

kuraray



Kuraray Report 2021

For Fiscal 2020, Ended December 31, 2020

Origin

To make today better than yesterday, and tomorrow better than today, we at Kuraray have created completely new and unique things by harnessing the power of chemistry.

Many industries and people around the world now choose Kuraray's technologies, products, and services.

We take pride in this fact and are deeply grateful to our customers around the world for making this possible.

Since our founding, we have valued our pioneering spirit.

We continually ask ourselves what we can do for the world of tomorrow and the people living in it.

“For people and the planet—to achieve what no one else can.”

Passed down through the generations, this has been our constant motivation.

We still maintain this mission firmly today. It represents Kuraray's values and is our driving force.

We continue to cultivate our unique traits to benefit society and the environment.

Our goal is continual corporate growth, and we have already taken the next step forward.

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Corporate Statements

Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.

“For people and the planet—to achieve what no one else can.”

Our Values

Philosophy

- Respect for individuals
- Close cooperation to attain shared goals
- Constant creation of new value

Guiding Principles

- Safety is the cornerstone of everything we do
- Customers' needs are our top priority
- We act on ideas in the workplace

Our Commitment

- We will constantly develop and provide safe, high-quality products and services.
- We will maintain a sound relationship with society through good communication.
- We will strive to preserve and improve the global environment, and to secure safety and health in all our workplaces.
- We will value all members of the Kuraray community and respect their rights.
- We will always conduct businesses in a free, fair and transparent manner.
- We will honor all intellectual property and secure data and information in a proper manner.

Editorial Policy

Since 2018, the Kuraray Group has issued the Kuraray Report so that all the stakeholders, including shareholders and investors, can gain a deeper understanding of the Group's efforts toward value creation over the medium to long term.

The 2021 Kuraray Report uses the Global Reporting Initiative (GRI) Standards as a reference. A comparison between them is shown on our website. (<https://www.kuraray.com/csr/report2021/guidelines>)

The Report also concisely conveys the Group's financial information as well as the important non-financial information that affects its corporate value, with reference to the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), the “Guidance for Integrated Corporate Disclosure and the Company-Investor Dialogue for Collaborative Value Creation” (Guidance for Collaborative Value Creation) from the Japanese Ministry of Economy, Trade and Industry, and other sources. For detailed information on our products and businesses, please visit the website.

Reporting Period

January 1 to December 31, 2020
(Some information from after January 2021 is included.)

Scope of the Report

Kuraray Co., Ltd. and the Kuraray Group companies

Composition of Information Disclosure Media

Integrated Reporting



Integrated Report

Investor Relations Detailed Information

Investor Relations Website
<https://www.kuraray.com/ir>



Sustainability Detailed Information

Sustainability Website
<https://www.kuraray.com/csr>



The Kuraray Group's History

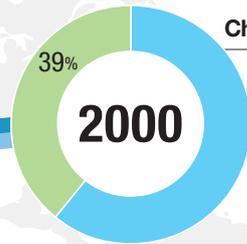
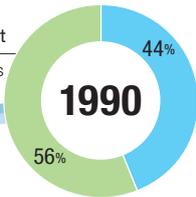
Moving through Shifts in Business Structure to Become a Specialty Chemical Company

Kuraray was founded in 1926 for the purpose of commercializing regenerated cellulose fiber rayon, which was cutting-edge technology at the time. The Company has continued to expand since then, keeping a focus on fibers and textiles. Following the eventual transition of fiber and textile production overseas and other changes to the business environment, Kuraray expanded to chemical products and drew on its accumulated base of unique technologies in polymer and synthetic chemistry. This move allowed Kuraray to play a leading role in global vinyl acetate-related businesses and strengthened its business portfolio.

Trends in Sales Ratio

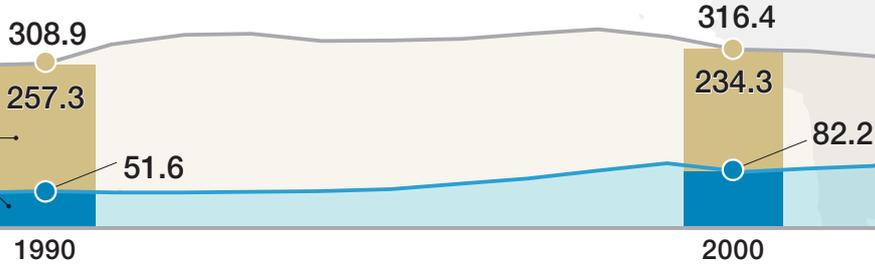
Sales Ratio by Business Segment

- Fibers and Textiles
- Chemicals



Net Sales (Billions of yen)

Domestic sales
Overseas sales



1926

Established to commercialize rayon

-1980

Creating KURALON™ and New Businesses

In 1950, Kuraray became the first company to commercialize KURALON™, the first synthetic fiber made in Japan. Since then, we have launched a series of new businesses, including PVA resin, man-made leather CLARINO™, polyester, EVAL™ resin, and isoprene chemicals.

-1990

Creating Highly Functional Synthetic Fibers

Promoting diversification of our business has yielded highly functional synthetic fibers ideal for clothing and more—developing the industrial materials KURALON™ and VECTRAN™ has opened the doors to other business areas.

Major Changes in Major Businesses

Chemicals, resin and other products

1958 Commercialized PVA
1961 Commercialized PVA film

1960 Commercialized methacrylic resin

1965 Commercialized activated carbon

1972 Commercialized EVAL™ resin and film

1986 EVAL Company of America began production of EVAL™ resin

1972 Commercialized isoprene chemical

1990 Commercialized thermoplastic elastomer SEPTON™

1978 Commercialized dental materials

Fibers and Textiles

1928 Commercialized rayon

1950 Commercialized KURALON™

1960 Commercialized MAGIC TAPE™ by Nippon Velcro Co., Ltd.
1964 Kuraray's Equity participation in Nippon Velcro Co., Ltd.

1964 Commercialized CLARINO™

1969 Commercialized polyester filament CLAVELLA™

1972 Began production of nonwoven fabrics KURAFLEX™

1983 Commercialized KURALON™ short fiber for reinforcing concrete

1989 Commercialized molded plastic hook fasteners MAGILOCK™

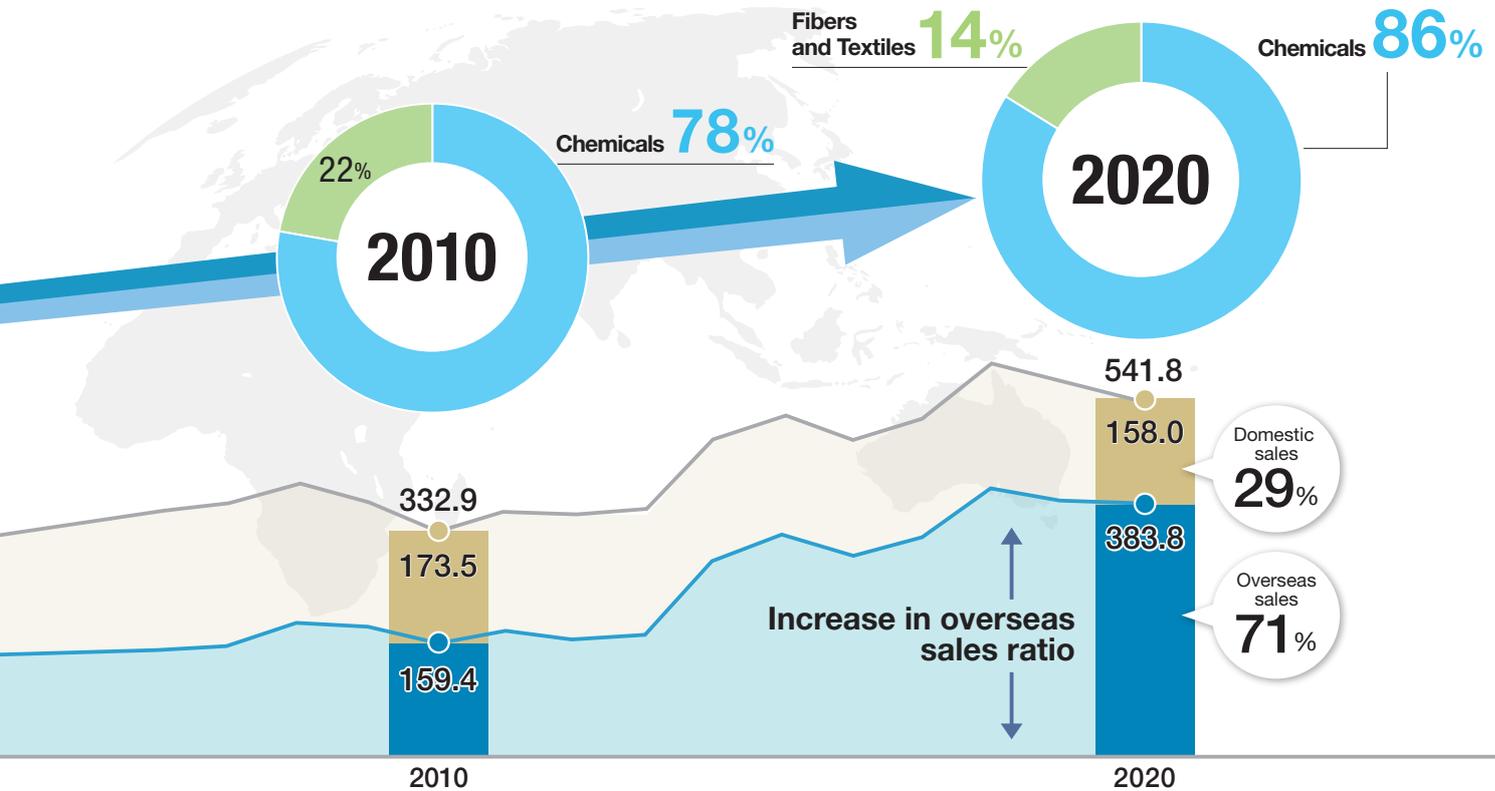
1989 Began production of melt-blown nonwoven fabrics

1990 Commercialized high-strength polyarylate fiber VECTRAN™



Changes in the portfolio

Shifting the Focus from **Fibers and Textiles Business** to **Chemicals Business**



-2000

Overseas Expansion in the Chemicals and Resin Businesses

In the synthetic and resin product businesses, Kuraray increased overseas sales alongside our high market share and established localized production systems.

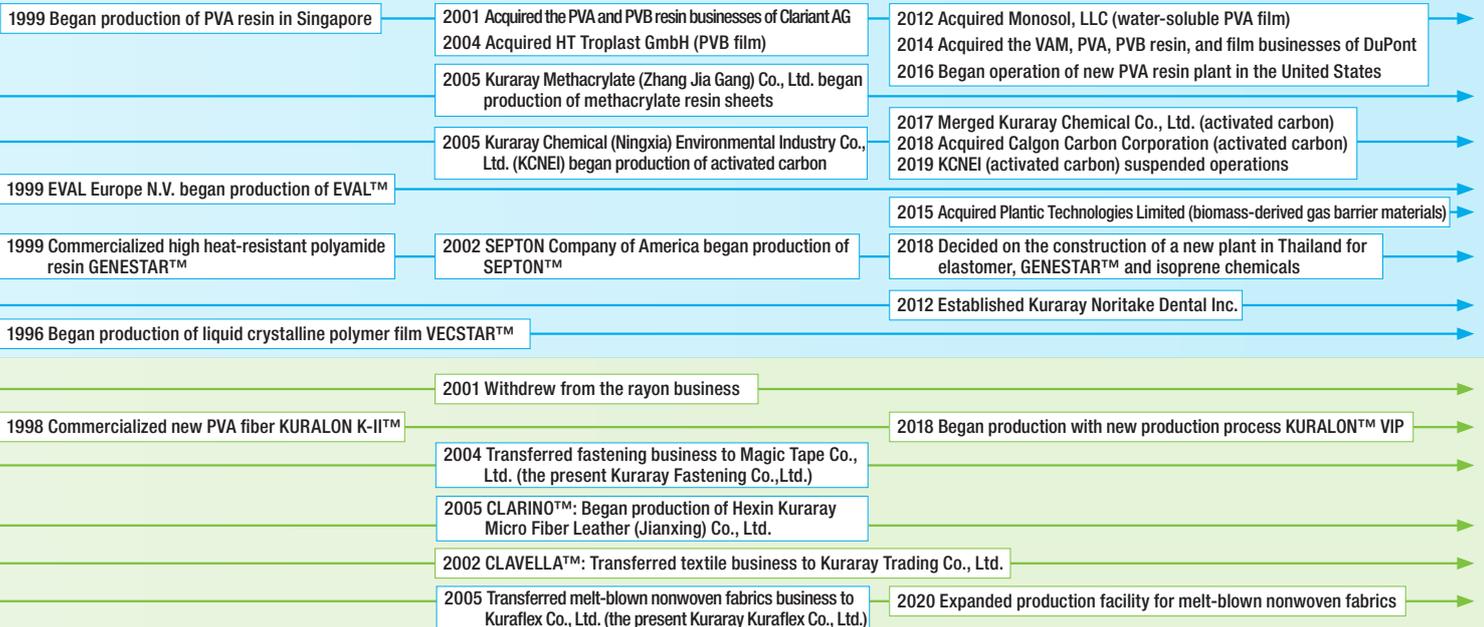
-2010

Expansion in the Vinyl Acetate-Related Business through M&As

Since 2001, Kuraray has been actively pursuing overseas mergers and acquisitions in the vinyl acetate-related business sector to advance downstream developments and business expansion and strengthen our business portfolio.

2011-

Challenges for a Renewed Business Portfolio



Present

The Kuraray Group's Strengths, Backed by Its History

Our Unique Technical Strengths Create Products with the World's Top Market Share*

* In-house survey

At Kuraray, we use our unique technical strengths to create products that the world had never seen before. We were the first company in the world to commercialize KURALON™ (PVA fiber), the first synthetic fiber produced using technology made in Japan. Other businesses we have created include PVA resin, which is a raw material of KURALON™; PVA film, which is essential for liquid crystal displays (LCDs); EVAL™ (ethylene vinyl-alcohol copolymer [EVOH] resin), which features excellent gas barrier properties; and, a lineup of various commercialized chemical products that use the world's first synthetic isoprene monomers as materials. We have also launched a wide range of products that have become an integrated part of people's lives, such as CLARINO™ (man-made leather), which recreates the structure of natural leather, and MAGIC TAPE™ (hook-and-loop fastener). Sales of products with the highest global market share* that we have created using our unique technologies accounted for more than half of the Kuraray Group's total sales in fiscal 2020.

Invisible Assets



Accumulation of unique technologies and know-how

We have accumulated knowledge, unique technologies, and commercialization know-how over our 90 years.



Information on particular markets acquired through development efforts

We leverage information obtained through product and market development in new product development.



Strong and trusting relationships with our customers

We meet world-class performance and quality standards required by our customers and have earned their trust.



High-quality human resources well-versed in their areas of expertise

We contribute to solving social issues with our advanced expertise and unique technologies.

Core Competencies

“For people and the planet—to achieve what no one else can”

Unique technical strengths

Application development capabilities

Kuraray Group Products with Top Market Share Worldwide*

* In-house survey



PVA resin (Excluding China)

PVA resin was industrialized as a raw material for the synthetic fiber KURALON™. It has many characteristics: water-soluble, highly adhesive, emulsifiable, resistant to oil and chemicals, and easy to form into a film. It is used in a wide range of applications such as paper processing agents, adhesives, and a stabilizer for the polymerization of vinyl chloride resin.



Optical-use PVA film

Optical-use PVA film is used as a polarizing film, vital to liquid crystal displays (LCDs) such as flat-panel TVs, PC monitors, tablets, and mobile devices.



Water-soluble PVA film

Water-soluble PVA film is used for unit dose applications in detergents, personal care, agrochemicals, and water treatment. Because the film dissolves completely in water and is environmentally friendly, it does not contaminate the recycling stream or contribute to micro-plastic pollution.



EVAL™ (EVOH resin)

EVAL™ provides excellent barrier properties against the permeation of gases, superior to those of any other plastic. It is used widely in food packaging materials to block out oxygen and preserve the flavor and quality of food. It is also used in automotive plastic fuel tanks, as it provides a highly effective barrier against fuel vapor permeation. It is being used increasingly in a wide variety of applications, such as vacuum insulation panels for large refrigerators, to improve energy efficiency.



KURALON™ / KURALON K-II™ (PVA fiber)

KURALON™ is a synthetic fiber based on polyvinyl alcohol (PVA) with several unique properties, including high tenacity, low elongation, and hydrophilicity. It is widely used in various industrial fields for applications that include as a substitute for asbestos in cement reinforcement and as a separator for alkaline manganese batteries. KURALON K-II™ is another PVA fiber made by new production technologies. Water-soluble fibers with different dissolving temperatures and high-tenacity fibers can be obtained.



Isoprene chemicals

We apply our unique synthesizing technologies to produce a cleaner MMB that is highly safe and easy to handle, as well as diols, aroma chemical and cosmetic ingredients, pharmaceutical and agrochemical intermediates, and more.

Note: One-of-a-kind products derived from synthetic isoprene (MMB, MPD, etc.)



GENESTAR™ (High heat-resistant polyamide resin)

GENESTAR™ is a new high heat-resistant polyamide resin created with our proprietary technologies. It has excellent low water absorption, heat resistance, chemical resistance, and sliding properties. It is used in electronic parts of mobile phones, personal computers, and the like, and it is applied in backlights for LED liquid-crystal TV panels and the automotive field.



Activated carbon

Activated carbon is created through a reaction with gas and chemical agents at high temperatures using a carbon substrate, such as bituminous coal and coconut shells. It has micropores (diameter: 10 - 200 Å. 10 Å = 1 nm). The micropores form a meshwork structure inside the activated carbon. The walls of these micropores give the material a large surface area (500 - 2,500 m²/g) for adsorbing a wide range of substances by the capillarity of the micropores.

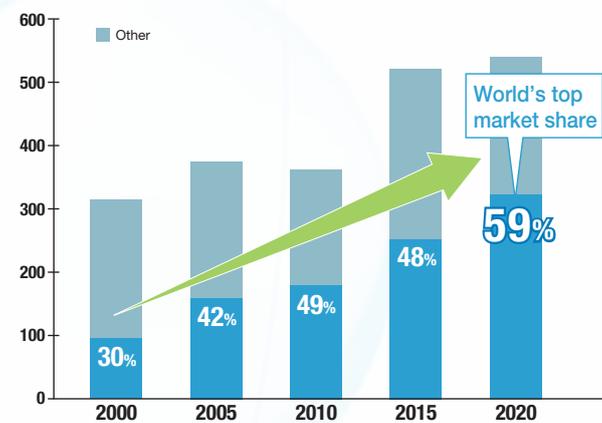


VECTRAN™ (High-strength polyarylate fiber)

VECTRAN™ fiber has about seven times the tensile strength of steel by weight and provides excellent abrasion resistance, flex fatigue, and chemical resistance, among other physical properties. It is used in various applications and sectors, including aerospace, composites, electronic components, ropes, and sporting goods.

A Wide Variety of No. 1 Products

Net Sales (Billions of yen)



Sales of our products with the world's top market share reached 59% of the Kuraray Group's net sales in fiscal 2020.

* In-house survey

Future

The Kuraray Group's Aims

Value Creation Process

As a corporate group engaged in manufacturing, the Kuraray Group creates economic and social value by providing its excellent products and services to the market.

Business Activities of the Kuraray

Input

Financial capital

Strong financial position

- ➔ Net assets **¥515.5 billion**
- ➔ Equity ratio **47.4%**

Intellectual capital

A broad spectrum of base technologies ranging from materials to processing

- ➔ R&D Expenses **¥20.6 billion**

Human capital

Diversity of human resources

- ➔ Number of consolidated employees **11,219**
- ➔ Ratio of foreign employees **39.0%**
- ➔ Ratio of female employees **18.5%**
- ➔ Ratio of female employees in managerial positions **7.9%**

Manufacturing capital

Global production system

- ➔ Domestic production bases **9**
- ➔ Overseas production bases **43**

Social and relationship capital

Trust from customers/trust from local communities

Materiality

Refer to p.35

Improving the natural environment



Improving the living environment



Effective use of resources and reduction of environmental impact



Improving supply chain management



Building a "company that people can take pride in"



Issues Facing Society

- Global warming
- Depletion of water resources
- The food crisis and others

Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.

“For people and the planet—to achieve what no one else can.”

Sustainable Growth through the Use of Management Resources

Group

Strategy of the Kuraray Group

Refer to p.20

Long-Term Vision “Kuraray Vision 2026”

Vision for Kuraray

Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its own technologies

Basic policies

Pursue competitive superiority

Increase existing businesses' competitive edge

Expand new business fields

Strengthen our business portfolio while expanding the scope of operations

Enhance comprehensive strengths of the Kuraray Group

Establish global business foundations to ensure the realization of the vision

Safe operation and steady execution of work during COVID-19

Fiscal 2021 Management Plan

Promotion of formulation of the next Medium-Term Management Plan

Outcome

EVAL™

Food packaging materials (Long-term food preservation/Extension of expiration dates)

PLANTIC™

Bio-based gas barrier material (Long-term food preservation/Extension of expiration dates)



Contribute to the reduction of food loss

Activated carbon
Water purification and wastewater treatment, air purification

Water treatment membrane
Water purification and wastewater treatment

PVA-gel
Wastewater treatment



Contribute to cleaner water and air and helps conserve resources

EVAL™
Plastic fuel tanks

GENESTAR™
Replacement for automotive metal parts



Contribute to fuel efficiency by reducing the weight of automobiles

PVB film
Interlayer for safety glass

Liquid rubber
High-performance automobile tires

KURALON™
Cement and concrete reinforcement



Contribute to safety

Contribution to Social Sustainability

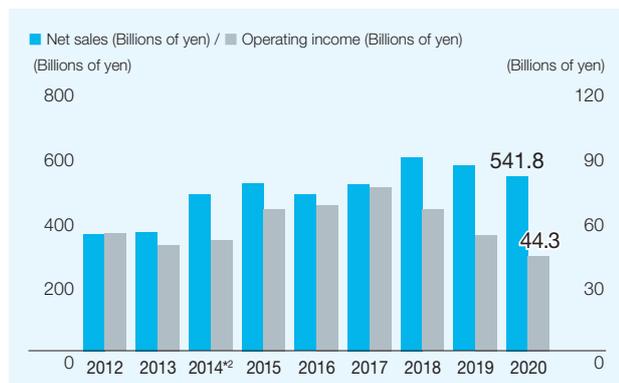
Results

Financial and Non-Financial Highlights

Financial Data

Net Sales / Operating Income

Net sales **¥541.8 billion** Operating income **¥44.3 billion**



Sales Ratio of Products Having the World's Highest Market Shares*

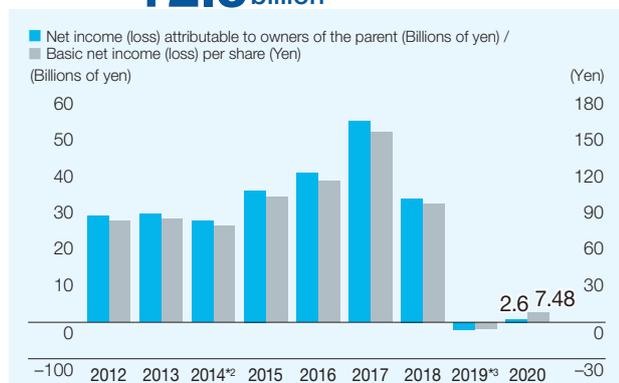
Sales ratio of products having the world's highest market shares **59%**



*1 In-house survey

Net Income (Loss) Attributable to Owners of the Parent / Basic Net Income (Loss) per Share

Net income attributable to owners of the parent **¥2.6 billion** Basic net income per share **¥7.48**



*3 Net income attributable to owners of the parent declined significantly due to the recording of an extraordinary loss of approximately ¥51 billion in fiscal 2019 and approximately ¥22 billion in fiscal 2020 for litigation surrounding a fire incident at a subsidiary in the United States.

