

March 23, 2006
Kuraray Co., Ltd.

Organizational Restructuring and Transfer of Personnel
(as of April 1, 2006)

Kuraray announces the following organizational restructuring and transfer of personnel.

1. Organizational Restructuring Policy

Kuraray has decided to rejuvenate its personnel structure in order to launch the new GS-21 Medium-Term Business Plan with a fresh system. In pursuit of efficient, speedy and equitable management in its global operations, Kuraray will implement the following organizational changes and personnel transfers.

Objectives of Organizational Restructuring

(1) Pursue efficient and speedy management

- A) Reorganize the in-house company system into a three-company structure in order to accelerate responsiveness to markets and promote effective use of management resources
- B) In addition to establishing the Office of Global Business Development as a corporate organ to strengthen Group management abilities on a global level, we aim to set up regional governing companies in each global region.
- C) Prepare an organizational structure that rapidly harvests the fruit of operational reforms

(2) Provide for more equitable management

- A) Create an Internal Control Reform Team to develop and establish an internal controls system
- B) Establish an organization to strengthen foundational safety, compliance and risk management functions with an eye toward sustainable growth

(3) Establish an organizational structure to strengthen manufacturing and technological know-how at plants

- A) Reorganize manufacturing and technology development systems at plants and clarify oversight functions of in-house companies

2. Main Features of the Organizational Restructuring

(1) Reorganize in-house companies

From a perspective of span of control, Kuraray will keep its business organization scale under check, aiming to conduct integrated management of marketing, development and manufacturing operations. At the same time, with the primary goals of accelerating the collection and analysis of accurate information and the formulation of strategies, we will work to mend the weaknesses of the current in-house company system that was adopted in fiscal 2002. In order to accelerate responsiveness to markets and promote effective use of management resources, we will reorganize into a three in-house company structure, with the goal of ¥100 billion in annual sales per company.

Three in-house company structure and divisions included

1. Fibers and Textiles Company

Fibers and Industrial Materials Division, Clarino Division

Kuraray Fastening Co., Ltd. and Kuraray Kuraflex Co., Ltd. will be managed as business divisions within the Fibers and Textiles Company

2. Specialty Resin and Film Company

Poval Resin Division, Poval Film Division, EVAL Division

3. Chemicals Company

Methacrylate Division, Chemicals Division, Elastomer Division, Genestar Division

The current Clavella Division will be transferred to Kuraray Trading Co., Ltd.

(2) Organizational response to strengthen group management abilities on a global level

Kuraray will newly establish the Office of Global Business Development in order to strengthen Group management abilities on a global level and to support overall global business development, including corporate governance functions. Accordingly, the Overseas Companies Group within the Affiliated Companies Administration Department of the Corporate Management Division will be transferred to the new Office of Global Business Development.

(3) Organizational response to establish an internal controls system

In order to establish an internal controls system encompassing the entire Group in response to stronger social and legal requirements, we will create an Internal Control Reform Team

(4) Organizational response to strengthen safety, compliance and risk management functions

- A) The Office of CSR and the Office of Public Relations will be joined to form the Office of CSR and Communications. This office will work to promote corporate social responsibility (CSR), corporate communications and risk management in an integrated fashion.
- B) In order to centralize the chain of command regarding environmental and industrial safety, the plant environmental and industrial safety management functions of the current Office of CSR will be transferred to the Technology Division. The new Environmental and Industrial Safety Management Center will be established within the Technology Division to form the Environmental, Industrial Safety and Technology Division. Through these reforms, the Office of CSR and Communications will be responsible for formulation and examination of basic policies regarding environmental and industrial safety, while the Environmental, Industrial Safety and Technology Division will be responsible for the implementation of such policies. This will serve to clarify role divisions.
- C) We will clarify administrative functions related to quality and product liability at each company, and clarify role divisions related to the formulation and examination of basic policies (Office of CSR and Communications), and related to implementation (each company).

(5) Organizational response to rapidly harvest the fruit of operational reforms

Kuraray will restructure corporate and in-house company management strategy staff in order to rapidly harvest the fruit of operational reforms, and to strengthen contact between top management and in-house companies. At the same time, functions of the Business Process Innovation Team will be transferred to the H.R. Department of the General Affairs and H.R. Division .

