

This document is an unofficial excerpt translation of Notice of the 139th 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 4, 2020

To Our Shareholders:

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

Notice of Convocation of the 139th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 139th Ordinary General Meeting of Shareholders of the Company to be held in accordance with the following schedule.

You may exercise your voting rights either in writing or via the Internet, etc. without attending the meeting. If you do not attend the meeting in person, 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 25, 2020.

1. Date and Time: Thursday, March 26, 2020, 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 139th fiscal period (from January 1, 2019 to December 31, 2019)
- (2) Audit Report on consolidated financial statements by the Accounting Auditor and the Board of Company Auditors for the 139th fiscal period

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Twelve (12) Directors
Proposal No. 3: Election of One (1) Company Auditor

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, and the Company intends to ensure the continuous and stable payment of dividends, while giving consideration to securing internal reserves, the funds for business development. Additionally, during the period of the medium-term management plan "PROUD 2020" (from fiscal 2018 to fiscal 2020) that is currently underway, we have set 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 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 ¥42 per share.

Year-end dividends:

- (1) Type of dividend property: Cash
- (2) The matter regarding the assignment of dividend property and total amount thereof:
¥22 per share of the Company's common stock for a total of ¥7,562,120,918
- (3) Effective date of the dividends (payment commencement date): March 27, 2020

Proposal No. 2: Election of Twelve (12) Directors

The term of office of all twelve (12) Directors will expire at the conclusion of this 139th 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 at the Company	Years served as Director	Attendance at Meetings of Board of Directors
1	Masaaki Ito	Reappointed	Representative Director and President	5 years and 9 months	(100%)16/16
2	Hiroaya Hayase	Reappointed	● Director and Primary Executive Officer ● President of Vinyl Acetate Film Company	5 years	(100%)16/16
3	Yoshimasa Sano	Reappointed	● Director and Senior Executive Officer ● President of Fibers and Textiles Company ● Supervisor of Osaka Office	4 years	(100%)16/16
4	Kenichi Abe	Reappointed	● Director and Senior Executive Officer ● President of Isoprene Company	4 years	(100%)16/16
5	Hitoshi Kawahara	Reappointed	● Director and Senior Executive Officer ● President of Vinyl Acetate Resin Company	1 year	(100%)12/12
6	Keiji Taga	Reappointed	● Director and Senior Executive Officer ● Supervisor of Corporate Management Planning Office ● Supervisor of CSR Division ● Supervisor of Administrative Unit ● General Manager of Corporate Management Planning Office	1 year	(100%)12/12
7	Matthias Gutweiler	Newly appointed	● Senior Executive Officer ● President, Kuraray Europe GmbH	-	-
8	Nobuhiko Takai	Newly appointed	● Senior Executive Officer ● President of Functional Materials Company ● General Manager of Carbon Materials Division, Functional Materials Company	-	-
9	Tomokazu Hamaguchi	Reappointed Outside Director Independent Director	Director	6 years and 9 months	(94%)15/16
10	Jun Hamano	Reappointed Outside Director Independent Director	Director	4 years	(100%)16/16
11	Keiko Murata	Newly appointed Outside Director Independent Director	-	-	-
12	Satoshi Tanaka	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) <div>Reappointed</div> Attendance at Meetings of Board of Directors: (100%)16/16	April 1980 April 2010 June 2012 April 2013 June 2013 April 2014 June 2014 January 2015	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. Senior Executive Officer, Kuraray Co., Ltd. Supervisor of Corporate Management Planning Division and Supervisor of CSR Division, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. Representative Director and President, Kuraray Co., Ltd. (Current position)	31,500
Reasons for nomination as the candidate for Director Mr. Masaaki Ito has led the management of the Kuraray Group as the President since assigned to his current post in January 2015, and has been contributing to the further development of the Kuraray Group through implementing various measures under the medium-term management plan, and the Company may expect his continued contribution to its management.				
2	Hiroaya Hayase (February 28, 1956) <div>Reappointed</div> Attendance at Meetings of Board of Directors: (100%)16/16	April 1980 April 2012 June 2012 April 2013 June 2014 January 2015 March 2015 January 2016 March 2016	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. Senior Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Film Company, Kuraray Co., Ltd. (Current position) Director and Senior Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Director and Primary Executive Officer, Kuraray Co., Ltd. (Current position)	11,400
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 also has been playing an important role as Director in the Kuraray Group’s management since assigned to his current post in March 2015, and 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
3	Yoshimasa Sano (April 12, 1956) <u>Reappointed</u> Attendance at Meetings of Board of Directors: (100%)16/16	April 1980 April 2010 June 2012 April 2014 January 2016 March 2016 January 2017 January 2018 January 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 Senior Executive Officer, Kuraray Co., Ltd. (Current position) 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 Supervisor of Osaka Office (Current position), Kuraray Co., Ltd.	12,100
<p>Reasons for nomination as the candidate for Director</p> <p>Mr. Yoshimasa Sano has a wealth of experience in the vinyl acetate business and chemicals business, etc., and also has been playing an important role as Director in the Kuraray Group's management since assigned to his current post in March 2016, and the Company may expect his continued contribution to its management.</p>				
4	Kenichi Abe (May 3, 1956) <u>Reappointed</u> Attendance at Meetings of Board of Directors: (100%)16/16	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 Senior Executive Officer, Kuraray Co., Ltd. (Current position) General Manager of Elastomer Division, Isoprene Company, Kuraray Co., Ltd.	29,200
<p>Reasons for nomination as the candidate for Director</p> <p>Mr. Kenichi Abe has a wealth of experience in the elastomer business and new business development, etc., and also has been playing an important role as Director in the Kuraray Group's management since assigned to his current post in March 2016, and the Company may expect his continued contribution to its management.</p>				

