

Corporate Governance

Kuraray believes that the maintenance of appropriate relationships with shareholders and other stakeholders and the fulfillment of environmental and social responsibilities are consistent with its objective of achieving a long-term improvement in business results and sustainable growth as a company that does business globally. Kuraray seeks to fulfill its responsibilities as an enterprise open to society by enhancing the corporate governance function and establishing highly transparent and fair management.

CORPORATE GOVERNANCE SYSTEM

Kuraray is establishing a corporate governance system to increase the effectiveness of supervision and monitoring functions as well as to ensure management efficiency.

Board of Directors and Organizations Responsible for Business Execution

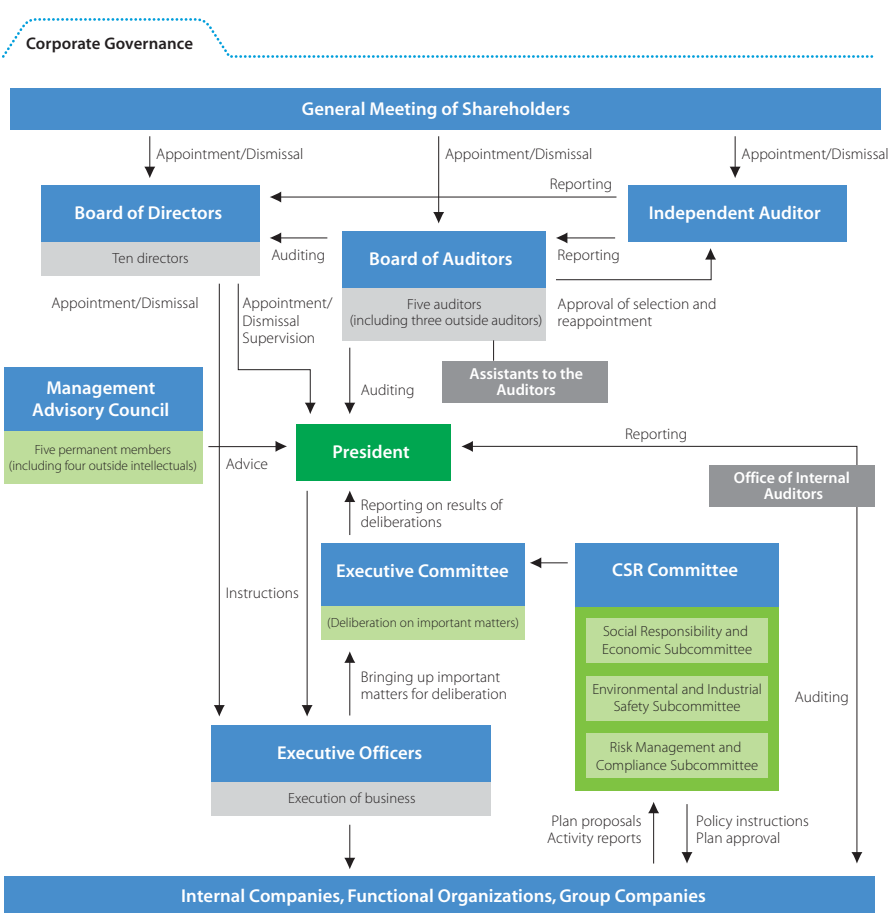
- The Board of Directors establishes the Board of Directors' Regulations, deliberates on and decides important management matters, including legal matters, and supervises the execution of business. The maximum number of directors is 10, and the term of office is one year.
- As the chief executive responsible for business execution, the president exercises control over the execution of business in the Kuraray Group.
- Executive officers (one-year term of office) selected by the Board of Directors are responsible for business execution in the various organizations of the Kuraray Group. As the heads of in-house companies, divisions, and major functional organizations, the executive officers bear operational responsibility and profit responsibility.
- The president establishes the Executive Committee and other various councils and committees to deliberate and report on important matters concerning the Group's management policies and business execution.