(6) Organizational response to strengthen manufacturing and technological know-how at plants

In order to strengthen manufacturing and technological know-how at plants, in principle we will create new Technology Sections at each Production and Technology Department. We will create a structure where production departments are able to complete for independently production technology development, basic design of facilities to be constructed, and foundational plans for facility maintenance.

In addition, regarding the detailed design and operations of facility construction, as well as facility maintenance operations, will be transferred from Kuraray Engineering Co.,

Ltd. in principle to the new Plant Maintenance and Technology Departments to be established at each plant. This is designed to strengthen collaboration between the Departments and in-house companies to improve quality and efficiency.

3. Main features of the organizational restructuring not covered in Point 2 above

Office of CSR and Communications

We will place the Corporate Communications Group, the Legal and Risk Management Group, and the Environmental, Safety and Quality Management Group into the Office of CSR and Communications.

Corporate Management Division

To strengthen global Group operational abilities, we will transfer overseas operations of Affiliated Companies to the newly-established Office of Global Business Development. Accordingly, the group structure of the Affiliated Companies Administration Department will be discontinued.

New Business Development Division

We will establish the KCC Promotion Team to quickly achieve commercialization of the inorganic EL business

General Affairs and H. R. Division

We will improve efficiency of indirect functions at Osaka Head Office by integrating them under newly-established Osaka General Affairs Department. Establish General Affairs Group, H. R. Group, Corporate Communications Group and Logistics Group within this Department.

Environmental, Industrial Safety and Technology Division

- (1) To strengthen manufacturing and technological know-how at plants, the Okayama Plant Production Technology Development Department will be transferred to the newly-established Technology Section of Poval · Eval Production and Technology Development Department at the Okayama Plant. Accordingly, the Okayama Plant Production Technology Development will be discontinued.
- (2) To promote development of manufacturing technologies, the operations of the Niigata Plant Production Technology Development Department will be transferred to the newly-established Methacrylate Technology Development Department at the Niigata Plant. Accordingly, the Niigata Plant Production Technology Development Department will be discontinued.

- (3) To strengthen collaboration with in-house companies and to improve quality and efficiency related to the detailed design and construction of facilities, as well as facility maintenance operations, Plant Maintenance and Technology Departments administered by the Environmental, Industrial Safety and Technology Division will in principle be established. These departments will take on the operations currently conducted by Plant Maintenance Division of Kuraray Engineering Co., Ltd.

Fibers and Textiles Company

- (1) With the aim of greater operational efficiency, the *CLAVELLA* and PET resin businesses of the Clavella Division will be transferred to Kuraray Trading Co., Ltd., which at present already carries out primary sales functions in these businesses. Accordingly, the Clavella Division will be discontinued.
- (2) To rapidly achieve business expansion in accordance with the terms of the new GS-21 medium-term business plan, functions that cut across business divisions within the in-house companies (including Kuraray Fastening Co., Ltd. and Kuraray Kuraflex Co., Ltd.; this definition applies hereafter) must be strengthened. As organizations with direct control of in-house companies, we will establish the Automotive Application Fibers Promotion Group, the Market Development Department (Tokyo), and the Fiber Materials Development Department at the Kurashiki Plant.
- (3) In order to strengthen and clarify management functions related to production, technology, development, product liability and quality management operations that cut across business divisions within the Fibers and Textiles Company, we will create the new position of Assistant to the President.

Fibers and Textiles Company, Fibers and Industrial Materials Division

- (1) To promote the development of new markets across the broad scope of fibers and textiles the Market Development Department of the current Fibers and Industrial Materials Company will be transferred to the Fibers and Textiles Company. The Market Development Department as it is in its current state will be discontinued.
- (2) To strengthen manufacturing and technological know-how at plants, a new Technology Section will be created in the Vinylon and K-II Production and Technology Department, which will subsequently become the Vinylon and K-II Production and Technology Development Department. This is designed to make this department self-sufficient in the areas of production, technology and development, facility construction, and facility maintenance.