No.	Name (Date of Birth)	Brief Personal History, Positions and Areas of Responsibility		Number of Company Shares Held
5	Hitoshi Kawahara (March 12, 1962) <u>Reappointed</u> Attendance at Meetings of Board of Directors: (100%)12/12	April 1984 April 2014 January 2016 March 2016 January 2018 March 2018 March 2019	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. (Current position) Senior Executive Officer, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. (Current position)	6,300
Reasons for nomination as the candidate for Director Mr. Hitoshi Kawahara has a wealth of experience, including overseas assignment, in the fibers and textiles business and vinyl acetate business, etc., and also has been playing an important role as Director in the Kuraray Group's management since assigned to his current post in March 2019, and 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%)12/12	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. Supervisor of Corporate Management Planning Office (Current position) and Supervisor of CSR Division (Current position), Kuraray Co., Ltd. Senior Executive Officer, Kuraray Co., Ltd. General Manager of Corporate Management Planning Office, Kuraray Co., Ltd. (Current position) Director and Senior Executive Officer, Kuraray Co., Ltd. (Current position) Supervisor of Administrative Unit, Kuraray Co., Ltd. (Current position)	13,700
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 also has been playing an important role as Director in the Kuraray Group's management since assigned to his current post in March 2019. 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>Newly appointed</u>	March 1988 June 1996 December 2001 January 2009 June 2009 April 2013 March 2018 (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. Senior Executive Officer, Kuraray Co., Ltd. (Current position)	0
<p>Reasons for nomination as the candidate for Director</p> <p>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 has been contributing to the development of the Kuraray Group since assigned to Executive Officer in March 2018. In addition, as he serves as the chairman of the Regional Compliance Committee participated in by our European group companies, the Company may expect his further contribution to its management also from the perspective of global risk management.</p>				
8	Nobuhiko Takai (May 5, 1960) <u>Newly appointed</u>	April 1984 April 2014 March 2016 January 2019 March 2019 January 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. (Current position) Senior Executive Officer, Kuraray Co., Ltd. (Current position) President of Functional Materials Company, Kuraray Co., Ltd. (Current position)	3,200
<p>Reasons for nomination as the candidate for Director</p> <p>Mr. Nobuhiko Takai has a wealth of experience in the vinyl acetate business, Genestar business and carbon materials business, etc., and also has been contributing to the development of the Kuraray Group since assigned to Executive Officer in March 2016, and the Company may expect his further contribution to its management.</p>				

No.	Name (Date of Birth)	Brief Personal History, Positions and Areas of Responsibility		Number of Company Shares Held
9	Tomokazu Hamaguchi (April 20, 1944) <div>Reappointed</div> <div>Outside Director</div> <div>Independent Director</div> Attendance at Meetings of Board of Directors: (94%)15/16	April 1967 June 1995 June 1997 June 2001 June 2003 June 2007 June 2009 June 2013 Outside Director, East Japan Railway Company Director, FPT CORPORATION	Joined Nippon Telegraph and Telephone Public Corporation Director, NTT Data Communications Systems Corporation (currently NTT DATA Corporation) Executive Director, NTT DATA Corporation Representative Director and Senior Executive Vice President, NTT DATA Corporation Representative Director and President, NTT DATA Corporation Director and Counselor, NTT DATA Corporation Counselor, NTT DATA Corporation Director, Kuraray Co., Ltd. (Current position) (Important Positions Concurrently Held at Other Entities)	5,000
Reasons for nomination as the candidate for Outside Director Mr. Tomokazu Hamaguchi is nominated as the candidate for Outside Director because he has enough experience and broad insight, which is developed as a management executive of NTT DATA Corporation to provide opinions and suggestions that would be useful to improve the Company’s corporate governance. There is no special interest between the Company and the East Japan Railway Company, or between the Company and FPT CORPORATION. Mr. Tomokazu Hamaguchi is thus deemed to be sufficiently independent as Outside Director.				
10	Jun Hamano (February 27, 1951) <div>Reappointed</div> <div>Outside Director</div> <div>Independent Director</div> Attendance at Meetings of Board of Directors: (100%)16/16	April 1974 July 1999 July 2004 July 2006 July 2008 July 2009 January 2012 April 2013 June 2014 March 2016 Chairman, the Ohara Memorial Institute for Science of Labour	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. Director, Ohara HealthCare Foundation (Current position) Director, Kuraray Co., Ltd. (Current position) (Important Positions Concurrently Held at Other Entities)	2,700
Reasons for nomination as the candidate for Outside Director Mr. Jun Hamano is nominated as the candidate for Outside Director because he has enough experience and broad insight, which is developed through economic administration and other roles at the Economic Planning Agency of Japan and the Cabinet Office to provide objective opinions and suggestions that are useful for the Company’s management. Though he has never been directly engaged in corporate management, he is well prepared for properly exercising his duties as Outside Director such as advising accurately on the management of the Company because of the reasons mentioned above. 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
11	Keiko Murata (February 25, 1962) <u>Newly appointed</u> <u>Outside Director</u> <u>Independent Director</u>	April 1986 August 2005 August 2006 July 2008 May 2015 July 2017 April 2018 (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)	0
Reasons for nomination as the candidate for Outside Director Ms. Keiko Murata is nominated as the candidate for Outside Director because she has an experience in economic administration at the Cabinet Office and deep insight as a professor of Graduate School of Tokyo Metropolitan University to provide opinions and suggestions that are useful for the Company’s management and corporate value improvement. Though she has never been directly engaged in corporate management, she is well prepared for properly exercising her duties as Outside Director such as advising accurately on the management of the Company because of the reasons mentioned above. There is no special interest between the Company and Tokyo Metropolitan University. Ms. Keiko Murata is thus deemed to be sufficiently independent as Outside Director.				
12	Satoshi Tanaka (February 27, 1958) <u>Newly appointed</u> <u>Outside Director</u> <u>Independent Director</u>	April 1981 April 2007 April 2011 April 2013 April 2015 April 2017 June 2017 April 2019 June 2019	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)	0
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 opinions and suggestions that are useful for the Company’s management.				

