[Translation for Reference and Convenience Purposes Only]

CORPORATE GOVERNANCE REPORT

Kuraray Co., Ltd.

Last Update: March 26, 2021
Kuraray Co., Ltd.
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The corporate governance of Kuraray Co., Ltd. (hereinafter "Kuraray" or the "Company") is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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 would 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 function centered on its Board of Directors and Board of Corporate Auditors to improve the effectiveness of supervisory and monitoring function while maintaining management efficiency and to handle issues including management remuneration, selection of new company officers, internal control and risk management.
Through the above establishment of function, the Company believes that the effectiveness of supervisory and monitoring function would be improved while maintaining management efficiency, contributing to the long term and sustainable enhancement of corporate value.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company appropriately complies with all the principles of the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1-4: Cross-Shareholdings]
<Policy on 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 to the business operation of the Company or a subsidiary of the Company (hereinafter "the Group"). Particularly, the Company carefully exercises such voting rights in a case where 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 5 stocks and part of 2 stocks of its cross-held listed 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 listed stocks 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.

[Principle 1-7: Related Party Transactions]
The Company stipulates that transactions with competitors held by a Director, transactions between the Company and a Director, and transactions involving any conflict of interests would require the approval of the Board of Directors.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]
Regarding the management of corporate pension funds of the Company, the Finance Department, which specializes in fund management, monitors management policy, method and status through an external management agency.

[Principle 3-1: Full Disclosure]
(i) Company objectives (e.g., business principles), management strategies and management plans
<Company objectives (e.g., business principles)>
Based on our history and moving towards the future, we at the Company develop our corporate activities by adhering to "Our Mission" that represents how the Group should act to meet the society's expectations and make contribution thereto, and act in accordance with "Our Values" and "Our Commitment."
[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.

The Company formulated "The Kuraray Group Code of Conduct" as our guiding principles by breaking down "Our Commitment" and ensures that the officers and employees of the Group are fully aware of it, of which implementation status is checked as necessary.

<Management strategies and management plans>

The Company also proceeded with its three-year medium-term management plan "PROUD 2020," which started in the fiscal year ended December 31, 2018.

The Company originally planned to formulate and announce a new medium-term management plan starting from the fiscal year ending December 31, 2021. However, the fallout from the COVID-19 pandemic has clouded the future outlook with regard to the global economy and the business environment surrounding the Group. The Company therefore determined to postpone the formulation of the new medium-term management plan for one year, and formulate a five-year medium-term management plan spanning from 2022 to 2026. A single-year management plan was formulated for 2021. Details of this plan have been announced on the Company's website.

(URL: https://pdf.irpocket.com/C3405/HTFv/pC1G/qCDG.pdf)

(ii) Basic views on corporate governance

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 would contribute to the long term and sustainable enhancement of corporate value.

(iii) Policies and procedures for determining the remuneration of Executives and Directors

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

The specific level and system of remuneration will be verified and deliberated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, on whether the level and system of remuneration are appropriate, based on the results of a survey by a specialized external research institution on executive remuneration covering companies such as those listed on the First Section of the Tokyo Stock Exchange, and the salary of the managers of the highest level in the Company. 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.

(iv) Policies and procedures for the election and dismissal of executives and 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 attendance of Outside Officers, and elect them as Corporate Auditors with the resolution of the General Meeting of Shareholders after obtaining the consent of the Board of Corporate Auditors. However, the candidates for Outside Corporate Auditors shall satisfy the criteria of independence provided separately.

The election and dismissal of Directors and the appointment and removal of Representative Directors and Directors with special titles are determined by the Board of Directors after deliberation at the aforementioned Corporate Advisory Committee.

(v) Explanations on the election and dismissal of executives and the appointment of each candidate for Director and Corporate Auditor

Regarding the reasons for nominating each candidate for Director and Corporate Auditor, please refer to the Notice of Convocation of the General Meeting of Shareholders.

