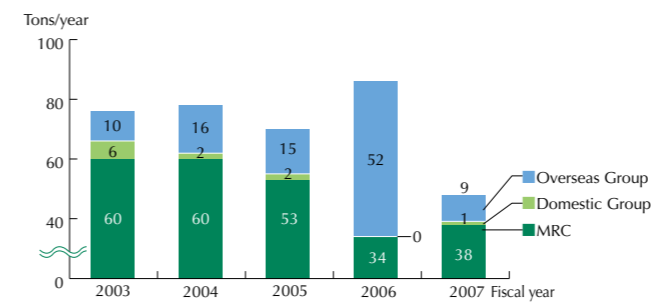
Water consumption



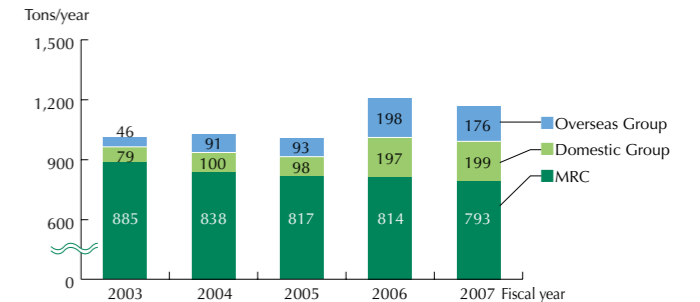
Drainage



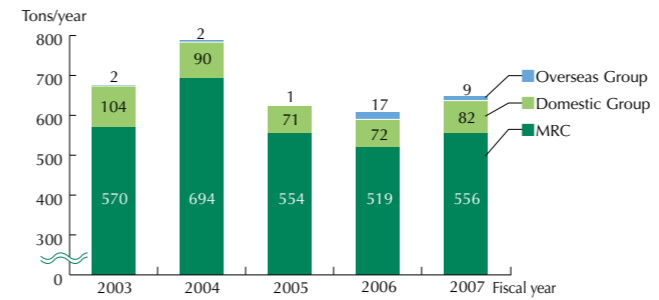
BOD level



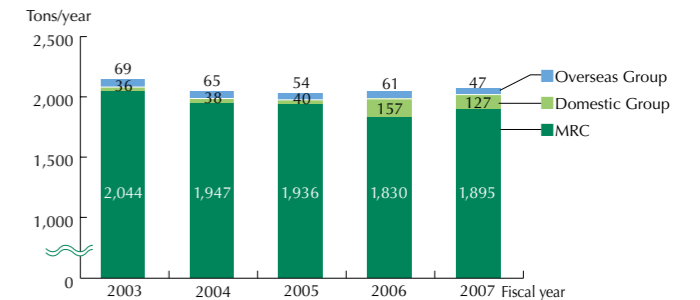
COD level



SOx emissions



NOx emissions



Green Purchasing

		Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Paper	Copy paper	99%	98%	99%	100%	98%
	Toilet paper	100%	100%	100%	100%	100%
Stationery	Notebooks	92%	94%	100%	100%	100%
	Pens	75%	84%	91%	96%	100%
Machines	Files	69%	100%	99%	99%	99%
	Personal computers	100%	100%	100%	100%	100%
	Printers	100%	100%	100%	100%	100%
Other items	Facsimiles, copying machines and multifunctional printers	100%	100%	100%	100%	100%
	Lighting equipment	100%	100%	99%	100%	100%
	Fluorescent lights	33%	61%	45%	60%	50%

* Figures above are totals for MRC.

Environmental Data and References

Major Chemical Emissions and Transfer Volumes

■ Emissions and transfer volumes of MRC-PRTR substances in fiscal 2007 Tons / year

Substance	Atmosphere	Water	Total emissions	Transfer volume
Acetone	493	21	514	23
Dimethylacetamide	419	94	512	160
Dimethyl ether	28	180	208	0
Methylmethacrylate	75	21	95	45
Propylene	47	0	47	0
Methyl alcohol	31	13	44	77
Methylene chloride	40	0	40	1
Inorganic cyanogen compounds	36	0	36	0
N, N-dimethylformamide	33	2	35	154
Tertiary Butyl Alcohol	30	2	31	0
Other substances	145	47	192	726
Total for MRC (substances subject to the PRTR Law)	1,376 (274)	380 (50)	1,755 (324)	1,185 (626)
Domestic Group	113	18	131	656
Overseas Group	506	62	568	281
Total	1,994	460	2,454	2,122

Environmental Accounting

■ Totalization results for environmental accounting in fiscal 2007 Million yen

Items for totalization established in the Ministry of the Environment guidelines		Investment	Cost
Environmental conservation costs	(1) Business area cost		
	① Pollution prevention costs	497	1,946
	② Global environmental conservation costs	192	131
	③ Global environmental conservation costs	62	1,771
	(2) Up / Down stream costs	0	-441
(3) Administration cost	0	483	
(4) Social activity cost	1	124	
(5) Environmental remediation cost	0	108	
Total		752	4,123

Items for totalization established in the Ministry of the Environment guidelines		Investment
Economical benefit	Proceeds from recycling activities	592
	Expense reductions due to energy conservation	1,206
	Expense reduction due to waste disposal	40
	Total	1,837

Basic information on environmental accounting

Environmental accounting in general

- Focus: costs and results of environmental activities
- Scope: Mitsubishi Rayon Co., Ltd.
- Period: fiscal 2007

Economical benefit

- Scope: Result of environmental and safety-related activities, which can be calculated rationally.
- Revenues: Proceeds from the sales of valuable material and transactions of scrap materials, etc.
- Energy conservation: The amount of energy savings depend on production activities.
- Waste disposal: Differential cost in comparison to last year.