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

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

(Note) 3. Contracts for limitation of liability

- (1) The Company has entered into a contract with Mr. Tomokazu Hamaguchi and Mr. Jun Hamano 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 Ms. Keiko Murata and Mr. Satoshi Tanaka is approved, the Company will enter into contracts with each of them 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.

(Note) 4. Term of office of Outside Officer

- (1) Mr. Tomokazu Hamaguchi is currently Outside Director of the Company and his term of office will be six (6) years and nine (9) months at the conclusion of this 139th Ordinary General Meeting of Shareholders.
- (2) Mr. Jun Hamano is currently Outside Director of the Company and his term of office will be four (4) years at the conclusion of this 139th Ordinary General Meeting of Shareholders.

(Note) 5. Registration as Independent Director/Auditor

- (1) The Company has registered Mr. Tomokazu Hamaguchi and Mr. Jun Hamano as Independent Director/Auditor prescribed by Tokyo Stock Exchange as Mr. Tomokazu Hamaguchi and Mr. Jun Hamano both satisfy 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/Auditor if their reelection is approved.

- (2) As Ms. Keiko Murata and Mr. Satoshi Tanaka both satisfy 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 them as Independent Director/Auditor if their election as Outside Directors is approved.

(Note) 6. In November 2019, while Mr. Tomokazu Hamaguchi and Mr. Jun Hamano were in office as Outside Director, the Company received a Cease and Desist Orders and Penalty Payment Orders from the Japan Fair Trade Commission regarding violations of the Antimonopoly Act in connection with the manufacture and sale of activated carbon used in certain water purification, waste incineration, and other facilities in the East Japan and Kinki regions. Mr. Tomokazu Hamaguchi and Mr. Jun Hamano were not previously aware of these violations, but they had called attention to the importance of compliance with laws and regulations on a regular basis. After these violations have come to light, Mr. Tomokazu Hamaguchi and Mr. Jun Hamano have taken necessary measures in response as Outside Director, including reviewing actions to be taken and providing advice on preventing reoccurrence at meetings of the Board of Directors, etc.

Proposal No. 3: Election of One (1) Company Auditor

The term of office of Company Auditor Kunio Yuki Yoshi will expire at the conclusion of this 139th 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
Kazuhiro Nakayama (January 1, 1956) <u>Newly appointed</u>	April 1980	Joined Kuraray Co., Ltd.	14,400
	April 2012	General Manager, Kurashiki Plant, Kuraray Co., Ltd.	
	June 2012	Executive Officer, Kuraray Co., Ltd.	
	April 2013	General Manager of Overseas Business Division, Vinyl Acetate Company, Kuraray Co., Ltd.	
	April 2014	General Manager of Technology Division, Kuraray Co., Ltd.	
	January 2016	Supervisor of Technology Division, Supervisor of Plants in Japan and Supervisor of Environmental Business Development and Promotion Division, Kuraray Co., Ltd.	
	March 2016	Director and Senior Executive Officer, Kuraray Co., Ltd. (Current position)	
	January 2018	Supervisor of Environmental and Industrial Safety Management Center, Kuraray Co., Ltd.	
January 2020			Assistant to the President, Kuraray Co., Ltd. (Current position)
<p>Reasons for nomination as the candidate for Company Auditor</p> <p>Mr. Kazuhiro Nakayama has been involved in the production technology field and overseas plant start-up, etc. over the years, and has taken an active role in the Kuraray Group's management since assigned to Director in March 2016. He is nominated as a candidate for Company Auditor because he is well prepared for properly fulfilling his duties as Company Auditor based on his advanced knowledge regarding plant management including safety control and broad insight into the overall Kuraray Group's management.</p>			

(Note) 1. No special interests exist between the Company and Mr. Kazuhiro Nakayama.

(Note) 2. If the election of Mr. Kazuhiro Nakayama 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.