Management Advisory Council

- Kuraray has established the Management Advisory Council to serve as a consultative body to the president from the perspectives of compliance, the protection of shareholder rights, and management transparency. The Council, which consists of five permanent members, four of whom are intellectuals from outside the Group who have a wealth of experience in corporate management or corporate legal affairs, advises the president on such issues as important management policies and issues, succession of the president, successor candidates, and compensation.

Board of Auditors

- The Board of Auditors consists of five corporate auditors, including three outside auditors from outside the Kuraray Group. The corporate auditors attend meetings of the Board of Directors and other important meetings and monitor the directors' performance of duties through inquiries conducted by such means as the examination of important documents and requests for explanations of the state of business affairs. Kuraray appoints dedicated assistants to the auditors to assist the auditors in the performance of their duties.



INTERNAL CONTROL AND RISK MANAGEMENT

The Kuraray Group recognizes that the establishment and implementation of internal controls is an important management task and is engaged in putting in place an internal control system based on the Basic Policy for Establishing Internal Controls decided by the Board of Directors.

- The CSR Committee administers the establishment and operation of the Group's integrated compliance and risk management systems. The Office of CSR and Communications serves as the CSR Committee's secretariat, administering the Committee's business and working to inculcate compliance within the Group.

- The Office of CSR and Communications plays a central role in risk management with the functional organizations engaging in continuous management. In times of serious emergency, Kuraray puts into operation an Emergency Response Headquarters directed by the president and launches a rapid response that musters the resources of the entire organization.
- The Office of Internal Auditors, an internal audit organization that reports directly to the president, cooperates with corporate auditors and the independent auditor to audit the legality, appropriateness, and effectiveness of business operations in each organization.
- To enhance these systems, Kuraray has established the Internal Controls Reform Team, which inspects and promotes establishment of group-wide internal controls.

COMPLIANCE

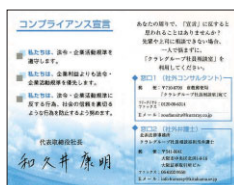
To ensure transparency and fairness in business activities, and in addition to putting in place an effective corporate governance system, it is necessary to build an organizational culture to encourage individual employees to act appropriately on the basis of a highly developed sense of ethics. For this reason, Kuraray engages in systematic activities to strengthen compliance.

In fiscal 2005, Kuraray distributed the Kuraray Group Compliance Handbook, an instructional guide intended for all Kuraray employees, held meetings to explain compliance and incorporated compliance in employee training curricula.



Kuraray Group Compliance Handbook

The Kuraray Group Compliance Handbook is an instructional handbook in which conduct guidelines based on the Principles for Business Conduct are presented in an easy-to-understand way in the context of day-to-day work activities.



Compliance Card

The Compliance Card is a wallet-sized card on which are printed the Principles for Business Conduct, the Compliance Declaration, and the contact number of the Kuraray Employee Counseling Room.

HISTORY OF COMPLIANCE ACTIVITIES AT KURARAY

- 1998** Establishment of the In-House Ethics Committee chaired by the president, formulation of the Principles for Business Conduct
- 2001** Establishment of the Kuraray Employee Counseling Room as a point of contact for disclosure of misconduct
- 2003** Publication by the president of the Compliance Declaration, distribution of the Compliance Card to all Kuraray employees
Reorganization of the In-House Ethics Committee as the Ethics and Compliance Team under the Social Responsibility Subcommittee of the CSR Committee
- 2005** Strengthening of the Kuraray Employee Counseling Room system (engagement of an external attorney)
Distribution of the Kuraray Group Compliance Handbook and Compliance Card (Revised) to all domestic Kuraray Group employees and implementation of explanatory meetings and training on compliance

COMPLIANCE DECLARATION

On behalf of the Kuraray Group, the president of Kuraray publicly announced the Compliance Declaration, making compliance and the practice of corporate ethics the most important corporate activity at Kuraray.

- We will comply with the law and the Principles for Business Conduct.
- We will give precedence to laws and regulations, and to the Principles for Business Conduct, over corporate profits.
- We will strive to prevent any act that goes against laws and regulations or the Principles for Business Conduct, or that betrays the trust that society has placed in us.