

# CORPORATE GOVERNANCE AND COMPLIANCE

## Basic Policies Concerning Corporate Governance

The Kuraya Sanseido Group focuses on ensuring transparent and sound management while maximizing corporate value.

The Board of Directors considers and decides on management policies and matters established by law, as well as other important management-related matters. The Board also supervises the status of overall business execution.

Corporate auditors conduct strict supervision of directors' execution of duties from the standpoints of legality and efficiency.

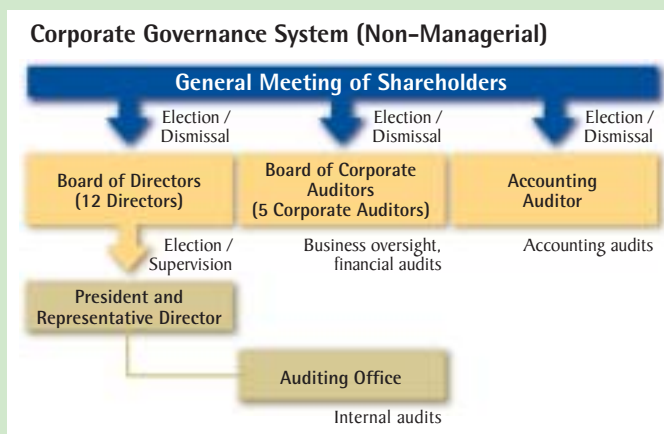
An Auditing Office reporting directly to the president conducts regular company-wide internal audits, with the aim of appropriate management and improvement spanning all aspects of business operations.

## Implementation of Measures Concerning Corporate Governance

The Board of Directors is composed of 12 directors. This represents an increase of two implemented from April 1, 2004 in order to strengthen the management team in preparation for expansion of the Company's business scope by the exchange of shares. Board meetings are held once a month and are attended by corporate auditors. The Company uses the auditor system, and appoints three outside auditors among the five corporate auditors.

The Company has adopted an executive officer system to clearly separate management decision-making and supervision from business execution. In addition, a Management Meeting participated in by directors, executive officers and corporate auditors is held, in principle, once a week to share information on management strategies and consider business solutions.

Moreover, to help shareholders exercise voting rights more quickly and actively, Internet-based exercise of voting rights was implemented starting from the general meeting of shareholders held in June 2002.



## Compliance Initiatives

The Company has established an Action Guidelines Committee whose members include the Company's advising attorney. The Committee is drawing up "Action Guidelines" that will form standards for judgment and action in carrying out activities to realize our corporate philosophy. It has also created "Basic Points for Business" as standards for legal compliance and sound business activities.

Currently, the Company is conducting initiatives such as regular meetings with individual divisions aimed at ensuring thorough knowledge and practice of these standards in order to improve corporate ethics.