Total Assets / Equity Ratio

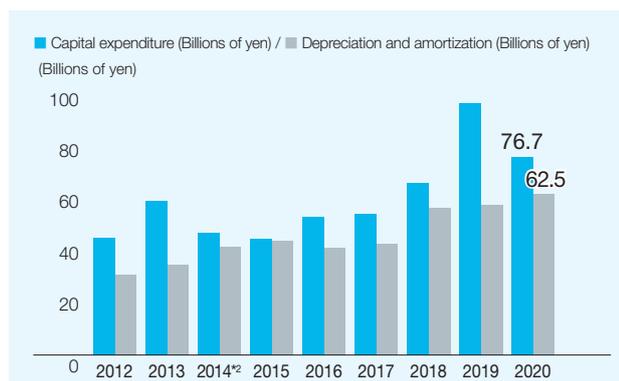
Total assets **¥1,051.6 billion** Equity ratio **47.4%**



*4 In fiscal 2018, total assets increased due to the inclusion of Calgon Carbon Corporation in the scope of consolidation.

Capital Expenditure*5 / Depreciation and Amortization

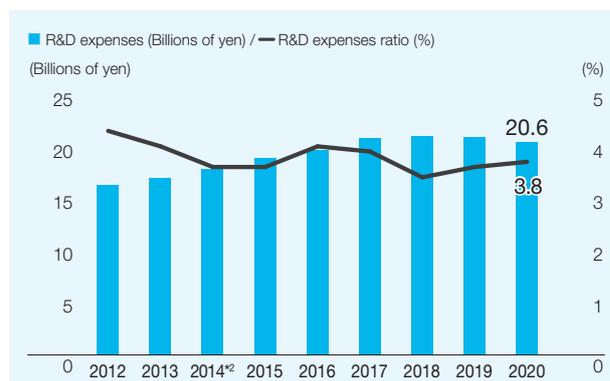
Capital expenditure **¥76.7 billion** Depreciation and amortization **¥62.5 billion**



*5 Capital expenditure is on an acceptance basis.

R&D Expenses / R&D Expenses Ratio

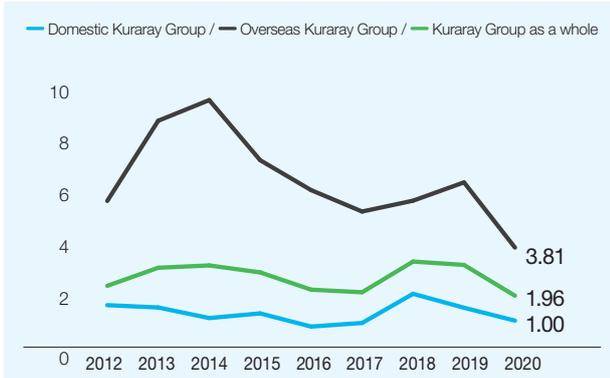
R&D expenses **¥20.6 billion** R&D expenses ratio **3.8%**



Non-Financial Data

1 Frequency Rate of All Occupational Incidents*6

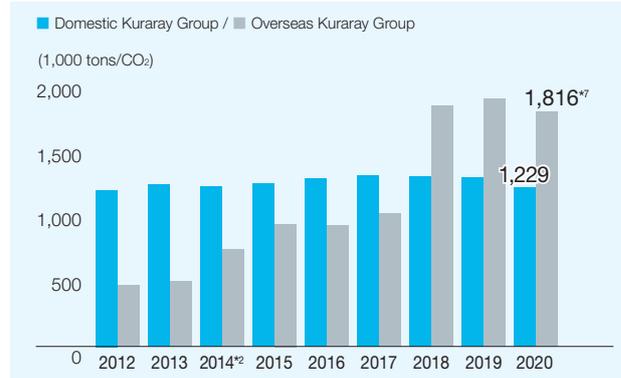
Domestic Kuraray Group Overseas Kuraray Group Kuraray Group as a whole
1.00 **3.81** **1.96**



*6 The number of occupational incidents requiring medical treatment per one million work hours

2 Greenhouse Gas (GHG) Emissions

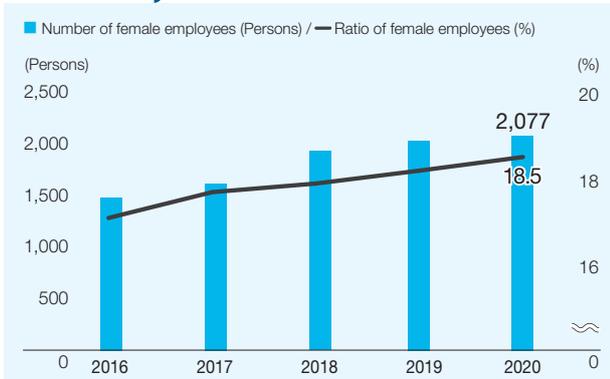
Domestic Kuraray Group Overseas Kuraray Group
1,229 thousand tons / CO₂ **1,816** thousand tons / CO₂



*7 Calgon Carbon Corporation has been included in data since fiscal 2018.

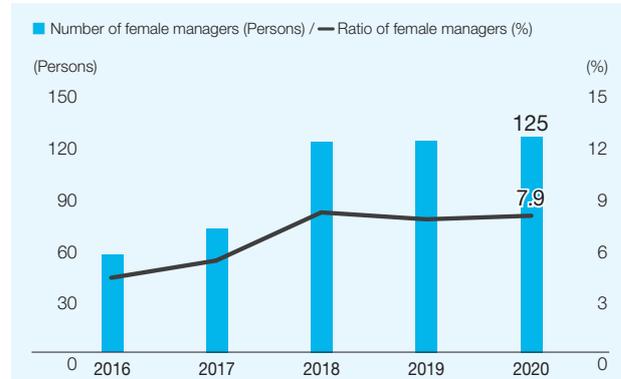
3 Number of Female Employees / Ratio of Female Employees

Number of female employees Ratio of female employees
2,077 persons **18.5%**



4 Number of Female Employees in Managerial Positions / Ratio of Female Employees in Managerial Positions

Number of female managers Ratio of female managers
125 persons **7.9%**



Brief Commentary on Non-Financial Information

1 Frequency Rate of All Occupational Incidents

In the Kuraray Group's business activities, safety is the cornerstone we do and is an absolute requirement that forms the basis for all activities. Creating workspaces where people feel safe is an important theme we must continue to work on to maintain society's trust and a stable supply of products.

Based on this view, the Kuraray Group develops and operates safety management systems and conducts various activities throughout the year. We are putting multiple measures in place to raise employee awareness of safety and further establish safe actions and safety checks as routine practices.

2 GHG Emissions

We believe that part of the Kuraray Group's mission is to manufacture basic and intermediate materials that create a low-carbon and eco-friendly footprint. They should minimize the environmental impact as much as possible. The Kuraray Group's global manufacturing continues to conserve the environment by promoting measures to combat global warming and curb chemical emissions.

3 Number of Female Employees / Ratio of Female Employees Ratio of Female Employees in Managerial Positions

The Kuraray Group is striving to enhance its organizational strengths by making the most of the abilities of its diverse human resources. To further promote women's active participation in the workplace, Kuraray is making various efforts with a focus on three points:

- Employing more female employees
- Expanding areas of their responsibility at work
- Improving the retention of female employees

*2 The account closing date changed from March 31 to December 31 in fiscal 2014. The consolidated financial results for fiscal 2014 covered nine months, from April to December 2014, in Japan and 12 months, overseas from January to December 2014. The values shown have been corrected as the results for January to December 2014 for both Japan and overseas.

Attaining collaborative value creation with society as we aim to become a Specialty Chemical Company that grows sustainably

Hitoshi Kawahara

Hitoshi Kawahara
President and Representative Director



Upon Assuming the Position of President

I took over the management helm from the former President in January 2021. During my tenure as President, I aim for Kuraray to be a safe and comfortable company for our employees. I believe this is possible by working to ensure that all Group employees continue to embody the meaning of the phrase “Safety is the cornerstone of everything we do,” stated in the Guiding Principles of our Corporate Statements. Based on this, we will make every effort to contribute to the realization of a sustainable society as a vibrant corporate entity full of vitality and creativity, by fully utilizing the potential of the employees of the Kuraray Group worldwide.

Since its foundation, the Kuraray Group has developed its business by exploring markets and continuously providing value to the world while pursuing innovative manufacturing backed by its technological development capabilities. One of the origins of this is our product KURALON™ (PVA fiber), the world’s first synthetic fiber, which was commercialized in 1950 and celebrated its 70th-anniversary last year. At that time, nylon and polyester, which handled by other companies were trying to handle, as well as rayons from Kuraray, were subject to unstable earnings due to their reliance on raw materials overseas. To produce high-quality products with stable profits, we needed to make a product from raw materials without relying on imports. With this strong belief in mind, Soichiro Ohara, Kuraray’s second President, turned his attention to PVA resin, which Kuraray could make with domestically produced raw materials, and established a consistent production technology ranging from PVA to KURALON™.

The mass production of KURALON™ was technically

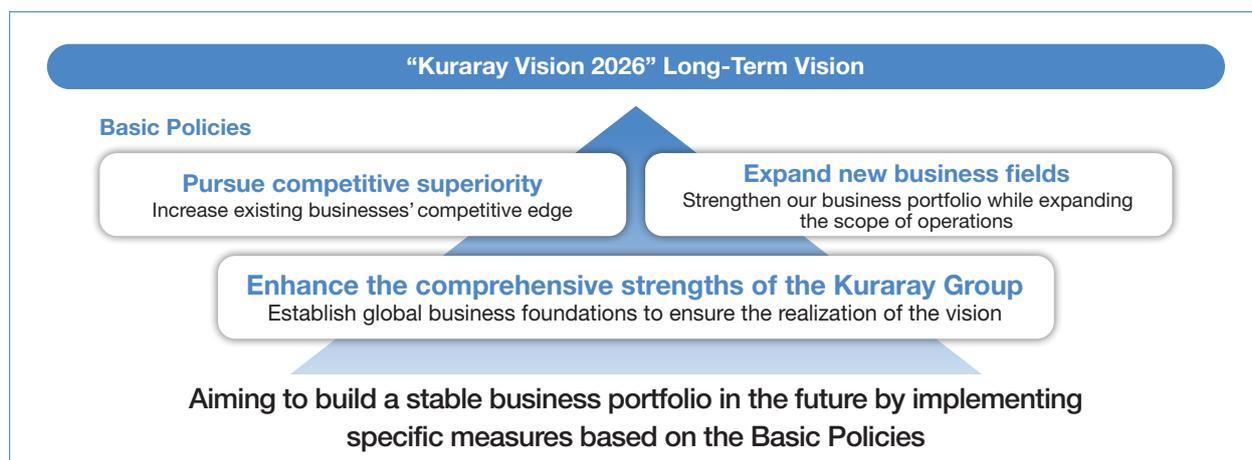
difficult, and at that time, it was necessary to raise about six times the amount of capital to make it. While all banks were hesitant to extend loans, Soichiro himself negotiated directly with the governor of the Bank of Japan and managed to obtain co-financing. The Ministry of International Trade and Industry stated that textile companies only needed to make fibers and felt they did not have to make chemical products if we wanted to produce sustainable products. Soichiro insisted that it was necessary to produce high-quality raw materials in-house, and he obtained MITI’s approval. In this way, Kuraray succeeded in industrializing synthetic fibers for the first time in Japan.

Since then, based on the polymer and synthetic chemistry technologies cultivated in this “technological development and production starting with raw materials,” we have transitioned from a fiber manufacturer to a chemical company and continue to expand our business with an emphasis on originality. As a result, we have created many businesses with top market shares globally. Today, these businesses account for 59% of the Kuraray Group’s total sales and are the driving force behind our competitive advantage. Kuraray’s mission statement is, “For people and the planet—to achieve what no one else can.” This phrase from the Corporate Statements expresses the thoughts of our founder, Magosaburo Ohara, and the second President, Soichiro Ohara. It provides the foundation of the innovative and can-do spirit that Kuraray has cultivated and shows our commitment to creating value for society. We will continue to share this heart throughout the Kuraray Group and work together with our communities to develop solutions to social issues through our business activities.

The Direction of the Long-Term Vision

Based on its mission, “For people and the planet—to achieve what no one else can,” the Kuraray Group has formulated the “Kuraray Vision 2026” long-term vision for its 100th anniversary in 2026. Aiming to be a “Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its technologies,” we will

continue to be a company that provides unique specialty products and services to the world while creating value together with society. The “Kuraray Vision 2026” long-term vision sets out the following three basic policies for realizing the vision of Kuraray:



The COVID-19 pandemic has greatly changed the concepts of the world around us as we knew them. New lifestyles, new businesses, and new ideas that we have never seen before are emerging. In particular, the shift to digital and rising environmental awareness are irreversible and accelerating. Simultaneously while promoting our digital strategy, we must also take advantage of market expansions, such as the spread of 5G in the telecommunications market and the shift to electric vehicles for mobility,

as growth opportunities. On the other hand, Kuraray is a material manufacturer. Even if a major change in the paradigm of the industrial sector occurs, the importance of being a provider of products and technologies essential to people's lives will remain unchanged. I believe that there will be more and more opportunities to utilize the power of chemistry to solve various emerging issues and challenges, spanning from simple everyday life obstacles to those requiring global solutions.

Priority Management Issues for Fiscal 2021 and the Next Medium-Term Management Plan

In fiscal 2021, we plan to recover from the effects of the global economic slowdown caused by the spread of

COVID-19 and to strengthen our competitive advantage by implementing the following key measures:

1	Steady promotion of the construction of the new isoprene plant in Thailand
2	Expansion of the environmental solutions business (activated carbon) and acceleration of integration synergies
3	Further expansion of the vinyl acetate-related business
4	Promotion of a company-wide digital strategy to reform business processes and accelerate business strategies

Strengthen our competitive advantage and link to the next Medium-Term Management Plan

In preparation for the formulation of the next Medium-Term Management Plan, which will start in 2022, we have adopted a new approach that differs from the previous one: we have selected four “important themes that the Kuraray Group should address from a cross-organizational and global perspective.” The themes are “innovation,” “sustainability,” “global operations (production and technology),” and “indirect global functions.” We’ve organized thematic workshops attended by global members to discuss and study these themes and conceptually placed the activities of these workshops as the horizontal axis against the vertical axis of our organizational structure. The plan is to incorporate the contents of the in-depth discussions from each workshop into the strategies formulated by each business

division, and Group company. In this way, we aim to develop and implement the next Medium-Term Management Plan, so the entire company is organically linked.

Kuraray considers profit distribution to shareholders as a priority management issue and has made it a basic policy to increase profit distribution through sustainable performance improvement. During the Medium-Term Management Plan “PROUD 2020,” the total return ratio to net income attributable to owners of the parent was 35% or more and the annual dividend per share was ¥40 or more. In fiscal 2021, we will follow the policy for the “PROUD 2020” period.

Sustainable Growth through Sustainability Management

The role of corporations in the creation of a sustainable society is increasing day by day. In keeping with its mission, “For people and the planet—to achieve what no one else can,” the Kuraray Group has developed businesses that contribute to enhancing the natural environment and people’s quality of life. Today, however, we are again called to present and implement concrete solutions to the world’s issues.

Climate change is one of the most pressing issues we are facing. Continuing on from Japan last year, there was a change of administration in the United States. The country returned to the Paris Agreement as soon as the new administration took power, and declared carbon neutrality in 2050, bringing the world in step. In addition, countries and regions worldwide are promoting green recovery as a stimulus measure for economic stagnation caused by the spread of COVID-19 and are announcing decarbonization measures one after another.

Anticipating long-term changes in the business environment, the Kuraray Group actively discusses what it should do during the next Medium-Term Management Plan and what to do next, with a focus on the aforementioned “Sustainability Workshop” comprised of global members with different job descriptions and diverse experience and perspectives.

Measures against climate change focus on both risks and opportunities. We are considering ways to reduce greenhouse gas (GHG) emissions in-house and expand products and businesses that contribute to reductions. In addition to reducing the environmental impact of our production activities through environmentally friendly processes, we have also vowed to reduce the environmental impact both in our customers’ production processes and at the stage when customers’ products are distributed and used as final

products. In the next Medium-Term Management Plan, we will set more detailed quantitative targets for these initiatives and strive to achieve them. As for the expansion of products and businesses that contribute to reducing GHG emissions, we are preparing business plans and development plans based on material issues (important issues related to the Company among those that society desires to resolve). All division general managers in Japan and overseas took part in revising these in fiscal 2019.

These efforts cannot be achieved by the Kuraray Group alone. Working together with suppliers and users through the supply chain to pursue business activities that contribute to a circular economy will lead to climate change measures and solving the problem of microplastics and ocean plastics. In the next Medium-Term Management Plan, we will comprehensively grasp the issues facing chemical manufacturers then plan and implement solutions.

The Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2020. In the future, we will continue to improve the disclosure of governance, scenario analysis-based strategies, risk management, metrics, and targets included in the TCFD recommendations. In fiscal 2021, we will establish a TCFD promotion team in relevant departments to assess the importance of climate-related risks and evaluate climate-related risks and opportunities for key businesses.

The Kuraray Group has more than 11,000 employees worldwide. For the Group to achieve sustainable growth, it is essential to bring together the wisdom of employees and create new innovations. In fiscal 2020, we revised the Kuraray Group Global Human Resource (HR) Policy so that diverse human resources of different nationalities and backgrounds can maximize their potential. Under the next



Medium-Term Management Plan, we will build a global system to secure and develop human resources to support the sustainable growth of the Kuraray Group based on our medium- to long-term strategy. The COVID-19 pandemic has drastically changed the way we work. After establishing what we believe is and is not possible under the new ways of working, we plan to develop a system that makes full use of its advantages and ensures that we're properly evaluating results. We aim to achieve a balance between productivity and ease of working. We will do our best to ensure that all Kuraray Group employees can contribute to the realization of a sustainable society in a safe and secure workplace and a dynamic and creative enterprise.

The fire that broke out at the EVAL™ plant of Kuraray America, Inc. in May 2018 caused great concern among stakeholders. In order to prevent such an accident from occurring again, keeping in mind that "Safety is the cornerstone of everything we do," we have been reviewing and strengthening safety measures by conducting safety inspections of major chemical plants outside Japan under the Head Office's leadership since fiscal 2019. In fiscal 2020, we continued to conduct safety inspections at two plants in Europe and two plants in the United States and confirmed the improvement status of the issues identified in fiscal 2019 and identified new matters. In fiscal 2021, in addition to addressing these issues, we will work on enhancing facilities regarding safety at our plants and on aspects like the management system, the review and improvement of manuals, and the enhancement of employee education and on-the-job training. [Refer to p.45](#)

In response to past violations of the Antimonopoly Act, the Company has positioned compliance as one of its top management priorities. We have made every effort to implement various measures to prevent the recurrence of similar violations. In fiscal 2020, in order to establish an effective global system for compliance with the Antimonopoly Act, we prepared relevant regulations, provided education and training to officers and employees, assessed risks for each business, and audited bid participation projects for Kuraray Group companies around the world. From fiscal 2021 onward, the entire Kuraray Group will steadily implement the Antimonopoly Act Compliance Program to ensure thorough compliance with the Antimonopoly Act. In addition, we will continue to build a safe workplace by raising the compliance awareness of all employees. [Refer to p.49](#)

The Kuraray Group strives to continue to be an "indispensable corporate group" that society loves and needs. Through our pillar of incorporating new foundational platforms into our own technologies, we work to create value alongside community members by solving social and environmental problems through our business technologies.

To Our Stakeholders



Background to the Change of the President and the Establishment of the New Management Team

In 2026, the Kuraray Group will celebrate its 100th anniversary. In 2021, we will formulate a new Medium-Term Management Plan for the 100th anniversary of our foundation. I believe that it is desirable to promote the plan under a new leader from the conceptual stage, and as of January this year, I passed the baton to Hitoshi Kawahara.

Since assuming the position of President in January 2015, I have assumed that my term of office as President would be six years, give or take a year, and I have worked on management issues that came to mind while fostering successors and promoting personnel management. With advice from the Corporate Advisory Committee, we narrowed down the candidates from among multiple

candidates for succession, and Hitoshi Kawahara was ultimately elected. In addition to his excellent qualities, such as his strong sense of responsibility for diligently tackling difficult situations without running from them, and his personality that never loses a sense of brightness, he was selected because of his wide range of domestic and overseas experience in a number of businesses and his ability to think deeply from a companywide perspective developed by the corporate planning division.

As Chairman and Director without a right of representation, I will focus on management supervision and oversight, and make every effort to make the Kuraray Group a better corporate group.

Looking Back on My Six Years in Office Management

In 2015, the year I was appointed President was the first year of the Medium-Term Management Plan “GS-STEP” (three years until fiscal 2017). We achieved significant results by consolidating the outcomes of key actions. These included the synergies created by the vinyl acetate-related business acquired from DuPont in the United States in 2014. The acquisition of Plantic Technologies Limited in Australia, which developed our bio-based barrier materials business. And the merging of Kuraray Chemical, Co., Ltd., our subsidiary that

manufactures and sells activated carbon. Although we did not meet our performance targets in fiscal 2017, the final year of “GS-STEP,” net sales and operating income for the period marked record highs for three consecutive fiscal years.

The Medium-Term Management Plan from fiscal 2018 to fiscal 2020, “PROUD 2020,” set forth the following management strategies: the pursuit of competitive advantage, expansion of new business fields, enhancement of the comprehensive strengths of the Kuraray Group, and

Passing the baton to a new leader for the next era



Masaaki Ito
Chairman and Director

contribution to the environment. To nurture the pillars next to the vinyl acetate-related business, we proceeded with the acquisition and integration of Calgon Carbon Corporation, the world's largest manufacturer of activated carbon. We decided to upgrade facilities in the United States and Europe to expand the business further. We also chose to invest in the construction of a new plant for isoprene-related business in Thailand. In addition, we steadily implemented measures aimed at growth. These included upgrading facilities for optical-use PVA film, enhancing existing plants in the United States for water-soluble PVA film, and constructing new plants in Europe. We've worked hard to build a stable portfolio for the future.

However, there were delays in achieving new development themes and contributing to business performance in

each business and research and development, a decrease in sales due to the impact of the fire incident at our subsidiary in the United States, and the COVID-19 pandemic, so economic activity stagnated in fiscal 2020 and demand declined in many industries. As a result, we fell far short of our performance targets in the plan's final year. Regarding the fire incident at the subsidiary in the United States, we are filled with sadness and remorse over the fact that despite our efforts to live the phrase "Safety is the cornerstone of everything we do" stated in the Guiding Principles of Our Corporate Statements, an accident occurred, and workers were injured. To prevent such an accident from happening again, the Head Office is taking the initiative to improve the management system, enhance education and training, and implement thorough risk assessments.

Working with Stakeholders

2021 will be an important year for us to discuss and formulate the next Medium-Term Management Plan. Under the new management team, we will steadily proceed with constructing the new isoprene plant in Thailand. This, for which we made an investment decision was part of "PROUD 2020." We will also accelerate and expand the integration synergies between Calgon Carbon Corporation and the environmental solutions business, further strengthen the vinyl acetate-related business, and create new business. By tackling management issues such as the

above with the Group's collective strength and overcoming, as Chairman and Director, I will support the realization of the medium- to long-term growth of the Kuraray Group and live up to the expectations of our stakeholders.

We look forward to your continued support of the Kuraray Group.