[Supplementary Principle 4-1-1: Scope of the Matters Delegated to the Management]

The Company clearly defines the scope of the matters delegated to the management by specifying the matters to be judged and determined by the Board of Directors as matters to be discussed in the Board of Directors' Regulations.

[Principle 4-9: Independence Standards for Outside Officers]

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

(1) A business executive of the Group

(2) A counterparty which has transactions principally with the Group, or its business executive thereof

(3) A major business partner of the Group, or its business executive thereof

(4) A major lender of the Group, or its business executive thereof

(5) A counterparty that receives a large amount of donations from the Group, or its business executive thereof

(6) A major shareholder of the Company (who possesses 10% or more of the total voting right either directly or indirectly), or its business executive thereof

(7) A business executive of the party whose major investor (who possesses 10% or more of the total voting right either directly or indirectly) is the Group

(8) A consultant, certified public accountant or other accounting professional, attorney or other legal professional who receives a large amount of monetary or other assets from the Group other than the executive remunerations (in case of a legal entity, association or other organization, a person belonging thereto)

(9) A person who belongs to an accounting firm that conducts the statutory audit of the Company

(10) A person who has fallen under the above criteria (1) in the past ten years

(11) A person who has fallen under any of the above criteria (2) through (9) in the past three years

(12) A person whose position constitutes him/her as having an Outside Officer's interlocking relationship with the Group

(13) A relative of the persons listed in the above criteria (1) through (11)

2. Even in cases where a person falls under any of the above items, if the person is deemed to be appropriate for the post of an independent Outside Officer in light of his/her personality, knowledge and other qualities, the Company may appoint him/her as independent Outside Officer on the condition that the reasons why the person is deemed appropriate for the post are explained to the public.

[Supplementary Principle 4-11-1: Policies on the Structure and Size of the Board of Directors]

1. The Company's Board of Directors shall be comprised of the Directors with diverse backgrounds in their knowledge, experience and expertise, and the number of Directors shall not exceed twelve as prescribed in the Articles of Incorporation in order to enable swift and bold decision making.
2. In the light of the importance of the Outside Directors' functions in corporate governance, the Company stipulates that, in its Board of Directors, two or more independent Outside Directors shall be appointed to ensure transparency and fairness in its decision making.

   When appointing candidates for Directors pursuant to the above policies, the Company takes into consideration diversity, including gender and internationality, as well.

[Supplementary Principle 4-11-2: Status of Concurrent Posts Held by Directors and Corporate Auditors]

The Company regularly confirms the status of concurrent posts held by all of its Directors and Corporate Auditors at the Board of Directors meetings and is notified of the changes in such status in advance if any. The status of concurrent posts is also stated in the business report.

[Supplementary Principle 4-11-3: Analysis and Evaluation of the Effectiveness of the Board of Directors]

1. Analysis and Evaluation Method

The Company distributed "Questionnaire on Evaluation of the Effectiveness of the Board of Directors" (non-anonymous) 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 Structure of the Board of Directors
- Concerning Agenda of the Board of Directors
- Concerning 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 from 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.

[Supplementary Principle 4-14-2: Training Policy for Directors and Corporate Auditors]

1. The Company continuously provides lectures and trainings by the internal specialist team or outside experts to its Directors and Corporate Auditors at the time when they assume their offices or when needed thereafter, regarding the Company's management strategies, organization, financial status, legal compliance, corporate governance and other important matters.
2. The Company shall provide the summary of the business and organization of the Group to its Outside Officers at the time when they assume their offices or when needed thereafter, and create opportunities of the Company's on-site tour, etc. as needed.