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

Business Report (From January 1, 2019 to December 31, 2019)

1. Current Situation of the Kuraray Group

(1) Progress and Results of Operations

General Situation

In the fiscal year ended December 31, 2019 (“fiscal 2019”), the prolonged trade war between the United States and China and emerging geopolitical risks across the globe fostered a stronger sense of uncertainty with each passing period. Due to these factors, a clear decelerating trend emerged in the world economy. Consequently, consolidated operating results for fiscal 2019 are as follows: net sales decreased ¥27,188 million, or 4.5%, compared with the previous fiscal year to ¥575,807 million; operating income fell ¥11,620 million, or 17.7%, to ¥54,173 million; ordinary income decreased ¥12,896 million, or 21.1%, to ¥48,271 million; and net loss attributable to owners of the parent totaled ¥1,956 million (compared with net income attributable to owners of the parent of ¥33,560 million in the previous fiscal year). In fiscal 2019, Kuraray has recognized a loss of ¥50,590 million, including a settlement in connection with a fire in May 2018 at a group subsidiary in the United States. Based on a reasonable estimate of damages, the settlement was paid to the plaintiffs and, along with other expenses, has been classified as an extraordinary loss. Kuraray also recognized insurance income totaling ¥10,360 million as part of extraordinary income.

The Kuraray Group launched the medium-term management plan “PROUD 2020” from fiscal 2018. In fiscal 2020, the final year of the plan, the Kuraray Group aims to achieve its long-term vision of becoming a “Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies.” We will steadily take specific measures related to the key management strategies underlined in the plan. We will also continue working to establish a new business portfolio from a medium- to long-term perspective.

In addition, Kuraray has adopted ASBJ Statement No. 28 Partial Amendments to Accounting Standard for Tax Effect Accounting (issued February 16, 2018) from January 1, 2019. Regarding the Company’s financial position, these accounting standards have been retroactively applied to the numbers used for comparison and analysis with the previous fiscal year.

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

	Fiscal 2018	Fiscal 2019	Change (%)
Net Sales	603.0	575.8	-4.5%
Operating Income	65.8	54.2	-17.7%
Ordinary Income	61.2	48.3	-21.1%
Net Income (Loss) Attributable to Owners of the Parent	33.6	-2.0	-

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 4.8% year on year to ¥266,105 million, and segment income fell 13.5% year on year to ¥47,368 million.

- (i) The sales volume of PVA resin declined due to decelerating economic conditions. Shipments of optical-use poval film decreased due to a LCD panel inventory adjustment. We completed an expansion of facilities at the Kurashiki Plant in the fourth quarter. In addition, as for the performance of PVB film, demand grew for ionomer interlayer for glass lamination *SentryGlas*™ for construction use, although the performance of automotive use struggled. Meanwhile, sales of water-soluble PVA film expanded for use in unit dose detergent packets.
- (ii) Sales of *EVAL*™ ethylene vinyl alcohol copolymer (EVOH resin) for gas tank applications was affected by the decline in the production number of vehicles. The sales volume for food packaging applications declined despite a gradual recovery in sales from the third quarter onward.

Isoprene

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

Sales in this segment decreased 6.9% year on year to ¥53,276 million, and segment income fell 41.8% year on year to ¥4,232 million.

- (i) The sales volume of *SEPTON*™ thermoplastic elastomer declined due to economic deceleration.
- (ii) The sales of *GENESTAR*™ heat-resistant polyamide resin fell due to sluggish demand for electric and electronic devices. However, demand for connectors for automotive devices grew.

Functional Materials

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

Sales in this segment decreased 4.2% year on year to ¥125,982 million, and segment income decreased 12.7% year on year to ¥3,836 million.

- (i) The methacrylate business was affected by worsening market conditions, which, in turn, caused sales of methacrylic resins to decrease.
- (ii) In the medical business, sales were steady, especially for esthetic and restorative dentistry products.
- (iii) As for Calgon Carbon, results in Europe were sluggish due to stagnant demand, whereas demand held steady in North America. In the Carbon Materials business, sales of high value-added products increased.

Fibers and Textiles

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

Sales in this segment edged down 0.3% year on year to ¥64,513 million while segment income fell 9.9% year on year to ¥5,654 million.

- (i) Sales of *CLARINO*TM man-made leather sales for luxury product applications remained stable. However, results struggled for use in shoes.
- (ii) In fibers and industrial materials, the performance of *KURALON*TM for cement reinforcement use remained weak. Sales of products used in reinforcing rubber were negatively affected by a decline in vehicle production. However, the results of *VECTRAN*TM were firm, mainly for exports.
- (iii) In consumer goods and materials, sales of *KURAFLEX*TM for commodity use decreased, however, sales of high-value-added products increased.

Trading

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

In fiber-related businesses, sales of sewn products remained firm, including sportswear-use products, and exports of functional fiber and yarn increased. However, exports of resins and chemicals struggled, especially those to China. As a result, segment sales decreased 5.7% year on year to ¥130,911 million, and segment income rose 0.2% to ¥4,224 million.

Other Business

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

In other businesses, due to weak sales of domestic affiliates, segment sales declined 11.9% year on year to ¥51,128 million, and segment income fell 44.9% to ¥649 million.