Environmental conservation costs

- Scope: Referred to "The Establishment of an Environmental Accounting System (2000)" by Ministry of the Environment. Personnel costs are included. Depreciation costs of facilities investments are excluded. Research and development costs is excluded.



3

We will offer products and services of the best quality.

We will work to fulfill the Group's corporate mission by offering superior products and finely tuned services, so as to earn full customer satisfaction.

- To Deliver the Best Products
- Relationships with Customers
- Eco-friendly Products and Technologies

To Deliver the Best Products

The Mitsubishi Rayon Group is working to ensure the safety of its products and enhance their quality. The Group is also advancing its efforts to build sound transactional relationships with its business partners under the CSR Procurement Policies.

Basic Policy on Safety of Product

The Mitsubishi Rayon Group has established the basic management policy of providing safe products that are reliable and satisfactory from our customers' perspective.

Established in 1995

Specific code of conduct for providing safe products

- With regard to safety of product, we will develop, design, manufacture and assess products using safety technologies and safety assessment technologies of the highest level applicable at each point in time.
- With regard to the development, design and manufacture of products, we will set the highest priority to ensuring the appropriate level of safety.
- We will provide products whose safety can be guaranteed from the time of shipment through the end of their lifecycle.
- We will comply with laws, regulations and institution, and voluntary industry standards on product safety at each product stage, including development, design, manufacture, sales, use, distribution and disposal.
- With regard to products for export, we will comply with laws and regulations on product safety in the relevant countries and regions.

CSR Procurement (refer to the lists at the right)

We, the Mitsubishi Rayon Group, will act on the basic policy of fair trade practices. We will establish the CSR Procurement Policies to contribute to a better future and realize a sustainable society. We will advance our efforts to build sound transactional relationships by securing the cooperation of our business partners.

Basic Policy on Quality Management

To manufacture and supply products that satisfy customers and meet their requirements, the Mitsubishi Rayon Group has established its Safety, Environmental and Quality Management Regulations. The Group takes a thorough approach to quality management through promoting cooperation between the relevant departments, and does its utmost to ensure quality both effectively and economically, thereby achieving its goal of quality assurance.

Established in 1984

Establishment of Quality Management Committees

The Mitsubishi Rayon Group has established a committee for each stage of quality management at Head Office, production centers and manufacturing plants, and seeks to raise quality through process quality management, discussion of quality issues and measures to resolve any issues.

Items for quality assurance

- ① Management of raw materials, parts, etc.
- ② Management of manufacturing drawings for products, quality standards, etc.
- ③ Management of manufacturing processes, manufacturing facilities, etc.
- ④ Management of subcontractors
- ⑤ Management of inspections, tests and measuring and test equipment
- ⑥ Management of encasement, packaging, labels, warehouse arrivals, storage and shipments
- ⑦ Quality records and audits
- ⑧ Processing non-compliant products and handling complaints

CSR Procurement Policies

1. Compliance with laws and social standards
2. Securing the ecological soundness and safety of products purchased
3. Respect for human rights and improvement to working conditions
4. Development of partnerships
5. Requests for business partners
 - ① Compliance with laws and social standards
 - ② Provision of products and services whose ecological soundness and safety have been ensured
 - ③ Initiatives for raising respect for human rights and improving working conditions
 - ④ Provision of satisfactory quality and prices, reliable delivery periods and timely information

Established in March 2008

Relationships with Customers

The Mitsubishi Rayon Group is endeavoring to communicate with more customers through events and exhibitions.

Participation in Exhibitions

The Mitsubishi Rayon Group is working to initiate direct dialog with more customers by proactively taking part in exhibitions. To provide a greater level of customer satisfaction with regard to products and services, the Group reflects feedback from customer in its initiatives in the areas of product safety and quality improvement.

● Japan Fair in Guangzhou (MRC Shanghai Business Consulting)

MRC Shanghai Business Consulting gave a presentation at the fair, which was the largest exhibition held by the Japanese government overseas*1. Concerns regarding environmental issues are rising rapidly in China. Many visitors to the fair showed interest in our water treatment membrane "STERAPORE".



● China Composite Show ("PYROFIL" Department)

China Composite Show is one of the largest composite material exhibitions in China. Sales of our carbon fiber products have been increasing rapidly in the Chinese market in recent years. Many people visited our booth during the show, which allowed us to promote Mitsubishi Rayon as a carbon fiber manufacturer.



● 6th International Bio Expo and Hi/S-tec Japan 2007 (Research & Development Administration Department)

The Research & Development Administration Department exhibited the fiber-type DNA chip "GENOPAL" at the 6th International Bio Expo and Hi/S-tec Japan 2007. At Hi/S-tec Japan, the Department explained how to use the new DNA chip as an evaluation tool for functional foods having alleviation efficacy of allergies, and introduced the potential of "GENOPAL" in the food field.



● Chinaplas® 2007 ("METABLEN" Department)

The "METABLEN" Department displayed the polymer additive "METABLEN" at Chinaplas® 2007 held in Shanghai, China. To reflect the needs of the Chinese market, which is experiencing remarkable growth in new product development, the Department will introduce the potential of additives for automobile resin materials at the next opportunity.



Topics

"CLEANSUI" preview (MRC Home Products)

"CLEANSUI" water purifiers are used regularly by many people. MRC Home Products introduces new additions to the "CLEANSUI" lineup at a product preview held every year in Tokyo.



