

This document is an unofficial excerpt translation of Notice of the 137th 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 1, 2018

To Our Shareholders:

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

Notice of Convocation of the 137th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 137th 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 Thursday, March 22, 2018.

1. Date and Time: Friday, March 23, 2018, at 10:00 a.m.

2. Place: Banquet room TSURU, 1F, Main Building, Hotel New Otani, 4-1, Kioi-cho, Chiyoda-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 137th fiscal period (from January 1, 2017 to December 31, 2017)
- (2) Audit Report on consolidated financial statements by the Accounting Auditor and the Board of Company Auditors for the 137th fiscal period

Matters to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Nine (9) Directors
Proposal No. 3: Election of Two (2) Company Auditors

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 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 taking into account business performance, profits, and other factors, and giving consideration to securing internal reserves, the funds for business development. 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 ¥7,718,115,262
- (3) Effective date of the dividends (payment commencement date): March 26, 2018

Proposal No. 2: Election of Nine (9) Directors

The term of office of all ten (10) Directors will expire at the conclusion of this 137th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that nine (9) Directors be elected.

The candidates for the Directors are as follows:

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>	April 1980 June 2012 June 2013 June 2014 January 2015	Joined Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Senior Executive Officer, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. Representative Director and President, Kuraray Co., Ltd. (Current position)	22,200
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	Sadaaki Matsuyama (October 18, 1950) <u>Reappointed</u>	April 1975 April 2009 June 2010 April 2012 June 2012 April 2013 June 2013 March 2016 June 2016 January 2018	Joined Kuraray Co., Ltd. General Manager of Medical Division, Chemicals and Medical Products Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Representative Director and President of Kuraray Noritake Dental Inc. Senior Executive Officer, Kuraray Co., Ltd. President of Functional Materials Company and General Manager of Medical Division, Functional Materials Company, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. Director and Primary Executive Officer, Kuraray Co., Ltd. Representative Director and Primary Executive Officer, Kuraray Co., Ltd. (Current position) President of Fibers and Textiles Company (Current position) and Supervisor of Osaka Head Office, Kuraray Co., Ltd. (Current position)	9,800
Reasons for nomination as the candidate for Director Mr. Sadaaki Matsuyama has a wealth of experience in the man-made leather business and medical 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 June 2013, and the Company may expect his continued contribution to its management.				
3	Kazuhiko Kugawa (January 22, 1954) <u>Reappointed</u>	April 1976 April 2010 June 2012 April 2013 June 2013 June 2014 January 2015 January 2016 March 2016	Joined Kuraray Co., Ltd. General Manager of EVAL Division, Resin Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Vice President of Vinyl Acetate Company, Kuraray Co., Ltd. Senior Executive Officer, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Supervisor of Administrative Unit (Current position) and Supervisor of Corporate Management Planning Office, Kuraray Co., Ltd. Director and Primary Executive Officer, Kuraray Co., Ltd. (Current position)	14,500
Reasons for nomination as the candidate for Director Mr. Kazuhiko Kugawa has a wealth of experience in corporate management planning and the 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 June 2014, 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
4	Hiroaya Hayase (February 28, 1956) <u>Reappointed</u>	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)	10,300
<p>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.</p>				
5	Kazuhiro Nakayama (January 1, 1956) <u>Reappointed</u>	April 1980 April 2012 June 2012 April 2013 April 2014 January 2016 March 2016 January 2018	Joined Kuraray Co., Ltd. General Manager, Kurashiki Plant, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of Overseas Business Division, Vinyl Acetate Company, Kuraray Co., Ltd. General Manager of Technology Division, Kuraray Co., Ltd. Supervisor of Technology Division (Current position), Supervisor of Plants in Japan (Current position) and Supervisor of Environmental Business Development and Promotion Division, Kuraray Co., Ltd. Director and Senior Executive Officer, Kuraray Co., Ltd. (Current position) Supervisor of Environmental and Industrial Safety Management Center, Kuraray Co., Ltd. (Current position)	12,100
<p>Reasons for nomination as the candidate for Director Mr. Kazuhiro Nakayama has a wealth of experience in the production technology field and overseas plant start-up, 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>				
6	Kenichi Abe (May 3, 1956) <u>Reappointed</u>	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. (Current position)	19,500
<p>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 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
7	Yoshimasa Sano (April 12, 1956) <u>Reappointed</u>	April 1980 April 2010 June 2012 April 2014 January 2016 March 2016 January 2017 January 2018	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. (Current position) President of Functional Materials Company, Kuraray Co., Ltd. (Current position)	10,500
<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>				
8	Tomokazu Hamaguchi (April 20, 1944) <u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	April 1967 June 1995 June 1997 June 2001 June 2003 June 2007 June 2009 June 2013	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) Outside Director, East Japan Railway Company Director, FPT CORPORATION	3,500
<p>Reasons for nomination as the candidate for Outside Director</p> <p>Mr. Tomokazu Hamaguchi was 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.</p>				
9	Jun Hamano (February 27, 1951) <u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	April 1974 July 1999 July 2004 July 2006 July 2008 July 2009 January 2012 April 2013 June 2014 March 2016	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) Chairman, the Ohara Memorial Institute for Science of Labour	1,100
<p>Reasons for nomination as the candidate for Outside Director</p> <p>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.</p>				