[Principle 5-1: Policy for Dialogue with Shareholders]

1. The Company engages in constructive dialogue with shareholders and investors with an aim to maintain its growth and enhance its corporate value and the common interests of its shareholders over the mid-term.
2. In order to promote dialogue with shareholders and investors, the Company prepares a framework based on the following policies:
   (1) President or an officer responsible for investor and public relations deal with the interviews with shareholders to the extent reasonable.
   (2) President and an officer responsible for investor and public relations oversee the dialogue with shareholders and the measures related thereto.
   (3) An officer responsible for investor and public relations holds information exchange on a day-to-day basis among divisions responsible for corporate management planning, general affairs, finance, accounting and legal affairs to establish an organic coordination system.
   (4) In addition to holding individual interviews with shareholders and investors, the Company works for a full provision of information through financial briefing sessions, explanatory meeting on medium-term management plan and other means.
   (5) President or an officer responsible for investor and public relations report to the Board of Directors about the opinions and concerns obtained from the dialogue with shareholders and investors as necessary.
   (6) Insider information shall be strictly managed based on the internal regulations during the dialogue with shareholders and investors.

2. Capital Structure

Foreign Shareholding Ratio	20% to less than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	42,363,100	12.32
Custody Bank of Japan, Ltd. (Trust account)	24,280,300	7.06
National Mutual Insurance Federation of Agricultural Cooperatives	10,882,700	3.16
Nippon Life Insurance Company	10,448,963	3.04
Custody Bank of Japan, Ltd. (Trust account 7)	7,253,900	2.11
Meiji Yasuda Life Insurance Company	5,969,412	1.74
SMBC Nikko Securities Inc.	5,270,100	1.53
JP MORGAN CHASE BANK 385781	5,093,660	1.48
Kuraray Employee Stock Ownership Plan	4,965,066	1.44
Custody Bank of Japan, Ltd. (Trust account 5)	4,891,700	1.42

Controlling Shareholders (excluding Parent Company)	—
Parent Company	None

Supplementary Explanation

The information above is the status of major shareholders as of December 31, 2020.
In addition to those stated in the Status of Major Shareholders, there are 10,940,270 shares of treasury stock (percentage: 3.08%) owned by the Company as of the same date.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Terms of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Jun Hamano	From another company										○	
Keiko Murata	Academic											○
Satoshi Tanaka	From another company								△			○
Kiyoto Ido	From another company											○

* Categories for "Relationship with the Company"
* "○" When the person currently falls or has recently fallen under the category
"△" When the person fell under the category in the past
* "●" When a close relative of the person currently falls or has recently fallen under the category
"▲" When a close relative of the person fell under the category in the past
a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director
g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which the Company's Outside Directors/Corporate Auditors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Jun Hamano	○	Mr. Jun Hamano is concurrently serving as President of The Ohara Memorial Institute for Science of Labour. The Ohara Memorial Institute for Science of Labour was established by Mr. Magosaburo Ohara, the Company's first president, in 1921 with the purpose of promoting sound business management, enhancing the welfare of the laborers and contributing to the improvement and development of social welfare. As a part of its CSR activities, the Company pays annual membership fee to support the research activities of the Institute. The amount of annual payment of the said membership fee is less than 1 million yen.	Mr. Jun Hamano has been appointed as Outside Director based on the judgment that his wealth of experience and broad insight gained through economic administration and other roles at the Economic Planning Agency of Japan and the Cabinet Office would allow him to provide objective opinions and suggestions that are useful for the Company's management. In addition, he has been designated as Independent Director based on the judgment that there would be no conflict of interest with ordinary shareholders.
Keiko Murata	○	—	Ms. Keiko Murata has been appointed as Outside Director based on the judgment that her experience in economic administration and analysis of Japan and overseas at the Cabinet Office, and deep insight as a professor of Graduate School of Tokyo Metropolitan University would allow her to provide opinions and suggestions that would be useful for helping to

