

This document is an unofficial excerpt translation of Notice of the 140th Ordinary General Meeting of Shareholders of the Company in the Japanese language. The Company prepared this translation only for the reference and convenience of non-Japanese shareholders. Please note that in the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 3405
March 3, 2021

To Our Shareholders:

Hitoshi Kawahara
President and Representative Director
Kuraray Co., Ltd.
1621, Sakazu, Kurashiki, Okayama, JAPAN
(Head Office: 1-1-3 Otemachi, Chiyoda-ku,
Tokyo, JAPAN)

Notice of Convocation of the 140th Ordinary General Meeting of Shareholders

We are pleased to notify you that the 140th Ordinary General Meeting of Shareholders of Kuraray Co., Ltd. (the “Company,” together with its subsidiaries, the “Group”) will be held in accordance with the following schedule.

You may exercise your voting rights either in writing or via the Internet, etc. in advance. Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights no later than 5:45 p.m. on Wednesday, March 24, 2021.

1. Date and Time: Thursday, March 25, 2021, at 10:00 a.m.

2. Place: “Orchard”, 2nd Floor, The Okura Prestige Tower, The Okura Tokyo, 2-10-4 Toranomom, Minato-ku, Tokyo, Japan

3. Purposes of the Meeting

Matters to be reported:

- (1) Report on the business report, consolidated and non-consolidated financial statements for the 140th fiscal period (from January 1, 2020 to December 31, 2020)
- (2) Audit Report on consolidated financial statements by the Accounting Auditor and the Board of Company Auditors for the 140th fiscal period

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Twelve (12) Directors
Proposal No. 4: Election of One (1) Company Auditor
Proposal No. 5: Determination of Compensation for Granting Restricted Stock to Directors
(Excluding Outside Directors)

4. Reminders in Convening the Meeting

- 1) If a shareholder has exercised his/her voting rights more than once via the Internet, only the final execution shall be deemed as his/her effective exercise of voting rights. The exercise of voting rights by sending the Voting Card shall be treated similarly in case of reissuance thereof. However, only the exercise of voting rights via the Internet shall be deemed effective if a shareholder has exercised his/her voting rights both via the Internet and by sending the Voting Card.
- 2) If a shareholder hopes to split his/her voting rights on any of the proposed matters, such shareholder must inform the Company in writing of his/her intention to split his/her vote and the reason therefore at least three (3) days prior to the date of the meeting.

[Descriptions on voting methods, reminders in attending the meeting and other descriptions not applicable to non-Japanese residents are omitted.]

Reference Documents for General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The distribution of profits to shareholders is one of the Company's top management priorities. While following a basic policy of increasing the distribution of profits through sustainable improvement in business performance, we will aim for a total return ratio relative to net income attributable to owners of the parent of 35% or more and annual dividends per share of ¥40 or higher during the period covered by "PROUD 2020" (from fiscal 2018 to fiscal 2020). Under this policy, we hereby propose a year-end dividend payment for the fiscal year as follows.

If this Proposal is approved, the total amount of dividends for the fiscal year, aggregated with the interim dividend, will be ¥40 per share.

Year-end dividends:

- (1) Type of dividend property: Cash
- (2) The matter regarding the assignment of dividend property and total amount thereof:
¥19 per share of the Company's common stock for a total of ¥6,534,543,327
- (3) Effective date of the dividends (payment commencement date): March 26, 2021

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) In Article 2 (Purpose), to clarify the content of our businesses in line with the current status of the Group's businesses as well as to respond to the future development and diversification of our businesses, we request to make necessary amendments.
- (2) The Company adopted the Executive Officer system in 2003 to have Executive Officers execute business efficiently. As the Company has become accustomed to the system, we request to make necessary amendments to clarify such system also on the Articles of Incorporation as well as to allow selecting the President from Executive Officers as well to ensure an agile organization.

2. Details of the amendments

Details of the proposed amendments are as follows:

(The underlines portions are to be amended.)

Current Articles of Incorporation	Proposed amendments
<p>CHAPTER I. GENERAL PROVISIONS</p> <p>Article 2. (Purpose) The purpose of the Company shall be to carry out the following businesses:</p> <p>1. <u>Manufacture, processing, sale, purchase, import and export</u> of each of the following products, and raw materials therefor and by-products thereof:</p> <p>(1) Synthetic fibers, <u>various other fibers and industrial fiber products</u>;</p> <p>(2) Synthetic resins, <u>man-made leather, synthetic rubbers, films, adhesives, inorganic materials, composite materials, paint, dyestuffs and pigments, fertilizers, industrial chemicals, pharmaceuticals, quasi-pharmaceuticals, agrochemicals, aromatics and cosmetics</u>, and various other chemical products and products related thereto;</p> <p>(3) <u>Various fasteners and products related thereto</u>;</p> <p>(4) <u>Foodstuffs, feeding stuff and feed additives</u>;</p> <p>(5) Medical devices, <u>and microorganisms, enzymes, breeding and products related thereto</u>;</p> <p>(6) (Provision omitted)</p> <p>(7) <u>Optical disks and other optical memory media</u>;</p> <p>(8) through (10) (Provisions omitted)</p> <p>(11) <u>Appliances for welfare use and nursing</u></p>	<p>CHAPTER I. GENERAL PROVISIONS</p> <p>Article 2. (Purpose) The purpose of the Company shall be to carry out the following businesses:</p> <p>1. <u>R&D, manufacture, processing, sale, purchase, import and export</u> of each of the following products, and raw materials therefor and by-products thereof:</p> <p>(1) Synthetic fibers, <u>man-made leather, hook-and-loop fasteners, nonwoven fabrics, and various other fibers and industrial fiber products</u>;</p> <p>(2) Synthetic resins, <u>synthetic rubbers, films, plastics, composite materials</u>, and various other chemical products and products related thereto;</p> <p>(3) <u>Adhesives, paint, dyestuffs and pigments, fertilizers, industrial chemicals, agrochemicals, aromatics and cosmetics, foodstuffs, feeding stuff, feed additives, and various other chemical industrial products and products related thereto</u>;</p> <p>(4) <u>Water treatment membranes, wastewater treatment equipment, activated carbon, and various other products related to environmental improvement</u>;</p> <p>(5) <u>Dental materials, medical materials, medical devices, medical equipment, pharmaceuticals, quasi-pharmaceuticals, and various other healthcare products</u>;</p> <p>(6) (Unchanged) < Deleted ></p> <p>(7) through (9) (Unchanged) < Deleted ></p>

<p><u>goods;</u></p> <p>2. through 4. (Provisions omitted)</p> <p><u>5. Manufacture of video software;</u></p> <p>6. through 18. (Provisions omitted)</p> <p><u>19.</u> Any and all business incidental to each of the preceding items.</p> <p><u>The Company may enter into transactions or carry out any act in connection with or appertaining to the businesses provided for in the preceding items.</u></p> <p>CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 15. (Convener and Chairperson of General Meeting of Shareholders)</p> <p><u>The President</u> shall convene a general meeting of shareholders and act as chairman thereof.</p> <p>2. If <u>the President</u> is prevented from so acting, one of the other Directors shall convene the general meeting of shareholders and act as chairman thereof in the order of priority determined in advance by the Board of Directors.</p> <p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 26. (Representative Director)</p> <p>The Board of Directors shall, by its resolution, appoint one (1) or more Representative Director(s) from Directors.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>Article 27. (Title of Directors)</p> <p><u>The Board of Directors may, by its resolution, appoint from Directors one (1) Chairman and one (1) President, and one (1) or more Vice Chairmen(s), Vice President(s), Senior Managing Director(s) and Managing Director(s).</u></p>	<p>2. through 4. (Unchanged)</p> <p>< Deleted ></p> <p><u>5. through 17.</u> (Unchanged)</p> <p><u>18.</u> Any and all business incidental to each of the preceding items, <u>and transactions and any act in connection with or appertaining to the businesses provided for in the preceding items.</u></p> <p>< Deleted ></p> <p>CHAPTER III. GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 15. (Convener and Chairperson of General Meeting of Shareholders)</p> <p><u>A Director determined in advance by the Board of Directors</u> shall convene a general meeting of shareholders and act as chairman thereof.</p> <p>2. If <u>the said Director</u> is prevented from so acting, one of the other Directors shall convene the general meeting of shareholders and act as chairman thereof in the order of priority determined in advance by the Board of Directors.</p> <p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 26. (Representative Director <u>and Titled Directors</u>)</p> <p>The Board of Directors shall, by its resolution, appoint one (1) or more Representative Director(s) from Directors.</p> <p>2. <u>The Board of Directors shall, by its resolution, appoint one (1) President from Directors or Executive Officers.</u></p> <p>3. <u>The Board of Directors may, by its resolution, appoint from Directors one (1) or more Director(s) titled Chairman, Vice Chairman, Vice President, and such other titles as may be determined by the Board of Directors.</u></p> <p>Article 27. (Executive Officers)</p> <p><u>The Board of Directors may, by its resolution, elect Executive Officers and have them assign the execution of operations of the Company.</u></p>
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Proposal No. 3: Election of Twelve (12) Directors

The term of office of all twelve (12) Directors will expire at the conclusion of this 140th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that twelve (12) Directors be elected.

The candidates for the Directors are as follows:

No.	Name		Current positions and responsibilities	Years served as Director	Attendance at meetings of Board of Directors
1	Masaaki Ito	Reappointed	Chairman and Director	6 years and 9 months	(100%) 14/14
2	Hitoshi Kawahara	Reappointed	President and Representative Director	2 years	(100%) 14/14
3	Hiroaya Hayase	Reappointed	<ul style="list-style-type: none"> ● Representative Director and Senior Managing Executive Officer ● Executive Supervisor of Vinyl Acetate Resin Company ● Executive Supervisor of Vinyl Acetate Film Company 	6 years	(93%) 13/14
4	Yoshimasa Sano	Reappointed	<ul style="list-style-type: none"> ● Director and Senior Managing Executive Officer ● President of Fibers and Textiles Company ● Officer Responsible for Osaka Office 	5 years	(100%) 14/14
5	Kenichi Abe	Reappointed	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● President of Isoprene Company 	5 years	(100%) 14/14
6	Keiji Taga	Reappointed	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● Officer Responsible for Corporate Management Planning Office ● Officer Responsible for CSR Division ● Officer Responsible for Administrative Unit ● General Manager of Corporate Management Planning Office 	2 years	(100%) 14/14
7	Matthias Gutweiler	Reappointed	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● President, Kuraray Europe GmbH 	1 year	(50%) 5/10
8	Nobuhiko Takai	Reappointed	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● President of Functional Materials Company 	1 year	(100%) 10/10
9	Jun Hamano	Reappointed Outside Director Independent Director	Director	5 years	(100%) 14/14
10	Keiko Murata	Reappointed Outside Director Independent Director	Director	1 year	(100%) 10/10
11	Satoshi Tanaka	Reappointed Outside Director Independent Director	Director	1 year	(100%) 10/10
12	Kiyoto Ido	Newly appointed Outside Director Independent Director	—	—	—