[Reference] Net Sales and Operating Income by Business Segment

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

	Net Sales			Operating Income		
	Fiscal 2018	Fiscal 2019	Change (%)	Fiscal 2018	Fiscal 2019	Change (%)
Vinyl Acetate	279.4	266.1	-4.8%	54.7	47.4	-13.5%
Isoprene	57.2	53.3	-6.9%	7.3	4.2	-41.8%
Functional Materials	131.5	126.0	-4.2%	4.4	3.8	-12.7%
Fibers and Textiles	64.7	64.5	-0.3%	6.3	5.7	-9.9%
Trading	138.8	130.9	-5.7%	4.2	4.2	+0.2%
Other Business	58.0	51.1	-11.9%	1.2	0.6	-44.9%
Elimination & Corporate	-126.7	-116.1	—	-12.3	-11.8	—
Total	603.0	575.8	-4.5%	65.8	54.2	-17.7%

[Reference] EBITDA Trend recent 10 years (including Fiscal 2020 Forecast)

(Unit: Billions of yen)

Fiscal Year	2011	2012	2013	2014 (9 months)	2015	2016	2017	2018	2019	2020 (Forecast)
Operating Income	54.7	49.2	49.5	40.3	66.1	67.8	75.1	65.8	54.2	60.0
Depreciation & Amortization	30.7	31.0	35.0	35.7	44.1	41.6	43.0	56.7	58.2	61.1

(2) Capital Expenditures

Major capital expenditures invested during fiscal 2019 were as follows:

(i) Major facilities completed during the year

- Kuraray Co., Ltd.

Expansion of production facilities for optical-use PVA film to annual production capacity of 32 million square meters (Vinyl Acetate Business)

(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)

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

We transferred all the shares of Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd. on October 22, 2019.

(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 2019, we raised funds by issuance of commercial paper and bank borrowings.

(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.

To realize "Kuraray Vision 2026", the Kuraray Group promotes the four key management strategies listed below that are outlined in the medium-term management plan "PROUD 2020" (from fiscal 2018 to fiscal 2020), which began from fiscal 2018.

- 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 IoT.

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.

4) Contribute to the environment

In the implementation of the three management strategies listed above, the Kuraray Group will help improve the natural environment and daily living environment by lowering the environmental footprint of its business activities and providing products and services that help solve environmental and social problems.

- (i) In the two years since the launch of "PROUD 2020," we have strengthened initiatives aimed at building a forward-looking, stable business portfolio, for example, by investing in a new isoprene plant in Thailand and acquiring Calgon Carbon Corporation, which is the largest activated carbon producer in the world, then leveraging our synergies from integration. In addition, we steadily implemented targeted strategic measures to achieve growth, including expanding facilities for optical-use poval film and water-soluble PVA films. However, our performance results fell short. This was due to a decline in demand as the automobile, display, and electronic device industries—Kuraray's main customers—made adjustments in light of global economic deceleration.
- (ii) In fiscal 2020, the global economy is expected to see an increase in risks around the world due mainly to volatility in raw material and fuel costs accompanying the changing situation in the Middle East as well as the continued protectionist policies of the United States and the outcome of the presidential election. This is despite the fact that the European and Chinese economies expected to bottom out with the affirmation of BREXIT and an initial trade deal between the United States and China. In addition, prolonged termination of the new coronavirus, which continues to spread, could have a major impact on the global economy. We cannot accurately measure this effect in our forecasts for fiscal 2020, and we have not factored them in at this time. Under such an environment, the Kuraray Group will steadily implement measures targeted at achieving our main business strategies in "PROUD 2020." We will also focus greater attention on generating cash flows, such as by accelerating the contribution to results in businesses that conducted capital investment and stepping up the creation of synergies with the acquired activated carbon business.

The Kuraray Group sets the targets of net sales of ¥650 billion, operating income of ¥90 billion and net income per share of ¥176 for fiscal 2020, the final year of "PROUD 2020." With the global economic downturn, however, the headwinds in the operating environment surrounding our businesses continue; planned business expansion delayed and our growth trajectory of the mainstay EVAL business to date decelerated due to the impact of a fire at the U.S. plant, making it difficult to achieve the targets. Taking this situation seriously, with the final year of "PROUD 2020" coming up, we will steadily implement remaining measures. At the same time, we will revise strategies in businesses as necessary depending on market changes and other factors, and we intend to connect these efforts with the next medium-term management plan that will start in fiscal 2021.

In terms of investor's relationship, the distribution of profits to shareholders is one of the Company's top management priorities. In order to secure and enhance its corporate value and shareholders' common interests, we endeavor to ensure appropriate distribution of profits, while giving consideration to the balance between shareholder returns that reflect management results and keeping resource for growth in the future. During the period of "PROUD2020", the Company has set 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. In addition, as part of our capital policy, we purchased 5 million shares of treasury stock for about ¥6.6 billion during fiscal 2019.

- (iii) In February 2017, the Japan Fair Trade Commission carried out an on-site inspection of the Company in connection with the manufacture and sale of activated carbon used in waste incineration, water purification, and other facilities. In November 2019, the Company received a Cease and Desist Orders and Penalty Payment Orders under the Antimonopoly Act from the said Commission in connection with the manufacture and sale of activated carbon used in certain water purification, waste incineration, and other facilities in the East Japan and Kinki regions. The Company received another Cease and Desist Order from the Japan Fair Trade Commission in connection with bidding to supply certain vinylon products to the Acquisition, Technology & Logistics Agency (the Ministry of Defense of Japan) in March 2017. We take seriously the importance of the situation regarding the two Cease and Desist Orders for violations of the Antimonopoly Act. We have made compliance with the Antimonopoly Act one of our highest priorities and been working full force on various measures to prevent recurrences.