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
			improve the Company's management and corporate value. In addition, she has been designated as Independent Director based on the judgment that there would be no conflict of interest with ordinary shareholders.
Satoshi Tanaka	○	Mr. Satoshi Tanaka has served as Representative Director, Executive Vice President and in other positions of Mitsui & Co., Ltd. in the past. The sales of Mitsui & Co., Ltd. to the Company for the most recent fiscal year were less than 0.2% of Mitsui & Co., Ltd.'s revenue for the same period.	Mr. Satoshi Tanaka has been appointed as Outside Director based on the judgment that his wealth of experience and broad insight gained through his service as Director responsible for the Corporate Staff Unit and Representative Director of Mitsui & Co., Ltd. would allow him to provide opinions and suggestions that would be useful to the Company's management. In addition, he has been designated as Independent Director based on the judgment that there would be no conflict of interest with ordinary shareholders.
Kiyoto Ido	○	—	Mr. Kiyoto Ido has been appointed as Outside Director based on the judgment that his wealth of experience in economic administration gained at the Ministry of Finance of Japan, etc., and broad insight which were developed through international experiences at the Ministry of Foreign Affairs and other professional research institutions would allow him to provide opinions and suggestions that would be useful to the Company's management. In addition, he has been designated as Independent Director based on the judgment that there would be no conflict of interest with ordinary shareholders.

A Discretionary Committee Corresponding to a Nomination Committee or Remuneration Committee	Yes

Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	The Corporate Advisory Committee	8	0	1	4	2	1	Internal Director
Committee Corresponding to Remuneration Committee	The Corporate Advisory Committee	8	0	1	4	2	1	Internal Director

Supplementary Explanation

The Company has established "Corporate Advisory Committee" comprised mainly of Outside Officers and outside experts, as an advisory organ to the Board of Directors, with a view to enhancing transparency, fairness and objectively in decision making concerning important matters of management, 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, and meetings are chaired by the Chairman and Director of the Company.

[Corporate Auditors]

Establishment of the Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	5

Cooperation among Corporate Auditors, Accounting Auditors, and Internal Audit Department

The Corporate Auditors regularly have meetings with the Accounting Auditor receive reports on audit planning, implementation status and audit content. Also, the Corporate Auditors receive reports on internal audit results by the Internal Auditors Office (consisting of eleven members). The Corporate Auditors also serve as corporate auditors of core subsidiaries to conduct subsidiary audits as needed and attend periodic Group Auditor Liaison Meetings consisting of the subsidiary auditors to deepen their understanding of each company.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3
Number of Independent Corporate Auditors	3

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mitsuhiro Nagahama	From another company										△			
Tomomi Yatsu	Attorney at law													○
Kenji Komatsu	From another company													○

* Categories for "Relationship with the Company"
* "○" When the person currently falls or has recently fallen under the category
"△" When the person fell under the category in the past
* "●" When a close relative of the person currently falls or has recently fallen under the category
"▲" When a close relative of the person fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting adviser of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate Auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Corporate Auditor
i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Corporate Auditor himself/herself only)
k. Executive of a company, between which the Company's Outside Directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Mitsuhiro	○	Mr. Mitsuhiro Nagahama has	Mr. Mitsuhiro Nagahama has

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Nagahama		served as Chairman and in other positions of Mizuho Securities Co., Ltd. in the past. The sales of Mizuho Securities Co., Ltd. to the Company for the most recent fiscal year were less than 0.1% of Mizuho Securities Co., Ltd.'s net sales for the same period. Furthermore, Mr. Mitsuhiro Nagahama has served as Deputy President and in other positions of Mizuho Bank Ltd. (formerly: Mizuho Corporate Bank, Ltd.) in the past. The balance of loans outstanding from Mizuho Bank, Ltd. to the Company for the most recent fiscal year was less than 2% of the Company's consolidated total assets for the same period.	been appointed as Outside Corporate Auditor because he has a wealth of experience at financial institutions and broad insight, as well as track record at other companies as outside auditor. In addition, he has been designated as Independent Corporate Auditor based on the judgment that there would be no conflict of interest with ordinary shareholders.
Tomomi Yatsu	○	———	Ms. Tomomi Yatsu has been appointed as Outside Corporate Auditor because she has broad insight as a certified public accountant and attorney at law and a wealth of experience as outside officer of other companies. In addition, she has been designated as Independent Corporate Auditor based on the judgment that there would be no conflict of interest with ordinary shareholders.
Kenji Komatsu	○	———	Mr. Kenji Komatsu has been appointed as Outside Corporate Auditor because he has track records in management at many other companies both domestically and internationally, and he has a wealth of experience and broad insight developed through his career. In addition, he has been designated as Independent Corporate Auditor based on the judgment that there

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
			would be no conflict of interest with ordinary shareholders.