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

- (Note) 2. Both Mr. Tomokazu Hamaguchi and Mr. Jun Hamano are candidates for Outside Directors.
- (Note) 3. 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.
- (Note) 4. Term of office of Outside Director
- (1) Mr. Tomokazu Hamaguchi is currently Outside Director of the Company and his term of office will be four (4) years and nine (9) months at the conclusion of this 137th Ordinary General Meeting of Shareholders.
 - (2) Mr. Jun Hamano is currently Outside Director of the Company and his term of office will be two (2) years at the conclusion of this 137th Ordinary General Meeting of Shareholders.
- (Note) 5. 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.
- (Note) 6. In March 2017, while Mr. Tomokazu Hamaguchi and Mr. Jun Hamano were in office as Outside Directors, the Company received a Cease and Desist Order from the Japan Fair Trade Commission regarding violations of the Antimonopoly Act in connection with bidding to supply certain vinylon products to the Acquisition, Technology & Logistics Agency (the Ministry of Defense of Japan). Neither Mr. Tomokazu Hamaguchi nor Mr. Jun Hamano were previously aware of these violations, but both Outside Directors 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 Directors, 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 Two (2) Company Auditors

The term of office of Company Auditor Mikio Nakura will expire, and Company Auditor Keiji Murakami will resign at the conclusion of this 137th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that two (2) Company Auditors be elected.

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

The candidates for the Company Auditors are as follows.

No.	Name (Date of Birth)	Brief Personal History and Positions in the Company as Auditor		Number of Company Shares Held
1	Yukinori Yamane (September 9, 1955) <u>Newly appointed</u>	April 1980 April 2014 June 2014 January 2018	Joined Kuraray Co., Ltd. General Manager of Purchasing and Logistics Division, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. (Current position) Assistant to Supervisor of Administrative Unit, Kuraray Co., Ltd. (Current position)	14,000
Reasons for nomination as the candidate for Company Auditor Mr. Yukinori Yamane is nominated as the candidate for Company Auditor because he has broad insight in the Company's management in general, which he gained from his many years of experience engaging in the business administration and corporate management planning of the Company as well as serving in key roles related to purchasing and logistics, etc., and that the Company believes that he can contribute to ensuring the sound management of the Company by providing audits from a neutral and objective perspective.				
2	Mitsuhiro Nagahama (October 24, 1953) <u>Newly appointed</u> <u>Outside Company Auditor</u> <u>Independent Company Auditor</u>	April 1976 April 2002 March 2003 April 2005 March 2006 April 2010 April 2013 April 2015 Outside Audit & Supervisory Board Member, Azbil Corporation	Joined The Fuji Bank, Ltd.. General Manager of Americas Non-Japanese Corporate Banking Division No. 2, Mizuho Corporate Bank, Ltd. Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Banking Division No. 7, Mizuho Corporate Bank, Ltd. Managing Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd. Managing Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd. Deputy President and Head of the Americas, Mizuho Corporate Bank, Ltd. Chairman of the Board of Mizuho Securities Co., Ltd. and Mizuho Securities USA Inc. Senior Adviser of Mizuho Securities Co., Ltd. (Current position) (Important Positions Concurrently Held at Other Entities)	0
Reasons for nomination as the candidate for Outside Company Auditor Mr. Mitsuhiro Nagahama is nominated as the candidate for Outside Company Auditor because he has a wealth of experience and broad insight at financial institutions, as well as a track record at another company as outside auditor, and the Company believes that he is appropriate as Outside Company Auditor. No special interests exist between the Company and Azbil Corporation. Mr. Mitsuhiro Nagahama is thus deemed to be sufficiently independent as Outside Company Auditor.				

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

(Note) 2. Mr. Mitsuhiro Nagahama is a candidate for Outside Company Auditor.

(Note) 3. The Company plans to enter into contracts with Mr. Yukinori Yamane and Mr. Mitsuhiro Nagahama 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. The Company plans to register Mr. Mitsuhiro Nagahama as Independent Director/Auditor prescribed by Tokyo Stock Exchange as Mr. Mitsuhiro Nagahama 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.

[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, 2017 to December 31, 2017)

1. Current Situation of the Kuraray Group

(1) Progress and Results of Operations

General Situation

In the fiscal year ended December 31, 2017 (“fiscal 2017”), although concerns about the economic impact of political instability remained in the world economy, consumption and investment continued to expand, and the world economy remained favorable overall. The Japanese economy gradually improved due to higher corporate profits backed by favorable exports as employment conditions improved. The U.S. and European economies continued to expand, underpinned by healthy corporate profits, personal consumption and employment conditions. In China, the economy continued to grow on the back of steady personal consumption despite the economic impact of the government’s tightening of monetary policy. Economies in emerging countries continued to gradually recover.

Under these circumstances, the Kuraray Group has successively implemented the business strategies outlined in GS-STEP, its medium-term management plan that ended in fiscal 2017, to realize “a high-profit specialty chemical company with a global presence.”

As a result, for fiscal 2017, net sales increased ¥33,250 million, or 6.9%, compared with the previous fiscal year to ¥518,442 million; operating income increased ¥7,290 million, or 10.7%, to ¥75,117 million; ordinary income increased ¥6,817 million, or 10.3%, to ¥72,998 million; and net income attributable to owners of the parent increased ¥13,201 million, or 32.7%, to ¥53,601 million.

In January 2017, the Company merged its subsidiary Kuraray Chemical Co., Ltd. by absorption. Following this, the Company revised the segmentation of its business in fiscal 2017. The activated carbon business and energy materials business, which had been included in “Other Business”, were merged into the carbon materials business and included in “Functional Materials”.

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

	Fiscal 2016	Fiscal 2017	Change (%)
Net Sales	485.2	518.4	+6.9%
Operating Income	67.8	75.1	+10.7%
Ordinary Income	66.2	73.0	+10.3%
Net Income Attributable to Owners of the Parent	40.4	53.6	+32.7%

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 increased 5.4% year on year to ¥266,894 million, and operating income rose 4.8% year on year to ¥61,320 million.