● Specific measures taken to prevent recurrences

a. Rule revision and organizational reinforcement

- Sending messages about compliance in the name of the President
- Revision of Antimonopoly Act Compliance Guidelines
- Establishment of guidelines concerning contacts with competitors
- Operation of Antimonopoly Act compliance systems
 - Review of transactions and meetings with competitors in advance
 - Management of bidding information

b. In-house training

- Antimonopoly Act Seminar by external lawyers
- Training programs for employees of sales business divisions

c. Internal investigation

- Internal hearing on the status of compliance with the Antimonopoly Act
- In-house leniency programs for employees of sales related divisions including affiliated companies
- Audit by Legal Department on divisions in charge of bidding

In fiscal 2020, we will continue to enhance initiatives to prevent recurrences. Such efforts include amendment of the rotation system for managers, who are at same job for a certain period of time, revision of the Antimonopoly Act Compliance Guidelines, continuation of internal hearing by Legal Department to business divisions and affiliated companies and seminars for employees of sales related divisions, as well as reimplementation of in-house leniency programs.

Seeing compliance with the Antimonopoly Act as one of our highest priorities, we will work harder to restore trust by ensuring measures for preventing recurrences.

- (iv) In addition, associated with the fire at an EVAL manufacturing plant of Kuraray America, Inc. in May, 2018, a civil lawsuit has been brought by over 160 contract workers and others seeking compensation for damage to their physical and mental health. Although a settlement has been reached with some of the plaintiffs, the litigation is still proceeding. The plant has since restarted operations after taking various measures to prevent a recurrence. To ensure a similar fire does not occur again, we have been conducting safety inspection at overseas plants since fiscal 2019, in order to check whether they are still capable of doing the things they used to do, to check that there are no lapses or deficiencies in any control parameter and

to ensure that the long years of safe operation have not led to conceit or overconfidence where safety is concerned, based on which we are steadily working on making improvements.

● Main areas reviewed by fiscal 2019 overseas plant safety inspections

- a. Improvement of the management system
 - Revise concrete methods for change management and ensure post-change confirmation
 - Further clarify the authority in writing to grant permission and approval for specific work by adding concrete situation
- b. Enhancement of training and drills
 - Further enhance training provided for higher risk items (sources of danger) at plants
 - Revise and improve the emergency response manual, and ensure that employees are completely familiar with its contents
- c. Expansion of risk assessment
 - Introduce HAZOP (discovering and responding to sources of danger) to non-regular (start-up, shut-down) work
 - Reduce the number of work operations that have not been standardized in writing to zero

From fiscal 2020 onward, we will continue diligently working to enhance the safety of our equipment at plants in Japan and overseas, revise and improve management systems and manuals, enhance employee education, and take other such measures.

Going forward, in line with the idea of “safety is the cornerstone of everything we do” as stated in the Guiding Principles of our corporate statements, we will continue aiming to globally be a company where people can work comfortably and a safe company where accidents do not occur.

(9) Changes in Financial Position and Income Summary

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Net sales (Millions of yen)	485,192	518,442	602,996	575,807
Operating income (Millions of yen)	67,827	76,351	65,794	54,173
Ordinary income (Millions of yen)	66,181	74,235	61,167	48,271
Net income (loss) attributable to owners of the parent (Millions of yen)	40,400	54,459	33,560	- 1,956
Net income (loss) per share (Yen)	114.98	154.85	96.05	- 5.66
Total assets (Millions of yen)	725,433	776,735	947,095	991,149
Net assets (Millions of yen)	520,978	565,487	567,033	538,545

Note: From fiscal 2019, the Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting, and figures for fiscal 2018 have been retroactively adjusted.

(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.	3,804 (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.
5. Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd. ceased to be a subsidiary of the Company following the transfer of its entire shares on October 22, 2019.

(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

[Reference] Consolidated Net Sales by Countries and Regions

Fiscal 2018

(Unit: Millions of yen)

Countries and Regions	Japan	United States	China	Europe	Asia	Others	Total
Net Sales	192,940	100,736	70,528	136,122	75,144	27,524	602,996
Composition (%)	32.0%	16.7%	11.7%	22.6%	12.5%	4.5%	100.0%

Fiscal 2019

(Unit: Millions of yen)

Countries and Regions	Japan	United States	China	Europe	Asia	Others	Total
Net Sales	184,491	98,776	68,161	127,299	70,913	26,164	575,807
Composition (%)	32.0%	17.2%	11.8%	22.1%	12.3%	4.6%	100.0%

(12) Employees

Business Segment	Number of Employees	Year-on-year Increase (Decrease)
Vinyl Acetate	4,112	165
Isoprene	897	34
Functional Materials	2,978	181
Fibers and Textiles	1,423	179
Trading	347	-1
Other Business	1,130	-216
Corporate (Shared)	228	5
Total	11,115	347

(13) Major Lenders

Nothing important to mention

(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 Issued Shares: 354,863,603 shares
(Including 11,130,834 shares of treasury shares)
(3) Number of Shareholders as of December 31, 2019: 52,200
(4) Major Shareholders