[Independent Directors/Corporate Auditors]

Number of Independent Directors/ Corporate Auditors	7

Matters relating to Independent Directors/Corporate Auditors

The Company has appointed all Outside Officers as Independent Directors /Corporate Auditors, insofar as they meet the qualifications thereof.

[Incentives]

Status of the Measures Regarding Incentives for Directors	Introduction of a Performance-linked Remuneration System, Other

Supplementary Explanation

(1) Introduction of a performance-linked remuneration system: the Company abolished the prior bonus scheme to Directors and introduced a performance-linked remuneration system in July 2006, thereby strengthening the incentive for increasing 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 remunerations 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.

(2) 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 consolidated 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 the position of each Director. 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.

(3) Introduction of a restricted stock compensation plan: 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 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.

No further stock options will be granted under the stock option scheme abolished in March 2021. However, the exercise of previously-granted stock options held by Directors and Executive Officers on retirement will continue until such time as all Directors and Executive Officers currently holding stock options have retired.

Recipients of Stock Options	

Supplementary Explanation

[Director's Remuneration]

Disclosure of Individual Director's Remuneration	No Individual Disclosure

Supplementary Explanation

Details of the disclosure status are as follows:

・Total amount of remuneration paid by classification, amount of monetary remuneration paid by type of remuneration, and the number of eligible Directors and Corporate Auditors, as well as the method for determining the remuneration, etc. for Directors and Corporate Auditors are disclosed on the securities report.

(Reference) Page 40 of the securities report dated March 25, 2021 for the 140th fiscal period (Status of corporate governance (Remuneration, etc. for Directors and Corporate Auditors))

https://pdf.irpocket.com/C3405/HRxf/Re9w/XtUK.pdf (Japanese Only)

・Total amounts of remuneration by classifying Internal Director and Outside Director, and number of Directors and Corporate Auditors paid are disclosed on the business report.

(Reference) Page 42 of Notice of Convocation of the 140th Ordinary General Meeting of Shareholders (Total Amounts of Remuneration, etc., Paid to Directors and Corporate Auditors)

https://pdf.irpocket.com/C3405/pJa6/U1SS/UrIu.pdf

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Details of the policy on determining remuneration amounts paid to Directors and the method for determination are as follows:

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

・ Type of remuneration paid to Directors

Remuneration to Directors is comprised of monetary remunerations (fixed remuneration by position and performance-linked remuneration) and restricted stock compensation.

・ Maximum amount of annual remunerations to Directors

Regarding the maximum amount of annual remunerations to Directors of the Company, the following was resolved at the 125th Ordinary General Meeting of Shareholders of the Company held on June 28, 2006 and the 140th Ordinary General Meeting of Shareholders of the Company held on March 25, 2021.

<1> Amount of annual remunerations to Directors: ¥800 million or less resolved at the 131st Ordinary General Meeting of Shareholders

<2> Amount of restricted stock compensation to Directors (aside from <1> above): ¥90 million or less, up to 60,000 shares each year, resolved at the 140th Ordinary General Meeting of Shareholders

・ Calculation method of remuneration, etc. paid to Directors

The calculation method of the remuneration by type is as follows. The Corporate Advisory Committee led by Outside Directors, Outside Corporate Auditors and outside experts evaluates the amount of remuneration, calculated based on the calculation method described below, from an objective standpoint, and reports back to the Board of Directors. The Board of Directors determines the amount of remuneration for each Director after giving due consideration of the contents of this report.