- (i) Sales of PVA resin were favorable, increasing mainly in the North American market following the start of regular operations at the new U.S. plant. Sales of optical-use poval film rose. In addition, newly installed equipment at the Saijo Plant commenced operations from the second quarter. Sales of water-soluble PVA film were brisk due mainly to increase in demand for unit dose detergent

applications. In PVB film, sales of high-value-added products expanded.

- (ii) Sales of *EVVAL* ethylene vinyl alcohol copolymer (EVOH resin) expanded for both food packaging and automotive gas tank applications.

Isoprene

Major Business Lines: Manufacture and sale of isoprene chemical products and polyamide resin
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Sales in this segment increased 10.3% year on year to ¥56,366 million, and operating income increased 20.4% year on year to ¥8,350 million.

- (i) In isoprene chemicals, the sales volume of fine chemicals, *SEPTON* thermoplastic elastomer and liquid rubber expanded and were favorable.
- (ii) Sales of *GENESTAR* heat-resistant polyamide resin for automotive, connector and LED reflector applications expanded and were favorable.

Functional Materials

Major Business Lines: Manufacture and sale of methacrylic resin, medical products, man-made leather, and activated carbon

Sales in this segment increased 2.8% year on year to ¥69,910 million, and operating income increased 67.4% year on year to ¥7,485 million.

- (i) In the methacrylic resin business, in addition to market conditions being brisk year round, sales of high-value-added products increased.
- (ii) In the medical business, sales of new zirconia-based dental materials contributed to favorable performance.
- (iii) For *CLARINO* man-made leather, sales of products made with both the existing and the new production process remained favorable.
- (iv) In the carbon materials business, sales remained favorable as the sales volume of high-value-added products increased.

Fibers and Textiles

Major Business Lines: Manufacture and sale of <i>KURALON</i> , non-woven fabrics, hook and loop fasteners, and polyester fiber
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Although sales of *KURALON* expanded, higher raw material and fuel costs affected some products. Sales of consumer goods and materials were favorable as sales of the high-value-added product of *KURAFLEX* continued to rise. As a result, sales in this segment increased 6.4% year on year to ¥51,658 million, and operating income increased 0.9% year on year to ¥6,011 million.

Trading

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

In fiber-related businesses, clothing sales were firm for sportswear and uniforms, but exports of yarn and textiles were sluggish. The overseas sewn products business expanded due to the effects of increased investment in Vietnam. In addition, sales of materials were steady overall, and sales of resins and chemicals were favorable, particularly for exports. As a result, sales in this segment increased 7.8% year on year to ¥128,834 million, and operating income increased 2.0% year on year to ¥3,911 million.

Other Business

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

In other businesses, overall performance remained brisk. As a result, sales in this segment increased 17.2% year on year to ¥54,233 million, and operating income increased 134.7% to ¥3,300 million.

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

	Net Sales			Operating Income		
	Fiscal 2016	Fiscal 2017	Change (%)	Fiscal 2016	Fiscal 2017	Change (%)
Vinyl Acetate	253.2	266.9	+5.4%	58.5	61.3	+4.8%
Isoprene	51.1	56.4	+10.3%	6.9	8.4	+20.4%
Functional Materials	68.0	69.9	+2.8%	4.5	7.5	+67.4%
Fibers and Textiles	48.6	51.7	+6.4%	6.0	6.0	+0.9%
Trading	119.5	128.8	+7.8%	3.8	3.9	+2.0%
Other Business	46.3	54.2	+17.2%	1.4	3.3	+134.7%
Elimination & Corporate	-101.4	-109.5	—	-13.3	-15.3	—
Total	485.2	518.4	+6.9%	67.8	75.1	+10.7%

(2) Capital Expenditures

Major capital expenditures invested during fiscal 2017 were as follows:

(i) Major facilities completed during the year

- Kuraray Co., Ltd.
Expansion of production facilities for optical-use PVA film for polarized film to annual production capacity of 20 million square meters (Vinyl Acetate Business)
- Kuraray Korea Ltd.
Expansion of production facilities for PVB film (Vinyl Acetate Business)

(ii) Ongoing establishment, expansion and reinforcement of major facilities during the year

- Kuraray America, Inc.
Expansion of production facilities for *EVAL* (Vinyl Acetate 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

The Company merged its subsidiary Kuraray Chemical Co., Ltd. by absorption in January 2017.

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

Nothing important to mention

(7) Financing

Nothing important to mention

(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 will promote the four key management strategies listed below that are outlined in the medium-term management plan "PROUD2020" (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, providing products and services that help solve environmental and social problems, and providing a number of safe and secure products and services.

In fiscal 2018, the Company expects geopolitical risks to persist in each region but the global economy to continue to expand and remain favorable overall. However, there are worries about earnings affected by expected higher production costs caused by rising raw material and fuel prices. Under these circumstances, the Company will work to resolve any remaining issues under the previous medium-term management plan "GS-STEP" while steadily implementing specific measures under the key management strategies of "PROUD2020", with the aim of achieving the following targets by fiscal

2020, the final year of the plan: net sales of ¥650.0 billion, operating income of ¥90.0 billion, and an operating profit margin of 14%. As the period of “PROUD2020” covers the first three years of “Kuraray Vision 2026”, the Company also intends to further expand its vinyl acetate businesses; accelerate the strengthening of the isoprene businesses and carbon material businesses, which will form the second and third pillars of its business; and establish a future-oriented business portfolio. As it approaches the centennial of its founding, the Kuraray Group will continue to take on new challenges to achieve further growth as a sustainably growing specialty chemical company.