Shareholder's Name	Number of Shares Held (Thousands)	Ratio of Capital Contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	37,290	10.85
Japan Trustee Services Bank, Ltd. (Trust account)	25,774	7.50
National Mutual Insurance Federation of Agricultural Co-operatives	10,882	3.17
Nippon Life Insurance Company	10,448	3.04
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,817	1.98
Japan Trustee Services Bank, Ltd. (Trust account 7)	6,476	1.88
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,251	1.82
Meiji Yasuda Life Insurance Company	5,969	1.74
JP MORGAN CHASE BANK 385151	5,558	1.62
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	4,981	1.45

Note: In calculation of "Ratio of Capital Contribution", the treasury shares of the Company (11,130,834 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, 2019

- (i) Share Purchase Warrants
413 units
- (ii) Kind and number of share
Common shares: 206,500 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 October 2010	June 25, 2012 - June 24, 2020	Free of charge ¥1,078	20 units	2
	Share Purchase Warrants issued in May 2011 (Stock Options for a Stock Linked Compensation)	May 19, 2011 - May 18, 2026	¥1,174 ¥1	3 units	1
	Share Purchase Warrants issued in May 2012 (Stock Options for a Stock Linked Compensation)	May 17, 2012 - May 16, 2027	¥1,046 ¥1	4 units	1
	Share Purchase Warrants issued in May 2013 (Stock Options for a Stock Linked Compensation)	May 15, 2013 - May 14, 2028	¥1,482 ¥1	21 units	7
	Share Purchase Warrants issued in May 2014 (Stock Options for a Stock Linked Compensation)	May 15, 2014 - May 14, 2029	¥1,119 ¥1	33 units	7
	Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015 - February 16, 2030	¥1,352 ¥1	32 units	7
	Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016 - February 9, 2031	¥1,200 ¥1	51 units	7
	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 - February 8, 2032	¥1,538 ¥1	81 units	8
	Share Purchase Warrants issued in February 2018 (Stock Options for a Stock Linked Compensation)	February 15, 2018 - February 14, 2033	¥1,761 ¥1	57 units	9
	Share Purchase Warrants issued in February 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 - February 13, 2034	¥1,466 ¥1	93 units	9

	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		

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
32 units
- (ii) Kind and number of share
Common shares: 16,000 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 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 - February 13, 2034	¥1,466	32 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 2019 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
Representative Director and President	Masaaki Ito	
Representative Director and Primary Executive Officer	Sadaaki Matsuyama	President of Fibers and Textiles Company and Supervisor of Osaka Office, Kuraray Co., Ltd.
Director and Primary Executive Officer	Kazuhiko Kugawa	Supervisor of Administrative Unit, Kuraray Co., Ltd.
Director and Primary Executive Officer	Hiroaya Hayase	President of Vinyl Acetate Film Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Kazuhiro Nakayama	Supervisor of Technology Division, Plants in Japan, and Environmental and Industrial Safety Management Center, Kuraray Co., Ltd.
Director and Senior Executive Officer	Kenichi Abe	President of Isoprene Company and General Manager of Elastomer Division, Isoprene Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Yoshimasa Sano	President of Functional Materials Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Hitoshi Kawahara	President of Vinyl Acetate Resin Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Keiji Taga	Supervisor of Corporate Management Planning Office, Supervisor of CSR Division and General Manager of Corporate Management Planning Office, Kuraray Co., Ltd.
Director	Tomokazu Hamaguchi	Outside Director, East Japan Railway Company Director, FPT CORPORATION
Director	Jun Hamano	Chairman, The Ohara Memorial Institute for Science of Labour
Director	Mie Fujimoto	Attorney and Partner, TMI Associates Outside Company Auditor, SEIKAGAKU CORPORATION Outside Company Auditor, Tokyo Broadcasting System Holdings, Inc. Company Auditor, TBS Television, Inc.
Standing Company Auditor	Kunio Yuki Yoshi	
Standing Company Auditor	Yukinori Yamane	
Company Auditor	Mitsuhiro Nagahama	Outside Director, Azbil Corporation External Director, Tokyo Tatemono Co., 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	

Notes:

1. Directors Tomokazu Hamaguchi, Jun Hamano and Mie Fujimoto 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.
4. The Company has registered Directors Tomokazu Hamaguchi, Jun Hamano and Mie Fujimoto and Company Auditors Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu as Independent Directors/Auditors prescribed by Tokyo Stock Exchange.
5. There is no special interest between the Company and the East Japan Railway Company, or FPT CORPORATION. Mr. Tomokazu Hamaguchi is thus deemed to be sufficiently independent as Outside Director.
6. 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 is no special interest between the Company and TMI Associates, SEIKAGAKU CORPORATION, Tokyo Broadcasting System Holdings, Inc., or TBS Television, Inc. Ms. Mie Fujimoto is thus deemed to be sufficiently independent as Outside Director.
8. There is no special interest between the Company and Azbil Corporation or Tokyo Tatemono Co., Ltd. Mr. Mitsuhiro

Nagahama is thus deemed to be sufficiently independent as Outside Company Auditor.

9. There is no special interest 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.
10. Company Auditors Mie Fujimoto and Yoshimitsu Okamoto resigned at the conclusion of the 138th Ordinary General Meeting of Shareholders held on March 27, 2019. Ms. Mie Fujimoto was elected as Director of the Company at the said Meeting and assumed her office.