Fixed remuneration by position: Fixed remuneration by position, in principle, is the amount obtained by multiplying the amount of fixed remuneration by position for the President which serves as the basis with the coefficients predetermined according to each position. The fixed monthly remuneration of the President is approximately six times the regular monthly salary of the managers of the highest level.

Performance-linked remuneration: Net income attributable to owners of the parent (before deducting performance-linked remuneration (bonus)) is the index for calculating the performance-linked remuneration as it is a clear indicator of the results of business operations and corporate management. 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 by 0.75/1000. The performance-linked remuneration for Directors shall be determined by multiplying the said amount by a predetermined index corresponding to the position of each Director. Moreover, 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. Performance-linked remuneration is not paid to Outside Directors.

Restricted stock compensation: A number of shares shall be allotted in consideration of the responsibilities of the President and the level of remuneration at other companies. The plan is designed so that those in higher positions receive more allotment of shares. Restriction on transfer is to be lifted at the time of retirement.

(Reference) Page 40 of the securities report dated March 25, 2021 for the 140th fiscal period (Status of corporate governance (Remuneration, etc. for Directors and Corporate Auditors))
https://pdf.irpocket.com/C3405/HRxf/Re9w/XtUK.pdf (Japanese Only)

[System for Supporting Outside Officers]

The information is shared among Outside Officers through distributing and explaining in advance the proposals to be deliberated at the regular and extraordinary meetings of the Board of Directors. Three members of Secretariat Group, General Affairs Department assist in the sharing of this information to the Outside Directors. The Company appoints staff for Corporate Auditor to assist Corporate Auditors including Outside Corporate Auditors. The staff collects and provides information necessary for auditing activities and offers other forms of support.

[Status of Retired Representative Directors and Presidents, etc.]

Status of retired Representative Directors and Presidents, etc.	Recorded

Names, etc. of Advisers and Counselors, etc. Formerly Served as Representative Directors and Presidents, etc.

Name	Position	Responsibilities	Form and Conditions of Work (Full-time/Part-time; Compensation, etc.)	Date of Retirement as President, etc.	Term of Employment
Yasuaki Wakui	Senior Adviser	Chairman, etc. of affiliates, etc. with an emphasis on social contribution; social contribution activities, etc. (not involved in management)	Form of work: Full-time Compensation: Yes	June 21, 2013	Definite

Total number of Advisers, etc. formerly served as Representative Directors and Presidents, etc.: 1

Other matters

Mr. Yasuaki Wakui serves as a chairman or a member of the board at affiliates with an emphasis on social contribution such as hospitals and an art museum, etc., and provides them with management guidance.

He is not involved in the Company's business execution or supervision.

His term of office has been changed from previous lifetime appointment to no more than nine years after his retirement as a Director due to regulatory revision.

2. Matters on Functions of Business Execution, Auditing, Oversight, and Decision-Making of Nomination and Remuneration (Overview of Current Corporate Governance System)

(1) Board of Directors and business execution body

The Board of Directors (convenes at least once a month), according to the Board of Directors' Regulations, deliberates and decides important management matters, including legal matters, and supervises the execution of business. The Board of Directors is chaired by the Chairman and Director. The maximum number of Directors is 12 in order to promote agile management decision-making by the Board of Directors, and the term of office is one year to clarify their responsibilities to the shareholders. There are currently 12 incumbent Directors, including one female and one foreign national. Four Outside Directors have a wealth of experience in and broad insight into economics, finance, and management, and assume the function of managerial oversight from an independent third-party standpoint.

No personal, capital, transactional or other relationship that would present a conflict of interest exists between the Company and the Outside Directors.

・ Mr. Jun Hamano supervises the management from an objective standpoint as Outside Director and is providing opinions and suggestions based on his wealth of experience and broad insight gained through economic administration and other roles at the Cabinet Office, etc.

・ Ms. Keiko Murata supervises the management as Outside Director and is providing opinions and suggestions based on her experience in economic administration and analysis of Japan and overseas at the Cabinet Office and deep insight as a professor of Graduate School of Tokyo Metropolitan University.