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 February 2017, the Japan Fair Trade Commission carried out an on-site inspection of the Company in connection with the manufacture and sales of activated carbon used in waste incineration, water purification, and other facilities. In addition, in March 2017, the Company received a Cease and Desist Order from the Japan Fair Trade Commission regarding violations of the Antimonopoly Act in connection with bidding to supply certain vinylon products to the Acquisition, Technology & Logistics Agency (the Ministry of Defense of Japan). Taking this series of events very seriously and sincerely, the Company is focusing on reforming awareness of the employees, through repeated messages from the President to officers and employees of the Kuraray Group on the importance of compliance with laws and regulations, ensuring widespread and thorough awareness of its internal guidelines for compliance with antitrust laws, and various measures to promote compliance. In addition, the Company has also created internal systems, including the introduction of systems for advance approval of transactions, meetings, etc. with competitors. The Company considers it as an important management issue, and in future, shall continue implementing measures to prevent recurrence of any violation, and exert every effort to restore trust.

(9) Changes in Financial Position and Income Summary

	Fiscal 2014	Fiscal 2014 (Adjusted)	Fiscal 2015	Fiscal 2016	Fiscal 2017
Net sales (Millions of yen)	411,408	484,969	521,721	485,192	518,442
Operating income (Millions of yen)	40,298	51,382	66,077	67,827	75,117
Ordinary income (Millions of yen)	40,084	50,961	64,535	66,181	72,998
Net income attributable to owners of the parent (Millions of yen)	21,296	27,454	35,749	40,400	53,601
Net income per share (Yen)	60.77	78.42	101.84	114.98	152.41
Total assets (Millions of yen)	691,538	691,538	701,770	725,433	775,735
Net assets (Millions of yen)	481,826	481,826	503,589	520,978	564,487

Notes:

1. The consolidated reporting period for fiscal 2014 was the twelve-month period from January 1, 2014 to December 31, 2014 for overseas subsidiaries and the nine-month period from April 1, 2014 to December 31, 2014 for the Company and domestic subsidiaries.
2. Fiscal 2014 (Adjusted) means that the figures for fiscal 2014 have been adjusted to the same period (from January 1, 2014 to December 31, 2014) as the fiscal year under review. Figures for fiscal 2014 (Adjusted) are unaudited.
3. The Company has applied the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 of September 13, 2013) and other accounting standards, and changed the presentation of “net income” to “net income attributable to owners of the parent” since fiscal 2016.

(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 Living Co., Ltd. ²	101 (Millions of yen)	100.00	Manufacture and sale of packaging materials
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. ³	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 ⁴	59,050 (Thousands of U.S. dollars)	100.00 (100.00)	Manufacture and sale of PVA film for industrial purposes
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. ⁵	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 Kuraray Group in expanding businesses in China and considering market entry into China
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd. ⁶	1,528 (Thousands of U.S. dollars)	100.00	Manufacture and sale of acrylic sheets
Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd. ⁷	735 (Millions of yen)	100.00	Manufacture and sale of activated carbon
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 <i>PLANTIC</i> film

Notes:

1. The figures in bracket in "The Company's Equity Position" refer to the indirect holding ratio.

2. Kuraray Living Co., Ltd. was merged into Kuraray Trading Co., Ltd. by absorption on January 1, 2018.
3. Kuraray America, Inc. is a wholly owned subsidiary of Kuraray Holdings U.S.A., Inc.
4. MonoSol, LLC is a wholly-owned subsidiary of MonoSol Holdings, Inc., which is a wholly-owned subsidiary of Kuraray Holdings U.S.A., Inc.
5. EVAL Europe N.V. is a wholly-owned subsidiary of Kuraray Europe GmbH.
6. Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd. was added as a major subsidiary in fiscal 2017.
7. Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd. was added as a major subsidiary in fiscal 2017.

(11) Major Offices, Plants and Research Centers

[Offices in Japan]

Kuraray Co., Ltd.:
Tokyo Head Office (Chiyoda-ku, Tokyo)
Osaka Head Office (Osaka-city, Osaka)
Kuraray Trading Co., Ltd. (Osaka-city, Osaka)
Kuraray Noritake Dental Inc. (Chiyoda-ku, Tokyo)
Kuraray Plastics Co., Ltd. (Osaka-city, Osaka)
Kuraray Engineering Co., Ltd. (Osaka-city, Osaka)
Kuraray Living Co., Ltd. (Osaka-city, Osaka)
Kuraray Techno Co., Ltd. (Osaka-city, Osaka)
Kuraray Kuraflex Co., Ltd. (Osaka-city, Osaka)
Kuraray Fastening Co., Ltd. (Osaka-city, Osaka)

[Offices outside Japan]

Kuraray America, Inc. (Texas, United States)
Kuraray Europe GmbH (Frankfurt, Germany)
Kuraray Asia Pacific Pte. Ltd. (Singapore)
Kuraray China Co., Ltd. (Shanghai, China)
Kuraray India Private Limited (New Delhi, India)
Kuraray South America Ltda. (Sao Paulo, Brazil)
Kuraray (Thailand) Co., Ltd. (Bangkok, Thailand)

[Plants in Japan]

Kuraray Co., Ltd.:
Kurashiki Plant (Kurashiki-city, Okayama)
Saijo Plant (Saijo-city, Ehime)
Okayama Plant (Okayama-city, Okayama)
Niigata Plant (Tainai-city, Niigata)
Kashima Plant (Kamisu-city, Ibaraki)
Tsurumi Plant (Bizen-city, Okayama)

