

Corporate Governance

Kuraray believes that the maintenance of appropriate relationships with shareholders and other stakeholders is part of the fulfillment of social responsibilities. This goal is consistent with the objectives 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 corporate governance functions 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 responsibility for operations and profit.
- 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.

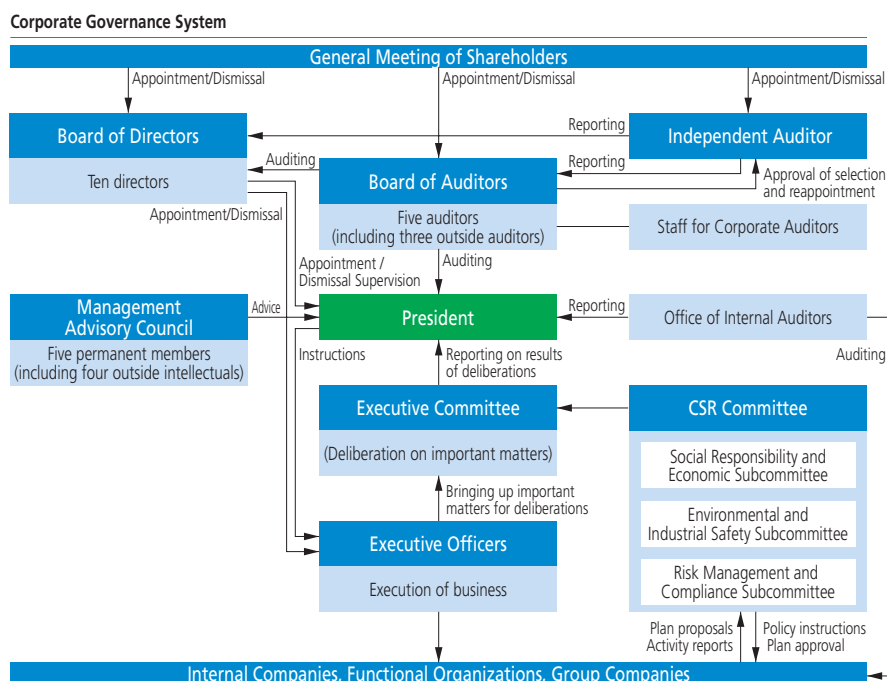
Management Advisory Council

- 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 experts 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 independent from the Kuraray Group. The corporate auditors attend meetings of the Board of Directors and other important meetings, and

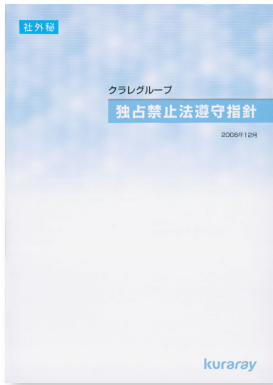
monitor the directors' performance of duties through inquiries conducted by such means as the examination of important documents and requests for explanations of the state of business affairs. Kuraray appoints dedicated assistants to the auditors to assist the auditors in the performance of their duties.



Internal Control

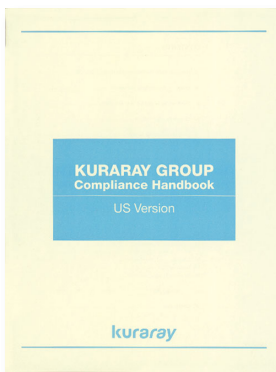
The Kuraray Group recognizes that the establishment and implementation of internal controls is an important management task and is engaged in putting in place an internal control system based on the Basic Policy for Establishing Internal Controls decided by the Board of Directors.

- 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.
- Group rules and regulations are set, and information systems established, to ensure the reliability of financial reporting.
- 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.



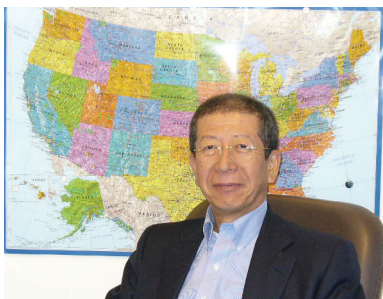
the Antimonopoly Act Compliance Guidelines

A handbook that lists things to be careful of in everyday work in regard to Antimonopoly Act Compliance Guidelines, with specific examples and in an easy-to-understand format.



Compliance Handbook (US Version)

Based on the Japanese version, a handbook for Group employees in the United States, in English, that reflects laws in the U.S.



Shuichi Takemoto
President, Kuraray America

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 initiatives to strengthen compliance.

In fiscal 2006, Kuraray revised the Antimonopoly Act Compliance Guidelines and distributed the new regulations to domestic Group employees (managers and sales people), as well as held seminars led by specialist attorneys. Kuraray also made the Compliance Handbook (US Version) in response to laws in the United States.

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.

1. We will comply with the law and the Principles for Business Conduct.
2. We will give precedence to laws and regulations, and to the Principles for Business Conduct, over corporate profits.
3. 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.

Compliance in the United States

A compliance program was initiated at Group companies in the United States as part of efforts in the establishment of the risk management system. As part of this program, the Compliance Handbook (US Version) was produced and distributed to all Group employees in the U.S. The handbook is a tool for deepening understanding of laws and behavioral standards closely related to corporate activities. Employees are asked to internalize the contents of the handbook and reflect this in all behavior and activities. Local employees have praised the handbook as being easy to understand.

Risk Management

Risk management for the Kuraray Group had been undertaken as continuous monitoring of each division within the Group, mainly by the CSR and Communications Division. In order to properly respond to new issues such as the greater number of risks that must be faced and preparation of business continuity plans, in April 2007 a risk management specialty office was established. Also, in times of crisis, Kuraray establishes an Emergency Response Headquarters directed by the president, and puts into action a response that utilizes the resources of the entire organization.