Review of the Previous Medium-Term Management Plan, "PROUD 2020"

Four Management Strategies and Progress on the Major Management Issues

Pursue competitive superiority	<p>Conducting continuous capital expenditures for growth in core and new businesses</p> <ul style="list-style-type: none"> ▶ Contributed to profit growth through capital expenditures in optical-use PVA film, water-soluble PVA film, and ionoplast interlayers SentryGlas™
Expand new business fields	<p>Isoprene: Expanding business through the Thai projects</p> <ul style="list-style-type: none"> ▶ Scheduled to start operation in the second half of 2022 despite a slight delay due to COVID-19 ▶ Established a global sales system for GENESTAR™ (12 bases in nine countries)
Enhance comprehensive strength of the Kuraray Group	<p>Carbon Materials Business: Swiftly achieving synergy via the acquisition of Calgon Carbon Corporation</p> <ul style="list-style-type: none"> ▶ Generated synergies in sales and costs and decided to introduce new facilities in Europe and the United States for further business expansion
Contribute to the environment	<p>Building a global management foundation</p> <ul style="list-style-type: none"> ▶ Built and operated a global IT system as part of strengthening governance <p>Contribution to the environment</p> <ul style="list-style-type: none"> ▶ Contributed to the natural environment: Activated carbon ▶ Contributed to improving quality of life (QOL): EVAL™ and PLANTIC™ (Bio-based gas barrier material)

Capital Expenditure Results



- Isoprene: Plant in Thailand
- Water-soluble PVA film: Plant in the United States and Europe
- Optical-use PVA film: Expansion of facilities
- Calgon Carbon Corporation: Plant in the United States and Europe
- High-efficiency power equipment: Okayama Plant

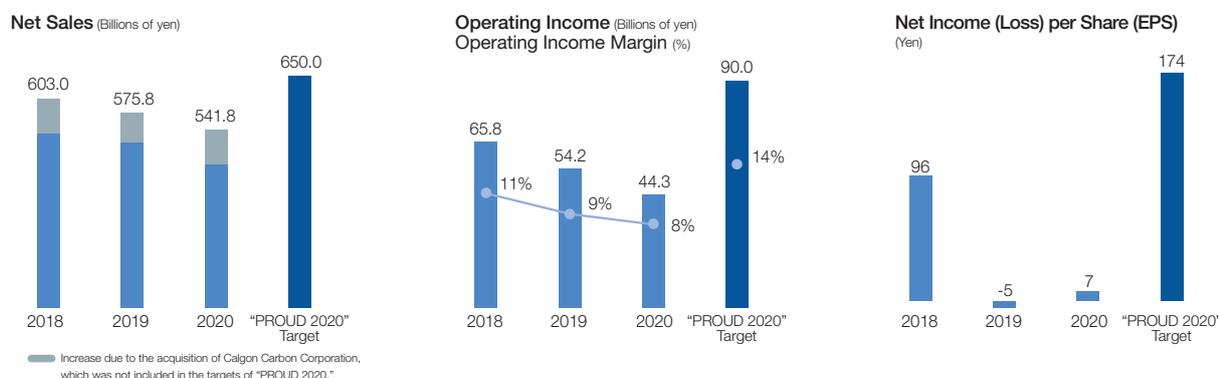
M&A Results

Acquired Calgon Carbon Corporation, the world's largest activated carbon manufacturer, in March 2018

Acquisition price: US\$1,093 million

Review of Business Performance

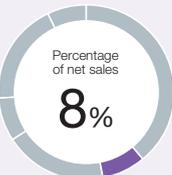
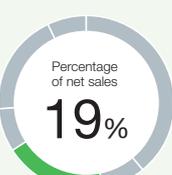
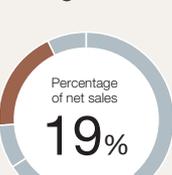
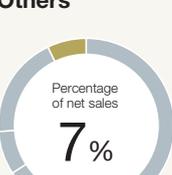
Net sales and operating income fell short of targets due to delays in new products and sales expansion in emerging countries in many businesses, the impact of the fire at the EVAL™ plant in the United States, and the economic downturn caused by the spread of COVID-19.



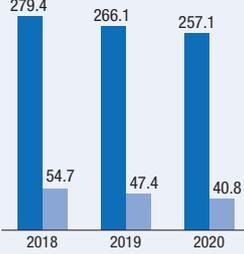
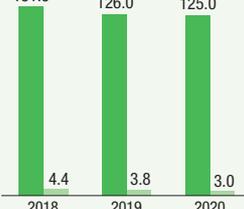
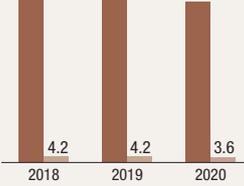
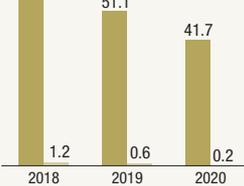
Basic Policy on Shareholder Return: Total payout ratio: 35% or higher; annual dividends per share: ¥40 or higher

Fiscal 2020	Annual dividends per share: ¥40 (interim: ¥21, year-end: ¥19)
Fiscal 2019	Annual dividends per share: ¥42 (interim: ¥20, year-end: ¥22)
Fiscal 2018	Annual dividends per share: ¥42 (interim: ¥20, year-end: ¥22)

Business Overview

Segment name	Major products		
<p>Vinyl Acetate</p>  <p>Percentage of net sales 39%</p>	<p>KURARAY POVAL™, ELVANOL™ (PVA resin)</p>  <p>Paper/fiber processing agents, adhesives, stabilizer for polyvinyl chloride polymerization, and others</p> <p>Trosifol™ (PVB film and Ionoplast interlayer)</p>  <p>Interlayer film for safety glass</p>	<p>Optical-use PVA film</p>  <p>Polarizers for LCDs and others</p> <p>EVAL™ (EVOH resin)</p>  <p>Food packaging, automotive fuel tanks, stain-resistant wallpaper, vacuum insulation panels, and others</p>	<p>Water-soluble PVA film</p>  <p>Unit dose detergents and others</p> <p>PLANTIC™ (Bio-based gas barrier material)</p>  <p>Food packaging materials</p>
<p>Isoprene</p>  <p>Percentage of net sales 8%</p>	<p>Isoprene chemicals</p>  <p>Cleaner, aroma chemical and cosmetic ingredients, pharmaceutical and agrochemical intermediates, and others <small>* One-of-a-kind products derived from synthetic isoprene (MMB, MPD, etc.)</small></p> <p>KURARITY™ (Acrylic thermoplastic elastomer)</p>  <p>Adhesives, molding materials, and others</p>	<p>SEPTON™ (Thermoplastic elastomer)</p>  <p>Substitute for rubber, automobile parts, stationery, toys, sporting goods, and others</p> <p>GENESTAR™ (High heat-resistant polyamide resin)</p>  <p>Electronic parts of mobile devices and personal computers, LED reflector applications, automobile parts, and others</p>	<p>Liquid rubber</p>  <p>Additive agent for automobile tires</p>
<p>Functional Materials</p>  <p>Percentage of net sales 19%</p>	<p>Methacrylic resin</p>  <p>Light guide plates for LCDs, automobile parts, signboards, construction materials, and others</p>	<p>Dental materials</p>  <p>Various organic and inorganic dental materials</p>	<p>Activated carbon</p>  <p>Water purification, wastewater treatment, capacitor electrode materials, and others</p>
<p>Fibers and Textiles</p>  <p>Percentage of net sales 8%</p>	<p>CLARINO™ (Man-made leather)</p>  <p>Men's and women's shoes, bags, athletic footwear, inflatable sports balls, and others</p> <p>MAGIC TAPE™ (Hook-and-loop fastener)</p>  <p>Clothing, sporting goods, industrial materials, and others</p>	<p>KURALON™ (PVA fiber)</p>  <p>Reinforcing material for cement and concrete, automotive brake hoses, and others</p> <p>VECTRAN™ (High-strength polyarylate fiber)</p>  <p>Aerospace, composites, electronic components, ropes, sporting goods, and others</p>	<p>KURAFLEX™ (Nonwoven fabrics)</p>  <p>Daily goods, industrial products (wipers, filtration media, automobile applications), and others</p>
<p>Trading</p>  <p>Percentage of net sales 19%</p>	<p>CLAVELLA™ (Polyester long filament)</p>  <p>Yarn and fabric for clothing and materials, sportswear, uniforms, and others</p>	<p>Kuraray Group's products</p> <p>Purchase and sale of a wide range of high-performance products and processed products of the Kuraray Group</p>	
<p>Others</p>  <p>Percentage of net sales 7%</p>	<p>Aqua business</p>  <p>Water purification, wastewater treatment, ballast water management system, and others</p>	<p>VECSTAR™ (Liquid crystalline polymer film)</p>  <p>High-speed signal transmission flexible printed circuit boards and others</p>	

Growth Strategy Business Overview
Measures implemented during "PROUD 2020"

Sales (Billions of yen) (Left) Operating income (Billions of yen) (Right)	Previous Medium-Term Management Plan/ Strategies for Each Business	Review of Measures by Business
<p>Vinyl Acetate</p> 	<p>PVA resin</p> <ul style="list-style-type: none"> Shift to high-value-added products Optimally manage global production operations <p>Optical-use PVA film</p> <ul style="list-style-type: none"> Expand and maintain a high market share in line with increasing demand for LCDs Add new functions and enhance workability to satisfy the latest market and customer needs <p>Water-soluble PVA film</p> <ul style="list-style-type: none"> Execute the timely expansion of production facilities in step with the growth in operations Allocate development resources to new industrial applications <p>PVB film</p> <ul style="list-style-type: none"> Bolster the development and sale of highly functional films for automobiles Expand sales of high-strength films for construction <p>EVAL™</p> <ul style="list-style-type: none"> Create new demand in emerging countries and boost sales Expand EVAL™-related operations to help reduce food wastage 	<ul style="list-style-type: none"> Achieved higher ratio of high-value-added products and bolstered the development of environmental-related products such as barrier paper and paper straws application Promoted global supply chain optimization <ul style="list-style-type: none"> Expanded production volume and sales by establishing additional production lines at the Kurashiki Plant in response to a growing demand for wide films in larger LCDs Pursued expansion of product lineup to meet customer needs, including thinner film <ul style="list-style-type: none"> Increased production capabilities in the United States and decided to construct a new plant in Poland in response to higher demand for unit dose detergent applications Promoted development activities for new applications, including unit dose for pharmaceuticals and cosmetics <ul style="list-style-type: none"> Achieved higher sales of highly functional films for automobiles as new customers adopted them Steadily expanded production of ionoplast interlayers SentryGlas™ for construction in the Czech Republic and strengthened the production base to ensure a stable supply <ul style="list-style-type: none"> Continued to cultivate demand in emerging countries Expanded the business for food packaging applications by proposing the use of EVAL™ to extend the expiry date in new markets
<p>Isoprene</p> 	<p>Isoprene chemicals</p> <ul style="list-style-type: none"> Pursue expansion of one-of-a-kind products Commercialize new isoprene-based chemicals <p>Elastomer</p> <ul style="list-style-type: none"> Build a more sophisticated product portfolio by enhancing their functionalities Boost global sales of liquid rubber <p>GENESTAR™</p> <ul style="list-style-type: none"> Expand the range of products for automotive applications, such as components for on-board electronics Develop new polymers 	<ul style="list-style-type: none"> Pursued market expansion of MMB and MPD (urethane raw materials) Proceeded with the development of additives that reduce the effect of oxygen on polymerization and materials that increase the affinity with biodegradable polymers based on Kuraray's raw materials and technologies <ul style="list-style-type: none"> Further advanced the market development of the SEPTON™ BIO-series in response to heightened environmental awareness Promoted market development of KURARITY™ for automotive interior parts and resin modifiers applications Expanded the new adoption of liquid rubber applications by tire manufacturers <ul style="list-style-type: none"> Globally expanded customers' adoption of high-voltage components due to the higher evaluation of withstand voltage characteristics reflecting the shift to EVs in automobiles Began sales and marketing of new polyamide resins with functionality
<p>Functional Materials</p> 	<p>Methacrylic</p> <ul style="list-style-type: none"> Expand the sales of newly developed products, such as multi-layered substrates and soft resin Bolster sales of highly functional grades of optical-use resin <p>Medical</p> <ul style="list-style-type: none"> Expand sales of CAD/CAM products Upgrade communication of information to users (dentists and dental technicians) <p>Carbon materials (activated carbon)</p> <ul style="list-style-type: none"> Swiftly achieve synergy via collaboration with Calgon Carbon Corporation Expand the range of products for automobile canisters and battery applications (capacitors and lithium-ion batteries) 	<ul style="list-style-type: none"> Expanded customers' adoption of multi-layered substrates for automotive applications and worked to boost sales of emulsion polymerized resin to sheet manufacturers and to expand sales of resin modifier applications Achieved sales expansion of highly functional grade resin for optical applications <ul style="list-style-type: none"> Achieved sales expansion of zirconia blocks mainly in North America and launched in Japan a new product, a resin block for front teeth, which is newly covered by insurance Promoted communication of information through seminars and video distribution <ul style="list-style-type: none"> Decided to expand a new carbon production line in the United States and a reactivated carbon production line in Belgium in response to growing demand after the acquisition of Calgon Carbon Corporation in 2018, laying the groundwork for business expansion Have been working with Calgon Carbon Corporation to develop markets mainly for automobiles and battery materials and will pursue further integration synergies as the Environmental Solutions Division from fiscal 2021
<p>Fibers and Textiles</p> 	<p>CLARINO™</p> <ul style="list-style-type: none"> Roll out products targeting luxury brands Achieve full-scale entry into the automobile interior market <p>Fiber materials</p> <ul style="list-style-type: none"> Expand production through revolutionary production process VIP for KURALON™ Strengthen profitability of VECTRAN™ and expand the business <p>Lifestyle materials</p> <ul style="list-style-type: none"> Expand sales of new melt-blown nonwoven fabrics Accelerate expansion into Southeast Asia 	<ul style="list-style-type: none"> Achieved progress with adoption by luxury brands and sports applications, by facilitating the development of environmentally friendly materials in response to rising sustainable demand Promoted customer evaluation of automobile interior applications to win orders <ul style="list-style-type: none"> Began full-scale operation of the KURALON™ VIP method with the expansion of customers' adoption mainly in industrial filaments Achieved progress in expanding high-value-added applications of VECTRAN™ to strengthen the product portfolio <ul style="list-style-type: none"> Commenced operation of the new melt-blown facility at the Okayama Plant of Kuraray Kuraflex Co., Ltd. in the latter half of 2020 and contributed to society by supplying highly functional mask filters in response to COVID-19 Focused on the overseas expansion of high-value-added products, such as nonwoven fabrics for face masks and molded plastic hook fasteners MAGILOCK™
<p>Trading</p> 	<ul style="list-style-type: none"> Increase the scale of business in Asia <ul style="list-style-type: none"> Boost revenue in the fibers and textiles business <ul style="list-style-type: none"> Strengthen initiatives with leading customers <ul style="list-style-type: none"> Launch new businesses 	<ul style="list-style-type: none"> Achieved progress in strengthening integrated production covering everything from raw materials to products, as well as improvement in creating high value-added products in Vietnam Pursued sales expansion and application development in the plastics and chemical products related field, mainly in Asia
<p>Others</p> 	<ul style="list-style-type: none"> Accelerate market cultivation of products from new businesses 	<ul style="list-style-type: none"> Have been considering higher production capacity for flexible copper-clad laminates VECSTAR™ FCCL in anticipation of market expansion for high-speed communication devices <ul style="list-style-type: none"> Expanded customers' adoption of polishing pads for semiconductors due to the demonstration of technological superiority mainly by domestic customers



Fiscal 2021 Management Plan



Main Management Initiatives for Fiscal 2021

Safe operation and steady execution during COVID-19 Promotion for the formulation of the next Medium-Term Management Plan

- 1** Secure installation of new facilities decided during "PROUD 2020"
 - Isoprene: New plant project in Thailand
 - Calgon Carbon Corporation: New facility in the United States
 - Water-soluble PVA film: New plant in Poland
- 2** Promotion of further synergy by integration of environmental solutions business
- 3** EVAL™: Studies for a new plant
- 4** VECSTAR™ FCCL (Flexible copper-clad laminates): Studies for new production lines
- 5** Promotion of digitalization throughout the Group to reform operational processes and accelerate business strategies

Basic Policy on Shareholder Return

- Total return ratio of 35% or higher
- Annual dividends per share of ¥40 or more



Contributing to a safe and sustainable society through innovation

Stephen Cox

Executive Officer,
General Manager, PVB Division

Key Person Interview 1

► Diversity Is Our Strength

The PVB Division is a relatively new division within Kuraray that was launched through multiple acquisitions. It began in 2001 when Kuraray acquired the PVB-related businesses from Clariant AG (former Hoechst AG) in Germany to strengthen its vinyl acetate-related business, which is Kuraray's core business. In 2004, Kuraray acquired the PVB film business from HT Troplast GmbH, located in Troisdorf, Germany. More recently, in 2014, acquired DuPont's vinyl acetate-related business, including PVB film and ionoplast interlayer for glass lamination SentryGlas®. Currently, the PVB Division is a truly global business full of diversity with more than 900 employees in more than 20 countries, seven manufacturing plants, and multiple R&D, technical services, and sales bases. The strength of the PVB business lies in its history described above and its ability to respond to the needs of a wide range of industries. It's present in applications ranging from automotive to architecture to coating to food packaging to electronics. The PVB

Division has also expanded its business scope from PVB film Trosifol® for interlayer of laminated safety glass to SentryGlas® and PVB resin Mowital® for high-value-added applications.

In recent years, we have made aggressive capital investments in growth areas. In 2018, a new line of high-performance sound insulation films for automotive applications went into operation in Ulsan, South Korea. In 2019, in Holesov, the Czech Republic, we launched a new SentryGlas® production line to meet growing demand in the residential and commercial building laminated safety glass market. In 2021, to meet the needs of our wide range of markets, we upgraded the production line of Holesov and enabled the production of wider films. In this way, we will continue to grow our business together with our customers and contribute to the safety of society and improve people's quality of life with our high-performance materials.

► Enhancing the Functionality of Glass for Greater Safety, Security and Comfort

DuPont and others developed PVB interlayer for laminated safety glass in 1938 to protect drivers from scattering automobile windshield fragments in an accident. The mission of the highly functional interlayer in the PVB business is to "together with customers, improve the functionality of glass and contribute to greater safety and security." Currently, the functionality is further evolving, contributing to the development of a sustainable society and safety in the automobile and building fields. In the automotive industry, many new technologies have been developed to respond to the



Highly functional interlayer for windshield

recent trend of CASE (connected, autonomous, shared, electric), and a paradigm shift has begun. Examples include advanced head-up display technology, electrothermal glass, and high optical quality glass required for vehicles equipped with ADAS (advanced driving support system) cameras. We will respond to these new fields with advanced technology and innovation and continue to contribute to the development of the automobile industry.

In the building field, we launched a new product Trosifol® UltraClear, ideal for laminating glass with the industry's highest level of transparency. We've achieved its superior quality by using raw materials jointly developed with the PVA Resin Division and utilizing Kuraray's extensive knowledge of vinyl acetate chains.

With its strength and clarity, SentryGlas® ionoplast interlayer was originally designed as a hurricane defense solution in Florida. Its use for windowpanes and doors not only protects buildings from gale debris during hurricanes, but also prevents gales from entering buildings and causing them to collapse due to wind pressure. It is now widely used in the front of buildings, skylights, canopies, glass handrails, passageways, and



Houses that survived hurricane destruction (Mexico Beach) using Trosifol® for windows and SentryGlas® for doors

the like. It is regarded as a standard specification for structural glass applications in the building industry, contributing to security and safety.

In addition, we've conducted joint development with our customers to solve social issues and provide high-performance films that meet market needs. As an example, in 2019, we launched the next-generation ionoplast interlayer for glass lamination SentryGlas® Xtra. This film greatly improves the efficiency of lamination and facilitates the processing of multilayer laminated glass. Another unique product is the Spallshield® CPET. This product consists of two layers, PET and hard coat layers. Since it contributes to making glass thinner, lighter and safer, it has been used in embassies and other buildings where high security is required. It continues to create new value.

PVB film also contributes to the effective use of resources and reduction of environmental impact through recycling. The PVB film scraps collected from customers are accumulated at our production bases in Holesov, Czech, and Bor, Russia, where they are reproduced based on Kuraray's high-quality standards. By being used as a product again, they support the circular economy.

Another pillar of the PVB Division is the functional resins business. Customers use PVB resin Mowital® in coating applications and environmentally friendly paint and ink applications for food packaging. More recently, with the introduction of the 5G network, demand for the PVB resin Mowital® is rapidly increasing as an indispensable material that contributes to high productivity in the production process of high-performance ceramics for electronic components.

In this way, we hope to enhance people's quality of life while achieving further development through technological innovation.

▶ My Mission for the Kuraray Group's Leap Forward

I am passionate about continuing to create unique solutions for our customers in the rapidly growing and changing PVB Division. As one of the few foreign executive officers stationed overseas, I also feel that there is great potential to proudly integrate Kuraray's Japanese traditions and values with its global business operations.

The PVB Division, which is part of the vinyl acetate-related business, the core business of the Kuraray Group, aims to achieve sustainable growth together with customers over the medium to long term.

As the Kuraray Group continues to globalize, the PVB Division has employed highly diverse and talented employees in many countries. We want to be at the forefront of the Kuraray Group, contribute to the further expansion of global business, and enhance and strengthen the Kuraray brand.



Contributing to sustainable growth by creating new businesses and strengthening existing businesses

Shigeru Sasaki

General Manager, Research and Development Division

Key Person Interview 2

▶ Research and Development Division under the Next Medium-Term Management Plan

The Kuraray Group considers the creation of new businesses to be a key issue for the future. Since 2017, the Research and Development Division has been promoting “New Business Creation Activity” across the Group to identify new business opportunities in peripheral areas of the Kuraray business. Additionally, to strengthen the division's functions, in 2020, we established two organizations to carry out horizontal functions within the division: the Integrated Technology Fields Search Group (technology development) and the Market Opportunity Exploration Group (market development).

Kuraray strives to fulfill the mission, “For people and the planet—to achieve what no one else can.” Under the next Medium-Term Management Plan, we will boldly and firmly create innovation in areas where only Kuraray can do so. For the sake of the planet (environmental, global warming prevention, etc.) and the sake of people (quality of life, safety, and security, etc.).

At the same time, to contribute to the sustained enhancement and expansion of existing businesses, the Research and Development Division has been working on the “Partnership and Support Program” since 2016. This program supports the Kuraray Group in resolving issues and developing technologies. Each year, there are approximately 70 problems, of which more than 30% are overseas-related initiatives. There are also examples of successful efforts that the Company's global customers have also joined to improve product quality and yield rate. We have also started an initiative related to the new project in Thailand for isoprene and a thematic initiative with Calgon Carbon Corporation. We will contribute to the sustainable growth of the Kuraray Group by continuing to set initiatives for global expansion in the next Medium-Term Management Plan.

▶ Efforts to Train Researchers

Human resources are the most important resource in R&D. To create R&D themes continuously, it is necessary to improve the organization and structure and increase each researcher's understanding of our business.

Researchers are required to link the world's future needs to the developments happening within the Company to create concrete and realistic programs. Over the past several years, the Research and Development Division has been working to establish a policy providing that “to increase the probability of success in new business development, the project's

advocate must envision and verify the requirements (technology and market) necessary for commercialization.” Over the past several years, the Research and Development Division has been working to establish a policy “to increase the probability of success in new business development. The project advocate must envision and verify the requirements (technology and market) necessary for commercialization.” We will continue this initiative in the future.

We believe that it is necessary to collect information from inside and outside the company at the research and planning stage of a theme. We must think about the

requirements for commercialization and develop a habit of expressing one's thoughts from the standpoint of the interest in the technology and contributing to the business. As a concrete measure to promote this, we

started holding a consultation meeting (peer review) in 2020 to exchange opinions on searching and planning activities freely. We will continue to improve this and use it to train researchers.

▶ Role of the R&D Division in Intellectual Property Strategy

Supporting the development of strategies related to intellectual property is an important role of the Research and Development Division. At the core, with the Intellectual Property Department, we promote activities that expand the Kuraray Group's business operations and improve earnings in cooperation with related organizations. One of these is the analysis and analytics of intellectual property information. Intellectual property information and market information, sales information, and technical information are essential for business development. The Intellectual Property Department uses various tools to analyze patent information to determine how to develop business advantageously.