・ Mr. Satoshi Tanaka supervises the management from an objective standpoint as Outside Director and is providing opinions and suggestions based on his wealth of experience and board insight gained through his service as Director responsible for the Corporate Staff Unit and Representative Director of Mitsui & Co., Ltd. The sales of Mitsui & Co., Ltd. to the Company for the most recent fiscal year were less than 0.2% of Mitsui & Co., Ltd.'s revenue for the same period.

・ Mr. Kiyoto Ido has been appointed as Outside Director because of wealth of experience in economic administration gained at the Ministry of Finance of Japan, etc., and broad insight which were developed through international experiences at the Ministry of Foreign Affairs and other professional research institutions.

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 contracts shall be the amount stipulated in laws and regulations. However, the aforementioned liability limitation shall be applied only in cases where 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 the execution of business in 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 and supervision on the management, from the responsibilities 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.

(2) Board of Corporate Auditors and Internal Audit

The Board of Corporate Auditors consists of five Corporate Auditors, of which four are males and one is female, and three of them are independent Outside Corporate Auditors, the majority thereof. The Outside Corporate Auditors have a wealth of experience and broad insight into areas such as finance, law and management, and assume an auditing function from an independent third-party standpoint.

No personal, capital, transactional or other relationship that would present a conflict of interest exists between the Company and the Outside Corporate Auditors.

・Mr. Mitsuhiro Nagahama has a wealth of experience at financial institutions and broad insight, and conducts audit as Outside Corporate Auditor based on his track record as outside auditor of other companies.

・Ms. Tomomi Yatsu conducts audits as Outside Corporate Auditor based on her broad insight as a certified public accountant and attorney at law and her wealth of experience as outside officer of other companies.

・Mr. Kenji Komatsu conducts audits as Outside Corporate Auditor based on his track records in management at many other companies both domestically and internationally, and a wealth of experience and broad insight developed through his career.

Corporate Auditors attend meetings of the Board of Directors and other important meetings, and monitor the Directors' execution of duties through inquiries conducted by such means as the examination of important

documents and requests for explanations of the state of business affairs. In principle, the Board of Corporate Auditors convenes monthly.

The Corporate Auditors regularly have meetings with the Accounting Auditor receive reports on audit planning, implementation status and audit content. Also, they receive reports on internal audit results by the Internal Auditors Office (consisting of eleven members). The Corporate Auditors also serve as corporate auditors of core subsidiaries to conduct subsidiary audits as needed and attend periodic Group Auditor Liaison Meetings consisting of the subsidiary auditors to deepen their understanding of each company.

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into contracts with Corporate Auditors which limit their liability for damages under Article 423, Paragraph 1 of the same Act. The maximum liability amount under such contracts shall be the amount stipulated in laws and regulations. However, the aforementioned liability limitation shall be applied only in cases where such Corporate Auditors executed their duties in good faith and without gross negligence.

In addition, staffs for corporate auditors are appointed to assist the duties of Corporate Auditors.

(3) Status of Accounting Auditor

No special interests exist between the Company and the Accounting Auditor, PricewaterhouseCoopers Aarata LLC, or the engagement partners of the auditing firm who audit the Company. In addition, the auditing firm voluntarily takes steps to ensure the engagement partners are not involved in audits of the Company for longer than the prescribed period of time. The names of the certified public accountants who engaged in the duties of accounting auditor and the composition of assistants of audit engagement during the fiscal year ended December 31, 2020 were as follows:

Names of the certified public accountants who engaged in the duties of accounting auditor:
Designated limited liability partners: Masahiko Hagimori (continuous audit years: 3 years) / Kazuaki Sekine (continuous audit years: 1 year)

Composition of assistants of audit engagement:
Six certified public accountants; five employees who have passed the qualification exam for accountants; and nine other staff