Venue for "CLEANSUI" 2008

Ecology with "CLEANSUI"



Mitsuhiro Taya

MRC Home Products Co., Ltd.
Advertising Group

In fiscal 2007, we appealed for ecological and environmental consideration. "CLEANSUI" purifiers enable users to reduce waste significantly compared with people who buy water in PET bottles. We invite you to enjoy safe, fresh-tasting water from our eco-friendly water purifiers "CLEANSUI".



Exhibition comparing waste volumes associated with "CLEANSUI" and PET bottle use

*1 Japan Fair in Guangzhou

Japan Fair in Guangzhou was one of the largest overseas exhibitions participated in or held by the Japan External Trade Organization (JETRO).

Eco-Friendly Products and Technologies

The Mitsubishi Rayon Group contributes to the global environment with its eco-friendly products and technologies.

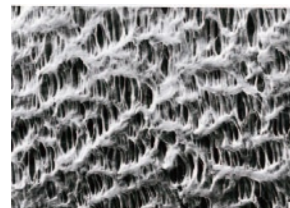
Water Treatment Technologies

The Mitsubishi Rayon Group undertakes water purification and industrial water and sewerage treatment using MF membranes (microfiltration membranes).

Raising water recycling to a higher level has become a global issue amid worldwide concerns over water shortage in recent years. High expectations are now held for sewerage treatment and seawater desalination using membranes. Mitsubishi Rayon uses hollow fiber membrane technology in two base materials, polyethylene and polyvinylidene-fluoride. This technology is characterized by high-efficiency filtration through microscopic holes



Hollow fiber membrane filter "STERAPORE"



Magnified view of the hollow fiber membrane surface

formed on the walls of the hollow fiber.

The hollow fiber membrane filter "STERAPORE" uses this technology to achieve the solid-liquid separation of activated sludge during sewerage treatment (MBR), in addition to various types of water treatment, including industrial water filtration.

Applying this technology to its "CLEANSUI" series as well, the Mitsubishi Rayon Group offers a wide variety of "CLEANSUI" water purification.

We provide good tasting water using safe materials.



"CLEANSUI" water purifier for home use

Carbon Fibers

Developing lightweight, fuel-efficient products is one of the major issue that we must overcome to achieve a low carbon society.

Dubbed "stronger than steel and lighter than aluminum," carbon fibers are promising materials, that are attracting attention in this field. Composite materials blending carbon fibers and resins are under the spotlight as base materials for auto bodies. Carbon fibers are also finding a broad range of industrial applications, including large sails for wind-power generation, expressway reinforcement and compressed natural gas (CNG) tanks.



Carbon fiber cloth



Large wind-power generation facility (reference photograph)

Recycling Technologies

As the leading acrylic resin manufacturer, Mitsubishi Rayon is working to develop industrial technologies for the chemical recycling of used acrylic resins discharged not only by Mitsubishi Rayon, but by the entire market.

>> See page 28 for details.



4

We will work constantly to maintain a harmonious relationship with society.

We place a strong focus on our relationships with our customers, consumers, local communities, shareholders and investors, trading partners, and all other stakeholders in our business, and we constantly strive to maintain and develop friendly and appropriate relations with them.

- Relationships with Local Communities
- Relationships with Shareholders and Investors

Relationships with Local Communities

The Mitsubishi Rayon Group contributes to the development of local communities by proactively promoting activities anchored in each community.

Communication with Other Companies of Local Communities

Dialog with other companies of local communities

Production centers and Group companies in Japan and abroad promote interaction with municipalities and local residents by organizing events, including plant tours. They offer the municipalities and residents numerous opportunities for gaining an understanding of their operations, environmental actions and safety.

Topics

Participation in regional RC dialog in the Iwakuni and Otake area (Otake Production Center)

The Otake Production Center took part in a regional dialog sponsored by the Japan Responsible Care Council (JRCC), and exchanged opinions on measures to prevent accidents at chemical plants and measures for curbing global warming with JRCC-affiliated chemical product manufacturers in the Iwakuni and Otake area.



Plant tour for employees' family members (Toyama Production Center)

The management and the labor union at the Toyama Production Center cosponsored a plant tour for employees and their families to help them better understand Mitsubishi Rayon. The tour and miniature experiments also gave participating families a opportunity to connect with each other.



Participation in the "Gathering and Exhibition of Masterpieces Made with Skill" (Hokuriku Office)

The Hokuriku Office took part in an exhibition where companies in Fukui Prefecture, a textile production center, bring in their skillfully created "masterpieces" and deepen their understanding of each other. Among other Mitsubishi Rayon products, the Office introduced ventilation fibers "VENTCOOL" at the exhibition, and actively exchanged views and opinions with other local companies.

Interaction through sports

Production centers and Group companies are open to the public to use their facilities, including their grounds and gymnasiums. They are used by numerous local residents. The production centers and Group members also promote interaction with local residents and encourage young people in local communities by organizing athletic events.

Topics

Softball tournament sponsorship (Ono Plant, Toei Kasei Co., Ltd.)

The plant sponsors a softball tournament once a year for workers at the Ono Town Second Industrial Park, with the objective of promoting friendship. The event attracted more than 100 participants including outside the company in 2007.

Clean-up activities

The Mitsubishi Rayon Group undertakes periodic clean-up activities in the areas surrounding its business establishments in order to make the municipalities concerned cleaner and more beautiful. In addition carrying out such activities in-house, the Group proactively takes part in outside clean-up activities sponsored by municipalities and nonprofit organizations (NPOs), and engages in environmental beautification activities with an approach that anchors the Group deeper in local communities.