[Plants outside Japan]

Kuraray America, Inc. (Texas/North Carolina/West Virginia, United States)
MonoSol, LLC (Indiana, United States and Worcestershire, United Kingdom)
Kuraray Europe GmbH (Frankfurt/Troisdorf, Germany)
EVAL Europe N.V. (Antwerp, Belgium)
OOO TROSIFOL (Nizhny Novgorod, Russia)
Kuraray Asia Pacific Pte. Ltd. (Singapore)
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd. (Zhang Jia Gang, China)
Kuraray Chemical (Ningxia) Environmental Industry Co., Ltd. (Ningxia, China)
Kuraray Korea Ltd. (Ulsan, South Korea)
Plantic Technologies Limited (Victoria, Australia)

[Research Centers]

Kuraray Co., Ltd.:

Kurashiki Research Center (Kurashiki-city, Okayama)

Tsukuba Research Center (Tsukuba-city, Ibaraki)

Kuraray Research and Technical Center U.S.A. (Texas, United States)

(12) Employees

Business Segment	Number of Employees	Year-on-year Increase (Decrease)
Vinyl Acetate	3,757	140
Isoprene	816	17
Functional Materials	1,573	444
Fibers and Textiles	1,080	42
Trading	322	8
Other Business	1,283	(158)
Corporate (Shared)	258	6
Total	9,089	499

(13) Major Lenders

Nothing important to mention

(14) Other Significant Matters of the Kuraray Group

The Company and U.S.-based Calgon Carbon Corporation (“Calgon Carbon”), the world’s largest activated carbon manufacturer, signed an agreement in September 2017, whereby the Company would acquire all the shares of Calgon Carbon (“the Acquisition”), making it a wholly owned subsidiary. The Company intends to complete the Acquisition after receiving the necessary approval of the authorities.

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 4,040,182 shares of treasury shares)

(3) Number of Shareholders as of December 31, 2017: 40,891

(4) Major Shareholders

Shareholder’s Name	Number of Shares Held (Thousands)	Ratio of Capital Contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	31,928	9.10
Japan Trustee Services Bank, Ltd. (Trust account)	19,776	5.64
Nippon Life Insurance Company	10,448	2.98
National Mutual Insurance Federation of Agricultural Co-operatives	10,102	2.88
Japan Trustee Services Bank, Ltd. (Trust account 7)	6,799	1.94
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,722	1.92
STATE STREET BANK WEST CLIENT-TREATY 505234	6,205	1.77
Meiji Yasuda Life Insurance Company	5,969	1.70
NORTHERN TRUST CO. (AVFC) RE-SSD00	5,764	1.64
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,993	1.42

Note: In calculation of “Ratio of Capital Contribution”, the treasury shares of the Company (4,040,182 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, 2017

- (i) Share Purchase Warrants
284 units
- (ii) Kind and number of share
Common shares: 142,000 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 October 2010	June 25, 2012 - June 24, 2020	Free of charge	36 units	4
			¥1,078		
	Share Purchase Warrants issued in May 2011 (Stock Options for a Stock Linked Compensation)	May 19, 2011 - May 18, 2026	¥1,174	3 units	1
			¥1		
	Share Purchase Warrants issued in May 2012 (Stock Options for a Stock Linked Compensation)	May 17, 2012 - May 16, 2027	¥1,046	4 units	1
			¥1		
	Share Purchase Warrants issued in May 2013 (Stock Options for a Stock Linked Compensation)	May 15, 2013 - May 14, 2028	¥1,482	21 units	7
			¥1		
Share Purchase Warrants issued in May 2014 (Stock Options for a Stock Linked Compensation)	May 15, 2014 - May 14, 2029	¥1,119	36 units	8	
		¥1			
Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015 - February 16, 2030	¥1,352	34 units	8	
		¥1			
Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016 - February 9, 2031	¥1,200	54 units	8	
		¥1			
Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 - February 8, 2032	¥1,538	86 units	8	
		¥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	¥1,119	2 units	1
		- May 14, 2029	¥1		
	Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015	¥1,352	2 units	1
		- February 16, 2030	¥1		
	Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016	¥1,200	2 units	1
		- February 9, 2031	¥1		
	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017	¥1,538	4 units	2
		- February 8, 2032	¥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
28 units
- (ii) Kind and number of Share
Common shares: 14,000 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 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017	¥1,538	28 units	11
		- February 8, 2032	¥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 2017 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 Functional Materials Company, Kuraray Co., Ltd.
Director and Primary Executive Officer	Kazuhiko Kugawa	Supervisor of Corporate Management Planning Office and Administrative Unit, Kuraray Co., Ltd.
Director and Primary Executive Officer	Hiroaya Hayase	President of Vinyl Acetate Resin Company and Vinyl Acetate Film Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Kazuhiro Nakayama	Supervisor of Technology Division, Environmental Business Development and Promotion Division, and Plants in Japan, Kuraray Co., Ltd.
Director and Senior Executive Officer	Kenichi Abe	President of Isoprene Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Yoshimasa Sano	Vice President of Functional Materials Company and General Manager of Carbon Materials Division, Functional Materials Company, Kuraray Co., Ltd.
Director and Senior Executive Officer	Hitoshi Toyoura	President of Fibers and Textiles Company and Supervisor of Osaka Head 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
Standing Company Auditor	Keiji Murakami	
Standing Company Auditor	Kunio Yuki Yoshi	
Company Auditor	Mie Fujimoto	Attorney and Partner of TMI Associates Outside Company Auditor, SEIKAGAKU CORPORATION Outside Company Auditor, Tokyo Broadcasting System Holdings, Inc. Outside Company Auditor, TBS Television, Inc.
Company Auditor	Yoshimitsu Okamoto	Standing Corporate Auditor (Outside Company Auditor), Defactostandard, Ltd.
Company Auditor	Mikio Nakura	