Another aspect is that the strategic management of the intellectual property has become more important as the market has become more globalized. We are building a powerful intellectual property network to protect the Company's products, managing information on proprietary technologies, including know-how, and implementing measures to avoid intellectual property risks from a global perspective. We will continue to discuss how we can support the expansion and growth of our business from the perspective of intellectual property, with the Intellectual Property Strategy Conference, which is held regularly with each business division at the core.

▶ About My Mission in R&D

Contributing to the creation of new businesses for the Kuraray Group is our top priority, but we cannot neglect to strengthen the tangible and intangible infrastructures that support this.

The Company has been formulating the next Medium-Term Management Plan, which will conclude in 2026, which marks its 100th anniversary. In this process, we have been discussing the ideal form and organization of R&D for sustainable innovation. As the intellectual core of the Kuraray Group for the next 100 years, we will strive to enhance this organization.

It is also important to maintain a high level of job satisfaction for those working hard on the job. It takes a long time and can be stressful working to create new

businesses. We are already implementing various ways to reform the way we work, and I plan to take appropriate measures to improve job satisfaction in the future. The more creative our work is, the more important it is to ensure "psychological safety." To achieve this goal, we would like to create a system that recognizes challenges and failures.

"If it's not fun, it's not work" is my business creed. Everyone is excited to think that "we'll achieve this next month, this tomorrow, and this next week." I'm aiming for everyone in the Research and Development Division to embody this spirit.



Kurashiki Research Center



Tsukuba Research Center



Creating an energetic organization where diverse human resources can play an active role

Satoru Fujinami

Executive Officer,
Assistant to Officer, CSR Division,
Assistant to Officer, Administrative Unit,
General Manager, General Affairs and HR Division

Key Person Interview 3

▶ The Kuraray Group's View of Human Resources

Kuraray's view of human resources is based on "Our Mission" in its Corporate Statements: "For people and the planet—to achieve what no one else can," and this is the foundation of our corporate activities. In addition to pursuing this mission through our business activities, I believe that it is important for our employees to realize their potential through their work and feel a sense of accomplishment and growth in the same way as achieving our corporate goals. The first principle of "Our Values" is "respect for individuals" because we believe that we can

achieve "constant creation of new value" through personal self-realization.

The Kuraray Group has grown in recent years by acquiring various businesses from outside the Group. As a result, our employees have become more internationalized and diversified. To ensure that employees with a wide range of knowledge and experience can equally play an active role, we are developing human resource systems, including recruiting personnel, setting targets and evaluating performance, and fair compensation. HR systems,

The Kuraray Group Global HR Policy

1. Purpose

The Kuraray Group consists of employees from various nationalities and backgrounds, and the active participation of all diverse members is crucial to the long-term and sustainable improvement of corporate value.

We have developed basic policies that will guide each company in the Kuraray Group to follow and to establish HR policies, systems, and work environments that enable all employees to contribute to the growth of the Company and, at the same time, to pursue their personal growth and happiness through their jobs, regardless of the work they are involved in or where they are located.

2. The Kuraray Group Global HR Policy

1) We will respect the human rights of individuals.

Based upon our Philosophy, "Respect for Individuals," we will respect the individual and the human rights of all people working in the Group. Any abuse of human rights, such as sexual harassment, bullying, child labor, forced labor, and so on, will not be tolerated. We will also strive to prevent any direct or indirect complicity in or turning blind eyes to the conducts that may infringe on human rights.

2) We will abolish discrimination and respect diversity and individuality.

In all aspects of HR activities, including hiring, treatment, personnel development, assignment and evaluation, no discrimination based upon individual attributes such as race, nationality, age, gender, gender identity, sexual orientation, religious beliefs, shall be allowed. We will esteem and promote diversity that accepts people's traits, culture, and worldview from various nations.

3) We will comply with applicable laws and regulations. We will create and carry out HR systems that uphold equality, fairness, and transparency.

We will strictly comply with the applicable laws and regulations of each country. Based upon our Philosophy, "Respect for Individuals," we will give full consideration to equality, fairness and transparency in creating and carrying out HR policies and practices.

4) We will promote dialogues with all people working in the Kuraray Group to build constructive relations.

We respect the freedom of association and expression. We will build good relationships with people working for the Kuraray Group through direct and indirect dialogues to create an open workplace culture and environment.

5) We will strive to improve the environment of workplaces.

From the perspective of occupational health and safety, we will strive to maintain working environments that enable people to work safely and with regard to their physical and mental health.

6) We will employ personnel who can contribute to the development of the Kuraray Group.

We will employ people who possess a sound sense of morals and ethics and the desire, skill, and knowledge to make significant contributions to the development of the Kuraray Group.

7) We will place the right person in the right job.

We will place each individual in their right job, in due consideration of capabilities, knowledge, suitability and skill development, with an aim of maximizing operational contributions and job satisfaction.

8) We will maintain an evaluation and benefits system that is fair and transparent.

We will maintain an evaluation and benefits system that is fair and transparent to employees, focusing on job content, contribution, performance, and attitude through dialogue with evaluators.

9) We will support professional development.

We will provide an appropriate level of support for job skills and personal career development through the performance of individual works.

10) We will maintain appropriate levels of disclosure of business information and protect privacy.

We will provide appropriate levels of disclosure of business information so that all Kuraray Group personnel can perform their duty proactively with a sense of unity. We will comply with all relevant laws and regulations regarding the handling of personal information and strive to prevent the loss or leakage of information.

3. Revision or Abolition

This policy shall be administered by the General Affairs and Human Resources Division, and its revision or abolition shall be approved by the President.

Established: April 1, 2006
Revised: February 1, 2021

legal systems, and practices are different by country and region, and people's work views and the relationship between companies and individuals are also different. While sharing a consistent policy as a global company, we aim to establish concrete systems that are common to the Group or specific to each region, depending on the purpose of the system, and operate the systems by making use of each base.

In fiscal 2020, we reviewed the "Kuraray Group Global Human Resource (HR) Policy" (established in 2006), which forms the basis for these efforts, and through discussions among HR departments of Group companies, we revised it to incorporate today's values. The concepts described here are already reflected in Kuraray's policies and systems, and we will disseminate them as the basic principles for all personnel activities throughout the expanded group bases.

▶ Diversity & Inclusion (D&I) Initiatives

As mentioned above, the diversity of the regions in which we operate has increased. Still, we must strengthen our efforts to create synergies through diverse human resources working together in a single workplace. In fiscal 2020, we established a Diversity Promotion Team within the Kuraray HR Department and launched cross-organizational activities.

In Japan, where Kuraray has its Head Office, the major challenge in this area is to encourage greater participation by women in the workplace. It cannot be denied that Kuraray used to be a male-dominated workplace due to its traditional employment and business practices and the work system at chemical plants (mainly three-shift work). In recent years, we have stepped up our efforts to set and achieve targets for female participation in the workplace.

We aim to increase the ratio of female graduates employed, including at production plants, by 10% or more from the 2019 level by 2024 (2019 results: 14%). In fiscal 2020, the target was already exceeded at 25%, and we will continue to expand the foundation for greater female participation in the workplace through steady improvements. At the same time, by developing and promoting the use of a working system that allows for flexible time management (conventional flextime, telework program, hourly flextime system, etc.), we support work styles that harmonize individual lifestyles and business activities. In fiscal 2020, a working team of female employees was established as part of the Diversity Promotion Team to make recommendations to management for reflection in future policies.

▶ A Changing World

In 2020, the spread of COVID-19 severely hampered the activities of all companies. As a supplier of valuable products essential to society, the Kuraray Group takes every possible measure to prevent infection in the workplace and continues to manufacture products while protecting the health of employees and the employees of partner companies. To minimize the risk of infection, we are promoting telework based on the new personnel system.

As a new way of working to reduce the risks and burdens associated with commuting and transportation, telework

has been effective for our business continuity under the current long-term pandemic.

Even after this situation settles down, we plan to further develop and establish the telework program, together with the conventional flextime system and the hourly flextime system, to work to control working and personal hours proactively. Although we must deepen our communication in a remote work environment, we hope to create an energetic organization that responds to new ways of working by improving leadership/membership of this system and IT skills.

▶ Future Challenges and Expectations

As the Group's business expands worldwide, it is not always easy for people with different perspectives to work toward a common goal. Fortunately, however, "Our Mission" at the top of the Report is shared by all Group bases, including overseas members, as universal values. It reflects the history of Kuraray, the direction of our current business, and our unique organizational culture. The unique technologies acquired by Kuraray and its specialty products provide essential value to society and have a strong international reputation and market position—the identity of the Kuraray Group explains this more eloquently than any words could. Our pride is why we can engage in

"close cooperation to attain shared goals" and develop our business as a group while respecting the differences between regions and origins.

Taking advantage of these values, we will strengthen our human resources initiatives so that diverse human resources can play an active role and continue to grow in a rapidly changing environment. In education and training programs and the formulation of standards for human resource evaluation, we will promote efforts to help employees understand and hand down the values that make up the Kuraray spirit while improving our operational abilities and performance evaluations.

Corporate Governance >>>

Basic Views on Corporate Governance

Kuraray Co., Ltd. (“Kuraray” or “the Company”) believes that the maintenance of appropriate relationships with various stakeholders and the fulfillment of social responsibilities through establishing a corporate governance system that ensures effective and fair management will contribute to the long-term and sustainable enhancement of corporate value.

The Company has adopted the governance system as “a company with the board of corporate auditors.” Under this framework, the Company has established corporate

governance functions centered on its Board of Directors and Board of Corporate Auditors to improve the effectiveness of supervisory and monitoring functions while maintaining management efficiency and handling issues, including management remuneration, selection of new company officers, internal controls, and risk management.

The Company believes that the above establishment of functions contributes to the long-term and sustainable corporate value enhancement.

Kuraray’s Steps to Strengthen Corporate Governance

The Company has worked continuously to strengthen corporate governance by taking steps such as separating supervision and execution functions through the introduction of the Executive Officer System, appointing and increasing the number of Outside Directors and Outside Corporate Auditors, establishing the CSR Committee and the Risk Management and Compliance Committee, evaluating the Board of Directors’ effectiveness, and establishing the Corporate Advisory Committee. Starting in 2020, the

number of Outside Directors increased by one to four, accounting for one-third of the 12 total members of the Board of Directors. Additionally, for diversity in terms of gender and nationality, we appointed two females as an Outside Director and one as an Outside Corporate Auditor, and one foreign national as a Director. We will hold discussions based on diversified views and perspectives and further strengthen our corporate governance system.

Kuraray’s Efforts for Improving Corporate Governance Thus Far

2003	<ul style="list-style-type: none"> • Reduced the maximum number and the term of office of Directors • Introduction of the Executive Officer System • Increased the number of Outside Corporate Auditors from two to three Purpose: Strengthening the management monitoring function of Corporate Auditors • Established the CSR Committee Purpose: Reinforced the Group’s CSR promotion structure • Established the Management Advisory Committee as an advisory body for the President
2008	<ul style="list-style-type: none"> • Introduced two Outside Directors Purpose: Strengthening the management monitoring function of the Board of Directors • Started early delivery of the notice of convocation of the ordinary general meeting of shareholders (at least three weeks before the date of the meeting) Purpose: Providing enough time for shareholders to examine each proposal • Started uploading an English translation of the notice of convocation of the ordinary general meeting of shareholders to the Tokyo Stock Exchange platform and the Company’s website
2016	<ul style="list-style-type: none"> • Started analysis and evaluation of the effectiveness of the Board of Directors
2017	<ul style="list-style-type: none"> • Established the Risk Management and Compliance Committee Purpose: Separated the Committee from the CSR Committee to strengthen risk management and compliance measures
2018	<ul style="list-style-type: none"> • Established the Corporate Advisory Committee Purpose: Abolished the Management Advisory Committee and established the Corporate Advisory Committee as an advisory body to the Board of Directors, the membership of which is comprised mainly of Outside Officers and outside experts, in order to further enhance the corporate governance of the Company by improving the transparency, fairness, and objectivity of decision-making on important management matters such as the appointment and remuneration, etc., of Directors
2020	<ul style="list-style-type: none"> • Increased the number of Outside Directors from three to four (one-third of the Board of Directors) Purpose: Strengthening the management monitoring function and independence of the Board of Directors

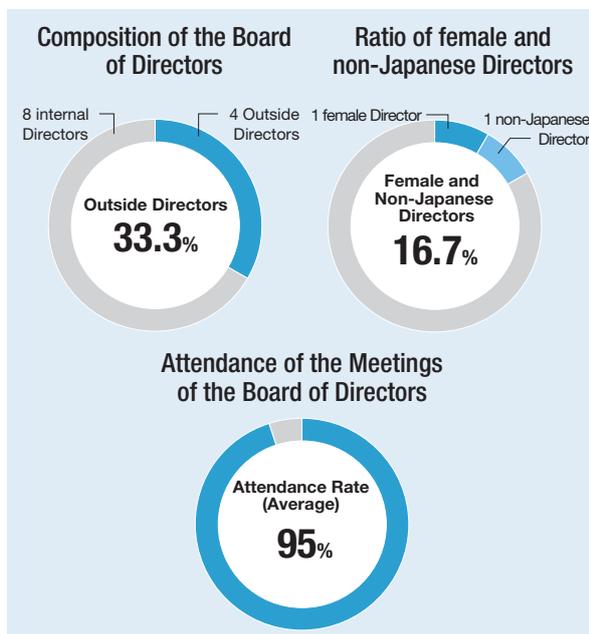


Corporate Governance System

■ Board of Directors and Business Execution Body

According to the Board of Directors Regulations, the Board of Directors (convenes at least once a month) deliberates and decides important management matters, including legal matters, and supervises business execution. The Chairman of the Board of Directors is chaired by the Chairman and Director. The maximum number of Directors is set at 12, to promote agile management decision-making by the Board of Directors. The term of office is set at one year to clarify their responsibilities to the shareholders. There are currently 12 incumbent Directors, of whom one is female, and one is non-Japanese, including four Outside Directors with a wealth of experience in and broad insight into the economy, finance, and management. These four Outside Directors are supervising management from an independent third-party standpoint. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with Outside Directors which limit their liability for damages under Article 423, Paragraph 1 of the same Act. The maximum liability amount under such agreements shall be the amount stipulated in the laws and regulations. However, the above liability limitation shall only be applied when such Outside Directors executed their duties in good faith and without gross negligence.

As the chief executive responsible for business execution, the President appointed by the Board of Directors exercises control over business execution in the Company and its subsidiaries (hereinafter “the Group”). Every executive officer (one-year term of office) appointed by the Board of Directors is responsible for business execution in the Group organization. As the heads of internal companies, divisions, and major functional organizations, the executive officers bear responsibilities for operations and business results.

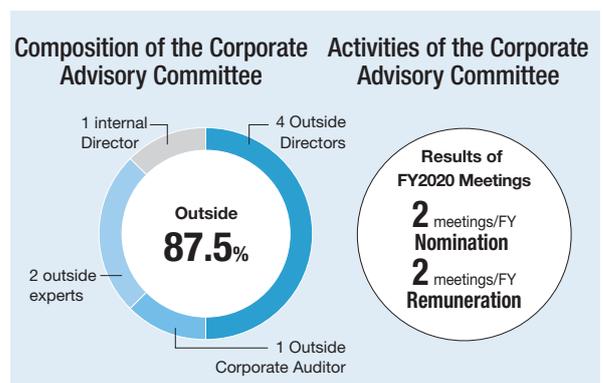


In this way, the Company clearly separates the responsibilities of Directors, that is, decision-making on and supervision of management, from the duties of business execution. Some Directors hold concurrent positions as executive officers. The President has established the Executive Committee (in principle, convenes twice a month) and various other councils and committees to deliberate and report on important matters concerning the Group’s management policies and business execution.

■ Corporate Advisory Committee

The Company has established a “Corporate Advisory Committee” comprised mainly of Outside Officers and outside experts as an advisory function to the Board of Directors. This committee works to enhance transparency, fairness, and objectivity in decision-making concerning important management matters, including nomination and remuneration of Directors, and further strengthening its corporate governance.

The Corporate Advisory Committee was comprised of eight members: the Chairman and Director (Mr. Masaaki Ito), four Outside Directors (Mr. Jun Hamano, Ms. Keiko Murata, Mr. Satoshi Tanaka, and Mr. Kiyoto Ido), one Outside Corporate Auditor (Ms. Tomomi Yatsu), and two outside experts (Mr. Takeshi Komura and Mr. Go Egami [listed under the name Mr. Haruki Kohata]), as of the submission date of this report. No head of the committee has been appointed; meetings are chaired by the Chairman and Director of the Company.

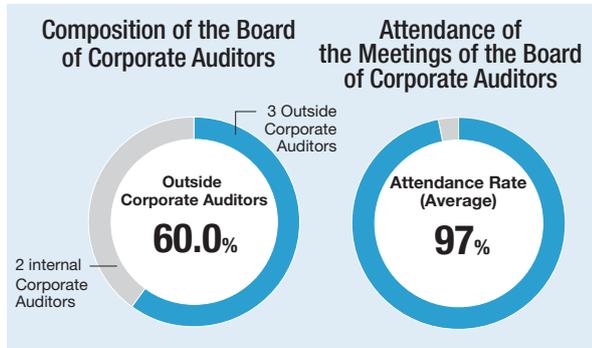


■ Board of Corporate Auditors and Internal Audit

The Board of Corporate Auditors consists of five Corporate Auditors, including one female Corporate Auditor, and three of them are independent Outside Corporate Auditors, the majority thereof. Kazuhiro Nakayama serves as Chairman. With extensive experience in and broad insight into areas such as finance, law, and management, the Outside Corporate Auditors perform their duties from an independent third-party standpoint.

The Board of Corporate Auditors convenes monthly, in principle. Corporate Auditors meet regularly with the Accounting Auditor and receive reports on audit planning, implementation status, and audit content. In addition, Corporate Auditors concurrently serve as corporate auditors

at major Group companies and conduct Group company audits as appropriate. They also attend the periodic Group Auditor Liaison Meetings consisting of the Group company auditors, through which they acquire information on the respective companies.

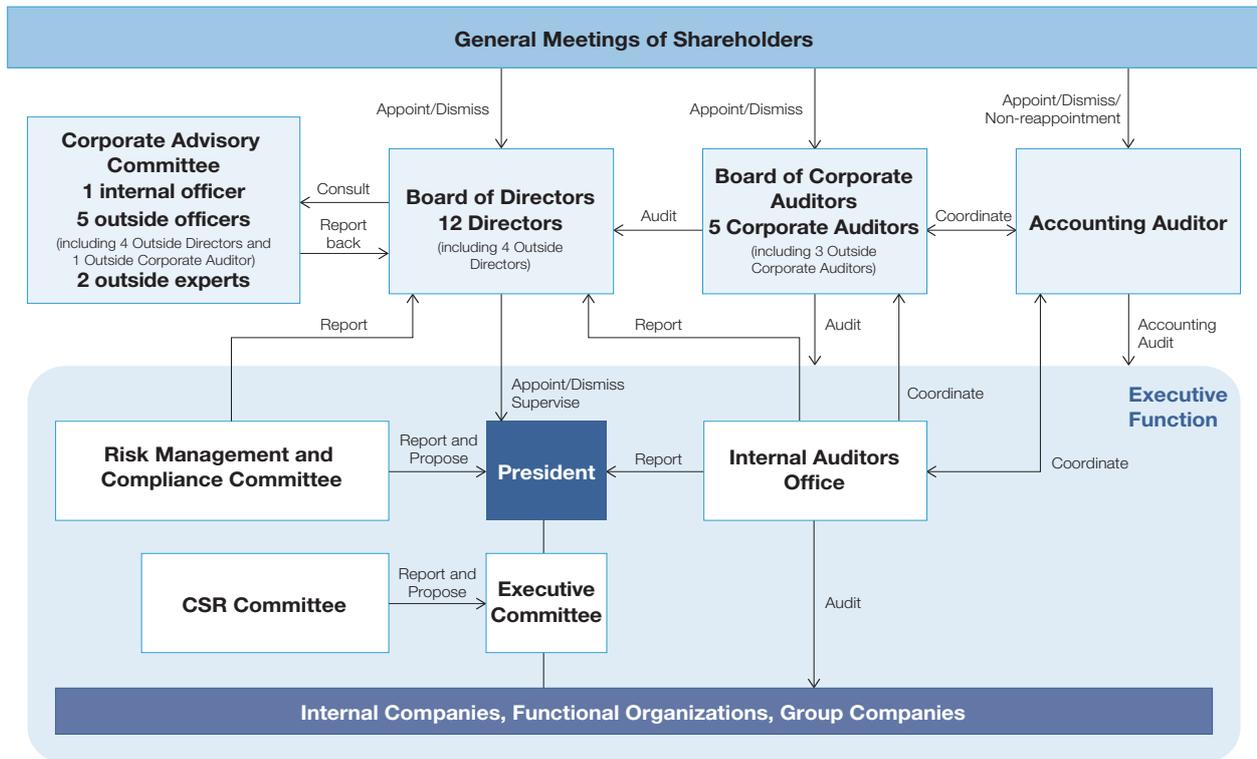


Risk Management and Compliance Committee

The Risk Management and Compliance Committee, under the direct control of the President, is chaired by the Director in charge of the CSR Division and aims to ensure the appropriate management of risks that could have a significant impact on business management, thorough compliance with laws and regulations and corporate ethics, and fair business practices. The committee identifies material risks and proposes them to the President in its regular monitoring of risks for the entire Group. The President then specifies those that require countermeasures as management risks and, at the same time, appoints a supervising officer for each risk to implement risk avoidance and mitigation measures. The committee checks the progress of the efforts to ensure the steady execution of the risk countermeasures. The committee reports this series of activities to the Board of Directors and reflects its instructions in the risk countermeasures.

[Refer to p.49](#)

Corporate Governance System (As of March 25, 2021)



Policies for the Appointment of the Candidates for Directors and Corporate Auditors and the Independence Standards for Outside Officers

Policies for the Appointment of the Candidates for Directors and Corporate Auditors

- (1) The Company appoints individuals who have experience, knowledge, and capabilities required for Directors of the Company as candidates at the Board of Directors meeting with the attendance of Outside Officers and elect them as Directors with the resolution of the General Meeting of Shareholders. However, the candidates for Outside Directors shall satisfy the criteria of independence provided separately.
- (2) The Company appoints individuals who have experience, knowledge, and capabilities required for

Corporate Auditors of the Company as candidates at the Board of Directors meeting with the presence of Outside Officers. It elects them as Corporate Auditors with the resolution of the General Meeting of Shareholders after obtaining the board of corporate auditors' consent. However, the candidates for Outside Corporate Auditors shall satisfy the criteria of independence provided separately.

Independence Standards for Outside Officers

- (1) The Company judges that its Outside Officers and the candidates for the Outside Officers are fully independent of the Company if they do not fall under any of the following items:

- (i) A business executive of the Group
 - (ii) A counterparty that has transactions principally with the Group, or its business executive thereof
 - (iii) A major business partner of the Group, or its business executive thereof
 - (iv) A major lender of the Group, or its business executive thereof
 - (v) A counterparty that receives a large amount of donations from the Group, or its business executive thereof
 - (vi) A major shareholder of the Company (who possesses 10% or more of the total voting rights either directly or indirectly), or its business executive thereof
 - (vii) A business executive of the party whose major investor (who possesses 10% or more of the total voting rights either directly or indirectly) is the Group
 - (viii) 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 Group other than the executive remuneration (in case of a legal entity, association, or other organization, a person belonging thereto)
 - (ix) A person who belongs to an accounting firm that conducts the statutory audit of the Company
 - (x) A person who has fallen under the above criterion (i) in the past 10 years
 - (xi) A person who has fallen under any of the above criteria (ii) through (ix) in the past three years
 - (xii) A person whose position constitutes him/her as having an Outside Officer's interlocking relationship with the Group
 - (xiii) A relative of the persons listed in the above criteria (i) through (xi)
- (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.