Topics

Participation in the "Asakura River 530 (zero-garbage) Campaign" (Toyohashi Production Center)

The Toyohashi Production Center took part in clean-up activities sponsored by an NPO called the Asakura River Water Nurturing Forum. Through these activities, the Center worked on cleaning and beautifying the Asakura River, which cuts across the northern part of Toyohashi City.



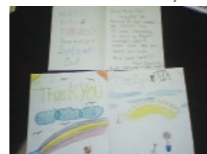
Initiatives by Group Companies Overseas

Group companies overseas are also working to maintain harmonious relationships with other companies of local communities and are engaging in safety, disaster prevention and volunteer activities, based on full understanding of, and respect for, the laws, cultures and customs in the respective countries.

Topics

Introducing chemical company careers to elementary school pupils and junior high school students (Dianal America, Inc. in the United States)

At the request of the local chamber of commerce and volunteer organizations, employees of Dianal America have visited elementary and junior high schools in the company's neighborhood to give lessons on a variety of subjects, including chemical company careers. Dianal America plans to continue with this activity because it offers children a good opportunity to think about careers and their future.



Thank-you note received from children

Participation in disaster prevention and safety activities in the Nantong Economic-Technological Development Area (Nantong Rayon Chemical Co., Ltd. in China)

Cooperation with neighboring companies is indispensable for safe plant operation. In line with this view, Nantong Rayon Chemical participates in anti-disaster drills and safety activities organized for companies in the Development Area, and shares information on examples of accidents and fire-fighting techniques.

Examples: Visits to fire brigade facilities and fire-fighting technique presentations, participation in monthly safe production exhibitions, attendance at comprehensive fire prevention drills, participation in 119 fire-fighting contests, etc.

Activities for Nurturing the Next Generation

Waku Waku! (Exciting) science classroom

The simple questions "Why?" and "How?" that children ask are the origins of manufacturing. Wishing to convey the wonders and delights of science using its products and everyday items, the Mitsubishi Rayon Group sends its employees to elementary and junior high schools to teach lessons. In the 2007 summer vacation, the Group cosponsored a science laboratory for parents and their children at Hiroshima Children's Museum with the "Chemistry Makes Our Dreams Come True" Committee.



Hiroshima Children's Museum



Elementary school in Minato-ku, Tokyo

Voice



Expectations for future scientists

Yoshihiro Tsukamoto

Information Device Development Center (stationed in the Otake Production Center)

In response to a local junior high school request for "lessons from people involved in research," I teach a science class once a year at the school. Each time I teach, I am touched by the children's extremely straightforward views. I also enjoy their unexpected questions and answers. The children teach me the importance of taking interest in everything through their enjoyment of experiments. I look forward to seeing scientists emerge from among my students in the future.

Design contest for triacetate fiber "SOALON" (Mitsubishi Rayon Textile and Dia Fashion Planning)

Mitsubishi Rayon Textile and Dia Fashion Planning cosponsored a design contest for students (at Bunka Gakuen) who will forge the future of the fashion industry. The contest required the students to use "SOALON", an eco-friendly, exceptional triacetate fiber, as the fabric for their clothing. The contest sponsors supplied the fabric to the students. Aside from the contest, the two companies sent technical experts, designers and other employees to technical and business schools as lecturers.



Initiatives for Cultural and Artistic Activities

Provision of "SHINKOLITE-A" to a performing arts group

Durable and highly transparent, the acrylic sheet "SHINKOLITE" offers processing freedom. With its unusual features, the material is also drawing attention from the arts. The Mitsubishi Rayon Group supplied "SHINKOLITE-A" to the professional dance company Noism for use in the group's 2007 performing arts production. For the production, the sheets were specially processed to give them a mirrored surface. The sheet showed dancers on the other side of it and reflected them like a mirror, depending on the intensity of the illumination. A piece of art that made full use of the attractive features of an acrylic sheet was thus created.



Donation of carbon fiber as a base material for auto bodies

- Student Formula SAE Competition of Japan
- Eco-car contest

Light and durable carbon fiber is attracting attention as a material that can achieve substantial weight reduction.

The Student Formula SAE Competition of Japan is a contest in which teams of students plan, design and manufacture auto bodies, and compete with each other using their collective manufacturing capabilities. Mitsubishi Rayon donates carbon fiber to the automobile study club at Toyohashi University of Technology, a competition participant, as a base material for auto bodies and parts.

The Toyohashi Eco Car Championship is a race for eco-cars that run on batteries and fuel cells. Held in Toyohashi City every year, the race serves as an opportunity to think about achieving a sustainable society. Mitsubishi Rayon also donated carbon fiber for use as an auto body material to groups that took part in this event.



Eco-car contest



Student Formula SAE Competition of Japan

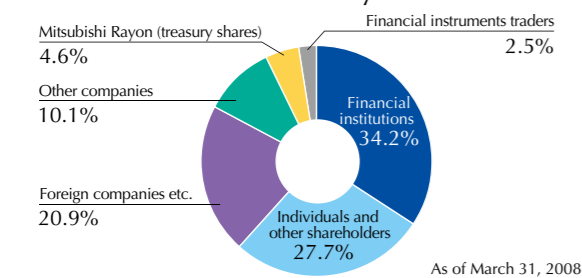
Relationships with Shareholders and Investors

The Mitsubishi Rayon Group attaches importance to its relationships with shareholders and investors, and works to disclose information in a timely and satisfactory manner.