Notes:

- Directors Tomokazu Hamaguchi and Jun Hamano are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
- Company Auditors Mie Fujimoto, Yoshimitsu Okamoto and Mikio Nakura are Outside Company Auditors as stipulated in Article 2, Item 16 of the Companies Act.
- Company Auditor Yoshimitsu Okamoto has been engaged in financial securities business for many years, and therefore has considerable expertise in finance and accounting.
- The Company has registered Directors Tomokazu Hamaguchi and Jun Hamano and Company Auditors Mie Fujimoto, Yoshimitsu Okamoto and Mikio Nakura as Independent Directors/Auditors prescribed by Tokyo Stock Exchange.
- 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.
- 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.
- 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 Company Auditor.
- There is no special interest between the Company and Defactostandard, Ltd.. Mr. Yoshimitsu Okamoto is thus deemed to be sufficiently independent as Outside Company Auditor.
- Mr. Fumio Ito, Representative Director and Chairman, passed away on March 1, 2017.

(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	499
(Including Outside Directors)	(2)	(27)
Company Auditors	5	79
(Including Outside Company Auditors)	(3)	(29)

Notes:

1. In addition to the above amounts, ¥65 million of Share Purchase Warrants as Stock Options for a Stock Linked Compensation were given to twelve (12) Directors (including ¥3 million to two (2) Outside Directors) and another ¥29 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 18, 2017.
2. The number of persons paid mentioned above includes one (1) Director who retired at the conclusion of the 136th Ordinary General Meeting of Shareholders held on March 24, 2017, and one (1) Director who passed away in fiscal 2017.
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

(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% (16/17 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% (17/17 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.
Company Auditor Mie Fujimoto	Meetings of Board of Directors 94% (16/17 meetings) Meetings of Board of Company Auditors 100% (14/14 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 Yoshimitsu Okamoto	Meetings of Board of Directors 100% (17/17 meetings) Meetings of Board of Company Auditors 100% (14/14 meetings)	He principally made remarks from an expert's perspective based on his broad experience in financial institutions.
Company Auditor Mikio Nakura	Meetings of Board of Directors 100% (17/17 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 in financial institutions, his broad insight and his track record as outside auditor of other companies.

(Note) In March 2017, the Company received a cease and desist order from the Japan Fair Trade Commission regarding violations of the Antimonopoly Act in connection with bidding to supply certain vinylon products to the Acquisition, Technology & Logistics Agency (the Ministry of Defense of Japan). Neither Outside Directors Mr. Tomokazu Hamaguchi nor Mr. Jun Hamano nor Outside Company Auditors Ms. Mie Fujimoto nor Mr. Yoshimitsu Okamoto nor Mr. Mikio Nakura were previously aware of these violations, but these Outside Directors and Outside Company Auditors had called attention to the importance of compliance with laws and regulations on a regular basis. Since these violations have come to light, these Outside Directors and Outside Company Auditors have taken necessary measures in response as Outside Directors/Auditors, including reviewing actions to be taken and providing advice on preventing reoccurrence at meetings of the Board of Directors, etc.

(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 Ordinance 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: ¥91 million
- (ii) Sum of money and other financial profits to be paid by the Company and its subsidiaries: ¥120 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 2017 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

Nine (9) 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 Ordinance 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, Outside Directors will be elected.
 - b. The Management Advisory Committee will be established, comprised of outside experts with broad experience in corporate management and corporate law, and it will provide advice on the execution of duties of the President from the viewpoint of complying with laws and regulations, protecting shareholder rights, and ensuring transparency of management.
 - c. To promote corporate activities from the standpoint of CSR, a CSR Committee will be established at the management level.
 - 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.
 - 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 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. Regarding persons who make the above reports, internal regulations will stipulate that persons who make reports 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 2017 is as follows.

(i) Initiatives relating to compliance

- a. In order to promote the dissemination of The Kuraray Group Code of Conduct, e-learning comprehension tests for the Compliance Handbook were implemented for employees of overseas Group companies. In addition, workshop-style compliance seminars were implemented for all Managers at domestic Group companies, and each Manager subsequently implemented compliance training for employees in their respective divisions.
- b. The “Global Compliance Hotline,” an internal reporting system available for all employees of the Kuraray Group, including those at overseas Group companies, was newly established, and began operating in all regions except Europe, where there are restrictions on its operation due to regulations concerning the protection of personal information.
- c. After doing so in March 2016, the Japan Fair Trade Commission again carried out an on-site inspection at the Company in February 2017. Therefore, in order to further strengthen compliance with antitrust laws, the Company implemented collective training for employees in all business organizations at domestic Group companies, obtained written pledges from the employees, and introduced rules for obtaining advance approval of transactions, meetings, etc. with competitors through the operation of an antimonopoly law compliance system. The Company is also progressively distributing compliance manuals to overseas Group companies and conducting surveys and interviews.
- d. The Internal Auditors Office implemented audits for the Kuraray Group in accordance with the Internal Audit Regulations, and the results were reported to the President and the Board of Company Auditors. In addition, follow-up measures were implemented for matters to be improved in past audits.