Fibers and Textiles Company, Clarino Business Division

- (1) To aggressively implement development of the novel new CATS process, Innovative Process Development Group of the Development Department will be merged with the Product Development Group of the same department to form the Innovative Process Development Group.
- (2) To strengthen manufacturing and technological know-how at plants, a new Technology Section will be created in the Production and Technology Department of the former Clarino Company, and will be restructured as the Clarino Production and Technology Development Department, with the aim of self-sufficiency in production technology development, and plant construction and facility maintenance.
- (3) To respond promptly to the marketing needs, management of existing product development process functions will be transferred to plant's Production and Technology Development Department. Accordingly, the Products Development Group is newly formed in the Clarino Production and Technology Development Department.

Specialty Resin and Film Company

To combine production, technology and development functions, as well as product liability and quality control functions within the in-house company, the Production & Technology Management Department is placed.

Specialty Resin and Film Company, Poval Resin Division

- (1) To strengthen manufacturing and technological know-how at plants, a new Technology Section will be created in the Okayama Plant's Production and Technology Department, which subsequently become the the Poval • EVAL Production and Technology Development Department with the aim of self-sufficiency in production technology development and plant construction and facility maintenance.
- (2) The Niigata plant's Production and Technology Department will be re-formed as the Poval Production and Technology Development Department, and the same department's Technology Group functions will be transferred to the Niigata plant's newly created Plant Maintenance and Technology Department.

Specialty Resin and Film Company, EVAL Business Division

Product management operations of the current EVAL Group's Specialty Resin and Film Sector's Planning and Administration Department will be transferred to the EVAL Division, and a Product Management Group will be established within the same business division.

Chemicals Company

- (1) The Chemicals and Medical Products Sector's Planning and Administration Department will be created in the Chemicals Company's Planning and Administration Department. Accordingly, the management planning functions of the current Chemicals Company Administration Group, Specialty Resin and Film Sector Planning and Administration Department Methacrylate Group, GENESTAR Division planning and administration functions will be transferred to the Chemicals company's Planning and Administration Department, placed Group I (responsible for chemicals, elastomer and *GENESTAR*) and Group II (responsible for methacrylate) in the same department.
- (2) The company's production, technology, product liability and quality control functions will be placed in the Production & Technology Management Department, and each plant's production and technology development-related organizations will be directly linked to the in-house company and not to the divisions.
- (3) To strengthen manufacturing and technological know-how at plants, a Technology Section will be created in the Kashima Plant's Isoprene Chemicals Production and Development Department, which will subsequently become the Isoprene Chemicals Production, Technology and Development Department. This is designed to make this department self-sufficient in the areas of production technology development, basic design for plant construction and basic planning for facility maintenance.
- (4) The Niigata plant's Fine Chemicals Production and Development Department will be restructured as the Fine Chemicals Production, Technology & Development Department. The functions of the same department's Technical Group will be transferred to the Niigata plant's newly created Plant Maintenance and Technology Department.
- (5) To strengthen manufacturing and technological know-how at plants, a Methacrylate Technology Development Department will be newly created at the Niigata plant. This is designed to make this department self-sufficient in methacrylate-related production technology development, basic design for plant construction and basic planning for plant maintenance.
- (6) To promote the establishment of the acrylic elastomer business, the Acrylic TPE Group will be transferred from the Project Promotion Department of the New Business Development Division, and the Acrylic TPE Business Development Team will be newly formed.

Chemicals Company, Methacrylate Division

To improve profitability in the stamper business and to promptly bring new backlighting devices to market, the current Methacrylate Company's Optical Products Production and Development Department will be streamlined to form the Optical Products Production &

Development Section at the Chemicals Company's Kashima Plant.

Chemicals Company, Elastomer Division

In response to expanding demand for polymer products such as Liquid Isoprene Rubber and TPU, the Elastomer Sales Department will be split into the SEPTON Marketing & Sales Department and the Polymer Marketing & Sales Department. Accordingly, operations of SEPTON and Polymer Sales sections will be discontinued.

Chemicals Company, GENESTAR Division

Planning and administration functions of the current Planning and Administration Department will be transferred to the Chemicals Company's Planning and Administration Department, and a Technology Department will be newly established at the business division. The Technology Department will examine technical issues concerning future plant construction and conduct production management and quality control operations related to compounds.