Status and Composition of Shareholders

At a Board of Directors Meeting held in February 2008, Mitsubishi Rayon resolved to acquire treasury stocks for the purpose of executing capital policies in a flexible manner in response to changes in management conditions. Based on the resolution, Mitsubishi Rayon purchased its own shares from the market, with mid-February 2008 to mid-March 2008 as the purchase period. Through the market purchase completed on February 29, 2008, Mitsubishi Rayon acquired 26,980,000 treasury stocks at a total acquisition cost of ¥9,999,912,000. As of March 31, 2008, outstanding Mitsubishi Rayon shares totaled 599,997,820 across approximately 79,000 shareholders as a result. The shareholder composition was as follows: financial institutions 34.2%, individuals and other shareholders 27.7%, foreign corporations etc. 20.9%, other corporations 10.1%, Mitsubishi Rayon 4.6% and financial instruments traders 2.5%.

Distribution of Mitsubishi Rayon shareholders



Dividends and Reports to Shareholders

Mitsubishi Rayon positions profit returns to shareholders as one of its most important management policies. The Company returns profits to shareholders in the forms of dividends and retained earnings. Mitsubishi Rayon adopts sustained and stable dividend payment as its basic policy. The Company pays dividends from a comprehensive standpoint in consideration of a number of factors, including the need to increase retained earnings to prepare for business launches and future expansion.

Information Disclosure

The Mitsubishi Rayon Group adopts the "disclosure of information and proper handling of confidential and personal information" as one of the principles of its Corporate Ethics Policy. The Mitsubishi Rayon Group established the "Corporate Information Disclosure Regulations" in April 2008 with regard to disclosure criteria for key management matters. The Group manages information disclosure in accordance with these Regulations.

The Mitsubishi Rayon Group is taking steps to make disclosed information easier to understand through the timely publishing of shareholder reports entitled "Business Report," annual reports and supplementary closing materials, and by increasing and upgrading the information available on its website.

In addition, the Mitsubishi Rayon Group is taking assertive action with regard to information disclosure, including organizing briefing sessions to explain operating conditions, introducing products to securities analysts, financial investors and individual investors, and participating in corporate introduction events.

Response to Individual Investors

Many individual shareholders attend General Meetings of Shareholders. Mitsubishi Rayon began displaying major products manufactured by the Mitsubishi Rayon Group in an area adjacent to the venue on the occasion of the 82nd General Meeting of Shareholders held on June 28, 2008. Shareholders in attendance asked questions and displayed enthusiasm for the products on display, including carbon fibers and filtration membranes for water treatment. In an additional step, Mitsubishi Rayon exhibited its products at the "Nikkei IR Fair" held in August 2008 (sponsored by the Nikkei Inc.) and the "IR Technology Forum 2008" held in December 2007 (sponsored by Nikko Investor Relations Co., Ltd.) in order to increase interest in its operations and products.



"Nikkei IR Fair" sponsored by Nikkei Inc.

Response to Institutional Investors

Mitsubishi Rayon is assertively undertaking investor relations activities to help securities analysts and institutional investors deepen their understanding of the Company and the Mitsubishi Rayon Group. It is doing this by sponsoring briefings to explain interim and annual closing results, and running guided tours of production centers both in Japan and abroad. In July 2007, Mitsubishi Rayon directors took part in a corporate introduction session held in Europe (sponsored by Mitsubishi UFJ Securities Co., Ltd.), and visited institutional investors around Europe to explain the position of the Company's businesses. Moreover, Mitsubishi Rayon took part in conferences in Japan sponsored by securities companies, and received many questions from institutional investors in attendance from Japan and abroad.



"Japan Equity Conference 2007 London" sponsored by Mitsubishi UFJ Securities Co., Ltd.

Future IR Activities

Taking into consideration the IR activities it has undertaken in the past, Mitsubishi Rayon will engage in activities which emphasize dialog with shareholders and investors in an effort to further their understanding of the Mitsubishi Rayon Group. In addition, the Company will launch new activities, including the production of more easily understood disclosure tools for IR information, such as the shareholder reports entitled "Business Report" and annual reports, and it will periodically organize corporate introduction sessions on a small scale for individual investors.

Mitsubishi Rayon will sustain its efforts to disclose more easily understood information promptly, satisfactorily and fairly to all stakeholders, including shareholders and investors, and it will continue with its assertive IR activities.



5

We value each individual employee.

We recognize that our employees are an invaluable asset, and we therefore respect the rights and individuality of everyone who works in the Mitsubishi Rayon Group. We will do our utmost to ensure that our working environments are safe, and will offer opportunities for our employees to exercise and develop their skills.

■ Relationships with employees

Relationships with Employees

To simultaneously achieve sustainable corporate growth and employee satisfaction, the Mitsubishi Rayon Group respects diverse individual capabilities, and aims to develop a workplace environment which motivates every employee to give their best.

Human Resource Development

Based on its view that the capabilities of people and organizations are the key source of corporate growth and competitive ability, the Mitsubishi Rayon Group views human resource recruitment, training and application as important management challenges, and focuses its efforts on these areas.

Training programs

The Mitsubishi Rayon Group supports employees' efforts to develop their capabilities and skills by combining daily on-the-job (OJT) training through training programs and activities to assist in personal development. The Mitsubishi Rayon Group has adopted human rights education, legal compliance, thorough enforcement of corporate ethics, and the promotion of safety and environmental management as common themes of the training programs it has designed for new employees and managers. In addition, in view of the Group's increasing global operations, it is increasing its efforts to train individuals who can serve as managers, based on their understanding of cultures and systems.

Personal development training

The Mitsubishi Rayon Group provides career development training mainly to young employees who are on the managerial track. This training is aimed at giving the employees concerned a vision for their own growth with the Mitsubishi Rayon Group, as well as developing their capabilities from a medium- to long-term perspective.