(ii) Initiatives relating to risk management

- a. In order to ensure the sufficient operation of internal controls across the Kuraray Group as a whole, the Risk Compliance Committee (which meets twice per year) was made independent from the CSR Committee, and was made to report directly to the Board of Directors.
- b. Self-assessment of risks was implemented at each domestic and overseas organization based on the Group Risk Management Regulations. Following discussions with the Risk Compliance Committee, the President specified significant business risks, and reported them to the Board of Directors. In addition, measures are being implemented to avoid and reduce such risks, under supervisors in charge of each risk appointed by the President.
- c. Emergency drills and other trainings were conducted assuming that offices and plants were damaged by large-scale natural disasters, and emergency response systems were reviewed.
- d. Based on the Group Risk Management Regulations, the BCP (business continuity plan for disasters) was updated and reviewed.

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

Each company of the Kuraray Group conducts business operations according to the management policies of the Kuraray Group as a whole, as defined in the medium-term management plan and annual management plan. In addition, based on the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, each Kuraray Group company seeks approval and reports to the Board of Directors or Executive Committee of the Company as appropriate concerning important items.

(iv) Initiatives relating to audit systems of Company Auditors

In order to exchange opinions regarding challenges the Company faces, important audit issues, etc., Company Auditors meet with senior management, and implement interviews with each Executive Director, Executive Officer, and other important employees.

7. Summary of the Basic Policy regarding the Control of the Company's Management

(1) The Basic Policy regarding Persons Controlling the Company's Decisions over Financial and Business Affairs

Recently, the structure of Japanese corporate society has undergone drastic changes. For example, the dissolution of share cross-holding is occurring more frequently. Furthermore, the concept that the company owners are shareholders and that management should consider shareholders' opinions has become widespread. Meanwhile, the stock market and corporate society have deepened their understanding with respect to corporate acquisitions. Under these circumstances, it has become obvious that large-scale purchases of shares may be undertaken "hostilely" and suddenly without benefiting from sufficient discussion, or a process of agreement, with the management of the target company. Of course, the Company acknowledges that even such hostile large-scale purchases of shares may contribute to an enhancement of corporate value and the shareholders' common interests depending on the specific conditions and method, etc. of such purchases. So long as the Company is a stock company (*kabushiki kaisha*) whose shares are publicly traded on the capital markets, the Company believes that each shareholder should ultimately determine whether to accept a proposal for the purchases of the Company's shares.

However, it cannot be denied that some of the unilateral large-scale purchases of shares as described above may materially damage the Company's corporate value and the shareholders' common interests if, for example, (i) the shareholders do not receive sufficient information regarding such purchases and will effectively be forced to sell their shares; (ii) the shareholders are not given enough time to consider the conditions, method, etc. of such purchases and the Board of Directors is not given enough time to present alternative proposals, etc.; or (iii) the large-scale purchasers do not intend to manage the Company in a reasonable and serious manner, etc.

The Company believes that the person controlling the Company's decisions over financial and business affairs should be someone who fully understands the corporate philosophy of the Company and its important management resources from which the Company's corporate value is generated. Moreover, such person should sincerely intend to protect and enhance the Company's corporate value and the shareholders' common interests for both the medium and long-term. Therefore, the Company has decided that any person who commences a large-scale purchase of shares that may materially damage the Company's corporate value or the shareholders' common interests as described above will be deemed to be inappropriate as a person controlling the Company's decisions over financial and business affairs.

(2) Efforts Contributing to the Realization of the Basic Policy

The Company has undertaken and will undertake various efforts to enhance its corporate value and its shareholders' common interests, including the following matters, taking into consideration that a stable and sustainable enhancement of its corporate value should be treated as a top priority for the purpose of enhancing its shareholders' common interests. The Company believes that these efforts will contribute to the realization of the Basic Policy regarding Persons Controlling the Company's Decisions over Financial and Business Affairs described in Section (1) above.

(i) Reinforcement and Expansion of Businesses in Accordance with the Medium-Term Management Plan

In order to become a “high-profit specialty chemical company with a global presence” as set out in the “Long-Term Corporate Vision” that indicates the long-term direction of the Company, the Company worked on its three-year plan covering the fiscal 2015 to fiscal 2017, the medium-term management plan “GS-STEP”. With the principal management strategies of deepening core businesses, technological innovation, a next-generation growth model, optimum allocation of management resources, and contribution to the environment, the Company achieved high profitability by bringing various measures implemented during the period of the previous medium-term management plan “GS-III” to fruition and by steadily building a management base for business expansion, and executed various strategies for further growth.

(ii) Establishment of a Corporate Governance System

Building an effective corporate governance system ensuring efficiency and fairness in management enables the Company to make rapid and drastic decisions in a transparent and fair manner, maintain appropriate relationships with various stakeholders, and to fulfill its responsibility to society. The Company believes that it will continually and in the long-term enhance its corporate value and shareholders’ common interests, and therefore contributes to the realization of the basic policy as described in Section (1) above. Based on such an understanding, the Company has established a corporate governance system through the implementation of the following measures:

1. Strengthening of the management supervisory function performed by Outside Directors, and separation of the Directors’ responsibilities between management decision-making and the execution of corporate affairs under the executive officer system
2. Improvement of the audit function performed by Outside Company Auditors
3. Establishment of the Management Advisory Committee for the purpose of giving outside experts’ advice on the execution of the duties of the President

(iii) Basic Policy of Distribution of Profits to Shareholders

The distribution of profits to shareholders is one of the Company’s top management priorities. In order to protect and enhance its corporate value and shareholders’ common interests, the Company endeavors to ensure appropriate distribution of profits, while giving consideration to generating shareholder returns that reflect management results and securing future growth potential.

In regards to shareholder returns during the medium-term management plan “GS-STEP” period, the Company maintained a total return ratio relative to net income attributable to owners of the parent of 35% or more and annual dividends per share of ¥36 or higher.