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
1	Masaaki Ito (June 23, 1957) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1980 April 2010 June 2012 April 2013 June 2013 April 2014 June 2014 January 2015 January 2021	Joined Kuraray Co., Ltd. General Manager of Methacrylate Division, Chemicals Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Vice President of Functional Materials Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Officer Responsible for Corporate Management Planning Division and Officer Responsible for CSR Division, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President and Representative Director, Kuraray Co., Ltd. Chairman and Director, Kuraray Co., Ltd. (Current position)	37,700
Reasons for nomination as the candidate for Director Mr. Masaaki Ito has a wealth of experience and expertise gained through leading the management of Kuraray Co., Ltd. as President for six years. In addition, since being appointed as Chairman in January 2021, he has also promoted the improvement of Kuraray's corporate governance system to ensure effective and fair management. Therefore, the Company may expect his continued contribution to its management.				
2	Hitoshi Kawahara (March 12, 1962) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1984 April 2014 January 2016 March 2016 January 2018 March 2018 March 2019 January 2021	Joined Kuraray Co., Ltd. General Manager of Poval Film Division, Vinyl Acetate Company, Kuraray Co., Ltd. Vice President of Vinyl Acetate Film Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President and Representative Director, Kuraray Co., Ltd. (Current position)	7,900
Reasons for nomination as the candidate for Director Mr. Hitoshi Kawahara was appointed Executive Officer in 2016 followed by the post of Managing Executive Officer, before becoming Director in 2019. In addition to achievements in contributing to the expansion of business performance playing a central role in global Group management and a wealth of experience, he has demonstrated strong leadership to develop a sustainable and solid foundation for Kuraray's growth and drives future development since being appointed as President in January 2021. Therefore, the Company may expect his continued contribution to its management.				
3	Hiroaya Hayase (February 28, 1956) <u>Reappointed</u> Attendance at meetings of Board of Directors: (93%) 13/14	April 1980 April 2012 June 2012 April 2013 June 2014 January 2015 March 2015 January 2016 March 2016 March 2020 January 2021	Joined Kuraray Co., Ltd. General Manager of Poval Resin Division, Resin Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of Poval Resin Division and General Manager of Production and Technology Management Division, Vinyl Acetate Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Film Company, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Director and Senior Managing Executive Officer, Kuraray Co., Ltd. Representative Director and Senior Managing Executive Officer (Current position) Executive Supervisor of Vinyl Acetate Resin Company, Kuraray Co., Ltd. (Current position) Executive Supervisor of Vinyl Acetate Film Company, Kuraray Co., Ltd. (Current position)	12,100
Reasons for nomination as the candidate for Director Mr. Hiroaya Hayase has a wealth of experience in the production technology field and vinyl acetate business, etc., and since being appointed as Director in March 2015, he has also been playing an important role in the Kuraray Group's management. Therefore, the Company may expect his continued contribution to its management.				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
4	Yoshimasa Sano (April 12, 1956) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1980 April 2010 June 2012 April 2014 January 2016 March 2016 January 2017 January 2018 January 2020 March 2020	Joined Kuraray Co., Ltd. General Manager of Elastomer Division, Chemicals Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of Methacrylate Division, Functional Materials Company, Kuraray Co., Ltd. Vice President of Functional Materials Company, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. General Manager of Carbon Materials Division, Functional Materials Company, Kuraray Co., Ltd. President of Functional Materials Company, Kuraray Co., Ltd. President of Fibers and Textiles Company (Current position) and Officer Responsible for Osaka Office (Current position), Kuraray Co., Ltd. Director and Senior Managing Executive Officer (Current position)	13,100
Reasons for nomination as the candidate for Director Mr. Yoshimasa Sano has a wealth of experience in the vinyl acetate business and chemicals business, etc., and since being appointed as Director in March 2016, he has also been playing an important role in the Kuraray Group's management. Therefore, the Company may expect his continued contribution to its management.				
5	Kenichi Abe (May 3, 1956) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1980 April 2012 June 2012 April 2013 January 2016 March 2016 January 2018	Joined Kuraray Co., Ltd. General Manager of Corporate Management Planning Division, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of New Business Development Division, Kuraray Co., Ltd. President of Isoprene Company, Kuraray Co., Ltd. (Current position) Director and Managing Executive Officer, Kuraray Co., Ltd. (Current position) General Manager of Elastomer Division, Isoprene Company, Kuraray Co., Ltd.	32,300
Reasons for nomination as the candidate for Director Mr. Kenichi Abe has a wealth of experience in the elastomer business and new business development, etc., and since being appointed as Director in March 2016, he has also been playing an important role in the Kuraray Group's management. Therefore, the Company may expect his continued contribution to its management.				
6	Keiji Taga (October 16, 1961) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1984 April 2014 March 2017 January 2018 March 2018 April 2018 March 2019 January 2020	Joined Kuraray Co., Ltd. General Manager of Medical Division, Functional Materials Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Officer Responsible for Corporate Management Planning Office (Current position) and Officer Responsible for CSR Division (Current position), Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. General Manager of Corporate Management Planning Office, Kuraray Co., Ltd. (Current position) Director and Managing Executive Officer, Kuraray Co., Ltd. (Current position) Officer Responsible for Administrative Unit, Kuraray Co., Ltd. (Current position)	14,700
Reasons for nomination as the candidate for Director Mr. Keiji Taga has a wealth of experience, including overseas assignment, in the fibers and textiles business, medical business, and corporate management planning, and since being appointed as Director in March 2019, he has also been playing an important role in the Kuraray Group's management. In addition, as he has served in positions including the chairman of the Risk Compliance Committee, the Company may expect his continued contribution to its management also from the perspective of the Kuraray Group's risk management and reinforcement of compliance.				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
7	Matthias Gutweiler (March 11, 1958) <u>Reappointed</u> Attendance at meetings of Board of Directors: (50%) 5/10	March 1988 June 1996 December 2001 January 2009 June 2009 April 2013 March 2018 March 2020 (Important Positions Concurrently Held at Other Entities) President, Kuraray Europe GmbH	Joined Hoechst AG Plant Manager of Mowiol, Hoechst AG Joined Kuraray Specialities Europe President, Kuraray Europe GmbH (Current position) Executive Officer, Kuraray Co., Ltd. General Manager of PVB Division, Vinyl Acetate Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Director and Managing Executive Officer (Current position)	0
Reasons for nomination as the candidate for Director Dr. Matthias Gutweiler has track records in R&D and plant management at a world-leading chemical company, and a wealth of experience as President of our major European company, and since being appointed as Director in March 2020, he has been playing a central role in the management of the Kuraray Group. In addition, as he serves as the chairman of the Regional Compliance Committee comprising our European group companies, the Company may expect his continued contribution to its management also from the perspective of global risk management.				
8	Nobuhiko Takai (May 5, 1960) <u>Reappointed</u> Attendance at meetings of Board of Directors: (100%) 10/10	April 1984 April 2014 March 2016 January 2019 March 2019 January 2020 March 2020	Joined Kuraray Co., Ltd. General Manager of Genestar Division, Isoprene Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Vice President of Functional Materials Company and General Manager of Carbon Materials Division, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. President of Functional Materials Company, Kuraray Co., Ltd. (Current position) Director and Managing Executive Officer (Current position)	4,500
Reasons for nomination as the candidate for Director Mr. Nobuhiko Takai has a wealth of experience in the vinyl acetate business, Genestar business and carbon materials business, etc., and since being appointed as Director in March 2020, he has also been playing a central role in the management of the Kuraray Group. Therefore, the Company may expect his continued contribution to its management.				
9	Jun Hamano (February 27, 1951) <u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u> Attendance at meetings of Board of Directors: (100%) 14/14	April 1974 July 1999 July 2004 July 2006 July 2008 July 2009 January 2012 April 2013 June 2015 March 2016 April 2020 (Important Positions Concurrently Held at Other Entities) Chairman, The Ohara Memorial Institute for Science of Labour Representative Director and Vice Chairman, Ohara HealthCare Foundation	Joined Economic Planning Agency of Japan (“EPA”) Director, Minister’s Secretariat Division, EPA Director General for Economic and Fiscal Management, Cabinet Office Vice-Minister for Policy Coordination, Cabinet Office Director General, Cabinet Office Vice-Minister, Cabinet Office Adviser to the Cabinet Office Adviser to DENTSU INC. (currently, Dentsu Group Inc.) Chairman, Institute for Science of Labour (currently, The Ohara Memorial Institute for Science of Labour) (Current position) Director, Kuraray Co., Ltd. (Current position) Representative Director and Vice Chairman, Ohara HealthCare Foundation (Current position)	3,700
Reasons for nomination as the candidate for Outside Director Mr. Jun Hamano is nominated as the candidate for Outside Director because he has a wealth of experience and broad insight gained through economic administration and other roles at the Economic Planning Agency of Japan and the Cabinet Office to provide valuable opinions and suggestions to the Company’s management from an objective viewpoint. Though he has never been directly engaged in corporate management, he is well prepared for properly executing his duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and Ohara HealthCare Foundation. As part of CSR activities, the Company pays a membership fee to assist The Ohara Memorial Institute for Science of Labour. However, the annual amount of such membership fee is less than ¥1 million per year. Mr. Jun Hamano is thus deemed to be sufficiently independent as Outside Director.				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
10	Keiko Murata (February 25, 1962) <div>Reappointed</div> <div>Outside Director</div> <div>Independent Director</div> Attendance at meetings of Board of Directors: (100%) 10/10	April 1986 August 2005 August 2006 July 2008 May 2015 July 2017 April 2018 March 2020 (Important Positions Concurrently Held at Other Entities) Professor, Graduate School of Management, Tokyo Metropolitan University	Joined Economic Planning Agency of Japan (“EPA”) Director for Overseas Economies, Directorate General for Economic Research, Cabinet Office Director for International Affairs, Secretariat of the Science Council of Japan, Cabinet Office Professor, Graduate School of Social Science, Tokyo Metropolitan University Advisor to President, Tokyo Metropolitan University Trustee, Nippon Life Insurance Company (Current position) Professor, Graduate School of Management, Tokyo Metropolitan University (Current position) Director, Kuraray Co., Ltd. (Current position)	700
Reasons for nomination as the candidate for Outside Director Ms. Keiko Murata is nominated as the candidate for Outside Director because she has experience in economic administration and professional analysis of Japan and overseas at the Cabinet Office and deep insight as a professor of Graduate School of Tokyo Metropolitan University to provide valuable opinions and suggestions for the Company’s management and improving corporate value from an independent viewpoint. Though she has never been directly engaged in corporate management, she is well prepared for properly executing her duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and Tokyo Metropolitan University. Ms. Keiko Murata is thus deemed to be sufficiently independent as Outside Director.				
11	Satoshi Tanaka (February 27, 1958) <div>Reappointed</div> <div>Outside Director</div> <div>Independent Director</div> Attendance at meetings of Board of Directors: (100%) 10/10	April 1981 April 2007 April 2011 April 2013 April 2015 April 2017 June 2017 April 2019 June 2019 March 2020 June 2020 January 2021 Outside Director, Sekisui House, Ltd. Independent Director, IHH Healthcare Berhad	Joined MITSUI & CO., LTD. General Manager of Corporate Planning & Strategy Division, MITSUI & CO., LTD. Managing Officer and COO (Chief Operating Officer), Consumer Service Business Unit, MITSUI & CO., LTD. Executive Managing Officer, MITSUI & CO., LTD. Senior Executive Managing Officer, MITSUI & CO., LTD. President, MITSUI & CO. (ASIA PACIFIC) PTE. LTD. Executive Vice President and CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer), MITSUI & CO., LTD. Representative Director and Executive Vice President, MITSUI & CO., LTD. Director, MITSUI & CO., LTD. Counselor, MITSUI & CO., LTD. (Current position) Director, Kuraray Co., Ltd. (Current position) Outside Director, Sekisui House, Ltd. (Current position) Independent Director, IHH Healthcare Berhad (Current position) (Important Positions Concurrently Held at Other Entities)	1,400
Reasons for nomination as the candidate for Outside Director Mr. Satoshi Tanaka is nominated as the candidate for Outside Director because he has a wealth of experience and broad insight, which were developed through his service as Director responsible for the Corporate Staff Unit and Representative Director of MITSUI & CO., LTD., to provide valuable opinions and suggestions to the Company’s management. There are no special interests between the Company and Sekisui House, Ltd. or IHH Healthcare Berhad. Mr. Satoshi Tanaka is thus deemed to be sufficiently independent as Outside Director.				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility	Number of Company shares held
12	Kiyoto Ido (October 30, 1950) <u>Newly appointed</u> <u>Outside Director</u> <u>Independent Director</u>	<p>April 1973 Joined the Ministry of Finance of Japan</p> <p>March 1980 Japanese Consulate General in Frankfurt, West Germany</p> <p>July 1989 Deputy General Manager, Finance Bureau, Inter-American Development Bank</p> <p>July 1998 Counselor, Minister's Secretariat (Deputy Vice-Minister of Finance for International Affairs) and Deputy Director-General of the International Bureau</p> <p>June 1999 Minister for the Ministry of Foreign Affairs of Japan, the Japanese Embassy in the USA</p> <p>July 2002 Minister's Secretariat for the Ministry of Finance of Japan, Deputy Director-General of the International Bureau</p> <p>July 2004 Director-General, the International Bureau of the Ministry of Finance of Japan</p> <p>August 2006 Director, the Bank of Japan, Ltd.</p> <p>April 2011 Deputy Director, the Institute for International Economic Studies (IIES) (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities) Deputy Director, the Institute for International Economic Studies (IIES)</p>	0
<p>Reasons for nomination as the candidate for Outside Director</p> <p>Mr. Kiyoto Ido is nominated as a candidate for Outside Director because he has a wealth of experience in economic administration gained at the Ministry of Finance of Japan, etc., and broad insight which were developed through international experiences at the Ministry of Foreign Affairs and other professional research institutions to provide valuable opinions and suggestions for the Company's management and improving corporate value from an independent viewpoint. Though he has never been directly engaged in corporate management, he is well prepared for properly executing his duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and the Institute for International Economic Studies (IIES). Mr. Kiyoto Ido is thus deemed to be sufficiently independent as Outside Director.</p>			