Training for newly appointed managers

To facilitate effective organizational management, the Mitsubishi Rayon Group provides training in areas such as communication skills and leadership to help develop the management capabilities of employees who have been recently appointed to management positions. In addition, the Group offers dedicated safety and production management training to newly appointed technical managers who are expected to operate as effective leaders on manufacturing sites.

Life planning training

In the current environment of increased options for continuing work after the age of retirement, the Mitsubishi Rayon Group supports activities aimed at raising awareness of career development and economic planning for life beyond the age of 60, including reemployment schemes. Intended for all managers who have reached the age of 50, the Group's "life planning training" focuses on career development. The training is aimed at deepening self-understanding and clarifying action targets for the future. The "second career support seminar" is a seminar on economic planning in general. It is designed for all Group managers who have reached the age of 57.

COM-PAS target-based personnel evaluation system

The Mitsubishi Rayon Group takes the view that strong unity of direction across all Group members is critical for its sustained development as a group of US*1 companies. Based on this view, the Group has introduced a personnel performance evaluation system that stimulates communication within its organization, provides employees with common organizational targets, and accurately rates individuals who work hard and succeed in achieving the targets. This system is nicknamed COM-PAS (Communication, Plan, Action & Success). To make the system more effective, the Group offers manager-focused training to evaluators on an annual basis in order to increase the fairness, persuasiveness and transparency of the evaluations. The Mitsubishi Rayon Group believes that this target-based personnel management process, from target establishment to performance evaluation, maximizes the capabilities of individual employees and, by extension, allows the entire Group to display its organizational strength.



Training for personnel performance evaluators
A total of 465 Group employees had undergone this training by the end of fiscal 2007.

Measures for human resource development within the Mitsubishi Rayon Group

Positions	Role changes	Training				
		Reinforcement of management and organizational capabilities	Training by level	Training by objective or function	Technical training	Response to globalization and personal development
Directors Division general managers Directors of R&D Center Plant managers Department managers Group leaders	Specialist High-level experts	Training for Group companies' representatives Executive Training Training for COM-PAS evaluators	Training for newly appointed managers Training for newly appointed managers at production centers	Seminar to support second careers Training on life planning Training for newly appointed technical managers	Training to increase business planning capabilities Training on intellectual property Technical lectures (e-learning on the web)	Correspondence education and systems for supporting the acquisition of languages and certificates TOEIC implementation every year Group-wide TOEIC implementation every year
Section heads Assistant section heads Senior employees New employees	Operational promotion	Focused on personnel rotation within respective departments to expand and upgrade specialized skills and capabilities and strengthen application capabilities (for Group members in Japan and abroad)	Personal development training Training for employees who have switched to the managerial track New Employee Training	Marketing study workshop	Overseas training (including abroad and job training)	Overseas training (including abroad and job training)

Work-life Balance

Measures for supporting efforts to balance work and family lives

The Mitsubishi Rayon Group established its Action Plan for General Business Operators in accordance with the Law for Measures to Support the Development of the Next Generation for a three-year period from fiscal 2005 to fiscal 2007. Through this, the Group aimed to boost corporate vitality and contribute to society through the development of better working conditions for Group employees, including those in support of their efforts to balance work and family life. Initiatives promoted under the Plan are as follows:

- **Increase the amount of parental leave taken.**
 - Average percentage of female workers with a newborn child taking parental leave: 96% [70% or more]
 - Number of male workers taking parental leave: four individuals [one or more individuals]
- **Expand and upgrade systems that support efforts to balance work and family life, and promote the use of these systems.**
 - Extend the period of leave under the parental leave scheme (to the later of (1) April 30 after the child's first birthday or (2) the day one year and six months after the child's birth).
 - Expand the period of entitlement to shortened working hours for raising children (to the point when the child reaches elementary school age).
 - Expand the scope of compassionate leave*2 entitlement (to cover raising all preschool children).
 - Organize sessions for employees in order to explain measures for supporting efforts to balance work and family life. The Mitsubishi Rayon Group organized sessions of this type at head offices, branch offices and production centers between January and March 2008. A total of 37 sessions were held, with more than 2,100 participants.
- **Make an effort to shorten prescribed working hours, and promote the use of the annual paid leave scheme.**

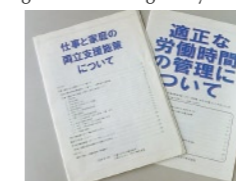
Figures in square brackets are initial targets.

The Mitsubishi Rayon Group applied for certification from the Tokyo Labour Bureau as a General Business Operator Conforming to Standards, stipulated in the Law for Measures to Support the Development of the Next Generation. The Group obtained the Kurumin Certification Mark from the Bureau in May 2008 in recognition of its achievements against the Action Plan described above.



Next Generation Kurumin Certification Mark

Furthermore, the Mitsubishi Rayon Group signed an agreement with the operator of a website that supports employees on parental leave, and set up systems including the child-care home helper fee financing system (Fukushikai) and the Welcome Back Scheme. The Group allows employees to take nursing leave and use the system of shortened working hours for nursing for up to one year per family member in need of care. In addition to sustaining activities for expanding and enhancing the systems introduced above, the Mitsubishi Rayon Group will continue its efforts to achieve better work-life balance by developing a Group culture that encourages its employees to respect and understand different values and ways of life.



Booklets distributed to promote efforts for improving work-life balance

* 1 US stands for Uniqueness Specialties, which are projects combining originality and advantages at the same time

*2 Compassionate leave is a Mitsubishi Rayon system for accumulating expired annual paid holidays for later use. It applies to leave from the fiscal year before last, with leave able to be accumulated up to a maximum of five days per year and 40 days in total. Mitsubishi Rayon employees can use the accumulated holidays to care for family members and engage in community and social contribution activities, in addition to taking care of their own ailments and injuries.

