



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

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.

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)

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.

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.

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.

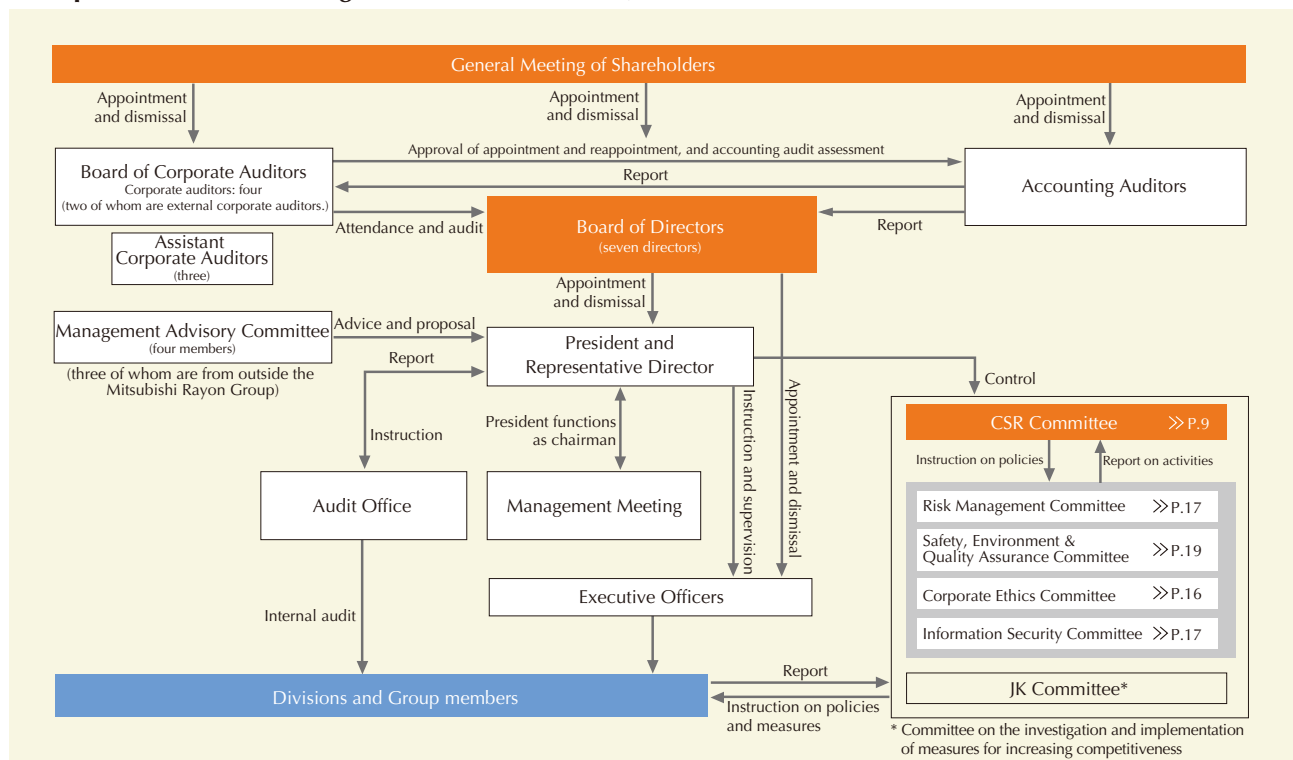
Audit System

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.

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.

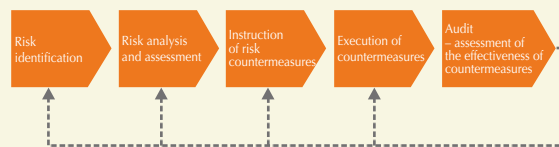
Information Security

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.