(Note) 1. No special interests exist between the Company and any of the above candidates.

(Note) 2. Mr. Jun Hamano, Ms. Keiko Murata, Mr. Satoshi Tanaka and Mr. Kiyoto Ido are candidates for Outside Directors.

(Note) 3. Liability Limitation Agreement

- (1) The Company has entered into an agreement with Mr. Jun Hamano, Ms. Keiko Murata and Mr. Satoshi Tanaka for limitation of liability to the effect that their liabilities for damages under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations, and if their reelection is approved, such contract is planned to be continued.
- (2) If the election of Mr. Kiyoto Ido is approved, the Company will enter into an agreement with him for limitation of liability to the effect that his liability for damages under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations.

(Note) 4. Term of office of Outside Officer

- (1) Mr. Jun Hamano is currently Outside Director of the Company and his term of office will be five (5) years at the conclusion of this 140th Ordinary General Meeting of Shareholders.
- (2) Ms. Keiko Murata is currently Outside Director of the Company and her term of office will be one (1) year at the conclusion of this 140th Ordinary General Meeting of Shareholders.
- (3) Mr. Satoshi Tanaka is currently Outside Director of the Company and his term of office will be one (1) year at the conclusion of this 140th Ordinary General Meeting of Shareholders.

(Note) 5. Registration as Independent Director

- (1) The Company has registered each of Mr. Jun Hamano, Ms. Keiko Murata and Mr. Satoshi Tanaka as Independent Director prescribed by Tokyo Stock Exchange as each of them satisfies the criteria for independence for Outside Directors/Auditors set forth by the Tokyo Stock Exchange and the criteria for independence set forth by the Company. The Company plans to continue registering them as Independent Director if their reelection is approved.
- (2) As Mr. Kiyoto Ido satisfies the criteria for independence for Outside Directors/Auditors set forth by the Tokyo Stock Exchange and the criteria for independence set forth by the Company, the Company plans to register him as Independent Director if his election as Outside Directors is approved.

Proposal No. 4: Election of One (1) Company Auditor

Company Auditor Yukinori Yamane will resign at the conclusion of this 140th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that one (1) Company Auditor be elected.

The Board of Company Auditors has given prior consent to this Proposal.

The candidate for the Company Auditor is as follows.

Name (Date of Birth)	Brief personal history, positions in the Company		Number of Company shares held
Naoya Uehara (January 15, 1959) <u>Newly appointed</u>	April 1982	Joined Kuraray Co., Ltd.	500
	April 2013	Deputy General Manager, Corporate Management Planning Division, Kuraray Co., Ltd.	
	June 2014	Deputy General Manager, GLS Division, Kuraray America, Inc.	
	January 2018	Vice President, Kuraray Europe GmbH	
	March 2020	Executive Officer, Kuraray Co., Ltd. (Current position)	
	January 2021	Assistant to the President, Kuraray Co., Ltd. (Current position)	
Reasons for nomination as the candidate for Company Auditor Mr. Naoya Uehara is nominated as the candidate for Company Auditor because he has broad insight into the Company’s management in general, gained from years of experience engaging in corporate management planning as well as business administration and operation of overseas subsidiaries. Therefore, the Company believes that he can contribute to ensuring the sound management of the Company by providing audits from a neutral and objective viewpoint.			

(Note) 1. No special interests exist between the Company and Mr. Naoya Uehara.

(Note) 2. If the election of Mr. Naoya Uehara is approved, the Company plans to enter into a contract with him for limitation of liability to the effect that his liabilities for damages under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations.

[Reference] Independence Standards for Outside Officers

1. The Company judges that its Outside Officers and the candidates for the Outside Officers are fully independent from the Company if they do not fall under any of the following items:
 - (1) A business executive of the Kuraray Group
 - (2) A counterparty which has transactions principally with the Kuraray Group, or its business executive thereof
 - (3) A major business partner of the Kuraray Group, or its business executive thereof
 - (4) A major lender of the Kuraray Group, or its business executive thereof
 - (5) A counterparty that receives a large amount of donations from the Kuraray Group, or its business executive thereof
 - (6) A major shareholder of the Company (who possesses 10% or more of the total voting right either directly or indirectly), or its business executive thereof
 - (7) A business executive of the party whose major investor (who possesses 10% or more of the total voting right either directly or indirectly) is the Kuraray Group
 - (8) A consultant, certified public accountant or other accounting professional, attorney or other legal professional who receives a large amount of monetary or other assets from the Kuraray Group other than the executive remunerations (in case of a legal entity, association or other organization, a person belonging thereto)
 - (9) A person who belongs to an accounting firm that conducts the statutory audit of the Company
 - (10) A person who has fallen under the above criteria (1) in the past ten years
 - (11) A person who has fallen under any of the above criteria (2) through (9) in the past three years
 - (12) A person whose position constitutes him/her as having an Outside Officer's interlocking relationship with the Kuraray Group
 - (13) A relative of the persons listed in the above criteria (1) through (11)
2. Even in cases where a person falls under any of the above items, if the person is deemed to be appropriate for the post of an independent Outside Officer in light of his/her personality, knowledge and other qualities, the Company may appoint him/her as independent Outside Officer on the condition that the reasons why the person is deemed appropriate for the post are explained to the public.

**Proposal No. 5: Determination of Compensation for Granting Restricted Stock to Directors
(Excluding Outside Directors)**

At the 125th and 131st Ordinary General Meetings of Shareholders held on June 28, 2006 and June 22, 2012, respectively, the amount of remuneration of the Company's Directors has been approved to be monetary remuneration of ¥800 million or less per year (including ¥100 million or less per year for Outside Directors), in addition to stock options in the amount of ¥90 million or less per year (for up to 60,000 shares of common stock underlying the share purchase warrants). On this occasion, the Company asks for approval of paying compensation to grant restricted stock to its Directors (excluding Outside Directors, hereinafter "Eligible Directors") in lieu of the aforementioned the current stock options plan, intending to incentivize them to improve the Company's corporate value in a sustainable manner as well as raise the degree they share value with shareholders (hereinafter, the compensation plan under this proposal shall be called the "Plan"). If this proposal is approved, the Company will no longer grant new stock options under the current plan and subsequently discontinue the issuance of share purchase warrants as stock options.

The aggregate amount of monetary compensation claims to be paid to Eligible Directors for granting restricted stock under this proposal shall be ¥90 million or less per year, which is deemed an appropriate amount in light of the aforementioned purpose.

Based on a resolution by the Company's Board of Directors, Eligible Directors shall pay all the monetary compensation claims arising under this proposal as contribution in kind to receive issuance or disposal of the Company's common stock. The total number of common stock the Company issues or disposes of accordingly shall be 60,000 shares or less per year, which is deemed an appropriate number in light of the aforementioned purpose (provided in the event of a stock split (including a gratis allotment of the Company's common stock) or a reverse stock split of the Company's common stock on or after the date of resolution of this proposal, the Company shall adjust the upper limit of the total number of shares in proportion to the ratio of the stock split, gratis allotment or reverse stock split.). The amount to be paid in per share shall be the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors meeting (if there was no trading on that date, the closing price of the most recent preceding trading date). The Board of Directors shall determine the specific timing and distribution of delivery to each Eligible Director.

The Company's Board of Directors resolved a policy for determining remuneration for each Director at its meeting held on February 18, 2021, as described on the Business Report (Policy for Determining Remuneration for Each Director). As the purpose of adopting the Plan stated above is in line with the policy, the Company considers this proposal and the Plan to be reasonable.

If Proposal No. 3 "Election of Twelve (12) Directors" is approved as proposed, there will be eight (8) Eligible Directors.

If this proposal is approved as proposed, the Company plans to adopt a similar restricted stock compensation plan for its Executive Officers. The total amount of monetary compensation claims and the total number of shares for the eligible directors under this Plan shall not include the amount and the number of shares for its Executive Officers paid to the Directors who also serve as Executive Officers.

The Company and the Eligible Director shall sign an agreement with the following clauses to allot restricted stock (the "Agreement"), to issue or dispose of the Company's common stock under the Plan.

(1) Transfer restriction period

Eligible Directors shall not transfer, pledge or otherwise dispose of (the "Restriction") the Company's common stock allotted under the Agreement (the "Allotted Shares") from the date of allotment under the Agreement to the date of retirement (the "Restriction Period"). "Retirement" refers to stepping down from Director or Executive Officer positions, but excludes cases where the person becomes an Executive Officer at the time of retiring as Director, and the person concurrently serving as a Director and an Executive Officer remains an Executive Officer upon retiring as Director.