Number of system users



The figures presented above are totals for Mitsubishi Rayon and Mitsubishi Rayon Engineering.

Welcome Back Scheme

Mitsubishi Rayon launched the back-to-work registration scheme for former employees in January 2008 to give former Mitsubishi Rayon employees who had left voluntarily the opportunity to return to work with the Company. Registration is open to all former employees regardless of their reason for leaving, including childbirth and nursing. It is a new back-to-work scheme which meets various changes in life stages. As of April 2008, there were four individuals registered for the scheme.

Voice

First male to take parental leave at Mitsubishi Rayon



Tadaihiro Okamura
Human Resources and Labor Systems Group
Human Resources Department

I honestly feel that I made the right choice by taking advantage of this system. During my leave I was able to spend a lot of time with not only the baby but also my other two children. The Company and labor union actively promote systems that support efforts to balance work and family life, but I still don't think that many of our employees' wives are aware that male workers can take parental leave too. I would recommend that employees whose wives are expecting a child discuss the possibility of taking leave at least once. I would like to see more of our employees enjoy raising their children.

Relationships with Employees

For a More Enjoyable Working Environment

Human rights protection

In Item 4 of its Corporate Ethics Policy, the Mitsubishi Rayon Group states, "In all of our business activities, we will respect human rights, dignity and individuality. We will respect the dignity and individuality of our employees and strive to provide a safe and worker-friendly environment for them." In this spirit, the Mitsubishi Rayon Group is working to develop a fair working environment where human rights are respected. In addition, the Group is seeking to raise awareness of the need to respect human rights through giving a human rights education lecture in various Group employee training programs.

With regard to sexual harassment, the Mitsubishi Rayon Group has spelled out its position of zero tolerance in its employment regulations. The Group is raising awareness of sexual harassment through in-house magazines and employee training programs. In addition, the Group has set up sexual harassment counseling desks in head offices, branch offices and production centers, and has established a committee for countermeasures in a bid to develop a system that offers a rapid response in the case of any sexual harassment.

Employment of people with disabilities

As of March 2008, the employment rate for people with disabilities was 1.7% across the Mitsubishi Rayon Group. As part of its CSR activities, Group-wide efforts will be made to hire more people with disabilities and develop facilities to accommodate them in an attempt to achieve and exceed the statutory requirement of 1.8%.

Reemployment policy

The Mitsubishi Rayon Group launched a reemployment policy in fiscal 2001. The Group is reemploying workers in accordance with the intention of the Law Concerning Stabilization of Employment of Older Persons (revised in 2006). In principle, all employees, including managers, are eligible for reemployment after the age of retirement, on the conditions specified by the company. The Mitsubishi Rayon Group ensures that working styles are complemented, so reemployed individuals continue to feel as motivated as ever.

Support for resuming work after forced absences due to illness and injury

It is important to prevent physical and mental illness and injury through lifestyle improvements and everyday care. If employees do become ill or injured, it is essential to provide them with an environment that allows them to concentrate on their treatment for the required length of time and return to work without any problems. In view of this need, in April 2008 the Mitsubishi Rayon Group established programs and systems that support the trouble-free resumption of work after leave taken due to physical and mental ailments. Mitsubishi Rayon offers follow-up to sick

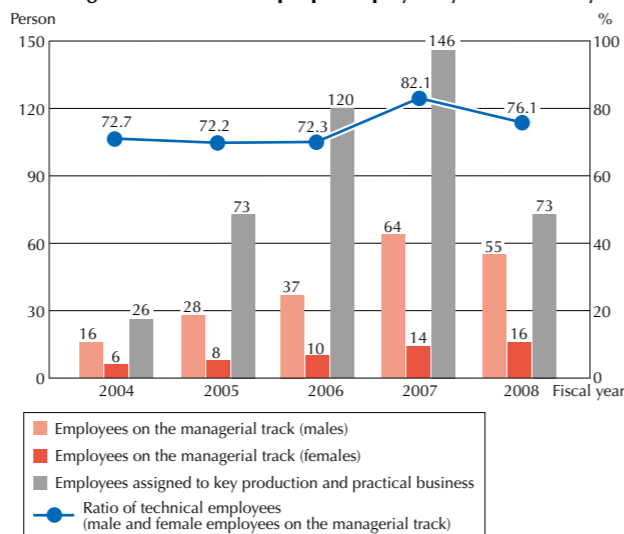
employees in cooperation with contracted occupational physicians while they are undergoing treatment, and produces a work resumption program for each employee following his or her application to resume work. Based on the program, Mitsubishi Rayon workers can return to work in two stages, consisting of the "trial commute to work" and "preliminary work with shortened hours." These new support initiatives allow employees to gradually build up to a return to full time work after a required preparatory period.

Employment

Basic policy for employing recent graduates and mid-career workers

The conditions in which companies operate are changing on a daily basis, along with social frameworks. The Mitsubishi Rayon Group continues to hire diverse individuals with potential in order to survive under these conditions and to achieve the Group's goals. The Group's employment strategy is to concentrate on career workers on an as-needed basis, in addition to the periodic recruitment of recent graduates.

Changes in the number of people employed by Mitsubishi Rayon



- The figures presented above include employees hired on an as-needed basis.
- The figures are correct as of April 2008.

Internship

Mitsubishi Rayon offers an internship program which is available mainly to students from universities, graduate schools and technical colleges. Each Mitsubishi Rayon production center receives 10 to 20 students every year through the two-week program, which gives the students the opportunity to experience manufacturing and research on-site and firsthand, and to consider their career options. The Company makes the internship program available to foreign students in Japan as well.