(3) Effort to Prevent Decisions concerning the Company’s Financial and Business Affairs from Being Controlled by Inappropriate Persons in light of the Basic Policy

With the approval of the 134th Ordinary General Meeting of Shareholders of the Company held on March 27, 2015, the Company introduced Countermeasures (Takeover Defense) in Response to Large-Scale Purchases of the Company’s Shares (the “Plan”) as follows in order to prevent vexatious purchases of the Company’s shares, which was the Company’s effort to protect and enhance its corporate value and the common interests of its shareholders.

Under the procedures set forth in the Plan (the “Large-scale Share Purchase Rules”), prior to any purchase of shares, issued by the Company, by a purchaser that will cause such purchaser’s holding ratio of shares to become 20% or greater (the “Large-scale Share Purchase” and person(s) who commences such Purchase, the “Large-scale Share Purchaser”), the Large-scale Share Purchaser will be required to provide the Board of Directors with necessary and sufficient information for the shareholders’ determination and for the Board of Directors’ evaluation and examination etc. of the Large-scale Share Purchase. The Board of Directors will, within the designated evaluation period, summarize its opinion on

the Large-scale Share Purchase based on such information and disclose it to the shareholders. At the same time, the Board of Directors will, as necessary, consult and negotiate with the Large-scale Share Purchaser with respect to the conditions and methods of the Large-scale Share Purchase and establish alternative proposals for the shareholders.

If the Large-scale Share Purchaser intends to commence the Large-scale Share Purchase without complying with the Large-scale Share Purchase Rules, the Board of Directors may deem such Large-scale Share Purchase to be a hostile takeover that might materially damage the Company's corporate value and shareholders' common interests and trigger the countermeasures by means of an allotment of Share Purchase Warrants without contribution. Meanwhile, if the Large-scale Share Purchaser commences the Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, the Board of Directors will not, in principle, trigger the countermeasures against such Large-scale Share Purchase, unless the Board of Directors clearly determines that such Large-scale Share Purchase would materially damage the Company's corporate value and shareholder's common interests.

The Board of Directors will make an inquiry to the Special Committee, consisting of Outside Directors and Outside Company Auditors, in advance of triggering the countermeasures regarding the appropriateness of triggering such countermeasures and respect the Special Committee's recommendation to the greatest extent possible. If the Board of Directors calls a meeting to confirm the shareholders' opinion regarding whether or not to trigger the countermeasures based on the recommendation of Special Committee or the decision of the Board of Directors ("Shareholders' Meeting Confirming Shareholders' Opinion"), the Board of Directors will be subject to the resolution of such Shareholders' Meeting Confirming Shareholders' Opinion.

The effective term of the Plan is from the conclusion of the Company's 134th Ordinary General Meeting of Shareholders held on March 27, 2015 to the conclusion of the Company's 137th Ordinary General Meeting of Shareholders to be held in 2018.

(4) Judgment of the Board of Directors on the Efforts in Section (2) above

The Company has undertaken the efforts described in Section (2) above to enhance its corporate value and its shareholders' common interests, taking into consideration that a stable and sustainable enhancement of its corporate value should be treated as a top priority for the purpose of enhancing its shareholders' common interests. The Company believes that, by enhancing its corporate value and its shareholders' common interests and appropriately reflecting such enhancement in its share value, it will be difficult for a third party to implement a Large-scale Share Purchase which may materially damage the Company's corporate value or the shareholders' common interests. Therefore, the Company believes that the efforts in Section (2) above are in line with the basic policy in Section (1) above without damaging the shareholders' common interests or aiming to maintain the officers' positions.

(5) Judgment of the Board of Directors on the Efforts in Section (3) above

The efforts in Section (3) above prescribes that countermeasures will be triggered against a Large-scale Share Purchaser who refuses the request for sufficient information and an adequate period of time for examining, etc. such information, and a Large-scale Share Purchaser who may conduct or intend to conduct a Large-scale Share Purchase that would materially damage the Company's corporate value or the shareholders' common interests. Thus, the efforts described in Section (3) above will prevent such Large-scale Share Purchaser from conducting a Large-scale Share Purchase, and will prevent the Company's decisions over financial and business affairs from being controlled by inappropriate persons in light of the basic policy described at Section (1) above. Moreover, the efforts in Section (3) above were introduced as a countermeasure against a Large-scale Share Purchaser, which enables the shareholders, in advance, to receive any necessary information with respect to the Large-scale Share Purchase proposed by a Large-scale Share Purchaser and to ensure there is adequate time to evaluate and examine, etc. the substance of the Large-scale Share Purchase, for the purpose of protecting and enhancing the Company's corporate value and the shareholders' common interests. Furthermore, the Company ensures various systems and procedures such as, i) the respect for the Company's shareholders' opinion, ii) the establishment of reasonably objective conditions and, iii) the establishment of the Special Committee, in order to prevent the Board of Directors from arbitrarily triggering any countermeasures and to ensure the reasonableness of the efforts in Section (3) above.

Accordingly, the Company believes that the efforts in Section (3) above are in line with the basic policy in Section (1) above without damaging the shareholders' common interests or aiming to maintain the Directors' positions.

*The Plan refers to that in effect at the end of fiscal 2017. The effective period of the Plan is until the conclusion of this 137th Ordinary General Meeting of Shareholders. The Company resolved not to continue the Plan at a meeting of the Board of Directors held on February 21, 2018.

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

[Financial statements omitted. Please refer to our News Release dated February 14, 2018 titled "Business Results for the Fiscal Year Ended December 31, 2017 (Unaudited)."]
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