Officers' Remuneration System

■ Policies for Determining the Remuneration for Directors

The Company's basic policy for the remuneration of its officers is to have a competitive level and system of remuneration that can secure and retain competent officers fit for their positions and responsibilities to achieve long-term and sustainable improvements in corporate performance and corporate value. The remuneration system for Directors comprises three parts: (1) fixed remuneration as basic remuneration per job responsibilities, (2) performance-linked remuneration as an incentive to achieve yearly business results, and (3) stock-based remuneration designed to enhance corporate value over the medium to long term and sharing of value with shareholders through appropriate corporate management, provided that remuneration for Outside Directors shall solely comprise fixed remuneration without performance-linked or stock-based remuneration as their role is to supervise management from an independent standpoint. Remuneration for Corporate Auditors also shall solely comprise fixed remuneration as their role. The specific level and system of remuneration are verified and deliberated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, regarding whether the level and system of remuneration are appropriate. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the level and system of remuneration for Directors. The remuneration for Corporate Auditors is determined after verification and deliberation as to whether the level of remuneration is appropriate by the Board of Corporate Auditors.

■ Performance-Linked Remuneration System

The Company abolished the bonus scheme for Directors and introduced a performance-linked remuneration system in July 2006, thereby strengthening the incentives of Directors to increase the Company's corporate value. In

addition, to respond to the increase in the amount of performance-linked remuneration in conjunction with the improved business performance, it was resolved to increase the maximum amount of annual remuneration to Directors from ¥450 million to ¥800 million (including ¥100 million annually for Outside Directors) at the Company's 131st Ordinary General Meeting of Shareholders, held on June 22, 2012. Performance-linked remuneration is not paid to Outside Directors.

■ Calculation Method of Performance-Linked Remuneration

As a short-term performance incentive, the performance-linked remuneration for the President shall be the amount that is obtained by multiplying the amount of actual net income attributable to owners of the parent for the current fiscal year (before deducting performance-linked remuneration [bonus]) by 0.75/1000. The performance-linked remuneration for Directors shall be determined by multiplying the said amount by a predetermined index corresponding to each Director's position. The amounts of performance-linked remuneration paid to Directors in charge of business units shall be determined so that they partially reflect the performance of the relevant business units.

■ Restricted Stock Compensation Scheme

At the 140th Ordinary General Meeting of Shareholders held on March 25, 2021, the Company resolved to abolish the existing stock options plan, and introduce a restricted stock compensation plan, with the aim of incentivizing internal Directors and Executive Officers to improve the Company's corporate value in a sustainable manner as well as raise the degree to which they share value with shareholders. Restricted stock compensation for Directors under this plan shall not exceed ¥90 million, separately from the maximum amount of fixed remuneration by position and performance-linked remuneration. The number of shares to be

granted under the plan shall not exceed 60,000 shares each year. Restricted stock compensation is not paid to Outside Directors. Monetary compensation linked to stock price

(phantom stock) has been introduced in lieu of restricted stock compensation for Directors who are non-residents of Japan.

Corporate Officer Remuneration for Fiscal 2020

Director classification	Total amount of remuneration, etc. (Millions of yen)	Total amount by type of remuneration, etc. (Millions of yen)			Number of eligible officers (persons) ¹⁾
		Monetary remuneration	Performance-linked remuneration ²⁾	Stock option-based remuneration ²⁾	
Directors (excluding Outside Directors)	351	270	36	45	11
Corporate Auditors (excluding Outside Corporate Auditors)	55	55	—	—	3
Outside Officers	82	78	—	3	8

¹⁾ The above number of eligible corporate officers includes four Directors and one Corporate Auditor who retired at the close of the 139th Ordinary General Meeting of Shareholders, held on March 26, 2020.

²⁾ Separately from the above stock option-based remuneration, share acquisition rights amounting to ¥32 million were granted to Directors who concurrently serve as Executive Officers (eight Directors) as stock option-based remuneration for Executive Officers.

³⁾ Performance-linked remuneration is calculated based on net income attributable to owners of the parent for fiscal 2018 and 2019. In fiscal 2018, we set a target of ¥49 billion in net income attributable to owners of the parent, while the actual result was ¥33.5 billion. In fiscal 2019, we set a target of ¥47 billion in net income attributable to owners of the parent, while the actual result was ¥1.9 billion in net loss attributable to owners of the parent.

Evaluation of the Effectiveness of the Board of Directors

■ Analysis and Evaluation of the Effectiveness of the Board of Directors

(1) Analysis and Evaluation Method

The Company distributed a “Questionnaire on Evaluation of the Effectiveness of the Board of Directors” to all the Directors and Corporate Auditors in December 2020 and collected responses and opinions from all members in January 2021. The secretariat of the Board of Directors aggregated the responses, and analyzed and evaluated the effectiveness of the Board of Directors based on the data.

Questionnaire (34 questions in total)

- Concerning the structure of the Board of Directors
- Concerning the agenda of the Board of Directors
- Concerning the operations of the Board of Directors
- Systems outside the Board of Directors

(2) Outline of Analysis and Evaluation Results

The evaluation confirmed that the Company’s Board of Directors is generally functioning properly and that the effectiveness of the Board of Directors is secured in all aspects such as its size, composition, diversity, agenda selection, the scope of matters to be discussed or reported, the timing for scheduling the Board of Directors meetings, frequency of the meetings, operations of the Board of Directors including deliberation time, provision of additional information to the Directors, systems outside the Board of Directors such as those for providing training opportunities, etc.

In light of the results of this evaluation, the Company will continue to examine and implement necessary measures to make discussions more lively and productive at the Board of Directors meetings.

Cross-Shareholdings

The Company has set forth the policy on cross-shareholdings and standards for exercising voting rights pertaining to cross-held shares as follows.

- (1) Coming from the viewpoint of stable and long-term business operation, the Company may hold the shares of its business partners, etc., if maintaining and strengthening the relationships with such business partners are deemed to contribute to corporate value enhancement.
- (2) Regarding the shares held pursuant to the preceding paragraph (hereinafter, “cross-held shares”), the Company regularly examines economic rationality and significance of holding individual stock at the Board of Directors meetings in consideration of benefits and risks associated with such holding, capital cost, and other factors. The Company will sell shares of stocks, as necessary, whose holding was deemed not to be appropriate based on the examination to reduce such stocks.
- (3) Concerning the voting rights pertaining to the cross-held shares, the Company appropriately exercises such voting rights in light of the objectives of shareholdings set forth in the preceding two paragraphs, taking into consideration

the business conditions of the companies and potential impact on the business operation of the Company or a subsidiary of the Company. Particularly, the Company carefully exercises such voting rights in a case where the performance of the companies has been sluggish for a long period of time, or a serious scandal has occurred, or in a case where a proposal that would impair shareholders’ value was made.

■ Content of Examination on the Propriety of Holding Cross-Held Shares

In the fiscal year ended December 31, 2020, the Company sold all shares of five stocks and part of two stocks of its cross-held shares. Additionally, as the result of an examination at the Board of Directors meeting held on February 10, 2021, of the economic rationality and significance of holding individual cross-held stock for the fiscal year ended December 31, 2020 (examination on cross-held shares as of the end of December 2020) in consideration of benefits and risks, capital cost, and other factors associated with such holding, the Company plans to continue with the sale of some stocks.

Message from an Outside Director

Securing Sufficient Time for Discussion to Make Appropriate Business Decisions



Outside Director

Keiko Murata

In the first year of my appointment as an Outside Director, I worked to recover from a slump in business performance in the previous fiscal year. Still, from the beginning of the year, we experienced the impact of the COVID-19 pandemic. I have supervised and provided opinions from an external perspective on implementing important measures from a medium- to long-term perspective without delay while promptly addressing downside risks. In particular, strengthening compliance based on our reflection of the Antimonopoly Act's violations, safety measures, and recurrence prevention measures following the fire incident at a subsidiary in the United States.

I think we have sufficient time to discuss each agenda item at the Board of Directors' meetings. For example, when we decided to upgrade the production facilities of Calgon Carbon Corporation in the United States, active discussions were held on market trends, production and profit plans, and the basis for these plans. I am a specialist in economics. Based on my expert knowledge, I agreed with

the decision based on the idea that there had been sufficient discussion, including concerning future risks, and that investment in growth businesses was the right direction from the perspective of increasing corporate value. With regard to ESG, while working at a government office, I was involved in the formulation of recommendations from an academic perspective for the G8 Summit on climate change. Since then, I have continuously considered the importance of ESG. I appreciate that management made decisions contributing to the realization of sustainable growth over the past year, such as endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and signing the United Nations Global Compact.

At the time of the launch of the new management team, the Corporate Advisory Committee, of which I am a member, played a nomination function to advise the Board of Directors on the selection of the President. New President Kawahara was judged to be the right person for the top position because of his experience in handling a wide range of business divisions, including overseas, and his young age and potential. As a leader who can respond to changes in the global economy and grow and nurture new possibilities for future development, New President Kawahara is expected to show the path to progress with strong determination and lead Kuraray's evolution.

In fiscal 2020, the Board further strengthened governance and diversity. Outside Directors now account for one-third of the Board of Directors, and a foreign national was elected as Director. As Kuraray continues to expand globally, it will be necessary to continue considering the optimal governance system to increase overseas earnings further. From the perspective of our stakeholders, including shareholders and investors, I will participate in meetings of the Board of Directors, and contribute to the enhancement of Kuraray's corporate value through appropriate discussions.

Message from an Outside Corporate Auditor

Ensuring the Transparency of Group Management and Expanding Governance

Based on my experience at a general trading company, I have been involved in corporate management in Japan and overseas, including chemical manufacturing. Taking advantage of this background, I believe that my role is to supervise a wide range of management themes. These themes include safety, quality assurance, corporate governance, and corporate social responsibility, including environmental responses, from a broad perspective. From an external viewpoint, I'm working to understand what challenges the Kuraray Group faces and whether it's addressing these problems appropriately.

In fiscal 2020, the impact of the COVID-19 pandemic spread in the first quarter, and we were pressed to respond to it. At the same time, we grasped the importance of the fire incident in the United States and the violations of the Antimonopoly Act. We talked about them solemnly and seriously and discussed them without compromise. I was conscious of supervising from the standpoint of an Outside Corporate Auditor regarding whether the discussed solutions would work effectively for the Kuraray Group and lead to increased corporate value and whether the solutions would gain the understanding and consent of stakeholders. Meetings of Kuraray's Board of Directors are based on open, free, and lively discussions, and I believe that these opinions may sometimes sound harsh to the board members. Still, I feel that we have an environment where we can sufficiently fulfill our role as Outside Corporate Auditors.

To achieve global growth, the Kuraray Group has accelerated its overseas business by promoting corporate acquisitions parallel with its business development. It is important to bring



Outside Corporate Auditor

Kenji Komatsu

together companies with a culture and a sense of governance that were not included in the Kuraray Group in the past and share the safety and quality foundations that should be maintained as members of the Kuraray Group, as well as the philosophy that the Kuraray Group places importance on, while retaining and harnessing the best elements.

We, the Corporate Auditors, can see the content of companies that newly joined the Group through audits conducted by visiting domestic and overseas bases. We will ensure the Kuraray Group's management transparency and perform audit functions that strengthen governance by holding interviews with management and ascertaining control over important management items.

Executives (As of March 25, 2021)

Representative Directors

Hitoshi Kawahara President and Representative Director



Apr. 1984 Joined Kuraray Co., Ltd.
Apr. 2014 General Manager, Poval Film Division, Vinyl Acetate Company
Jan. 2016 Vice President, Vinyl Acetate Film Company
Mar. 2016 Executive Officer
Jan. 2018 President, Vinyl Acetate Resin Company
Mar. 2018 Managing Executive Officer
Mar. 2019 Director and Managing Executive Officer
Jan. 2021 President and Representative Director (Current position)

Hiroaya Hayase Representative Director and Senior Managing Executive Officer



Apr. 1980 Joined Kuraray Co., Ltd.
Apr. 2012 General Manager, Poval Resin Division, Resin Company
Jun. 2012 Executive Officer
Apr. 2013 General Manager, Poval Resin Division, Vinyl Acetate Company; and General Manager, Production and Technology Management Division, Vinyl Acetate Company
Jun. 2014 Managing Executive Officer
Jan. 2015 President, Vinyl Acetate Film Company
Mar. 2015 Director and Managing Executive Officer
Jan. 2016 President, Vinyl Acetate Resin Company
Mar. 2016 Director and Senior Managing Executive Officer
Mar. 2020 Representative Director and Senior Managing Executive Officer (Current position)
Jan. 2021 Executive Supervisor, Vinyl Acetate Resin Company (Current position); Executive Supervisor, Vinyl Acetate Film Company (Current position)

Board of Directors

Masaaki Ito Chairman and Director



Apr. 1980 Joined Kuraray Co., Ltd.
Apr. 2010 General Manager, Methacrylate Division, Chemicals Company
Jun. 2012 Executive Officer
Apr. 2013 Vice President, Functional Materials Company
Jun. 2013 Managing Executive Officer
Apr. 2014 Officer Responsible for Corporate Management Planning Division; Officer Responsible for CSR Division
Jun. 2014 Director and Managing Executive Officer
Jan. 2015 President and Representative Director
Jan. 2021 Chairman and Director (Current position)

Yoshimasa Sano Director and Senior Managing Executive Officer



Apr. 1980 Joined Kuraray Co., Ltd.
Apr. 2010 General Manager, Elastomer Division, Chemicals Company
Jun. 2012 Executive Officer
Apr. 2014 General Manager, Methacrylate Division, Functional Materials Company
Jan. 2016 Vice President, Functional Materials Company
Mar. 2016 Director and Managing Executive Officer
Jan. 2017 General Manager, Carbon Materials Division, Functional Materials Company
Jan. 2018 President, Functional Materials Company
Jan. 2020 President, Fibers and Textiles Company (Current position); Responsible for Osaka Office (Current position)
Mar. 2020 Director and Senior Managing Executive Officer (Current position)

Kenichi Abe Director and Managing Executive Officer



Apr. 1980 Joined Kuraray Co., Ltd.
Apr. 2009 General Manager, Elastomer Division, Chemicals Company
Apr. 2010 President, Kuraray America, Inc.
Apr. 2012 General Manager, Corporate Management Planning Division
Jun. 2012 Executive Officer
Apr. 2013 General Manager, New Business Development Division
Jan. 2016 President, Isoprene Company (Current position)
Mar. 2016 Director and Managing Executive Officer (Current position)
Jan. 2018 General Manager, Elastomer Division, Isoprene Company

Keiji Taga Director and Managing Executive Officer



Apr. 1984 Joined Kuraray Co., Ltd.
Apr. 2014 General Manager, Medical Division, Functional Materials Company
Mar. 2017 Executive Officer
Jan. 2018 Officer Responsible for Corporate Management Planning Office and CSR Division (Current position)
Mar. 2018 Managing Executive Officer
Apr. 2018 General Manager, Corporate Management Planning Office (Current position)
Mar. 2019 Director and Managing Executive Officer (Current position)
Jan. 2020 Officer Responsible for Administrative Unit (Current position)

Matthias Gutweiler Director and Managing Executive Officer



Mar. 1988 Joined Hoechst AG
Jun. 1996 Plant Manager, Mowiol Plant, Hoechst AG
Dec. 2001 Joined Kuraray Specialties Europe
Jan. 2009 President, Kuraray Europe GmbH (Current position), Executive Officer, Kuraray Co., Ltd.
Apr. 2013 General Manager, PVB Division, Vinyl Acetate Company
Mar. 2018 Managing Executive Officer
Mar. 2020 Director and Managing Executive Officer (Current position)

Nobuhiko Takai Director and Managing Executive Officer



Apr. 1984 Joined Kuraray Co., Ltd.
Apr. 2014 General Manager, Genestar Division, Isoprene Company
Mar. 2016 Executive Officer
Jan. 2019 Vice President, Functional Materials Company; General Manager, Carbon Material Division, Functional Materials Company
Mar. 2019 Managing Executive Officer
Jan. 2020 President, Functional Materials Company (Current position)
Mar. 2020 Director and Managing Executive Officer (Current position)

Jun Hamano Outside Director (Independent Director)



Apr. 1974 Entered Economic Planning Agency of Japan (EPA)
Jul. 1999 Director, Minister's Secretariat Division, EPA
Jul. 2004 Director General for Economic and Fiscal Management, Cabinet Office
Jul. 2006 Vice-Minister for Policy Coordination, Cabinet Office
Jul. 2008 Deputy Vice-Minister, Cabinet Office
Jul. 2009 Vice-Minister, Cabinet Office
Jan. 2012 Advisor, Cabinet Office
Apr. 2013 Executive Advisor, Dentsu Inc.
Jun. 2015 Chairman, Ohara Memorial Institute for Science of Labour (Current position)
Mar. 2016 Director, Kuraray Co., Ltd. (Current position)
Apr. 2020 Representative Director and Vice Chairman, Ohara Memorial Healthcare Foundation (Current position)

Keiko Murata Outside Director (Independent Director)



Apr. 1986 Entered Economic Planning Agency of Japan (EPA)
Aug. 2005 Director for Overseas Economies, Directorate General for Economic Research, Cabinet Office
Aug. 2006 Director for International Affairs, Secretariat of the Science Council of Japan, Cabinet Office
Jul. 2008 Professor, Graduate School of Social Sciences, Tokyo Metropolitan University
May 2015 Advisor to the President, Tokyo Metropolitan University
Jul. 2017 Trustee, Nippon Life Insurance Company (Current position)
Apr. 2018 Professor, Graduate School of Management, Tokyo Metropolitan University (Current position)
Mar. 2020 Director, Kuraray Co., Ltd. (Current position)

Satoshi Tanaka Outside Director (Independent Director)



Apr. 1981 Joined Mitsui & Co.
Apr. 2007 General Manager, Corporate Strategy & Planning, Mitsui & Co.
Apr. 2011 Managing Officer, Mitsui & Co.
Apr. 2013 Executive Managing Officer, Mitsui & Co.
Apr. 2015 Senior Executive Managing Officer, COO of Asia Pacific Business Unit, Mitsui & Co.
Apr. 2017 Executive Vice President, Mitsui & Co.
Jun. 2017 Representative Director, Executive Vice President, Mitsui & Co.
Apr. 2019 Director, Mitsui & Co.
Jun. 2019 Counselor, Mitsui & Co. (Current position)
Mar. 2020 Director, Kuraray Co., Ltd. (Current position)
Jun. 2020 Outside Director, Sekisui House, Ltd. (Current position)
Jan. 2021 Independent Director, IHH Healthcare Berhad (Current position)

Kiyoto Ido Outside Director (Independent Director)



Apr. 1973 Entered the Ministry of Finance (MOF)
Mar. 1980 Consul, Consulate-General of Japan, Frankfurt in Germany
Jul. 1989 Deputy General Manager, Finance Dept., Inter-American Development Bank, Washington, D.C.
Jul. 1998 Deputy Vice Minister of Finance for International Affairs, MOF Deputy Director-General, International Bureau, MOF
Jun. 1999 Minister, Embassy of Japan, Washington, D.C.
Jul. 2002 Deputy Director-General, International Bureau, MOF
Jul. 2004 Director-General, International Bureau, MOF
Aug. 2006 Executive Director, Bank of Japan
Apr. 2011 Vice Chairman, Institute for International Economic Studies (Current position)
Mar. 2021 Director, Kuraray Co., Ltd. (Current position)



The reasons for the election of Directors and Corporate Auditors are disclosed in the reference documents for the general meeting of shareholders at the time of election.:

<https://www.kuraray.com/ir/stock/meeting>

Corporate Auditors

Kazuhiro Nakayama **Standing Corporate Auditor**



Apr. 1980 Joined Kuraray Co., Ltd.
Apr. 2012 General Manager, Kurashiki Plant
Jun. 2012 Executive Officer
Apr. 2013 General Manager, Overseas Business, Vinyl Acetate Company
Apr. 2014 General Manager, Technology Division
Jan. 2016 Officer Responsible for Technology Division; Officer Responsible for Plants in Japan; Officer Responsible for Environmental Business Development and Promotion Division
Mar. 2016 Director and Managing Executive Officer
Jan. 2018 Officer Responsible for Environmental and Industrial Safety Management Center
Jan. 2020 Assistant to the President
Mar. 2020 Corporate Auditor (Current position)

Naoya Uehara **Standing Corporate Auditor**



Apr. 1982 Joined Kuraray Co., Ltd.
Apr. 2013 Vice General Manager, Corporate Management Planning Division
Jun. 2014 Vice General Manager, GLS Division, Kuraray America, Inc.
Jan. 2018 Vice President, Kuraray Europe GmbH
Mar. 2020 Executive Officer, Kuraray Co., Ltd.
Jan. 2021 Assistant to the President
Mar. 2021 Corporate Auditor (Current position)

Mitsuhiro Nagahama **Outside Corporate Auditor (Independent Corporate Auditor)**



Apr. 1976 Entered The Fuji Bank Limited (the present Mizuho Bank, Ltd.)
Apr. 2002 General Manager, Americas Non-Japanese Corporate Banking Division No. 2, Mizuho Corporate Bank, Ltd.
Mar. 2003 Executive Officer and General Manager, Otemachi Corporate Banking Division No. 6 and No. 7, Mizuho Corporate Bank, Ltd.
Apr. 2005 Managing Executive Officer in charge of corporate banking, Mizuho Corporate Bank, Ltd.
Mar. 2006 Managing Executive Officer, Head of the Americas, Mizuho Corporate Bank, Ltd.
Apr. 2010 Deputy President, Head of the Americas, Mizuho Corporate Bank, Ltd.
Apr. 2013 Chairman of the Board, Mizuho Securities Co., Ltd.; Chairman of the Board, Mizuho Securities USA Inc.
Apr. 2015 Senior Advisor, Mizuho Securities Co., Ltd.
Jun. 2015 Outside Audit & Supervisory Board Member, Azbil Co., Ltd.
Mar. 2018 Corporate Auditor, Kuraray Co., Ltd. (Current position)
Mar. 2019 Outside Director, Tokyo Tatemono Co., Ltd.
Jun. 2019 Outside Director, Azbil Co., Ltd. (Current position)
Jun. 2020 Outside Director, NSK Ltd. (Current position)

Tomomi Yatsu **Outside Corporate Auditor (Independent Corporate Auditor)**



Apr. 1983 Entered Tokyo Electron Ltd.
Oct. 1986 Entered Tohmatsu Awoki & Sanwa (the present Deloitte Touche Tohmatsu LLC)
Sep. 1990 Registered as a Certified Public Accountant
Oct. 2001 Registered with Tokyo Bar Association; Entered Shin-Tokyo Sohgo Law Office (later merged with Bingham Sakai Mimura Aizawa-Foreign Law Joint Enterprise)
Jun. 2009 Outside Corporate Auditor, Calbee, Inc.
Jun. 2010 Outside Corporate Auditor, Taiko Pharmaceutical Co., Ltd.
Mar. 2012 Outside Corporate Auditor, KOKUYO Co., Ltd.
Mar. 2015 Outside Corporate Auditor, Yamaha Motor Co., Ltd.
Apr. 2015 Partner, TMI Associates (Current position)
Jun. 2016 Outside Director, SMBC Nikko Securities Inc. (Current position)
Jun. 2017 Outside Corporate Auditor, IHI Corporation (Current position)
Mar. 2019 Corporate Auditor, Kuraray Co., Ltd. (Current position)
Mar. 2021 Outside Corporate Auditor, Kyowa Kirin Co., Ltd. (Current position)

Kenji Komatsu **Outside Corporate Auditor (Independent Corporate Auditor)**



Apr. 1978 Entered Mitsubishi Corporation
Feb. 1996 Entered GE International Inc.
Jul. 2005 Representative Director and President, Ecolab Inc. (the present Ecolab GK)
Apr. 2007 Ecolab Inc. Senior Vice President
Dec. 2010 Senior Executive Officer, Sanden Corporation (the present SANDEN HOLDINGS CORPORATION)
Nov. 2011 Entered Bain Capital Asia, LLC
Mar. 2013 Director, President and CEO, BELLSYSTEM24, Inc.
Mar. 2016 Director and Chairman, BELLSYSTEM24 Holdings, Inc.
Jun. 2016 Advisor, COACH A Co., Ltd.
Dec. 2018 Advisor, API Consultants CO., LTD.
Mar. 2019 Corporate Auditor, Kuraray Co., Ltd. (Current position)
May 2020 Executive Vice President, FUJITSU COMPONENT LIMITED (Current position)

Executive Officers

Senior Managing Executive Officer **Hitoshi Toyoura**

● President, Kuraray America, Inc.