(2) Liability Limitation Agreements of 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	12	493
(Including Outside Directors)	(3)	(40)
Company Auditors	7	86
(Including Outside Company Auditors)	(5)	(30)

Notes:

1. In addition to the above amounts, ¥42 million of Share Purchase Warrants as Stock Options for a Stock Linked Compensation were given to nine (9) Directors (including ¥3 million to two (2) Outside Directors) and another ¥22 million of the same to six (6) 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 16, 2019.
2. The number of persons paid mentioned above includes two (2) Company Auditors who retired at the conclusion of the 138th Ordinary General Meeting of Shareholders held on March 27, 2019.
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 (aside from 1) above)	Under ¥90 million
3) Amount of annual remunerations to Company Auditors	Under ¥100 million

(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 94% (15/16 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% (16/16 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 Mie Fujimoto	Meetings of Board of Directors 100% (16/16 meetings) Meetings of Board of Company Auditors 100% (4/4 meetings)	She principally made remarks from an expert's perspective based on her broad experience gained during her many years of service as an attorney.
Company Auditor Mitsuhiro Nagahama	Meetings of Board of Directors 100% (16/16 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 auditor of other companies.
Company Auditor Tomomi Yatsu	Meetings of Board of Directors 100% (12/12 meetings) Meetings of Board of Company Auditors 100% (10/10 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% (12/12 meetings) Meetings of Board of Company Auditors 100% (10/10 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.

Notes:

1. Director Mie Fujimoto resigned as Company Auditor on March 27, 2019 and assumed office as Director. Attendance at Meetings of Board of Company Auditors shown above applies to the Meetings of Board of Company Auditors held prior to her assumption of office as Director.
2. Information for Company Auditors Tomomi Yatsu and Kenji Komatsu applies only to Meetings of Board of Directors and Meetings of Board of Company Auditors held after their appointment on March 27, 2019.
3. The Company received a Cease and Desist Orders and Penalty Payment Orders from the Japan Fair Trade Commission in November 2019 regarding violations of the Antimonopoly Act in connection with the manufacture and sale of activated carbon used in some water purification, waste incineration, and other facilities in the East Japan and Kinki regions. Outside Directors Tomokazu Hamaguchi, Jun Hamano and Mie Fujimoto and Outside Company Auditors Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu were not previously aware of these violations, but they had called attention to the importance of compliance with laws and regulations on a regular basis. After these violations have come to light, they have taken necessary measures in response as Outside Directors/Outside Company Auditors, including reviewing actions to be taken and providing advice on preventing reoccurrence at Meetings of Board of Directors and Meetings of Board of Company Auditors.

(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: ¥128 million
- (ii) Sum of money and other financial profits to be paid by the Company and its subsidiaries: ¥157 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" comprised of outside officers 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 antitrust laws, regular education and training will be held for executives and employees from each Kuraray Group company, raising awareness of the internal guidelines regarding the antitrust laws 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 2019 is as follows.

(i) Initiatives relating to compliance

- a. To work toward improving compliance awareness, workshop-style seminars were implemented for Managers at domestic Group companies, and each Manager subsequently implemented training for employees in their respective divisions. As for overseas Group companies, timing of report by each Regional Compliance Committee on action plans and results was aligned with the schedule of the Risk Compliance Committee at the Head Office, thereby making the operating system more efficient and effective.
- b. The Company monitors transactions, meetings, etc. with competitors held by domestic Group companies and implements periodic audits of divisions that participate in bidding. To strengthen compliance with antitrust laws at overseas Group companies and establish a unified and effective compliance system across the entire Group, the Company develops and establishes an antitrust laws compliance program to be introduced and operated by each Group company, upon investigating the current status of compliance at each company.
- 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. Calgon Carbon Corporation that we acquired in 2018 has been added to the assessment target.

(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 2019, we identified the following items as priority issues in the Kuraray Group risk management for fiscal 2020.
 - i. Re-examine risks of violating antitrust laws thoroughly on a Groupwide basis including affiliated companies in and outside Japan and ensure prevention of recurrence.
 - ii. To mitigate risks of occupational incidents, conduct an overall inspection especially of overseas plants from the aspects of facilities and human factors and make improvements and enhancements.
 - iii. Classify information and data according to the level of importance and clarify their management method to strengthen initiatives for maintenance.
 - iv. Continue inspection and improvement of the quality assurance system to improve product reliability.
- b. In Japan, 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). Additionally, assuming that Okayama Plant is damaged by fire, Emergency Headquarters at Head Office and the Plant jointly conducted an emergency drill for internal and external response. Overseas, emergency response trainings were held by Emergency Headquarters Secretariat, assuming personal injury of the Kuraray Group employees outside Japan. In addition, with the cooperation of external experts, an emergency response assessment was conducted for all the overseas subsidiaries.

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

- a. The “Corporate Advisory Committee,” comprised of four outside officers and two 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. Liaison meetings were held between the President and management team of the Company and the Presidents of major overseas Group companies, with the purpose of instructing on top management policies associated with the Kuraray Group management and Group-wide issues, as well as sharing information.

(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.

[Financial statements are omitted. Please refer to our News Release dated February 13, 2020 titled “Business Results for the Fiscal Year Ended December 31, 2019 (Unaudited).”]

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