(2) Lifting of the Restriction

Provided Eligible Directors retire for reasons deemed justified by the Company's Board of Directors, the Company shall lift the Restriction at the expiry of the Restriction Period for all the Allotted Shares (or part of the Allotted Shares in case the retirement comes before a certain period stipulated in the Agreement expires).

(3) Acquisition of Allotted Shares without consideration

If the Restriction has not been lifted for any Allotted Shares at the expiry of the Restriction Period pursuant to (2) above, the Company shall acquire them without consideration as a matter of course. In addition, the Company shall acquire all or part of the Allotted Shares without consideration as a matter of course if certain conditions stipulated in the Agreement apply, such as misconduct by the Eligible Director.

(4) Procedure in the event of reorganization, etc.

Regardless of the provision in (1) above, in the event a proposal regarding a merger agreement that makes the Company the dissolved company, a stock exchange agreement or stock transfer plan that make the Company a wholly-owned subsidiary, or any other reorganization, etc. is approved at the Company's general meeting of shareholders (or at the Company's Board of Directors meeting if the said reorganization, etc. does not require the approval of the Company's general meeting of shareholders) during the Restriction Period, the Company shall lift the Restriction before the effective date of the reorganization, etc. for a number of Allotted Shares reasonably determined considering the period from the date the Restriction Period begins to the effective date of the reorganization, etc. In such case, if the Restriction has not been lifted for any Allotted Shares immediately subsequent to the lifting of the Restriction, the Company shall acquire them without consideration as a matter of course.

(5) Other matters to be decided by the Board of Directors

In addition to above, the Agreement shall stipulate the method of indicating one's intention and notification under the Agreement, the method of revising the Agreement and other matters to be decided by the Board of Directors.

Shares allotted to Eligible Directors under the Plan will be managed in a dedicated account opened by Eligible Directors at a securities company designated by the Company to prevent transfer, pledge or other disposal during the Restriction Period.

In the event that an Eligible Director is not a resident of Japan at the time the Board of Directors meeting is to decide the amount of monetary compensation claims and number of shares to be allotted under the Plan, the Company will not grant monetary compensation claims or allot shares under the Plan to the said Eligible Director but instead grant monetary compensation linked to stock price ("phantom stock") within the scope of the monetary remuneration framework.

Documents Attached to the Notice of Convocation of the Ordinary General Meeting of Shareholders

Business Report (From January 1, 2020 to December 31, 2020)

1. Current Situation of the Kuraray Group

(1) Progress and Results of Operations

General Situation

In the fiscal year ended December 31, 2020 (“fiscal 2020”), the global economy suffered a rapid slowdown as a result of the world-wide spread of the new coronavirus infection (COVID-19) from the beginning of the year as global trade receded amid prolonged trade friction between the United States and China and the impact of geopolitical risks across the globe.

Under such circumstances, as for the results of the Kuraray Group, sales for electric and electronic devices as well as food packaging applications remained steady even amid the COVID-19 pandemic. However, demand for automotive and construction use significantly declined, and full-year results fell substantially below the results of the previous year, despite a moderate recovery in demand from the second half. As a result, consolidated operating results for fiscal 2020 are as follows: net sales decreased ¥34,009 million, or 5.9%, compared with the previous fiscal year to ¥541,797 million; operating income fell ¥9,831 million, or 18.1%, to ¥44,341 million; ordinary income decreased ¥8,530 million, or 17.7%, to ¥39,740 million; and net income attributable to owners of the parent totaled ¥2,570 million (compared with net loss attributable to owners of the parent of ¥1,956 million in the previous fiscal year).

It is noted that we recognized an extraordinary loss of ¥23,196 million in fiscal 2020 as a loss on litigation in connection with the fire that broke out in May 2018 at a group subsidiary in the United States.

With the centennial of the Company’s founding coming up in 2026, we have set out the long-term vision “Kuraray Vision 2026” based on our mission, “For people and the planet—to achieve what no one else can.” We will continue to provide the world with unmatched specialty products and services while striving to co-create value with society aiming to materialize our vision of becoming a “Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies” stated in Kuraray Vision 2026.

[Reference] (Unit: Billions of yen, rounded to the nearest hundred million)

	Fiscal 2019	Fiscal 2020	Change (%)
Net sales	575.8	541.8	-5.9%
Operating income	54.2	44.3	-18.1%
Ordinary income	48.3	39.7	-17.7%
Net income (loss) attributable to owners of the parent	(2.0)	2.6	—

Results by Business Segment

Results by business segment are as follows.

Vinyl Acetate

Major Business Lines: Manufacture and sale of PVA resin and film, PVB resin and film, and EVOH resin and film

Sales in this segment decreased 3.4% year on year to ¥257,114 million, and segment income fell 13.9% year on year to ¥40,779 million.

- (i) Sales of PVA resin remained weak due to sales declining from stagnant global demand and an adjustment in production that followed. The sales volume of optical-use poval film increased due to a recovery in demand especially for large displays. Sales of PVB film gradually recovered from the third quarter, despite being affected by sluggish demand for construction and automotive applications. Sales of water-soluble PVA film expanded for use in unit dose detergent packets.
- (ii) The sales volume of EVALTM ethylene vinyl alcohol copolymer (EVOH resin) for food packaging applications increased due to expanded at-home consumption while sales for gas tank applications were weak.

Isoprene

Major Business Lines: Manufacture and sale of isoprene chemical products and polyamide resin

Sales in this segment decreased 5.4% year on year to ¥50,390 million, and segment income fell 10.0% year on year to ¥3,808 million.

- (i) Sales of isoprene products went on a recovery track from the fourth quarter, despite both fine chemicals and SEPTONTM thermoplastic elastomer being affected by stagnant demand mainly in China and the rest of Asia.
- (ii) Sales of GENESTARTM heat-resistant polyamide resin remained steady for use in electric and electronic device applications.

Functional Materials

Major Business Lines: Manufacture and sale of methacrylic resin, medical products, and activated carbon

Sales in this segment edged down 0.8% year on year to ¥124,980 million, and segment income fell 21.9% year on year to ¥2,994 million.

- (i) The methacrylate business as a whole remained weak affected by rising raw material costs and deteriorating market conditions, despite an increase in sales of spatter-blocking barrier panels and displays.
- (ii) In the medical business, sales of dental products decreased due to the struggling sales mainly in Europe and the United States in the first half as a result of dental clinics closing amid the pandemic.
- (iii) Sales of both Calgon Carbon and Carbon Materials were steady even amid the COVID-19 pandemic mainly for water treatment applications, as they are products that underpin people's daily lives. In line with expanded demand for high-performance activated carbon, Kuraray decided to expand the facilities at the existing plants of Calgon Carbon Corporation in the United States in the second quarter. The Company also decided to expand reactivated carbon production facilities at its Belgium subsidiary in the third quarter in line with increased demand for industrial use.

Fibers and Textiles

Major Business Lines: Manufacture and sale of man-made leather, KURALON™, non-woven fabrics, hook and loop fasteners, and polyester fiber

Sales in this segment decreased 15.7% year on year to ¥54,408 million, and segment income fell 61.9% year on year to ¥2,155 million.

- (i) The sales volume of CLARINO™ man-made leather decreased due to receding demand mainly for shoes in Asia and luxury product applications in Europe.
- (ii) For fibers and industrial materials, the sales volume of KURALON™ decreased for both cement and rubber reinforcement use.
- (iii) For consumer goods and materials, sales volume decreased due to sluggish demand for automotive and cosmetic applications, despite an increase in the volume of KURAFLEX™ for mask-related applications.

Trading

Major Business Lines: Exportation, importation, and wholesale of textile goods, resins and chemicals

Sales in fiber-related businesses remained weak although sales of sportswear-use products trended favorably, as Kuraray adjusted production of polyester fiber, in addition to being affected by sluggish demand for other applications including the materials field. On the other hand, sales of resins and chemicals remained unchanged from the previous year as demand recovered in China in the second half. As a result, sales in this segment decreased 4.9% year on year to ¥124,438 million, and segment income fell 14.6% year on year to ¥3,606 million.

Other Business

Major Business Lines: Manufacture and sale of high-performance membranes and system for water treatment; Engineering

In other businesses, segment sales decreased 18.4% year on year to ¥41,707 million and segment income fell 67.0% year on year to ¥214 million due to the weak sales of domestic affiliates.

[Reference] Net Sales and Operating Income by Business Segment

(Unit: Billions of yen, rounded to the nearest hundred million)

	Net sales			Operating income		
	Fiscal 2019	Fiscal 2020	Change (%)	Fiscal 2019	Fiscal 2020	Change (%)
Vinyl Acetate	266.1	257.1	-3.4%	47.4	40.8	-13.9%
Isoprene	53.3	50.4	-5.4%	4.2	3.8	-10.0%
Functional Materials	126.0	125.0	-0.8%	3.8	3.0	-21.9%
Fibers and Textiles	64.5	54.4	-15.7%	5.7	2.2	-61.9%
Trading	130.9	124.4	-4.9%	4.2	3.6	-14.6%
Other Business	51.1	41.7	-18.4%	0.6	0.2	-67.0%
Elimination & Corporate	(116.1)	(111.2)	—	(11.8)	(9.2)	—
Total	575.8	541.8	-5.9%	54.2	44.3	-18.1%

(2) Capital Expenditures

Major capital expenditures invested during fiscal 2020 were as follows:

- (i) Major facilities completed during the year
None applicable
- (ii) Ongoing establishment, expansion and reinforcement of major facilities during the year
 - Kuraray Co., Ltd.
Installation of power facilities (Vinyl Acetate Business and Fibers and Textiles Business)
 - Kuraray GC Advanced Materials Co., Ltd. and Kuraray Advanced Chemicals (Thailand) Co., Ltd.
Construction of new plant for chemical production (Isoprene Business)
 - Calgon Carbon Corporation
Expansion of activated carbon production facilities (Functional Materials Business)

(3) Transfer, Divestiture or Spin-off of Businesses

None applicable

(4) Transfer of Business from Other Companies

None applicable

(5) Succession of Rights and/or Liabilities regarding Businesses of Other Corporations via Absorption or Divestiture

None applicable

(6) Acquisition or Disposition of Equity or Share Purchase Warrants of Other Corporations

Nothing important to mention

(7) Financing

In order to meet funding needs during fiscal 2020, we raised funds by bank borrowings and issuance of bonds.

(8) Challenge for the Kuraray Group

The Kuraray Group's mission is: "For people and the planet—to achieve what no one else can." Based on this, the Kuraray Group has established the long-term vision "Kuraray Vision 2026," which we aim to realize by 2026, the centennial of the Company's founding. The vision for the Company is of being a: "Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies." Pursuing this vision, the Company will continue to provide the world with unmatched specialty products and services while creating value with society.

In the long-term vision "Kuraray Vision 2026," the Kuraray Group has set three basic policies to achieve its ideals as follows:

1) Pursue competitive superiority

The Kuraray Group will continue to enhance its competitiveness by developing high-value-added products and applications based on customer needs, strategically reinforcing initiatives with the understanding that burgeoning emerging countries and regions offer new opportunities, and achieving innovation and improvement of production and operational processes through the use of IT.

2) Expand new business fields

The Kuraray Group will expand new business fields through the creation of new businesses by improving on the Kuraray Group's own technologies and incorporating external ones, the capture of new business fields by M&A and alliance, and the establishment of a new business model bundling technology and services.