Senior Managing Executive Officer **Tsugunori Kashimura**

● Officer, Research and Development Division, Officer, Environmental Business Development and Promotion Division

Managing Executive Officer **Akira Omura**

● Officer Responsible for Technology Division; Officer Responsible for Plants in Japan; Officer Responsible for Environmental and Industrial Safety Management Center

Managing Executive Officer **Toshihiro Omatsu**

● Vice President, Isoprene Company; and General Manager, Isoprene Chemicals Division

Managing Executive Officer **Toshinori Tsuguru**

● General Manager, Kurashiki Plant

Executive Officer **P. Scott Bening**

● General Manager, MonoSol Division; and President, MonoSol, LLC

Executive Officer **Stephen Cox**

● General Manager, PVB Division

Executive Officer **Koichi Takano**

● General Manager, Purchasing and Logistics Division

Executive Officer **Hajime Suzuki**

● Vice President, Kuraray America, Inc.

Executive Officer **Takaharu Kawahara**

● General Manager, Technology Division

Executive Officer **Fuyuo Ueyama**

● Vice President, Calgon Carbon Corporation

Executive Officer **Tomoyuki Watanabe**

● President, Vinyl Acetate Resin Company, General Manager, Poval Resin Division

Executive Officer **Stevan R. Schott**

● General Manager, Environmental Solutions Division, Functional Materials Company; President, Calgon Carbon Corporation

Executive Officer **Yoji Ikemori**

● General Manager, Genestar Division

Executive Officer **Satoru Fujinami**

● Assistant to Officer, CSR Division; Assistant to Officer, Administrative Unit; General Manager, General Affairs and HR Division

Executive Officer **Kazushige Sakamoto**

● General Manager, Okayama Plant

Executive Officer **Koichi Daifuku**

● General Manager, Poval Film Division

Executive Officer **Junichi Fujiwara**

● President, Vinyl Acetate Film Company

Sustainability Management >>>

Basic Approach

In fiscal 2020, the global spread of COVID-19 dramatically changed the business environment. Economic activity in many countries has stagnated, causing unprecedented disruption, including supply chains. On the other hand, the response to climate change has grown increasingly important in recent years and has come to the forefront. Improvements that impact the earth are aims of the governments of each country and region, but companies must also strengthen their efforts. Against this backdrop, countries, mainly in the developed world, are implementing Green Recovery, which prioritizes investment to address issues such as climate change and biodiversity conservation, as a stimulus measure against the economic downturn caused by COVID-19. We believe that many opportunities exist for companies in this business environment. The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 also call for

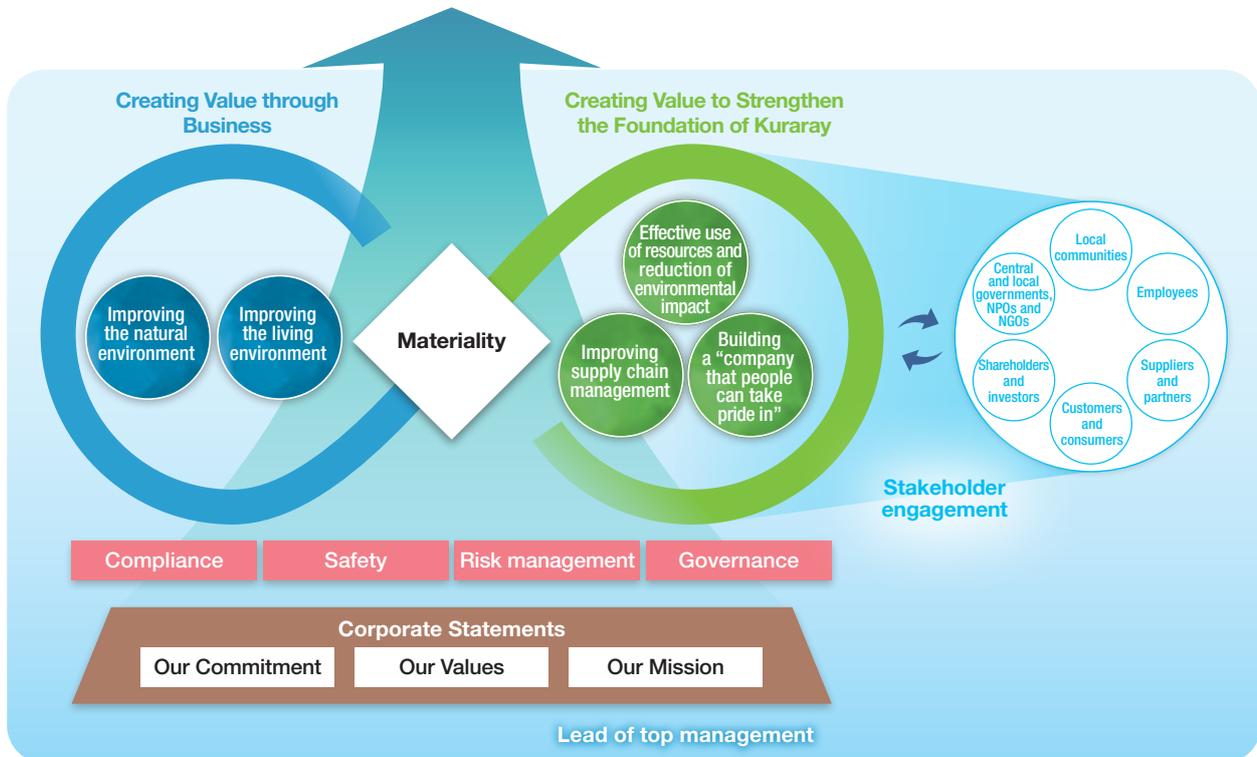
companies to actively contribute through their businesses to resolve various global issues, and companies should meet these expectations.

Based on its mission stated in the Corporate Statements, “For people and the planet --to achieve what no one else can,” we work to solve material issues, with the items of “compliance,” “safety,” “risk management,” and “governance” serving as a base.

The Kuraray Group's corporate activities are established by relationships with many stakeholders, including customers and consumers, shareholders and investors, suppliers and partners, employees, local communities, and central and local governments. The Kuraray Group will further deepen stakeholder engagement to enhance its corporate activities.

These sustainability activities are led by top management to achieve long-term growth and create value.

<< Long-Term Growth and Value Creation >>



The Materiality of the Kuraray Group

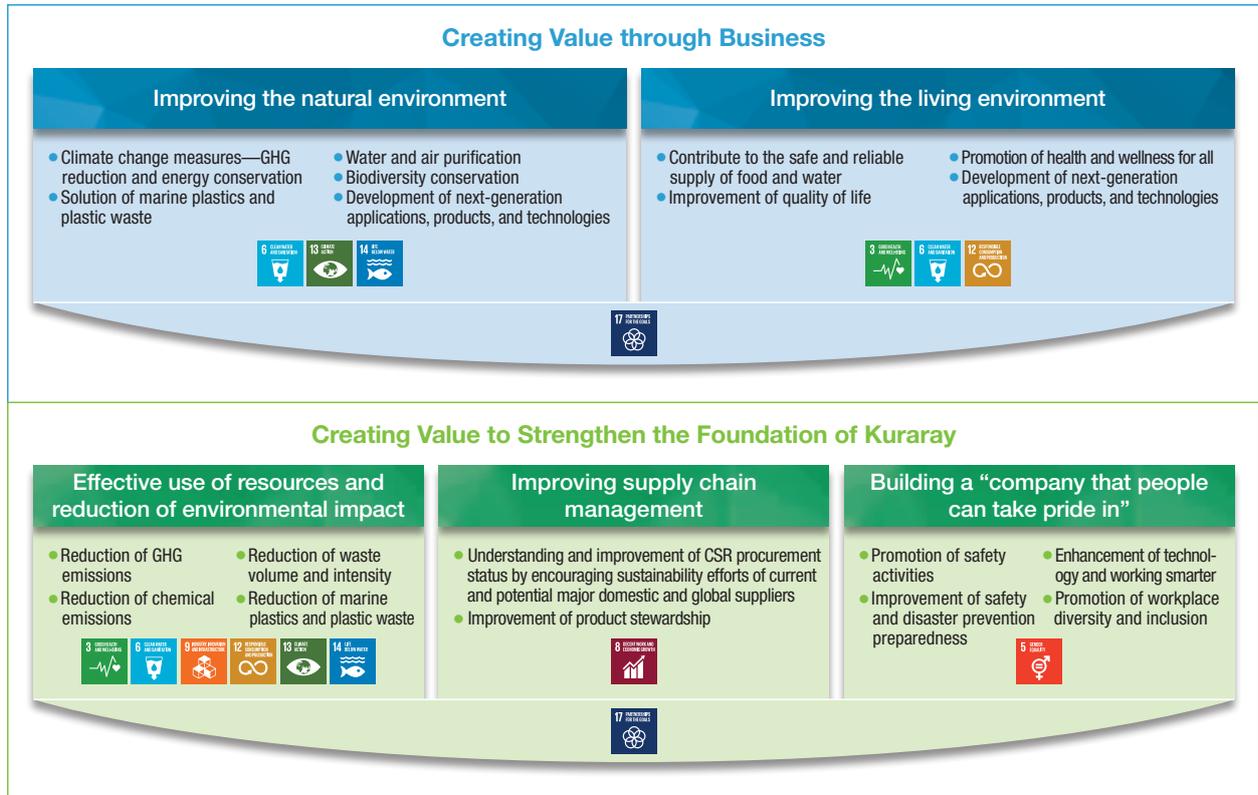
The Kuraray Group reviewed its materiality in fiscal 2019, as shown on the page at right. In the next Medium-Term Management Plan, which will start in fiscal 2022, we are in discussions to set goals to contribute to the identified five

domains: “improving the natural environment,” “improving the living environment,” “effective use of resources and reduction of environmental impact,” “improving supply chain management,” and “building a ‘company that people can take pride in’.”



For details of our sustainability management, please visit our website:
<https://www.kuraray.com/csr/report2021/management>

Relationship between Specific Material Issues and SDGs



For the current material issues, please visit our website:
<https://www.kuraray.com/csr/report2021/materialities>

Efforts to Formulate the Next Medium-Term Management Plan

Sustainability Workshop

In formulating the next Medium-Term Management Plan, which begins in fiscal 2022, the Kuraray Group has selected four key themes to be addressed from a cross-organizational and global perspective—“innovation,” “sustainability,” “global operations (production and technology),” and “global indirect function”—and has launched workshops consisting of global members to promote discussions. In the Sustainability Workshop, we hold regular web meetings with a mixed team of division members and indirect staff from Japan, Germany, Belgium, and the United States. Members share information on policies and regulations in their respective countries and regions, as well as market trends and customer needs, and forecast trends over the long term. To help the Kuraray Group achieve sustainable growth, they actively discuss the direction the Group should take, its roles it should play, and the issues it should address, and compile proposals. The proposals from the workshop will be addressed in the Medium-Term Plan Formulation Committee and incorporated into the next medium-term plan of each organization, aiming for steady implementation.

CSR Procurement

CSR Procurement Policy

“Our Commitment” states the principles of our conduct to which we should adhere in our business activities that have diverse points of contact with society. The “Kuraray Group Code of Conduct” serves as guidelines to implement the commitment in performing day-to-day work, and we strive to fulfill our responsibility as good corporate citizens. As part of this effort, the Kuraray Group established the CSR Procurement Policy in 2005 and sought the

understanding of its business partners. However, changes in social conditions regarding supply chain management rendered the existing CSR Procurement Policy insufficient in some respects, and accordingly, it was revamped in 2019. While the Kuraray Group has observed and practiced the items listed in the CSR Procurement Policy, we have asked our suppliers to comply with it. We will work on it together in our purchasing transactions to fulfill our social responsibilities.

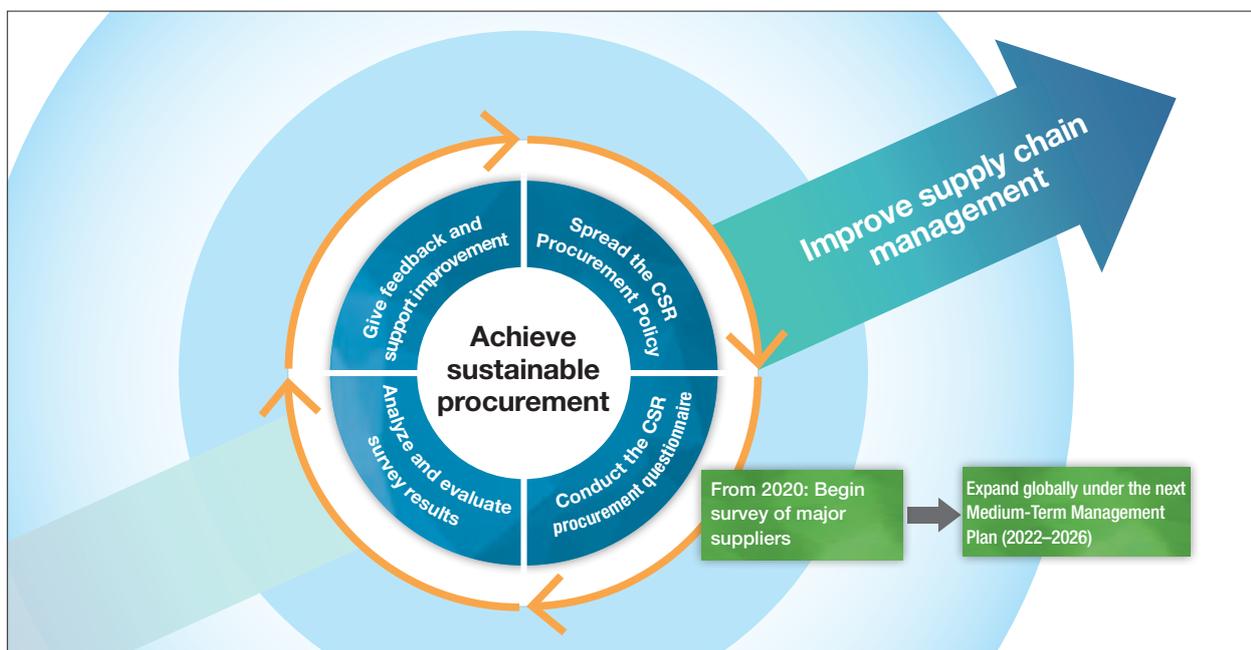
CSR Procurement Policy

1	Corporate governance		We will stay cognizant of CSR, and seek to achieve harmony among people, society, and the global environment to build and maintain better relationships through our businesses. We will adhere to laws and regulations and other rules at all times and in all situations and will always carry out corporate activities fairly and honestly.
2	Respect for human rights		We will champion the human rights of all people who are involved in our business activities and respect the dignity and value of each one of them.
3	Safe, easy-to-work environment		We will adhere to laws and regulations relating to occupational health and safety and strive to maintain and enhance a work environment that is safe and easy to work in for all people who are involved in our business activities. In addition, we will value the diversity of employees and treat them fairly without discriminating based on sex, nationality, ethnicity, or others.
4	Promotion of environmental preservation		We will strive for reduced environmental burdens and risks and environmental preservation, including preservation of ecosystems, through business activities that are in harmony with the environment. We will contribute to the sustainable development of society and fulfill our responsibilities to the next generation.
5	Fair business practices		We will carry out corporate activities fairly and honestly, not be involved in any form of misconduct, including bribery, and conduct free, fair, and transparent business dealings through sound competition in the market.
6	Safety and quality of products and services		We will strive to contribute to society by supplying safe, reliable, and high-quality products and services.
7	Proper control of confidential information		We will recognize that confidential information, including trade secrets, know-how, and customer information, is an important asset of the Company and will use and manage the same appropriately. We will also respect confidential information disclosed by third parties and manage the same in a similar manner.
8	Supply chain		We will strive to have the significance of sustainable procurement be well understood and embraced by our business partners to fulfill social responsibility throughout the supply chain.
9	Promotion of contributions to society		We will be cognizant of our role as a corporate citizen and engage in activities to interact actively with and contribute to society.

CSR Procurement Questionnaire

To ensure compliance and fulfillment of the CSR Procurement Policy in the supply chain, we confirm the status of our suppliers' efforts. Specifically, we are building and operating a system where we follow a cycle involving our suppliers of (1) disseminating the policy to them, (2) conducting a CSR procurement questionnaire, (3) analyzing and evaluating the survey results, and (4) giving feedback and supporting improvement as

needed. Kuraray regularly monitor suppliers and works to mitigate risk and achieve sustainable procurement. We provide education and guidance on improvement through close communication with suppliers that are found to be especially in need of active support to improve in the course of these activities. Furthermore, Kuraray plans to verify if and how often audits on suppliers are necessary, based on suppliers' activities and status of improvement.



As the first step in this initiative, we conducted a questionnaire survey targeting major suppliers of the Kuraray Group in Japan* based on the Kuraray Group Code of Conduct and the 10 principles of the United Nations Global Compact.

We will work with suppliers to establish and secure a PDCA cycle through feedback and improvement support. Furthermore, under the next Medium-Term Management Plan, which will start in fiscal 2022, we will expand our

survey of suppliers throughout the Kuraray Group, including those outside Japan, with the aim of improving supply chain management across the Group.

* "The Kuraray Group in Japan" refers to Kuraray Co., Ltd. and the six manufacturing companies of its domestic affiliates.



Kuraray and its affiliated companies in Japan are listed on the website below:
<https://www.kuraray.com/company/base/domestic>

Endorsement of the United Nations Global Compact (UNGC)

The Kuraray Group signed the United Nations Global Compact in December 2020. By signing the UNGC and clearly expressing our corporate stance, we will further

promote sustainability management and contribute to a sustainable society.



Please refer to our website for our growth strategy:
<https://www.kuraray.com/csr/report2021/initiative>

Quality Management

The Kuraray Group's approach to quality is rooted in the realization of the Kuraray Group's Mission: "For people and the planet—to achieve what no one else can." Our products and services can only be valuable when the values are recognized and accepted by customers. In other words, customer satisfaction is the essence of quality at Kuraray. To provide products and services that achieve customer satisfaction and contribute to society, we believe that it is essential not only to pursue the performance and property of our products and services but also to consider multiple aspects, including safety, environmental impact, and sustainability. For this reason, it is necessary to conduct comprehensive quality management in both manufacturing, such as production and development, and in sales, distribution, storage, value chains, and so on, and we are promoting initiatives with the participation of all employees.

Kuraray Group Global Quality Policy

"We contribute to the society by supplying safe, reliable and high-quality products and services."

We vow to provide safe, high-quality products and services with a sense of responsibility and pride and contribute to improved natural environments and living environments to realize a sustainable society. To that end, each of us will continuously engage in improvement activities to pursue the creation of value to enhance customer satisfaction with better understandings of demands of laws and regulations, society, and customers' needs.

Product Safety and Chemical Management

To ensure the safety of products, the Kuraray Group's respective divisions make evaluations and improvements using risk assessment techniques in developing new products and managing changes to secure and guarantee product safety.

In addition, with regard to products that are particularly in need of safety validation, such as those that use nanomaterials and those that are to be ingested, we set up a deliberation committee led by CSR Division to confirm safety.

In the management of chemical substances, we have settled a system that enables us to obtain relevant legal and hazard information and to prepare safety data sheets (SDSs) by linking information on chemical substances contained in raw materials and products registered in our internal database with external databases such as laws and regulations and safety

information on chemical substances. In addition, we appoint those responsible for chemical management and those in charge of actual operations at each division. Those staff take the lead in conducting continuous in-house education to deepen understanding of chemical substance management and laws and regulations. Furthermore, to respond to the expansion of destination countries and regions, the expansion of the Kuraray Group's bases, and the increasing complexity of laws and regulations in each country, we are collaborating with the Group companies outside Japan to research and share information on laws and regulations in each country, to achieve accurate chemical substance management across the entire Group.

Through these activities, we strive to provide our customers with safe and reliable products and services.



For details of our R&D efforts, please visit our website:
<https://www.kuraray.com/rd>

Advancing Resources That Support Sustainable Growth Technological Development Capabilities >>>

Basic Strategy for R&D

Competition is increasing in the chemicals industry due to the entry of companies from emerging countries, and the commoditization of specialty chemicals is also underway. Technological development capabilities to create value-added products are increasing in importance as an essential management resource for maintaining and strengthening global competitiveness.

In corporate R&D, which is the core of the Kuraray Group's technological development capabilities, projects that contribute to group-wide business expansion and profit are promoted under the corporate missions of "Create new business," "Strengthen and expand existing businesses," and "Establish and deepen core technologies" through close collaboration with in-house companies, business divisions, and R&D divisions in the Group companies.

R&D Organization

The Research and Development Division, which engages in corporate R&D, manages the Kurashiki Research Center, Tsukuba Research Center, KAI Corporate R&D (United States), Vecstar Business Promotion Department, the Functional Products Development Department, Intellectual Property Department, New Business Management Department, and Planning and Administration Department. Furthermore, in fiscal 2020 we established the Cross Technology Research Group at the Kurashiki Research Center to explore research areas that do not fall within conventional research institutes' framework and span multiple research laboratories.

The research centers promote R&D of new business, products, and technologies using their core technologies, which comprise organic synthesis and synthetic polymer technologies, catalytic chemistry, vinyl acetate-related polymer materials technology, carbon materials technology, battery material design technology, precision polymerization and polymer modification, compound materials, polymer processing, and computational science. Taking advantage of their analysis and safety assessment techniques in addition to their R&D capabilities, the research centers also

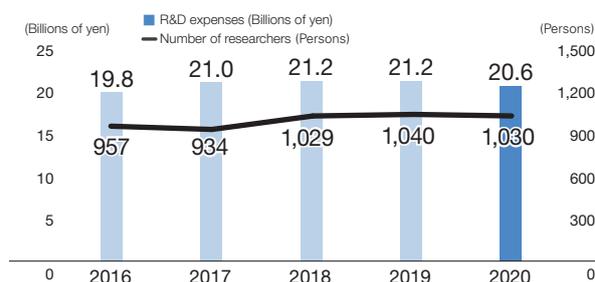
play a role as analysis hubs for all Kuraray Group companies to solve their technical problems.

In addition, the Research and Development Division evaluates and analyzes intellectual property information to support business strategies.

Each business division has its R&D department at the respective base plants. Including overseas bases, these plants engage in R&D activities while closely working with corporate and business divisions' research, development, and production bases.

The Technology Division, responsible for corporate

R&D Expenses and Number of Researchers



production technology development, manages the Technology Development Center and the Technology and Maintenance Management Department. It promotes progress in production technology by collaborating with the Production and Technology Management Division of each in-house company and the Production and Technology Development

Department of each plant. It has also begun collaborating with the Research and Development Division in the early stages of development to accelerate the evolution of new business and products. Since 2018, this department has taken the lead in implementing digital strategies for company-wide R&D as well as production technology.

Priority Policy

Kuraray's corporate R&D activities are guided by its corporate missions to "Create new business," "Strengthen and expand existing businesses," and "Establish and deepen core technologies."

To "Create new business," our policy is to commercialize materials that society needs in areas where only Kuraray can commercialize them. Focusing on our strengths, we set our target in the area within "walking distance" from our home ground (existing businesses), repeatedly taking half-steps or full strides forward from the home ground, with a view of things 10 or 20 steps ahead, to expand our business into new domains.