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My View of Mitsubishi Rayon's CSR Report 2008



Katsuhiko Kokubu

Professor
Graduate School of
Business Administration
Kobe University

Central CSR Themes

As stated in the message from the president, Mitsubishi Rayon's CSR activities are characterized by people-oriented management and environmental measures with ambitious targets. With its focus around these two themes, this report also reflects the Company's resolve and actions for fulfilling its CSRs.

CSR Activities with an Emphasis on People

The report introduces numerous initiatives taken by Mitsubishi Rayon with respect to corporate management that makes the most of individuals. These include the Movable President's Office program which facilitates interaction with workers at plants, training programs, the COM-PAS personnel performance evaluation system, and the Welcome Back scheme. I am also very impressed by the simultaneous patrols carried out by managers as described in the special feature section, which, along with the Movable President's Office program, serve as a meaningful method of promoting communication with employees. I believe that from now on, systems for enabling employees' voices to be heard outside the Company based on management-labor dialog will also prove effective.

Full Environmental Report

With regard to the environment, the report provides total volume reduction targets for CO₂, in addition to benchmarks per unit. This type of information reflecting the actual situation is highly regarded, making the transition to a low carbon society inevitable. In future, I would like to see Mitsubishi Rayon set out an ultra long-term vision. The Company has also advanced a chemical recycling program that allows acrylic waste generated in-house to be restored to high-purity materials. In fiscal 2007, it introduced a large facility and commenced verification tests for recycling acrylic products manufactured by other companies in the market. This activity deserves recognition as an ambitious initiative. In the report, Mitsubishi Rayon clearly discloses the types and results of environmental, safety and quality assurance audits. The report also provides complete environmental accounts, including negative information. As a report by a chemical manufacturer, it deserves a high rating.

Linking CSR Activities to Core Businesses

As I have outlined, Mitsubishi Rayon is advancing distinct initiatives through its CSR activities based on strong resolve on the part of its senior management. In my view, an important issue for the Company going forward will be how to structure these initiatives and link them to core businesses. As far as environmental actions are concerned, the question will be how to bring environmental response targets closer to business targets, including targets for increasing profits through waste reduction and boosting sales of eco-friendly products. I believe that the next important step for the Company will be setting action targets for social activities, including responses to employees (however qualitative), and establishing the PDCA management cycle.

Need to Reflect Stakeholders' Opinions

CSRs are social responsibilities. I believe that going forward, companies need to work aggressively to reflect their stakeholders' opinions on CSR activities. Previously overlooked areas of activity should come into focus when a company engages in dialog with stakeholders via the medium of its CSR report. CSR reports are corporate windows that are open to society. I would expect Mitsubishi Rayon to further expand and upgrade its CSR Report and transform it into a source of two-way communication.

[Brief summary of the author's background]

With a doctorate in business administration, Kunibe completed the business administration research program at Osaka City University's Graduate School of Business. Occupying his current position since 2001, in 2003 Kunibe established the Institute for Environmental Management Accounting, a company that puts research findings to practical application. Kunibe has served as the chairman of the Ministry of Economy, Trade and Industry's Committee on the Development and Popularization of Material Flow Cost Accounting and as the member of the Ministry of Environment's Committee on the Examination of Environmental Reporting Guidelines, among other positions. Books written by Kunibe include "Environmental Management and Accounting" (Yuhikaku).

On Third-Party's Opinion



Noriyuki Tajiri

Director of the Board
and Senior Executive Officer
in charge of the CSR Committee

The Mitsubishi Rayon Group has published the Environmental and Safety Report since fiscal 1998 to disclose its environmental and safety initiatives to all stakeholders. Later, the Report expanded its scope and changed its name to the Environmental and Social Report to introduce the Group's initiatives from the perspective of social involvement as well. Renamed once again, this year the Mitsubishi Rayon Group is publishing its first CSR Report to stakeholders.

Mitsubishi Rayon has developed its ability to promote CSR activities by establishing the CSR Committee and the CSR Charter in fiscal 2007. As Professor Kokubu pointed out, the Mitsubishi Rayon Group considers it essential to link current activities with its core businesses, set specific targets, and think about how to promote and structure the activities as it moves forward.

The Mitsubishi Rayon Group intends to raise awareness of CSR activities, and to structure its current CSR activities into Group-wide undertakings that transcend departments and production centers.

Professor Kokubu rated the Mitsubishi Rayon Group highly for carrying out people-oriented CSR activities as well. The Group will continue activities that emphasize dialog with employees, and bring the management cycle into view from a social perspective, including the establishment of new targets. The Mitsubishi Rayon Group is committed to making concerted efforts to advance its CSR activities as one solid force by establishing opportunities for dialog with a variety of stakeholders, as well as with employees, and by attempting two-way communication.

Editor's Postscript

The Mitsubishi Rayon Group CSR Report 2008 was prepared for publication with the cooperation of numerous departments and companies within the Group, with the CSR Committee Secretariat at the core.

The main products manufactured by the Mitsubishi Rayon Group are base materials. For this reason, the Group often receives feedback from outside parties to the effect that it is difficult for them to visualize the activities of the Group companies. We have attempted to make this report easy to read and user-friendly by introducing Group products in

everyday settings with illustrations, and by using photographs throughout the publication. We have also devoted more pages to environmental reports than we have previously. In addition, we have arranged chapters in accordance with the items of the CSR Charter established in fiscal 2007.

We intend to keep listening to stakeholders' opinions and produce reports that provide the information sought by society in a format that is easy to understand. We would greatly appreciate your comments.

CSR Committee Secretariat