3) Enhance comprehensive strength of the Kuraray Group

The Kuraray Group will establish global business foundations in line with its expanding businesses, create a workplace in which employees find their jobs rewarding to attract high-quality, diverse talent from around the world, and cultivate a strong culture of unity within the Kuraray Group while reinforcing measures to ensure thorough compliance.

Kuraray aims to build a new business portfolio aimed at sustainable growth through the implementation of specific measures based on the basic policies described above, and is working to further strengthen the vinyl acetate-related business, the core segment, establish the second and third pillars to follow, and create new businesses for the future.

- (i) During the period covered by the medium-term management plan “PROUD 2020,” launched in 2018, we acquired Calgon Carbon Corporation, which is the largest activated carbon producer in the world and made a decision to expand activated carbon production facilities in the United States with the aim of further expanding our business, and decided to invest in a new isoprene plant in Thailand. In addition, we steadily implemented targeted strategic measures to achieve growth, including expanding facilities for optical-use poval film and water-soluble PVA films, and worked toward building a forward-looking, stable business portfolio.

In 2020, the final year of the plan, the COVID-19 pandemic caused economic activities to stagnate worldwide, resulting in a significant decline in demands in many industries. Although there was a recovery in demand from the third quarter mainly in China and the United States, our performance results for the full year fell short of the plan.

- (ii) Given that the impact of the COVID-19 pandemic is unclear, the next medium-term management plan will be a five-year plan spanning from 2022 to 2026, the centennial of Kuraray’s founding, and make it a single-year management plan for 2021. In 2021, we will focus on steadily promoting the construction of the new isoprene plant in Thailand, for which investment was determined under “PROUD 2020,” accelerating the synergistic effects of the integration with Calgon Carbon Corporation in the environmental solutions business (activated carbon business), and further expanding our vinyl acetate-related business. In addition, we will promote digital strategies for the entire Kuraray Group, enabling operational process reforms and speedy development of business strategies, while also focusing on the development of personnel with digital skills. By thus enhancing our competitive advantage, we intend to carry on our efforts into the next medium-term management plan.

The Company positions the distribution of profits to shareholders as one of its top management priorities, and its basic policy is to increase the distribution of profits through sustainable growth of business performance. During the period covered by “PROUD 2020” (from fiscal 2018 to fiscal 2020), the Company’s basic policy was to aim for a total return ratio relative to net income attributable to owners of the parent of 35% or more and annual dividends per share of ¥40 or higher. Under this policy, we plan to pay out an interim dividend of ¥21 per share and a year-end dividend of ¥19 per share for fiscal 2020, which brings the total dividend for the fiscal year to ¥40 per share. In fiscal 2021, we will maintain the policy of the “PROUD 2020” period, with a basic policy of a total return ratio relative to net income attributable to owners of the parent of 35% or more and annual dividends per share of ¥40 or higher. Based on this policy, for fiscal 2021, we plan to pay out an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share, bringing the total annual dividend to ¥40 per share (payout ratio of 45.86%), assuming net income attributable to owners of the parent of ¥30.0 billion.

- (iii) In May 2018, a fire causing injuries to external vendors broke out at a U.S. subsidiary, and a civil lawsuit has been filed seeking compensation for damages. Although a settlement has been reached with some of the plaintiffs, the litigation is still proceeding. To ensure that a similar accident never happens again, the head office has been leading safety inspections of major overseas chemical plants from 2019 to review and enhance safety measures. In 2020, we conducted safety inspections at two plants in Europe and two plants in the U.S., and we will confirm the improvement status of issues identified in 2019, as well as identify new issues for future improvement. In addition to addressing such newly identified issues, we will continue diligently working to enhance the safety of our equipment at plants, revise and improve management systems and manuals, enhance employee education, and take other such

measures.

- (iv) In response to our past violations of the Antimonopoly Act, we have made compliance with the Antimonopoly Act one of our highest management priorities and worked full force on various measures to prevent recurrences.

In fiscal 2020, to establish an effective global system for complying with the Antimonopoly Act, we carried out measures such as the establishment of related internal rules, education and training for officers and employees, risk assessments for each business, and audit of businesses that participate in bidding in each of the Kuraray Group companies around the world.

From fiscal 2021 onward, the entire Kuraray Group will continue to ensure that the Antimonopoly Act Compliance Program is enforced and make every effort for thorough compliance with laws and regulations.

(9) Changes in Financial Position and Income Summary

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Net sales (Millions of yen)	518,442	602,996	575,807	541,797
Operating income (Millions of yen)	76,351	65,794	54,173	44,341
Ordinary income (Millions of yen)	74,235	61,167	48,271	39,740
Net income (loss) attributable to owners of the parent (Millions of yen)	54,459	33,560	(1,956)	2,570
Net income (loss) per share (Yen)	154.85	96.05	(5.66)	7.48
Total assets (Millions of yen)	776,735	947,095	991,149	1,051,584
Net assets (Millions of yen)	565,487	567,033	538,545	515,481

(10) Major Subsidiaries

Company Name	Capital	The Company's Equity Position (%) ¹	Major Business Lines
Kuraray Trading Co., Ltd.	2,200 (Millions of yen)	100.00	Exportation, importation and wholesale of textile goods, resins and chemicals
The Kurashiki Kokusai Hotel, Ltd.	450 (Millions of yen)	92.06	Management of hotel accommodations and restaurant facility
Kuraray Noritake Dental Inc.	300 (Millions of yen)	66.70	Manufacture and sale of dental materials
Kuraray Plastics Co., Ltd.	180 (Millions of yen)	100.00	Manufacture and sale of molded rubber and chemicals, resin compounds and laminated products
Kuraray Engineering Co., Ltd.	150 (Millions of yen)	100.00	Plant design and construction
Kuraray Techno Co., Ltd.	100 (Millions of yen)	100.00	Entrusted services for operations pertaining to production and logistics and manpower dispatching/recruiting business
Kuraray Kuraflex Co., Ltd.	100 (Millions of yen)	100.00	Manufacture, processing and sale of non-woven fabric products
Kuraray Fastening Co., Ltd.	100 (Millions of yen)	70.00	Manufacture and sale of hook and loop fasteners and related goods
Kuraray Holdings U.S.A., Inc.	865,031 (Thousands of U.S. dollars)	100.00	Holding company and controlling function of U.S. subsidiaries
Kuraray America, Inc. ²	10,101 (Thousands of U.S. dollars)	100.00 (100.00)	Importation, exportation and sale of textile goods, resins and chemicals, manufacture and sale of PVA resin, PVB resin and film, EVOH resin and thermoplastic elastomer
MonoSol, LLC ³	59,050 (Thousands of U.S. dollars)	100.00 (100.00)	Manufacture and sale of PVA film for industrial purposes
Calgon Carbon Corporation ²	618 (Thousands of U.S. dollars)	100.00 (100.00)	Manufacture and sale of activated carbon and water treatment equipment
Kuraray Europe GmbH	31,188 (Thousands of euros)	100.00	Importation, exportation and sale of textile goods and chemicals, as well as manufacture and sale of PVA resin and PVB resin and film
EVAL Europe N.V. ⁴	29,747 (Thousands of euros)	100.00 (100.00)	Manufacture and sale of EVOH resin
Kuraray Asia Pacific Pte. Ltd.	29,775 (Thousands of U.S. dollars)	100.00	Manufacture and sale of PVA resin
Kuraray (Shanghai) Co., Ltd.	8,000 (Thousands of U.S. dollars)	100.00	Importation and sale of resins and chemicals
Kuraray China Co., Ltd.	3,000 (Thousands of U.S. dollars)	100.00	Provision of financing/indirect support functions to Group companies in China, and assistance to the Kuraray Group in expanding businesses in China and considering market entry into China
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd.	15,280 (Thousands of U.S. dollars)	100.00	Manufacture and sale of acrylic sheets
Kuraray Hong Kong Co., Ltd.	4,650 (Thousands of Hong Kong dollars)	100.00	Sale of man-made leather
Kuraray Korea Ltd.	2,107 (Millions of Korean won)	100.00	Manufacture and sale of PVB film
Plantic Technologies Limited	131,511 (Thousands of AUS dollars)	100.00	Manufacture and sale of biomass-derived PLANTIC TM film

Company Name	Capital	The Company's Equity Position (%) ¹	Major Business Lines
Kuraray Specialities (Thailand) Co., Ltd.	4,973 (Millions of Thai baht)	100.00	Importation and sale of resins and chemicals

Notes:

1. The figures in bracket in “The Company’s Equity Position” refer to the indirect holding ratio.
2. Kuraray America, Inc. and Calgon Carbon Corporation are wholly-owned subsidiaries of Kuraray Holdings U.S.A., Inc.
3. MonoSol, LLC is a wholly-owned subsidiary of MonoSol Holdings, Inc., which is a wholly-owned subsidiary of Kuraray Holdings U.S.A., Inc.
4. EVAL Europe N.V. is a wholly-owned subsidiary of Kuraray Europe GmbH.

(11) Major Offices, Plants and Research Centers

[Offices in Japan]

	Name	Location
Kuraray Co., Ltd.	Head Office Osaka Office Kurashiki Plant Saijo Plant Okayama Plant Niigata Plant Kashima Plant Tsurumi Plant Kurashiki Research Center Tsukuba Research Center	Chiyoda-ku, Tokyo Osaka-city, Osaka Kurashiki-city, Okayama Saijo-city, Ehime Okayama-city, Okayama Tainai-city, Niigata Kamisu-city, Ibaraki Bizen-city, Okayama Kurashiki-city, Okayama Tsukuba-city, Ibaraki
Kuraray Group Companies	Kuraray Trading Co., Ltd. Kuraray Noritake Dental Inc. Kuraray Plastics Co., Ltd. Kuraray Engineering Co., Ltd. Kuraray Techno Co., Ltd. Kuraray Kuraflex Co., Ltd. Kuraray Fastening Co., Ltd.	Osaka-city, Osaka Chiyoda-ku, Tokyo Osaka-city, Osaka Osaka-city, Osaka Osaka-city, Osaka Osaka-city, Osaka Osaka-city, Osaka

[Offices outside Japan]

Name	Location
Kuraray America, Inc.	United States
KAI Corporate R&D	United States
MonoSol, LLC	United States, United Kingdom
Calgon Carbon Corporation	United States, United Kingdom, Italy, Belgium, France, China
Kuraray Europe GmbH	Germany
EVAL Europe N.V.	Belgium
OOO TROSIFOL	Russia
Kuraray Asia Pacific Pte. Ltd.	Singapore
Kuraray China Co., Ltd.	China
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd.	China
Kuraray Hong Kong Co., Ltd.	Hong Kong
Kuraray Korea Ltd.	South Korea
Kuraray (Thailand) Co., Ltd.	Thailand
Kuraray India Private Limited	India
Plantic Technologies Limited	Australia
Kuraray South America Ltda.	Brazil

(12) Employees

Business Segment	Number of Employees	Year-on-year Increase (Decrease)
Vinyl Acetate	4,145	33
Isoprene	935	38
Functional Materials	3,015	37
Fibers and Textiles	1,418	-5
Trading	351	4
Other Business	1,128	-2
Corporate (Shared)	227	-1
Total	11,219	104

(13) Major Lenders

(Millions of yen)

Lender	Borrowing balance
MUFG Bank, Ltd.	23,977
The Chugoku Bank, Ltd.	17,708
Mizuho Bank, Ltd.	17,044
Development Bank of Japan Inc.	16,000
Nippon Life Insurance Company	15,500

Notes:

1. Borrowing balance mentioned above includes borrowings from overseas subsidiaries of lenders.
2. In addition to the above, there are ¥85,000 million of borrowings via syndicated loans.