To advance the concept to "Strengthen and expand existing businesses," every one of our business divisions and Group companies collaborate to quickly resolve problems at production and development bases in each business to fortify Kuraray's core business.

To promote "Establish and deepen core technologies," we will establish and deepen necessary core technologies through the missions to "Create new business" and "Strengthen and expand existing business."

R&D Focus

R&D Topic 1

VECSTAR™ (Liquid crystalline polymer film) / VECSTAR™ FCCL (Flexible copper-clad laminates)

The demand for VECSTAR™ is expected to increase further as an electronic circuit board for electronic devices such as smartphones and vehicle-mounted high-speed communication devices, thanks to its high reputation for low transmission loss in the high-frequency wave range and excellent workability. This led us to upgrade the existing production facilities in 2018. In 2020, we were also upgrading the existing production facilities for flexible copper-clad laminates VECSTAR™ FCCL, which uses liquid crystalline polymer film at the Kashima Plant. We are currently considering further reinforcement.



R&D Topic 2

Polishing Pads for Semiconductors (CMP pads)

Polishing pads for semiconductors are made of high-hardness polyurethane, a new material developed by leveraging the polyurethane design and manufacturing technologies cultivated through the development of CLARINO™ man-made leather. Multiple customers have begun shifting to Kuraray's CMP pads since their super-hard surfaces offer outstanding device polishing and smoothening capabilities, create few scratches despite their hardness, and deliver a long service life due to their high abrasion resistance. In addition to these features, a combination with specific general-purpose slurries enables



highly efficient polishing and reduction of polishing slurry usage. This demonstrated the cost reduction in the customer's production process. Currently, we are expanding sales to customers in Japan, and we are continuously earning higher marks from our customers in Japan and overseas as well as for multiple processes. We have succeeded in strengthening our collaborative system for evaluation with customers and will continue to expand our customers and sales volume despite the impact of COVID-19.

R&D Topic 3

Anode Materials for Lithium-Ion

We are working on R&D of a new hard carbon that is made of plants and possesses a distinctive structure for use as an anode material for lithium-ion secondary batteries and the development of the manufacturing technology. This new hard carbon will enable both excellent output performance and higher battery capacity than graphite, attributed to its structure. The evaluation of its utility as a next-generation anode material is in progress, with consumer applications including batteries for smartphones and tablet PCs and uses for automobiles in mind.





For details of our commitment to human rights, please visit our website: <https://www.kuraray.com/csr/report2021/workplace>

Advancing Resources That Support Sustainable Growth

Human Resources >>>

Basic Approach to Human Resource Management

Based on the Kuraray Group Global Human Resource (HR) Policy, the Kuraray Group is making efforts to develop its organizational system regarding the promotion of diversity, fostering of human resources, and fair and just evaluation of

performance, as well as establishing a healthy corporate culture and creating new employment opportunities, so that each employee can grow personally through work.

The Kuraray Group Global HR Policy

- | | |
|--|--|
| <ul style="list-style-type: none"> 1 We will respect the human rights of individuals. 2 We will abolish discrimination and respect diversity and individuality. 3 We will comply with applicable laws and regulations. We will create and carry out HR systems that uphold equality, fairness, and transparency. 4 We will promote dialogues with all people working in the Kuraray Group to build constructive relations. 5 We will strive to improve the environment of workplaces. | <ul style="list-style-type: none"> 6 We will employ personnel who can contribute to the development of the Kuraray Group. 7 We will place the right person in the right job. 8 We will maintain an evaluation and benefits system that is fair and transparent. 9 We will support professional development. 10 We will maintain appropriate levels of disclosure of business information and protect privacy. |
|--|--|

Strengthening the Organizational Structure for Human Resource Development

Since fiscal 2020, the Company has been strengthening the functions of the Personnel Development Department, which was in the HR Department, by placing it under the direct control of the General Affairs and HR Division, to advance personnel development and the handing down of technical expertise more systematically and effectively.

The Personnel Development Department plans, operates,

and follows up on training systems and training programs that respond to increasingly globalized, diversified and sophisticated needs, such as the acquisition, establishment and deepening of the knowledge and skills required in the course of business, and a human resource development system that supports the autonomous career development of Group employees.

Mechanisms/Systems and Focus Points for Human Resource Development

Support for Autonomous Career and Skill Development of Employees

Amid rapid changes in the business environment, the Kuraray Group supports employees' career development and competence development through the following systems to enable them to improve their HR value independently and autonomously.

- (1) Career training and placement of career advisors
At the Company, we provide training for employees to provide them with opportunities to reflect on their career and design their future career path. In training, employees' superiors also receive guidance and participate in supporting their employees' career development.

In addition, dedicated career advisors have been assigned within the Company to support employees' career development.

(2) Autonomous competence development mechanisms (ALPACA system)

In 2020, we significantly revised our existing self-development system and launched ALPACA (Autonomous Learning Program for Achieving Career Development), a mechanism that encourages employees to develop their competence autonomously.

This system consists of a list of business skills required at each level, an assessment to measure the level of business skills, and a list of training programs to acquire business skills. The system enables employees to autonomously develop the competence they need at each stage of their career.

■ “Kuraray PRIDE” Initiatives in Japan

In fiscal 2020, the Company's Marketing Group in the Corporate Management Planning Office, the HR Department, and the Personnel Development Department jointly launched the “Kuraray PRIDE” human resource development project to strengthen business creation capabilities from the customer's perspective.

We are implementing the Kuraray PRIDE Program based on the recognition that, to strengthen our ability to create new business, it is necessary to create a corporate culture that encourages employees to take on challenges, to expand personal connections both inside and outside the Company, to provide opportunities to improve business sensitivity, and to create opportunities to gain experience in taking on challenges to create new business.

Kuraray PRIDE Program

Kuraray PRIDE Academy	
① OUR Class Classes to learn about products and businesses from each other across business divisions	② Kuraray Achievement Test Tests to deepen the understanding of matters ranging from company history to business (implemented during personnel training)
③ MY Class Free classes in which employees who wish to teach and employees who want to learn can learn from each other	④ YOUR Seminar Classes to learn about experiences and the latest trends from outside instructors and alumni
Kuraray Challenge Class	
● Design Thinking Class Classes in which the ability to create business from the customer's perspective is acquired and tied to new project proposals	● Share Sure Project Class Classes that develop from a brainstorming meeting for discovering new business (held jointly with the Research and Development Division) and examine project proposals
External Exchange Program	
★ Joint training with other companies	★ Participation in external cross-company training
Learning about Kuraray DNA	
Kuraray Pride Fieldwork by a team of young employees Participants learn about past challenges, successes, and failures from alumni and report what they learned in the company newsletter (Kuraray Times) and the like. An inner branding project that aims to boost pride in “being a Kuraray employee” and increase motivation	

In these programs, employees often serve as instructors, and through this project, a culture in which employees teach each other has been fostered.

In fiscal 2020, more than 50 training sessions were held under this project, with more than 1,000 employees participating.

■ Responding to Globalization of Operations (Global Talent Development Program)

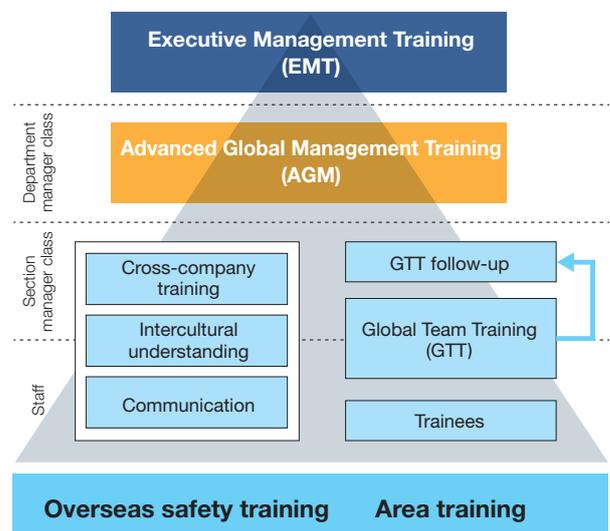
Kuraray Group's sales ratio outside Japan grew to more than 70% in fiscal 2020, and approximately 40% of the Group's employees are working in the Group's operations outside Japan.

To foster human resources that can actively take part in conducting business internationally to achieve growth on a global basis, the Kuraray Group has been providing its Global Talent Development Program since fiscal 2007, and more than 800 employees in Japan and from overseas operations participated in the program over the 14 years through fiscal 2020. This program has been provided continuously, with the content of training revised every year.

Global Team Training (GTT), designed to develop global leadership capabilities for the section manager class, has been provided 18 times, with a cumulative total of 350 employees participating. The network of trained alumni has contributed significantly to the promotion of cross-border communication within the Group.

A trainee system, whereby motivated employees are dispatched between the Head Office in Japan and overseas subsidiaries for a limited period of three months, has had more than 100 employees take part. Many of the participants are actively conducting business internationally as global personnel by going on assignments to the Group's subsidiaries outside Japan after they finish the trainee program.

Global Talent Development Program



■ **Initiatives for Handing Down Technical Expertise**

To ensure safe and stable operations at our plants, one of the important themes in human resource development is to improve the on-site capabilities of our manufacturing sites, mainly by handing down technical expertise.

Starting immediately after employees join the Company, we implement training at each site so that employees effectively acquire the requisite knowledge, techniques, and skills, in accordance with their years of employment and roles, and utilize the knowledge, techniques, and skills at manufacturing sites. To further improve on-site capabilities, we plan to start a new cross-site training program in fiscal 2021.

■ **Global Human Resources Management**

Through global team activities, we are developing a foundation for global human resource management to optimize how we apply our human resources systems

across the Group's global operations. To maintain consistency between job positions, we are establishing harmonized job grade system (Global Grade) based on the job size. We have developed a standard global "Performance Management System" and behavioral index "Kuraray Competency 5x5" as the basis for individual appraisals and capability development. Since 2017, we have established (1) goal-setting and individual appraisals based on desired behaviors and outcomes and (2) support for capability and career development. Beginning in 2022, the initial year of the next Medium-Term Management Plan, we will sequentially start (3) visualizing capable talents in the group and providing suitable assignment for them based on global succession plan. To support the initiatives, suitable "human resources information system" will be prepared.

Work-Style Reforms and Promotion of Diversity in Japan

■ **Work-Style Reforms (Productivity Improvement, Working Hour Management, etc.)**

Toward realizing the ideal work style conveyed as a top management message, we drive the creation of a healthy corporate culture and employee mindset reform and work on workstyle reforms by examining and implementing initiatives to enhance productivity and introduce flexible work programs and other measures.

The Ideal Work Styles

- Carry out your tasks with an awareness of regular work hours.
- Aim to deliver high-quality work within a given time.
- Cooperate with the people around you and share an efficient work style throughout the whole workplace.
- Stay refreshed and in good physical condition to gear up for your next work-day.

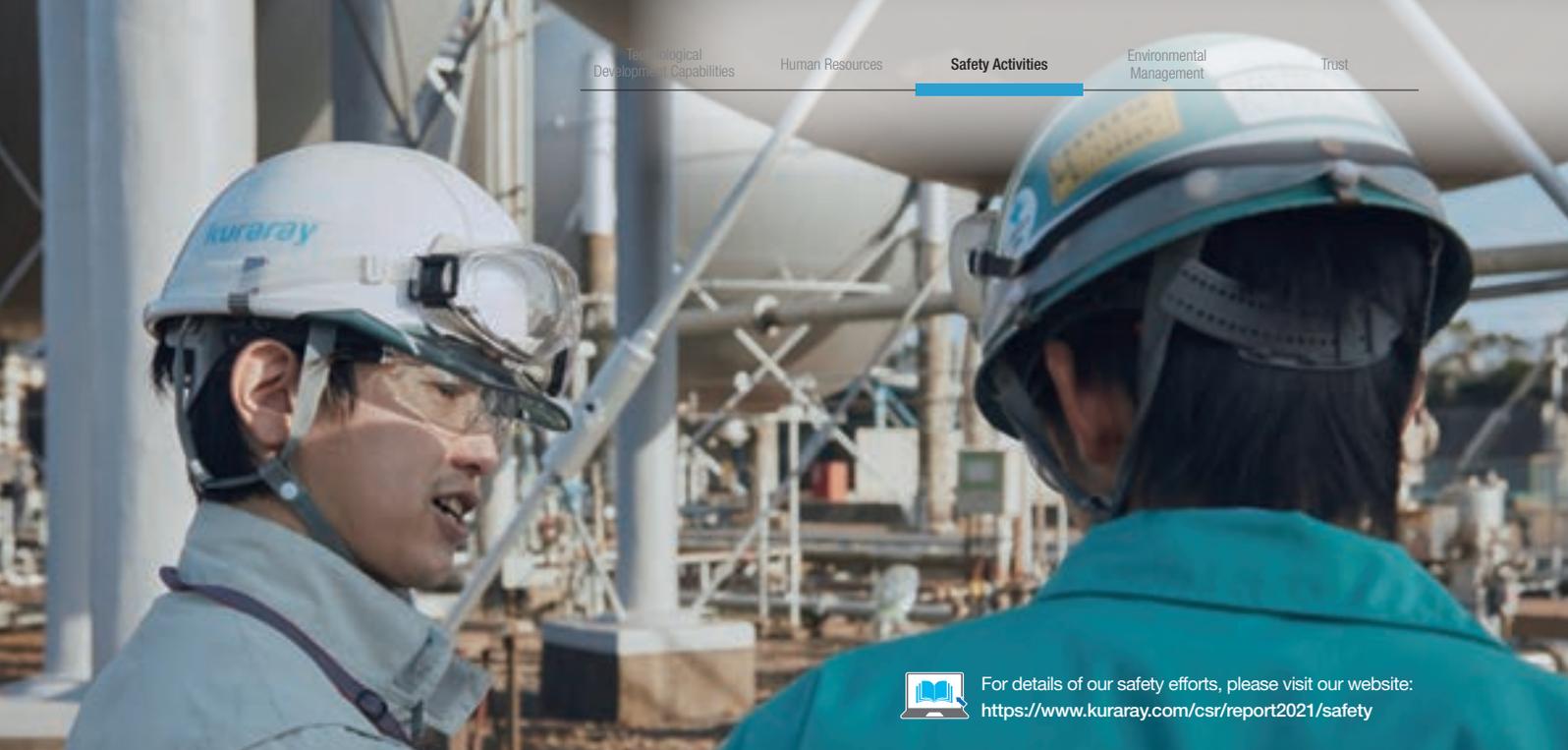
In Japan, we use the employee awareness survey conducted once every three years as an indicator for our efforts. In the 2017 survey, we identified issues related to "balance between work and personnel" and "burden of overtime hours." In response, we made efforts to secure personnel, including by expanding career recruitment, and established and began operating a flextime system, a system of paid leave by the hour, and work-interval guidelines. Furthermore, to support employees' active engagement in productivity improvement, Kuraray started paying

employees the amount equivalent to overtime compensation for overtime hours reduced from the previous year.

As a result, the 2020 employee awareness survey showed improvements in both of the above categories, as well as in the categories "I work with the prescribed working hours in mind" and "My superior is making efforts and devising ways to reduce overtime hours." In addition, the rate of taking paid holidays by regular employees, excluding managers, was 80.4%, exceeding the target of 80%.

■ **Promotion of Diversity**

All employees, regardless of nationality, disability, age, gender, gender identity, or sexual orientation, respect the diverse values of individuals and foster a healthy corporate culture that maximizes their abilities. In Japan, we promote exchanges with female leaders of other companies. In addition, the number of non-Japanese nationals employed is steadily increasing due to the wide range of employment opportunities available regardless of gender or nationality, and human resources are diversifying.



For details of our safety efforts, please visit our website:
<https://www.kuraray.com/csr/report2021/safety>

Advancing Resources That Support Sustainable Growth Safety Activities >>>

Kuraray's Approach to Safety

In the Kuraray Group's business activities, safety is the cornerstone, an absolute requirement that forms the basis for all activities. Realizing workplaces where people can safely work at ease without accidents is an important theme we need to work on to maintain a stable supply of products and maintain society's trust.

Based on this view, the Kuraray Group develops and operates safety management systems and conducts various activities. We are putting several measures in place to raise employee awareness of safety and establish safe actions and safety checks as routine practices.

At each workplace, we carry out risk assessments to evaluate the risk of process accidents and occupational incidents, promote fundamental equipment safety measures, and prevent accidents and incidents. In addition, we work to train to minimize damage in the event of an accident or disaster and prevent a recurrence by sharing information such as cases of process accidents and occupational incidents and by horizontally deploying countermeasures.

Safety Activity Management

Per Safety Activity Management Rules, the Kuraray Group develops safety activity plans each fiscal year and implements them to ensure process safety and occupational safety. Specifically, the Safety Promotion Committee, attended by the President and executives in charge, carries out an overall assessment of the safety activity performance of the current year and decides an activity policy for the next fiscal year. Each plant and department conducts safety activities following its action plans that reflect the determined activity policy. Safety personnel from the Head Office, including the executives in charge, visit each plant of the Kuraray Group in Japan twice a year (In fiscal 2020, teleconferences were held to prevent the spread of COVID-19 infection.) check the activity plan, progress, and outcomes. Head Office staff members visit the Group's subsidiaries

outside Japan approximately once every three years to examine the same thing. Issues identified in on-site checks and the annual safety performance rating are used for the overall evaluation of performance. The evaluation results are incorporated into company-wide policymaking and the safety activity management system for the next year.

In fiscal 2020, we recorded eight cases of process accidents (eight in Japan and zero outside Japan), three A and B rank incidents (two in Japan and one outside Japan), and the frequency rate of all occupational incidents for the entire Group was 1.96, all of which fell short of the targets (evaluation criteria). For process accidents in Japan, there were one small fire that was extinguished immediately and seven leakages of hazardous materials, which did not lead to a major incident. Outside Japan, between fiscal 2016 and

Guiding Principle on Ensuring Safety	Action Courses on Ensuring Safety (FY2020)
Safety Is the Cornerstone of Everything We Do	<ol style="list-style-type: none"> 1. Ensuring "Safety First, Production (Construction and R&D) Second" 2. Predict Hazards and Make Sure the Safety before Taking Action, Then Confirm the Action Results Are What You Expected 3. Each and Every Employee Acts Proactively with the Intention of Ensuring "Safety" as Their Own Issue

Targets and Performance in Safety Priority Activities

Evaluation: ○ Accomplished, △ Nearly accomplished, × Not accomplished

Item	FY2020			Items related to FY2021 safety activities
	Targets	Performance	Evaluation	
Process Safety and Disaster Prevention, Occupational Safety	Ensuring hazard prediction to secure the safety of the workplace	"Hazard prediction" and "confirmation" have been taking root through effective activities and have been proving effective in preventing accidents and incidents to a certain extent. At present, however, these efforts are the stage of habituation and improvement of sensitivity to hazards, and continuous efforts are necessary in order for everyone to regard the activities as his/her own affair and to be able to carry them out in all situations.	○	<ul style="list-style-type: none"> ● Ensuring "hazard prediction" to secure the safety of the workplace ● Grasping and improving actual conditions of work in the workplace, and review and use of operation standards ● Implementation of measures to discover latent risks and to minimize apparent risks with regard to process safety ● Ensuring safety in construction and maintenance work ● Understanding and countermeasures of safety risks at overseas chemical plants
	"Recognition" and "realization" in the workplace when something feels wrong, and acting on it	A range of efforts have been made to boost "recognition," and a certain degree of effect has been demonstrated in safety level improvement together with "hazard prediction." The status of 3S (<i>Seiri</i> : organizing, <i>Seiton</i> : decluttering, <i>Seiso</i> : cleaning) in the workplace has also been improved by continuous efforts. As a result, it has become easier to "recognize" the changes in the workplace.	○	
	Review and enhancement of "new employee training"	Based on operation standards, we have been promoting thorough education, although the use status of standards differs in on-site training by department. Occupational incidents caused by using methods different from those in the operation standards have still occurred, and continued efforts are needed.	△	
	Implementation of measures to discover latent risks and to minimize apparent risks with regard to process safety	We have expanded the scope of risk identification to include unusual tasks and situations such as plant start-up and shutdown, and have also promoted measures to reduce risks that have become apparent. In fiscal 2020, there was an accident involving leakage of hazardous materials due to lack of information sharing and confirmation of safety measures between related departments in construction and maintenance work, and it is necessary to take measures to prevent recurrence.	△	
	Reliable operation of the Global Safety Activity Management System	In order to assess and take measures against process safety and disaster prevention risks at overseas chemical plants, we have implemented audits of overseas bases by the companies in charge. In addition, the companies in charge, the Technology Division, and the Environmental and Industrial Safety Management Center have been working together to share information and implemented horizontal deployment of measures.	○	

Numerical Targets and Results

	FY2020			FY2021
	Targets	Criteria for evaluation	Actual results	Targets ^{*1}
Process safety and disaster prevention	Zero	Zero process accidents	8 cases	A, B, and C rank accidents: ^{*2} Zero D1 and D2 rank accidents: ^{*2} 3 or less
Occupational safety	Zero	Zero A and B rank incidents ^{*3}	3 cases	A and B rank incidents: ^{*3} Zero
		The frequency rate of all occupational incidents: ^{*4} 1.5 or less	1.96	The frequency rate of all occupational incidents: ^{*4} 1.5 or less

*1 Kuraray had set annual target values as evaluation criteria for zero accidents and zero incidents, but from fiscal 2021 it changed this and set annual target values as safety targets to carry out activities with awareness of specific annual targets.
 *2 An evaluation ranking of process accidents using Kuraray's proprietary system. Five ranks from the most serious evaluation: A > B > C > D1 > D2.
 *3 An evaluation ranking of occupational incidents using Kuraray's proprietary system. Four ranks from the most serious evaluation: A > B > C > D.
 *4 The frequency rate of all occupational incidents: The number of all occupational incidents requiring medical attention per million working hours.

fiscal 2019, there were one to three fires and explosions per year, but none occurred in fiscal 2020. Occupational incidents decreased both in Japan and overseas, and the frequency rate for all occupational incidents recorded the best result since fiscal 2006.

In the past, the Kuraray Group had set annual numerical values for evaluation criteria with the goal of zero accidents and zero disasters. In fiscal 2021, however, we set numerical safety targets in order to carry out activities with specific annual targets in mind. Based on these safety targets for process safety and disaster prevention, and occupational safety, we will formulate and implement a concrete safety action plan to achieve zero accidents and zero incidents.

In process safety and disaster prevention, we have managed the number of accidents regardless of their severity. In fiscal 2021, however, we introduced process safety and disaster prevention targets using Kuraray's proprietary evaluation ranking system that rates the seriousness of process accidents (the scale of the accident and the cause of its occurrence). The occupational incident target using the ranking system was introduced in fiscal 2017. In addition to striving to eliminate major process accidents (A, B, and C rank), we will promote risk assessment and countermeasures at workplaces to reduce the occurrence of minor incidents (D1 and D2 rank).

Focus

Safety Audits for Chemical Plants outside Japan

In response to a series of fire accidents involving explosions at chemical plants of the Group's subsidiaries outside Japan in recent years, we initiated safety audits for chemical plants outside Japan in fiscal 2019 and we have reviewed and strengthened safety measures to ensure the safety and stable operation of the Group outside Japan. In fiscal 2020, we conducted on-site audits at two plants in Europe and remote audits at two plants in the United States due to the spread of the COVID-19 pandemic. In the safety audits conducted in fiscal 2020, we checked the status of responses to issues identified in the previous year, such as change management in order, operation enhancement of permission/approval system for specific works, and the identification of risk sources during off-normal operations (start-up and suspension of operations). We identified new issues, including education and training on high-risk items and management of undocumented works. In fiscal 2021, we will continue to audit unaudited plants outside Japan and conduct follow-up audits at the plants that have already completed audits. Looking ahead, for identification of issues and countermeasures at chemical plants outside Japan, we will work to develop and enhance safety management systems for their respective plans while stepping up support from the Group in Japan.



For details of our environmental activities, please visit our website:
<https://www.kuraray.com/csr/report2021/environmental>

Advancing Resources That Support Sustainable Growth Environmental Management >>>

Kuraray's Approach to Environment-Friendly Manufacturing

We believe that the Kuraray Group's mission is to manufacture basic and intermediate materials that will contribute to creating a low-carbon and environment-friendly society and minimize their environmental impact as much as possible. Based on

this philosophy, the Kuraray Group continues to conserve the environment through global manufacturing, including the promotion of measures against global warming, reduction of chemical substance emissions, and effective use of resources.

Environmental Management System

The Kuraray Group has established the Kuraray Group Environmental Policy and is promoting environmental conservation activities. These activities are in the P (plan) D (do) C (check and evaluate) A (act and improve) cycle for

constant improvement according to the Kuraray Group Environmental Activity Management Rule. Kuraray plants and subsidiaries have acquired ISO 14001 certification and are steadily operating ISO 14001 systems.

Kuraray Group Environmental Policy

The Kuraray Group has established the following policy to contribute to the sustainable development of society and fulfill its responsibilities to future generations through business activities in harmony with the environment.

Basic Policy

1. We give maximum consideration to the environment in conducting our business operations.
2. We conduct perpetual environmental improvement activities.
3. We develop technologies and products which contribute to the improvement of the environment.

Environmental Performance

In fiscal 2020, the Kuraray Group in Japan implemented measures to reduce greenhouse gas (GHG) emissions, which exceeds the target by 14,000 tons-CO₂. Moreover, due to the curtailment of production as a result of a decline in global demand caused by the impact of the COVID-19 pandemic, the total amount of GHG emissions decreased significantly. However, the GHG emission intensity index (Refer to the table at the top of p.47) deteriorated due to the significant effect of the drop in converted production

volume caused by the production cutback. On the other hand, the emission of chemical substances totaled 805 tons, exceeding the target of fewer than 957 tons, partly due to reduced production. In terms of reducing the amount of waste generated, we implemented measures to reduce waste by 2,486 tons, far exceeding the target. However, the final disposal volume (landfill disposal volume), another target, was 616 tons, far below the target (less than 251 tons). This was attributable to the fact that

Activity item	FY2020 targets	Results
Global warming prevention	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implement measure to reduce GHG emissions by 13,000 tons-CO₂ or more. • Improve at least 1.0 percentage point to the GHG emission intensity index*¹ year on year. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • Improve at least 1.0 percentage point to the energy intensity index year on year. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implemented measures to reduce GHG emissions by 14,000 tons-CO₂. • The GHG emission intensity index worsened by 14.3 percentage points year on year. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • The energy intensity index improved by 0.2 percentage points year on year.
Effective utilization of water resources	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • No specific numerical targets were set. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • Improve at least 1.0 percentage point to the water (excluding seawater) intensity index*¹ year on year. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Efforts were made to use water more effectively. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • The water (excluding seawater) intensity index*¹ worsened by 4.6 percentage points year on year.
Management of chemical substance emissions	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Reduce the amount of JCIA-designated PRTR substance emissions*² to less than 957 tons. (Keep it below the FY2016 result.) ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • No specific numerical targets were set. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • JCIA-designated PRTR substance emissions were 805 tons. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • Chemical substance emissions regulations were observed in each country/area.
Reduction of waste	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implement measures to reduce waste by the equivalent of 1% relative to FY2016 level (900 tons) or more. • Reduce final landfill volume to less than the FY2016 result (251 tons). ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • No specific numerical targets were set. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implemented measures to reduce waste by 2,486 tons. • The final landfill volume was 616 tons. ● Kuraray Group outside Japan: <ul style="list-style-type: none"> • Legal requirements were observed in each country/area, and efforts were made to reduce and quantitatively manage the amount of waste produced.
Environmental accounting	—	<ul style="list-style-type: none"> ● The amount of investment for environmental conservation: ¥2,084 million (FY2019: ¥1,674 million) ● The cost of environmental conservation activities: ¥2,609 million (FY2019: ¥2,978 million)

*1: Intensity index: A value obtained by dividing converted production volume by environmental impact. The 2016 result was set to 100. (Converted production volume : Production volume converted from the production volume of each product as the production volume of the reference product using a conversion factor determined based on the environmental load intensity of each product in the reference year.)
 *2: JCIA-designated PRTR substance: Specific chemical substances in the Law concerning Pollutant Release and Transfer Register (PRTR Law) and substances targeted under voluntary control standards set by the Japan Chemical Industry Association (JCIA).

waste service companies no longer treated some specially controlled industrial waste, and no new effective users could be found and the fact that waste plastic recycling overseas has become difficult due to restrictions on the export of waste. We will continue to promote measures to reduce waste and search for waste service companies who can use the waste to minimize final disposal.

The Kuraray Group outside Japan also experienced an overall decrease in facility utilization due to COVID-19, and energy consumption declined significantly from fiscal 2019.

In addition, although production volume fell accordingly, the energy intensity index improved slightly because of increased production reflecting strong demand for certain products for hygiene materials with relatively small energy intensity. Water consumption was greatly affected by reduced production, resulting in a deterioration in the water intensity index. As for chemical substance emissions and the effective use of waste, we were able to comply with the laws and regulations of the countries and regions where our plants are located, and appropriately manage and deal with them.

Response to TCFD Recommendations

The Kuraray Group considers climate change to be one of the key issues that it must address, and it will steadily enhance the disclosure of governance, strategies based on scenario analysis, risk management, and indicators and targets as recommended by the Task Force on Climate-related Financial Disclosures (TCFD)*.

In fiscal 2021, a TCFD Promotion Team will be established in the relevant departments to study ways to promote information disclosure in reference to “Guidance on

Climate-related Financial Disclosures 2.0 (TCFD Guidance 2.0)” published by the TCFD Consortium. Specifically, we will assess the risks and opportunities posed by increasingly stringent policies and regulations in the transition to a low-carbon economy, market changes resulting from technological innovation, and changes in consumer preferences, as well as climate-related risks and opportunities, such as physical risks that could impact the business environment, including natural disasters and extreme weather.

* Refers to the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB) to consider how to disclose climate-related information and respond to financial institutions. Kuraray endorsed the TCFD recommendations in November 2020.

Kuraray Insight

Fiscal 2021 Targets and the Next Medium-Term Environmental Plan

Kuraray had planned to start a new Medium-Term Environmental Plan starting in fiscal 2021. However, as the outlook of the global economy and the business environment became uncertain due to the spread of COVID-19, we changed the start year of the next Medium-Term Environmental Plan to fiscal 2022, in accordance with the change of the initial year of the Medium-Term Management Plan to fiscal 2022. For this reason, we decided to set a single-year target for fiscal 2021, continuing the policy of the previous Medium-Term Environmental Plan.

We are currently formulating the next Medium-Term Environmental Plan, which will be announced later.



For details of our relationship with society, please visit our website: https://www.kuraray.com/csr/report2021/relationship_with_society

Advancing Resources That Support Sustainable Growth

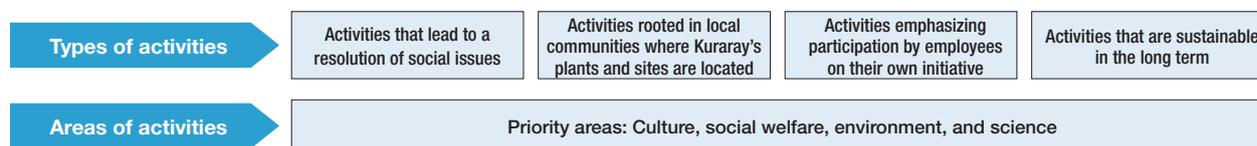
Trust >>>

Social Contribution Activities

With the understanding that sound and sustainable social development is a requirement for corporate growth and prosperity, we, the Kuraray Group, contribute to society through our products and businesses that provide value to people and, as a corporate citizen, address a variety of issues within a reasonable scope.

Kuraray Group Social Contribution Policy

The Kuraray Group vigorously conducts social contribution activities in accordance with the following policy.



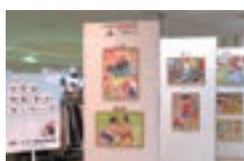
Activities of Kuraray

Kuraray holds Chemistry Classes for Boys and Girls for elementary school students in the neighborhood, with employees from each plant serving as instructors, operates workshops for people with intellectual disabilities, and donates the Kuraray Fureai (Rapport) Fund (a matching gift program).

Kuraray also continues to conduct forest conservation activities and volunteer clean-up activities as part of its efforts to protect the local environment around its plants.

Examples of activities

- "Sending School Backpacks Across the Sea"
- "Chemistry Classes for Boys and Girls"
- Operating workshops for people with intellectual disabilities
- "Kuraray Fureai (Rapport) Fund"
- Activity with emphasis on link to local communities



Painting and calligraphy competitions for elementary school students (Okayama Plant)

Activities of the Kuraray Foundation*

In collaboration with external organizations with deep ties to the history and business of Kuraray, the Kuraray Foundation subsidizes activities that contribute to the resolution of social issues.

- Sponsorship of the Artist in Residence Kurashiki, Ohara (ARKO)
- Support for the development of human resources involved in the restoration and maintenance of artworks in the collection of the Ohara Museum of Art
- Implementation of academic research contributing to employment promotion of people with disabilities
- Grant for maternal and child health care in Afghanistan
- Support for victims of torrential rains in western Japan
- Grant for National Institutes for Humanities (NIHU) International Prize in Japanese Studies



The award ceremony of Grant for National Institutes for Humanities (NIHU) International Prize in Japanese Studies



For more information about the targets and results of each activity, please visit our website: https://www.kuraray.com/csr/report2021/activity_target_and_results

* Kuraray Foundation: A social contribution foundation (nonprofit general incorporated foundation) established in 2016 with contributions from Kuraray.

To remain an “irreplaceable company” trusted by stakeholders, the Kuraray Group continues to take appropriate measures to address risks and raise awareness of compliance.

Risk Management and Compliance

Risk Management and Compliance Promotion System

Kuraray monitors risks regularly as the Group, led by the Risk Management and Compliance Committee, and identifies material risks that could significantly impact business management. Such risks are proposed to the President, who then specifies critical management risks, and priority countermeasures are carried out after deliberations by the Board of Directors. The Risk Management and Compliance Committee are working to ensure priority countermeasures against business management risk and compliance with laws and regulations and corporate ethics and realize fair business practices.

Risk Management Policy

The Kuraray Group Risk Management Policy, which the President disseminates to each organization, consists of a long-term, continuous “Basic Policy” embracing overall Group risk management and “Priority issues,” which are focused on in a relevant fiscal year in light of social conditions and trends at the Company and other companies, thereby allowing flexible and prompt actions to be taken against changes in the risk environment while maintaining the basic approach of response to risks. The Priority issues are those in which the President clearly indicates specific tasks for the organization to mitigate priority risks and instructs the organization on how to implement them steadily.

Fiscal 2021 Kuraray Group Risk Management Policy

Basic Policy

- (1) Completely prevent illegal or inappropriate conduct that betrays the trust of society.
- (2) Completely prevent accidents and injuries (e.g., process accidents, occupational injuries, pollution, and product defects) that threaten the health and safety of employees, the local community, clients, partners, and so on.
- (3) Should an event occur that seriously impacts business or society, be sure to secure trust from society as well as safety and health and implement measures to achieve business continuity or early recovery. Prioritize trust from society, safety, and health, and then work to continue or restore the business.

Priority Issues

Based on the above policies, and recent social conditions and trends at our company or other companies, the following are the priority issues for fiscal 2021.

- (1) Conduct a comprehensive review of the facilities of overseas plants in particular, not only for confirm their safety designs but also management aspects (operation management and facility management) and establish highly effective countermeasures for identified issues in order to mitigate the risk of safety-related accidents occurring.
- (2) Establish a globally unified confidential information management system and strengthen measures to protect data in a timely manner.
- (3) Ensure the thorough prevention of recurrence of any violation recurring through the use of globally established programs to comply with the Antimonopoly Law.
- (4) Ensure business continuity in response to the pandemic by thoroughly implementing measures to prevent infection and the spread of infection based on the emergency response to COVID-19.

Group Compliance

“Our Commitment” states the principles of our conduct to which we should adhere to in our business activities that have diverse points of contact with society. The “Kuraray Group Code of Conduct” serves as guidelines to implement the commitment in performing day-to-day work. The President has declared that we will comply with laws and regulations and “Our Commitment” under all circumstances. To share these principles and commitments among all Kuraray Group employees worldwide, the Compliance Handbook has been compiled containing the foregoing



Compliance Handbook

declaration by the President and explanations of the “Kuraray Group Code of Conduct” and distributed to all Group employees in Japan and overseas.

In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees. Since fiscal 2019, we have linked the timing of the activities of the regional compliance committee and Risk Management and Compliance Committee to raise awareness of compliance throughout the Group.



The Compliance Handbook is available on the website below:
<https://www.kuraray.com/csr/compliance>

■ Whistleblower System

The Kuraray Group has the Kuraray Group Employee Counseling Room in place for all employees of the Kuraray Group in Japan (including contract employees, temporary employees, and part-time employees) as a whistleblower system to prevent or detect and resolve compliance violations at an early stage.

In addition, we established the Global Compliance Hotline, which is available to all Group employees across the globe, in response to the rapid progress of globalization.

The whistleblower system handles all issues on compliance reported from employees, such as business transaction in general (e.g., bribery/corruption), violation of company rules, and personnel affairs, including respect for human rights and harassment.

As established by the Guideline for the Operation of the Kuraray Group Employee Counseling Room and the Guideline for the Operation of the Global Compliance Hotline, they can report anonymously and are protected from any disadvantageous treatment that may occur due to the report.

Number of Consultations at the Kuraray Group Employee Counseling Room Handled in Japan



Thorough Compliance Measures

■ Efforts to Comply with the Antimonopoly Act

We seriously and sincerely accept the gravity of the violations of the Antimonopoly Act on two recent occasions, consider compliance with the Antimonopoly Act to be one of the highest-priority management risks, make every effort to prevent recurrence through a range of measures, and are developing and strengthening compliance programs throughout the Kuraray Group.

In fiscal 2020, to establish an effective global system for complying with the Antimonopoly Law, we carried out measures at each of the Kuraray Group companies around the world, such as the establishment of related internal rules, education and training for officers and employees, risk assessments for each business, and audit of businesses that participate in bidding. From fiscal 2021 onward, the entire Kuraray Group will continue to ensure that the Antimonopoly Act Compliance Program is enforced and thoroughly monitor compliance systems in high-risk businesses and fields.

Status of implementation of priority measures in fiscal 2020

- Established and updated various internal rules regarding compliance with the Antimonopoly Act
- Assessed the Antimonopoly Law risks in each business
- Assessed the Antimonopoly Law risks through trading associations, etc.
- Conducted annual audits of public bid tenders
- Provided training for officers
- Hosted seminars for employees engaged in sales, etc.
- Applied the in-house leniency program for participants of the seminars and obtained a declaration from them to comply with the Antimonopoly Law
- Expanded the management rotation program for certain departments (in Japan only) in order to prevent the risk of fraud, including violation of the Antimonopoly Act

■ Anti-Bribery Initiatives

The development and strengthening of an anti-bribery program is an ongoing objective that must be addressed by the entire Kuraray Group, and we recognize it as a management risk. In the Kuraray Group Code of Conduct, action guidelines to prevent bribery and that cover the handling of donations and gifts are declared, and the basic policy against bribery is set forth in the Kuraray Group Global Anti-Bribery Policy. In accordance with these basic policies, each company of the Kuraray Group will focus on developing and operating an anti-bribery program, including the development of relevant internal rules, education, and training for officers and employees, and the evaluation and management of bribery risks conducted through third parties. We have signed the United Nations Global Compact and will continue to work to strengthen anti-corruption activities further.

■ Compliance Seminar

Since fiscal 2017, departmental compliance education and seminars have been provided once a year to all Group employees in Japan (including contract employees, temporary employees, and part-time employees) to improve communication and openness within the department. In fiscal 2020, the seminar was held on the Internet for managers of the Group companies in Japan due to the COVID-19 pandemic. Through dialogue with external lecturers, participants learned why it is necessary to foster awareness of compliance and aimed to speak about the importance of compliance in their own words to their subordinates. In the group discussion held in the latter half of the seminar, participants engaged in lively discussions on topics of high interest, such as new risks after COVID-19, information security, and harassment. Subsequently, the participants brought back the knowledge and awareness they had gained at the seminar to their departments. Through interactive departmental education, they sought to boost their understanding of compliance and improve communication.

Corporate Overview

Company Name	Kuraray Co., Ltd.
President and Representative Director	Hitoshi Kawahara
Established	June 1926
Head Office	Ote Center Building, 1-1-3, Otemachi, Chiyoda-ku, Tokyo 100-8115, Japan * We will relocate the Head Office to the following address in July 2021: Tokiwabashi Tower, 2-6-4, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
URL	https://www.kuraray.com
Capital	JPY89 billion
Employees (Consolidated)	11,219
Group Companies	78 consolidated subsidiaries, Two equity-method affiliates
Major Operations	United States, Germany, Belgium, China, Singapore

Stock Information

Securities Code	3405
Issued and Outstanding Shares	354,863,603 shares
Number of Shareholders	61,980
Domestic Stock Exchange Listing	Tokyo Stock Exchange
Shareholder Register Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8223, Japan
Independent Auditor	PricewaterhouseCoopers Aarata LLC

Kuraray Group Network

Domestic

Group Main Bases

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

Plants

- 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)

Laboratories

- Kurashiki Research Center (Kurashiki City, Okayama)
- Tsukuba Research Center (Tsukuba City, Ibaraki)

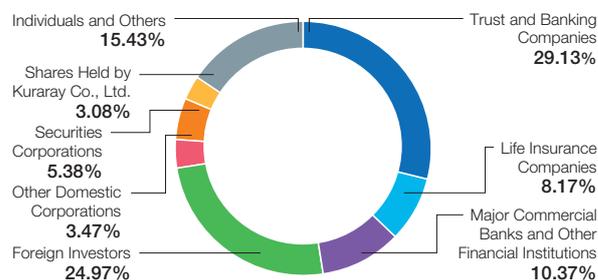


Major Shareholders

Name of shareholder	Number of shares held (thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,363
Custody Bank of Japan, Ltd. (Trust Account)	24,280
National Mutual Insurance Federation of Agricultural Cooperatives	10,882
Nippon Life Insurance Company	10,448
Custody Bank of Japan, Ltd. (Trust Account 7)	7,253
Meiji Yasuda Life Insurance Company	5,969
SMBC Nikko Securities Inc.	5,270
JP MORGAN CHASE BANK 385781	5,093
Kuraray Employee Stock Ownership Plan	4,965
Custody Bank of Japan, Ltd. (Trust Account 5)	4,891

Note: Kuraray Co., Ltd. holds 10,940,270 shares of treasury stock.

Shareholder Composition (Shareholding Ratio)



Overseas

Regional Headquarters

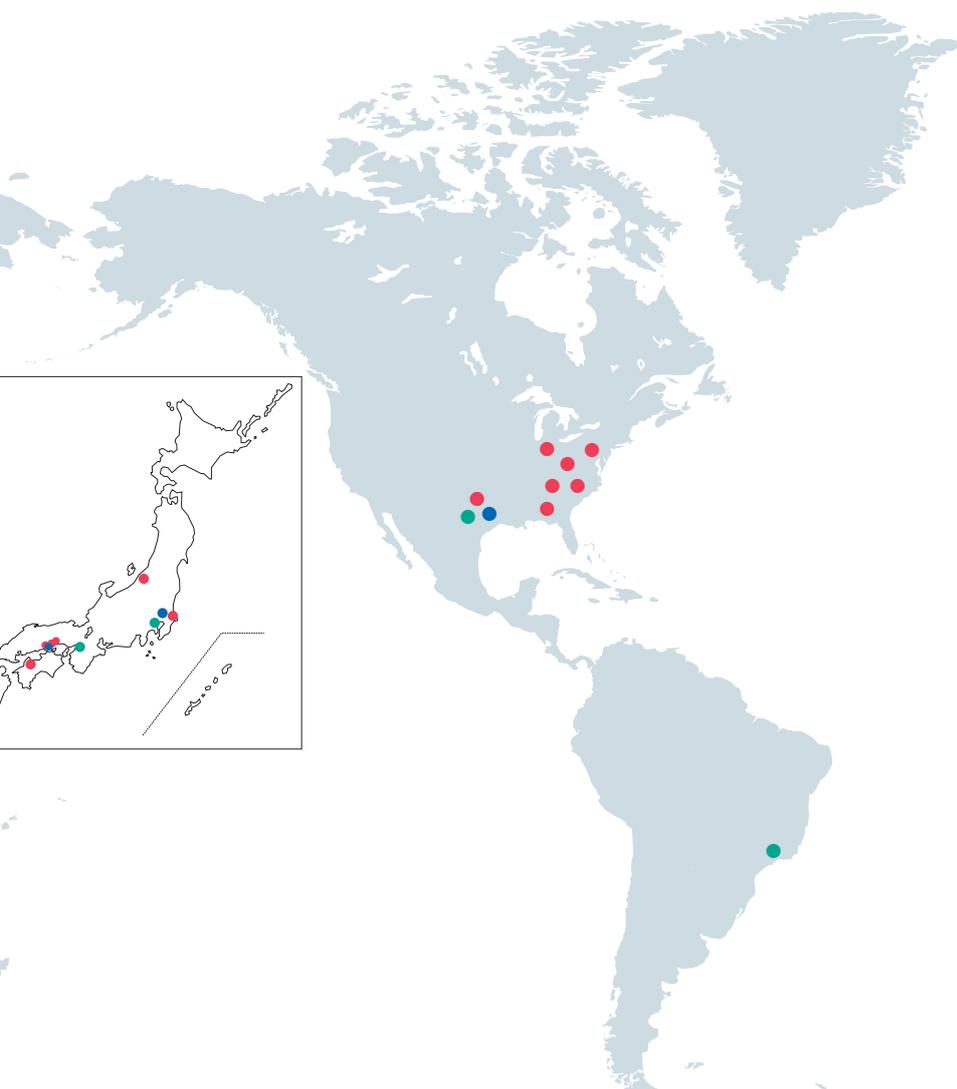
- Kuraray America, Inc. (Texas, U.S.A.)
- Kuraray Europe GmbH (Frankfurt, Germany)
- Kuraray Asia Pacific Pte. Ltd. (Singapore)
- Kuraray (Shanghai) Co., Ltd. (Shanghai, China)
- Kuraray Hong Kong Co., Ltd. (Hong Kong, China)
- Kuraray India Private Limited (New Delhi, India)
- Kuraray South America Ltda. (São Paulo, Brazil)
- Kuraray (Thailand) Co., Ltd. (Bangkok, Thailand)

Plants

- Kuraray America, Inc. (Texas, North Carolina, and West Virginia, U.S.A.)
- MonoSol, LLC (Indiana, U.S.A., Worcestershire, U.K.)
- Kuraray Europe GmbH (Frankfurt and Troisdorf, Germany)
- EVAL Europe N.V. (Antwerp, Belgium)
- Kuraray Europe Moravia s.r.o. (Czech Republic)
- OOO TROSIFOL (Nizhny Novgorod, Russia)
- Kuraray Asia Pacific Pte. Ltd. (Singapore)
- Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd. (Zhang Jia Gang, China)
- Kuraray Korea Ltd. (Ulsan, South Korea)
- Plantic Technologies Limited (Victoria, Australia)
- Calgon Carbon Corporation (Pennsylvania, Kentucky, and Mississippi, U.S.A., U.K., France, Italy, and other countries)

Laboratory

- KAI Corporate R&D (Texas, U.S.A.)





KURARAY CO., LTD.

Head Office: Ote Center Building, 1-1-3, Otemachi, Chiyoda-ku, Tokyo 100-8115, Japan

We will relocate the Head Office to the following address in July 2021:
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<https://www.kuraray.com>



Issued in May 2021