(14) Other Significant Matters of the Kuraray Group

Nothing important to mention

2. Shares of the Company

(1) Total Number of Shares Authorized to be Issued: 1,000,000,000 shares

(2) Total Number of Shares Issued: 354,863,603 shares

(Including 10,940,270 shares of treasury shares)

(3) Number of Shareholders as of December 31, 2020: 61,980

(4) Major Shareholders

Shareholder's name	Number of shares held (Thousands)	Ratio of capital contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	42,363	12.32
Custody Bank of Japan, Ltd. (Trust account)	24,280	7.06
National Mutual Insurance Federation of Agricultural Co-operatives	10,882	3.16
Nippon Life Insurance Company	10,448	3.04
Custody Bank of Japan, Ltd. (Trust account 7)	7,253	2.11
Meiji Yasuda Life Insurance Company	5,969	1.74
SMBC Nikko Securities Inc.	5,270	1.53
JP MORGAN CHASE BANK 385781	5,093	1.48
Kuraray Employee Stock Ownership Plan	4,965	1.44
Custody Bank of Japan, Ltd. (Trust account 5)	4,891	1.42

Note: In calculation of "Ratio of capital contribution," the treasury shares of the Company (10,940,270 shares) are excluded from the total number of shares issued.

3. Share Purchase Warrants, etc., of the Company

(1) Details of Share Purchase Warrants Held by Directors and Company Auditors of the Company as of December 31, 2020

- (i) Share purchase warrants
338 units
- (ii) Kind and number of shares
Common shares: 169,000 shares (500 shares for each share purchase warrant)
- (iii) Number of share purchase warrants held by Directors of the Company

	Designation of share purchase warrants	Exercise period	Issue price per share	Number of share purchase warrants	Number of holders
			Exercise price per share		
Directors (excluding Outside Directors)	Share Purchase Warrants issued in May 2013 (Stock Options for a Stock Linked Compensation)	May 15, 2013 – May 14, 2028	¥1,482	12 units	4
			¥1		
	Share Purchase Warrants issued in May 2014 (Stock Options for a Stock Linked Compensation)	May 15, 2014 – May 14, 2029	¥1,119	14 units	4
			¥1		
	Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015 – February 16, 2030	¥1,352	18 units	4
			¥1		
	Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016 – February 9, 2031	¥1,200	34 units	4
			¥1		
	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 – February 8, 2032	¥1,538	53 units	6
			¥1		
	Share Purchase Warrants issued in February 2018 (Stock Options for a Stock Linked Compensation)	February 15, 2018 – February 14, 2033	¥1,761	37 units	7
			¥1		
	Share Purchase Warrants issued in February 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 – February 13, 2034	¥1,466	64 units	7
			¥1		
	Share Purchase Warrants issued in February 2020 (Stock Options for a Stock Linked Compensation)	February 14, 2020 – February 13, 2035	¥1,314	84 units	7
			¥1		

	Designation of share purchase warrants	Exercise period	Issue price per share	Number of share purchase warrants	Number of holders
			Exercise price per share		
Outside Directors	Share Purchase Warrants issued in May 2014 (Stock Options for a Stock Linked Compensation)	May 15, 2014 – May 14, 2029	¥1,119	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015 – February 16, 2030	¥1,352	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016 – February 9, 2031	¥1,200	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 – February 8, 2032	¥1,538	4 units	2
			¥1		
	Share Purchase Warrants issued in February 2018 (Stock Options for a Stock Linked Compensation)	February 15, 2018 – February 14, 2033	¥1,761	4 units	2
			¥1		
	Share Purchase Warrants issued in February 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 – February 13, 2034	¥1,466	4 units	2
			¥1		
	Share Purchase Warrants issued in February 2020 (Stock Options for a Stock Linked Compensation)	February 14, 2020 – February 13, 2035	¥1,314	4 units	2
			¥1		

Notes:

1. The “Issue price per share” and “Exercise price per share” show the amount per share.
2. In the issuance of the stock options for a stock linked compensation, the debit based on the above “Issue price per share” was set off by the credit of remuneration to the Company and there was no payment of money.
3. The above share purchase warrants (stock options for a stock linked compensation) include those granted to Directors concurrently serving as Executive Officers of the Company as compensation to serve as Executive Officers.
4. The Company Auditors hold no share purchase warrants.

(2) Outline of the Share Purchase Warrants Issued to Any Employees of the Company, and Directors, Company Auditors and Employees of Any Subsidiaries during the subject Fiscal Year

- (i) Number of share purchase warrants issued
43 units
- (ii) Kind and number of share
Common shares: 21,500 shares (500 shares for each Share Purchase Warrant)
- (iii) Share purchase warrants issued to employees and others of the Company

	Designation of share purchase warrants	Exercise period	Issue price per share	Number of share purchase warrants	Number of holders
			Exercise price per share		
Executive Officers of the Company	Share Purchase Warrants issued in February 2020 (Stock Options for a Stock Linked Compensation)	February 14, 2020 – February 13, 2035	¥1,314	43 units	11
			¥1		

Notes:

1. The “Issue price per share” and “Exercise price per share” show the amount per share.
2. When the share purchase warrants issued in February 2020 were issued, the debit based on the above “Issue price per share” was set off by the credit of remuneration to the Company and there was no payment of money.
3. The above does not include share purchase warrants issued to persons concurrently serving as Directors of the Company.

4. Directors and Company Auditors of the Company

(1) Directors and Company Auditors

Position	Name	Assignments in the Company or Important Positions Concurrently Held at Other Entities, if any
President and Representative Director	Masaaki Ito	
Representative Director and Senior Managing Executive Officer	Hiroaya Hayase	President of Vinyl Acetate Film Company, Kuraray Co., Ltd.
Director and Senior Managing Executive Officer	Yoshimasa Sano	President of Fibers and Textiles Company and Officer Responsible for Osaka Office, Kuraray Co., Ltd.
Director and Managing Executive Officer	Kenichi Abe	President of Isoprene Company, Kuraray Co., Ltd.
Director and Managing Executive Officer	Hitoshi Kawahara	President of Vinyl Acetate Resin Company, Kuraray Co., Ltd.
Director and Managing Executive Officer	Keiji Taga	Officer Responsible for Corporate Management Planning Office, Officer Responsible for CSR Division, Officer Responsible for Administrative Unit and General Manager of Corporate Management Planning Office, Kuraray Co., Ltd.
Director and Managing Executive Officer	Matthias Gutweiler	President, Kuraray Europe GmbH
Director and Managing Executive Officer	Nobuhiko Takai	President of Functional Materials Company and General Manager of Carbon Materials Division, Functional Materials Company, Kuraray Co., Ltd.
Director	Tomokazu Hamaguchi	Director, FPT CORPORATION
Director	Jun Hamano	Chairman, The Ohara Memorial Institute for Science of Labour Representative Director and Vice Chairman, Ohara HealthCare Foundation
Director	Keiko Murata	Professor, Graduate School of Management, Tokyo Metropolitan University
Director	Satoshi Tanaka	Outside Director, Sekisui House, Ltd.
Standing Company Auditor	Kazuhiro Nakayama	
Standing Company Auditor	Yukinori Yamane	
Company Auditor	Mitsuhiro Nagahama	Outside Director, Azbil Corporation External Director, Tokyo Tatemono Co., Ltd. Outside Director, NSK Ltd.
Company Auditor	Tomomi Yatsu	Attorney and Partner, TMI Associates Outside Executive Director, SMBC Nikko Securities Inc. Outside Audit & Supervisory Board Member, IHI Corporation
Company Auditor	Kenji Komatsu	Executive Vice President, Fujitsu Component Limited

Notes:

1. Directors Tomokazu Hamaguchi, Jun Hamano, Keiko Murata and Satoshi Tanaka are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Company Auditors Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu are Outside Company Auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. Company Auditor Mitsuhiro Nagahama has been engaged in financial securities business for many years, and therefore has considerable expertise in finance and accounting. And, Company Auditor Tomomi Yatsu is a certified public accountant, and therefore has considerable expertise in finance and accounting.
4. The Company has registered Directors Tomokazu Hamaguchi, Jun Hamano, Keiko Murata and Satoshi Tanaka and Company Auditors Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu as Independent Directors/Auditors prescribed by Tokyo Stock Exchange.
5. There are no special interests between the Company and FPT CORPORATION. Mr. Tomokazu Hamaguchi is thus deemed to be sufficiently independent as Outside Director.
6. There are no special interests between the Company and Ohara HealthCare Foundation. As part of CSR activities, the Company pays a membership fee to assist the research activities of The Ohara Memorial Institute for Science of Labour. However, the annual amount of such membership fee is less than ¥1 million per year. Mr. Jun Hamano is thus deemed to be sufficiently independent as Outside Director.
7. There are no special interests between the Company and Tokyo Metropolitan University. Ms. Keiko Murata is thus deemed to be sufficiently independent as Outside Director.

8. There are no special interests between the Company and Sekisui House, Ltd. Mr. Satoshi Tanaka is thus deemed to be sufficiently independent as Outside Director.
9. There are no special interests between the Company and Azbil Corporation, Tokyo Tatemono Co., Ltd. or NSK Ltd. Mr. Mitsuhiro Nagahama is thus deemed to be sufficiently independent as Outside Company Auditor.
10. There are no special interests between the Company and TMI Associates, SMBC Nikko Securities Inc. or IHI Corporation. Ms. Tomomi Yatsu is thus deemed to be sufficiently independent as Outside Company Auditor.
11. There are no special interests between the Company and Fujitsu Component Limited. Mr. Kenji Komatsu is thus deemed to be sufficiently independent as Outside Company Auditor.
12. Directors' positions have been partially changed as follows from January 1, 2021.

Position	Name
Chairman and Director	Masaaki Ito
President and Representative Director	Hitoshi Kawahara

(2) Liability Limitation Agreements with Directors and Company Auditors

Pursuant to the Articles of Incorporation, the Company has concluded liability limitation agreements with all the Outside Directors and Company Auditors. An outline of the agreements is as follows:

“After the execution of this agreement, the Outside Director and Company Auditor shall assume the liability for damages with regard to the liability stipulated in Article 423, Paragraph 1 of the Companies Act, within the limitation of the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act; provided that the Outside Director or Company Auditor has executed its duties in good faith without committing gross negligence.”

(3) Total Amounts of Remuneration, etc., Paid to Directors and Company Auditors

	Number of persons paid	Amount paid (Millions of yen)
Directors (of which Outside Directors)	16 (5)	355 (49)
Company Auditors (of which Outside Company Auditors)	6 (3)	84 (28)

Notes:

1. In addition to the above amounts, ¥49 million (including ¥3 million to three (3) Outside Directors) of share purchase warrants as stock options for a stock linked compensation were given to twelve (12) Directors and another ¥32 million of the same to eight (8) Directors concurrently serving as Executive Officers of the Company as compensation to serve as Executive Officers as resolved at the meeting of Board of Directors held on January 22, 2020.
2. The number of persons paid mentioned above includes four (4) Directors and one (1) Company Auditor who retired at the conclusion of the 139th Ordinary General Meeting of Shareholders held on March 26, 2020.
3. Regarding annual remunerations to Directors and Company Auditors of the Company, the following was resolved at the 125th Ordinary General Meeting of Shareholders of the Company held on June 28, 2006 and the 131st Ordinary General Meeting of Shareholders of the Company held on June 22, 2012.
 - 1) Amount of annual remunerations to Directors Under ¥800 million
 - 2) Amount of stock option-based annual remunerations to Directors Under ¥90 million
(aside from 1) above)
 - 3) Amount of annual remunerations to Company Auditors Under ¥100 million

<Reference>

Policy for Determining Remuneration for Each Director

1. Basic Policy for Determining Remuneration for Directors

Kuraray's basic policy for the remuneration of its Directors is to have a competitive level and system of remuneration that can secure and retain competent Directors fit for their positions and responsibilities in order to achieve long-term and sustainable improvements in corporate performance and corporate value. The Remuneration system comprises three parts: (1) fixed remuneration as basic remuneration in accordance with job responsibilities, (2) performance-linked remuneration as an incentive to achieve yearly business results, and (3) stock-based remuneration designed to enhance corporate value over medium to long term and sharing value with shareholders through appropriate corporate management, provided remuneration for Outside Directors shall solely comprise fixed remuneration without performance-linked or stock-based remuneration as their role is to supervise management from an independent.

The specific level and system of remuneration will be verified and deliberated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, on whether the level and system of remuneration are appropriate, based on the results of a survey by a specialized external research institution on executive remuneration covering companies such as those listed on the First Section of the Tokyo Stock Exchange, and the salary of the managers of the highest level in Kuraray. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the level and system of remuneration.

2. Timing of granting remuneration

Remuneration described in 1. above shall be granted in the following timing:

Type of remuneration, etc.	Timing of granting remuneration
Fixed remuneration (monetary remuneration)	Paid as fixed monthly remuneration
Performance-linked remuneration (monetary remuneration)	Paid once a year at a certain time as a bonus
Restricted stock compensation ^{*1, *2} (stock-based remuneration)	Paid once a year at a certain time

*1 Kuraray plans to adopt a new restricted stock compensation plan in lieu of the current stock options plan at the Ordinary General Meeting of Shareholders to be held in March 2021.

*2 A Director who is not a resident of Japan shall receive monetary compensation linked to stock price ("phantom stock") instead of restricted stock compensation and receive payment of monetary compensation at retirement in an amount linked to stock price at the time of retirement.

3. Method for determining remuneration

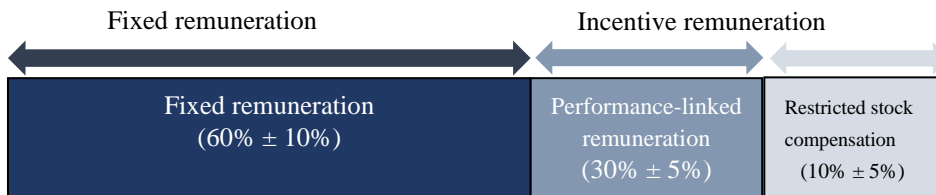
i. Upper limit of total amount of remuneration for Directors

The total amount of remuneration for Kuraray's Directors shall be paid in the scope shown below:

	Type of remuneration	Limit of total amount	Resolution
(1)	Fixed amount remuneration and performance-linked remuneration	¥800 million or less per year	131st Ordinary General Meeting of Shareholders
(2)	Restricted stock compensation (separate from (1))	¥90 million or less per year and 60,000 shares or less per year	140th Ordinary General Meeting of Shareholders (scheduled)

ii. Composition of remuneration

The allocation by type of remuneration for each Director shall be based on the following ratio.
(Assuming the goal set at the beginning of the year is achieved)



iii. Method for determining the amount of remuneration

Kuraray takes the policy in the table below to determine the amount of remuneration for each Director. The amounts of fixed remuneration and performance-linked remuneration calculated based on each formula are evaluated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, from an objective standpoint. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the amount of remuneration for each Director.

Restricted stock compensation is calculated based on the formula and the Board of Directors determines by resolution the number of shares to be granted to each Director.

Type of remuneration	Determination method, etc.								
Fixed remuneration (monetary remuneration)	<p>[President] The fixed monthly remuneration of the President is approximately six times the regular monthly salary of the managers of the highest level.</p> <p>[Directors excluding the President] Obtained by multiplying the fixed remuneration for the President by the remuneration index determined for each position.</p> <p><Remuneration index for Directors by position></p> <table><tr><td>President</td><td>Chairman</td><td>Senior Managing Executive Officer</td><td>Managing Executive Officer</td></tr><tr><td>100</td><td>90</td><td>65</td><td>55</td></tr></table> <p>5 points will be added to Representative Directors other than the President.</p> <p>The remuneration for Outside Directors will be determined by referring to the levels of remuneration for outside directors of companies such as those listed on the First Section of the Tokyo Stock Exchange.</p>	President	Chairman	Senior Managing Executive Officer	Managing Executive Officer	100	90	65	55
President	Chairman	Senior Managing Executive Officer	Managing Executive Officer						
100	90	65	55						
Performance-linked remuneration (monetary remuneration)	<p>[President] “Net income attributable to owners of the parent” is the index for calculating the performance-linked remuneration (bonus) as it is a clear indicator of the results of business operations and corporate management. The payment amount is obtained by the following formula.</p> <p>Amount of remuneration = Actual net income attributable to owners of the parent × 0.75/1000× Company performance reflection rate: 100%</p> <p>[Directors excluding the President] The payment amount is obtained by multiplying the President’s performance-linked remunerations (bonus) amount by the same remuneration index by position as the one used for fixed remuneration, provided Directors in charge of business units shall receive payment with 80% company performance reflection rate as an incentive to maximize business performance with an additional rate within the range of +0% to +40% to reflect the performance of the relevant business unit.</p>								

	Calculation formula for performance-linked remuneration (bonus)	
	Target	Formula
	Directors in charge of corporate units	Amount of remuneration = Actual net income attributable to owners of the parent \times 0.75/1000 \times Remuneration index by position ^{*1} /100 \times Company performance reflection rate: 100%
	Directors in charge of business units	Amount of remuneration = Actual net income attributable to owners of the parent \times 0.75/1000 \times Remuneration index by position /100 \times (Company performance reflection rate: 80% + Business performance addition rate ^{*2} : 0% to 40%)
	<p>^{*1} Remuneration index by position is the same as that used for fixed remuneration.</p> <p>^{*2} Business performance addition rate is obtained by evaluating the performance of the relevant business segment, i.e. the rate of achieving net sales and operating income targets, the degree of year-on-year change in operating income, etc.</p>	
Restricted stock compensation ^{*1}	<p>[President] A number of shares shall be allotted in consideration of the responsibilities of the President and the level of remuneration at other companies.</p>	
(stock-based remuneration)	<p>[Directors excluding the President] A designated number of shares shall be allotted by position. To facilitate the sharing of value with shareholders, those in higher positions receive more allotment of shares.</p>	
	Restriction on transfer is to be lifted at the time of retirement.	

^{*1} Kuraray shall allot a number of points equivalent to the number of restricted stock per position to a Director who is not a resident of Japan, and pay monetary compensation in accordance with such points at retirement in an amount linked to stock price at the time of retirement (“phantom stock”), as stated in “2. Timing of granting remuneration.”

(4) Outside Directors and Outside Company Auditors of the Company

(i) Activities of Outside Directors and Outside Company Auditors:

	Attendance at meetings of Board of Directors and meetings of Board of Company Auditors	Activities
Director Tomokazu Hamaguchi	Meetings of Board of Directors 100% (14/14 meetings)	He principally expressed his opinions as necessary about the management of the Company based on his abundant experience and broad insight gained as a business manager.
Director Jun Hamano	Meetings of Board of Directors 100% (14/14 meetings)	He principally expressed his opinions as necessary about the management of the Company based on his deep insight gained at the Cabinet Office, etc.
Director Keiko Murata	Meetings of Board of Directors 100% (10/10 meetings)	She principally expressed her opinions as necessary about the management of the Company based on her deep insight gained at the Cabinet Office and a graduate school, etc.
Director Satoshi Tanaka	Meetings of Board of Directors 100% (10/10 meetings)	He principally expressed his opinions as necessary about the management of the Company based on his experience and achievements gained by being deeply engaged in global business management.
Company Auditor Mitsuhiro Nagahama	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Board of Company Auditors 100% (14/14 meetings)	He principally made remarks from an expert's perspective based on his abundant experience primarily in financial institutions and his track record as outside officer of other companies.
Company Auditor Tomomi Yatsu	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Board of Company Auditors 100% (14/14 meetings)	She principally made remarks from an expert's perspective based on her experience as a certified public accountant and an attorney and her track record as outside officer of other companies.
Company Auditor Kenji Komatsu	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Board of Company Auditors 100% (14/14 meetings)	He principally made remarks from an expert's perspective based on his experience and track record of participating in management of many companies in and outside Japan.

Note: Information for Directors Keiko Murata and Satoshi Tanaka applies only to the meetings of Board of Directors held after their appointment on March 26, 2020.

(ii) Other matters to be stated:

There is no matter other than the above to be stated regarding the Outside Directors and Outside Company Auditors of the Company in accordance with Article 124 of the Regulation for Enforcement of the Companies Act.

5. Accounting Auditor

(1) Accounting Auditor as of the close of the subject Fiscal Year

PricewaterhouseCoopers Aarata LLC

(2) Amounts of Remunerations, etc., to be Paid to the Accounting Auditor

Remuneration, etc., to be paid to the Accounting Auditor (PricewaterhouseCoopers Aarata LLC) pertaining to the subject fiscal year is as follows:

- (i) Remuneration in compensation for audit pertaining to the Company's business as set forth in Article 2, Paragraph 1 of the Certified Public Accountant Law: ¥107 million
- (ii) Sum of money and other financial profits to be paid by the Company and its subsidiaries: ¥135 million

Notes:

- 1. The Board of Company Auditors has given consent to the remuneration, etc., to be paid to the Accounting Auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of examining the validity in the content, auditing time, quotation for auditing, etc. with regard to the auditing schedule for fiscal 2019 given by the Accounting Auditor.
- 2. The audit agreement entered into between the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act. Therefore, the amount being derived from the audit under the Financial Instruments and Exchange Act is included in the amount in (i) above.

(3) Accounting Auditor of Certain Subsidiaries

Eleven (11) of the Company's major subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act or foreign laws and regulations equivalent to such laws) by audit firms other than the Accounting Auditor of the Company (including those certified with equivalent qualifications from another country).

(4) Policy on Decisions of Dismissal or Non-Reappointment of the Accounting Auditor

The Board of Company Auditors shall dismiss the Accounting Auditor of the Company with a unanimous resolution if all Company Auditors judge that the Accounting Auditor falls under any of the Items set forth in Article 340, Paragraph 1 of the Companies Act, thereby making them difficult to execute appropriate audits. In addition, the Board of Company Auditors shall decide on the dismissal or non-reappointment of the Accounting Auditor as a proposal to be submitted to an Ordinary General Meeting of Shareholders, should there be a case where it is deemed necessary to appoint an Accounting Auditor who could be expected to perform more appropriate audits upon evaluation based on their independency, integrity, or efficiency as the Accounting Auditor, other than the existence of a fact that may fall under any statutory causes for dismissal.

(5) Other Matters to Be Stated

There is no matter other than the above to be stated regarding the Accounting Auditor of the Company in accordance with Article 126 of the Regulation for Enforcement of the Companies Act.

6. Systems to Ensure the Propriety of Business Operations

(1) Systems to Ensure Compliance of the Directors' Execution of Duties with Laws, Regulations and the Articles of Incorporation and Other Systems to Ensure the Propriety of Business Operations

The Board of Directors of the Company has resolved as follows concerning the Basic Policy for Establishment of Internal Control System to ensure the propriety of business operations of the Kuraray Group.

- (i) Systems to ensure compliance of execution of duties of Directors and employees with laws, regulations and the Articles of Incorporation
 - a. The Board of Directors, based on the Articles of Incorporation, Regulations of Board of Directors, and other internal regulations, will make decisions concerning important management items of the Kuraray Group, in addition to supervising the execution of duties by Directors and Executive Officers. To strengthen the supervisory functions of the Board of Directors, two or more Outside Directors will be elected.
 - b. To promote transparent, fair and objective decision-making concerning important management items such as nomination and compensation of Directors, a "Corporate Advisory Committee" mainly comprised of outside Directors & Company Auditors and outside experts will be established as an advisory body to the Board of Directors.
 - c. To promote corporate activities from the standpoint of CSR, a CSR Committee will be established, which reports to the Executive Committee.
 - d. Policies regarding compliance with laws and regulations will be defined as The Kuraray Group Code of Conduct. In order to conduct systematic development and operation of a compliance structure as the Kuraray Group, a Risk Compliance Committee will be established, which reports directly to the President.
 - e. As an internal reporting point for discovering unfair and illegal actions and unethical actions within the Kuraray Group at an early stage and aiming for independent resolution, a Kuraray Group Employee Counseling Room and a Global Compliance Hotline will be established. In addition, a Corporate Auditor Hotline will be established as an internal reporting point independent from the management.
 - f. As a prevention measure against the violation of the Antimonopoly Act, regular education and training will be held for executives and employees from each Kuraray Group company, raising awareness of the internal guidelines regarding the Antimonopoly Act and conducting regular monitoring of the compliance status.
 - g. The Internal Auditors Office, in compliance with the Internal Audit Regulations, will audit the conditions of business execution within the Kuraray Group.
 - h. Based on the Financial Instruments and Exchange Act, an internal control system will be established to ensure propriety of financial reporting, and will be operated appropriately.
 - i. The Kuraray Group Code of Conduct will prescribe that the Kuraray Group will deal with Anti-social forces and groups in a firm manner, and will not have any association with such forces and groups, thoroughly disseminating the rules throughout the Kuraray Group.
- (ii) Systems concerning storage and management of information regarding execution of duties of Directors

Records regarding execution of duties of Directors such as approval documents, request documents, etc., and minutes and materials of General Meetings of Shareholders, Meetings of Board of Directors, and other main meetings will be stored and managed appropriately in accordance with laws and regulations and internal regulations.
- (iii) Regulations and other systems regarding management of risk of loss
 - a. Based on the Kuraray Group Risk Management Regulations, systematic risk management will be conducted throughout the Kuraray Group.
 - b. Based on the Company Emergency Headquarters Operational Regulations, in the event of a significant crisis regarding the business activities of the Kuraray Group, the Company Emergency Headquarters will be established headed by the President to deal with the issue.

- c. Assuming a significant crisis such as a large-scale natural disaster, etc., a business continuity plan (BCP) will be defined on a per-division basis to minimize any interruption of business, and the BCP will be reviewed regularly.
- (iv) Systems to ensure efficient execution of duties by Directors
- a. For decisions made by the President or requests of approvals by the Board of Directors regarding significant management items of the Kuraray Group, preemptive deliberations will be held by the Executive Committee and various committees, aiming for swift management decision-making and efficient business execution.
 - b. Authority to operate businesses as managers of Companies, Divisions, and key organizations will be delegated to Executive Officers, etc., appointed by the Board of Directors, and execution of business at each organization will be made in an appropriate and efficient manner.
- (v) Systems to ensure the propriety of business operations at the corporate group, composed of the Company and subsidiaries
- a. Business operation of each Kuraray Group company will be conducted according to the management policies of the Kuraray Group as a whole, as defined in the mid term management plan and annual management plan. Based on the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, each Kuraray Group company will seek approval and report to the Board of Directors or Executive Committee of the Company concerning important items.
 - b. Decision-making standards will be defined for each Kuraray Group company within the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, and will be managed appropriately and efficiently. Additionally, to promote unified operations through aiming for communication of views within the Kuraray Group, a liaison meeting will be held as required between the President of the Company and the Presidents of each Kuraray Group company.
 - c. Based on The Kuraray Group Code of Conduct, the system will be put in place to enable appropriate execution of duties by Directors and employees of each Kuraray Group company. In addition, officers will be seconded from the Company to each Kuraray Group company, to supervise business execution by Directors and employees of each company, and the Internal Auditors Office will conduct internal audits in accordance with the Internal Audit Regulations.
- (vi) Independence from Directors of employees assisting the duties of Corporate Auditors and items regarding ensuring the effectiveness of instructions given to these employees
- Staff for Corporate Auditor will be assigned to assist the duties of Corporate Auditors. Staff for Corporate Auditor will receive direction and orders from Corporate Auditors, and concerning personnel affairs and salary of Staff for Corporate Auditor, decisions will be made after deliberations between the Director supervising personnel affairs and the Corporate Auditor.
- (vii) Systems regarding reporting to Corporate Auditors of the Company and systems to ensure persons who make reports do not receive detrimental treatment as a result of making a report
- a. Corporate Auditors will attend Meetings of Board of Directors and receive reports concerning conditions of business execution at the Company and each Kuraray Group company through liaison meetings, etc., with Presidents of significant subsidiaries.
 - b. The Internal Auditors Office will periodically report to the Board of Corporate Auditors concerning conditions of internal audits at the Company and each Kuraray Group company.
 - c. Upon discovering important issues regarding significant violations of laws and regulations or other compliance issues, Directors and officers of the Company and each Kuraray Group company will swiftly report to Corporate Auditors. Corporate Auditors may request reports regarding these items as required from employees of the Company and the Kuraray Group.
 - d. Employees of the Company and each Group company can notify Corporate Auditors of these matters using the Corporate Auditor Hotline.
 - e. Regarding persons who make the above reports and notifications, internal regulations will

stipulate that persons who make reports and notifications do not receive detrimental treatment on the grounds of making the report.

- (viii) Items regarding prepayment of expenses, procedures for reimbursement, and policies regarding processing of other expenses and liabilities arising from execution of duties by Corporate Auditors
When Corporate Auditors request prepayment or reimbursement, etc., for expenses arising during the course of execution of duties, unless the contents are especially unreasonable, payment will be processed without delay.
- (ix) Other systems to ensure that audits by Corporate Auditors are made effectively
In order to exchange opinions regarding challenges facing the Company, important audit issues, etc., Corporate Auditors will periodically meet with the Representative Directors, and implement interviews with Directors, Executive Officers, and important employees.

(2) Summary of operations of the systems

The Company develops and operates an internal control system based on the above basic policy. A summary of key developments and operations during fiscal 2020 is as follows.

(i) Initiatives relating to compliance

- a. To work toward improving compliance awareness, workshop-style online seminars were implemented for Section Managers (including Group Leaders) or higher at domestic Group companies, and each Manager or Section Manager subsequently implemented training for employees in their respective divisions.
- b. To establish an effective Antimonopoly Act compliance system, the Company has been developing and strengthening a compliance program across the entire Kuraray Group. In fiscal 2020, the Company evaluated and reviewed the compliance program for the Group companies in Japan and overseas, taking various measures including the development of relevant internal regulations, education and training of officers and all sales staff, risk assessment by business segment, and audit of divisions that participate in bidding.
- c. The Internal Auditors Office implemented an assessment on the development and operation status of an internal control system (J-SOX) to ensure propriety of financial reporting of the Company and the Kuraray Group. Results of the assessment was audited by PricewaterhouseCoopers Aarata LLC, and was reported to the Board of Directors. As teleworking has become more common during the COVID-19 crisis, we considered new ways of approval that require no paper or seal with the audit firm.

(ii) Initiatives relating to risk management

- a. Self-assessment of risks was implemented at each domestic and overseas organization based on the Kuraray Group Risk Management Regulations. Following discussions at the Risk Compliance Committee, the President specified significant business risks and appointed supervisors in charge of each risk in order to implement measures to avoid and reduce such risks. In November 2020, we identified the following items as priority issues in the Kuraray Group risk management for fiscal 2021.
 - i. To mitigate risks of occupational incidents, conduct an overall inspection especially of overseas plants from administrative aspects (operational management, facility management) including not only safety design but also human resources development, and establish effective measures to address identified issues.
 - ii. Establish a globally-unified system for managing confidential information, and steadily strengthen initiatives for maintaining data.
 - iii. Ensure the reliable operation of the Antimonopoly Act compliance program established globally and eliminate the possibility of recurrence.
 - iv. Taking into account emergency response to COVID-19, thoroughly implement measures including those for infection prevention and control and ensure business continuity under the pandemic.
- b. In response to the global outbreak of the new coronavirus, we set up a response team led

by the Officer Responsible for Administrative Unit at the Head Office in January 2020 to continually collect information on infection cases in Group companies in Japan and overseas, plan and implement infection prevention measures, and disclose infection cases, if any, to internal and external parties. In addition, a safety confirmation drill was held, participated in by all employees working at the Head Office and Osaka Office, assuming the occurrence of a large-scale natural disaster (earthquake, flood). Additionally, assuming that a leakage accident has occurred in the Niigata Plant, Emergency Headquarters at Head Office and the Plant jointly conducted an emergency drill for internal and external response. Further, to prepare for scenarios where meeting at the Head Office becomes difficult due to a pandemic or other emergency, we have developed procedures to establish the Company Emergency Headquarters using a remote conference system.

(iii) Initiatives relating to internal control of the corporate group

- a. The “Corporate Advisory Committee,” comprised of five (5) outside officers and two (2) outside experts, was met twice during the year. As an advisory body to the Board of Directors, the Committee deliberated on Director candidates and executive compensation, etc. and made recommendations and reports on the outcome to the Board of Directors.
- b. Each Kuraray Group company operates its business according to the management policies of the Kuraray Group as a whole, as defined in the mid term management plan and annual management plan. Based on the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, each Kuraray Group company has sought approval and reported to the Board of Directors or Executive Committee of the Company as needed concerning their respective important items.

(iv) Initiatives relating to audit systems of Company Auditors

Company Auditors meet with Representative Directors to exchange opinions regarding challenges the Company faces, important audit issues, etc., while implementing interviews with each Executive Director, Executive Officer, and other important employees.

(Note) In this business report, italicized product names are trademarks of the Kuraray Group.