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the structure of “a company with the board of corporate auditors,” whereby the fairness and transparency in the management is deemed to be secured, by having Outside Corporate Auditors who offer a wealth of management experience and professional knowledge added to the existing structure where Outside Directors are elected to provide valuable opinions and suggestions to the management also from an objective perspective.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	We dispatch the notification of General Shareholder Meeting, in principle, three weeks prior to the meeting. The convening notice for the 140th Ordinary General Meeting of Shareholders (held on March 25) was dispatched on March 3.
Scheduling of General Meeting of Shareholders Avoiding the Peak Day	We hold the General Meeting of Shareholders in March to avoid the peak season of other companies' shareholders meetings.
Electronic Exercise of Voting Rights	The exercise of voting rights via electromagnetic means has been introduced from the 126th Ordinary General Meeting of Shareholders held on June 20, 2007.
Participation in Electronic Voting Platform	An electronic voting rights exercise platform for institutional investors operated by ICJ, Inc. (Investors Communication Japan) can be used.
Provision of the Convocation Notice in English	The convening notice of the General Meeting of Shareholders is prepared in English and posted on the Company's website and the electronic voting rights exercise platform.
Other	Video of the General Meeting of Shareholders is available on the Company's website on the following day of the meeting. From the 135th Ordinary General Meeting of Shareholders held on March 29, 2016, the convening notice for the General Meeting of Shareholders was posted on the Company's website prior to dispatching by postal mail.

2. IR Activities

	Supplementary Explanation	Presentation by Representatives
Preparation and Publication of Disclosure Policy	Disclosure policies were prepared and announced in 2007. It is currently disclosed on the Company's website: https://www.kuraray.com/disclosure	
Regular Investor Briefings for Individual Investors	Investor briefings for individual investors are held as needed.	None
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds meetings for analysts and institutional investors, including conference calls, four times a year. Audio and video archives of such meetings are available (English version also available) on the Company's website on the same or next day to eliminate the information gap between the analysts and institutional investors who can attend the briefings and	Available

	Supplementary Explanation	Presentation by Representatives
	those including individual investors who cannot due to location in remote areas.	
Regular Investor Briefings for Overseas Investors	The Company holds investor briefings in Europe, the United States, and Asia three times or thereabouts a year in principle. The Company also participates in conferences held by securities companies several times a year.	None
Posting of IR Materials on Website	In addition to financial results, materials for timely disclosure, press releases, videos and materials of the results briefings, explanatory materials of medium-term management plan, integrated reports, status of corporate governance and stock information, etc., other materials such as dividend policy, past business performance data, contents to provide the Company's overview and other materials are posted for the convenience of investors.	
Establishment of Department and/or Manager in Charge of IR	IR-related services are handled by Corporate Communications Department, Corporate Management Planning Office.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Internal rules for respecting the position of stakeholders are set forth in "Our Commitment" and "The Kuraray Group Code of Conduct" and have been announced.
Implementation of Environmental Activities and CSR Activities, etc.	In 2003, Kuraray instituted the CSR Committee to bolster its CSR promotion structure. Currently, the CSR Committee maintains six working teams under its umbrella (environmental conservation, global warming countermeasures, quality assurance and product safety, philanthropy, workplace environment and information management) and an organizational structure that takes coordinated and flexible action as necessary. Results of such activities are disclosed in the Kuraray Report (an integrated report) and on the Company's website on an annual basis. In 2020, the Company declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and became a signatory of the United Nations Global Compact (UNGC). By clearly stating its corporate position through these initiatives, the Company will further promote sustainability management based on the Kuraray Group's Corporate Statements, and continue helping to realize a sustainable society.
Development of Policies on Information Provision to Stakeholders	The policies on information provision to stakeholders are set forth in the Disclosure Policy of the Kuraray Group and the Company Disclosure Guidelines.

	Supplementary Explanation
Other	Policies on and measures for promoting diversity: By formulating the Kuraray Group Global Human Resources (HR) Policy, the Company is promoting the employment of a diverse workforce encompassing not only females but also foreign national, persons with disabilities and seniors under the policies to ensure non-discrimination on any ground such as gender, race and nationality, and to respect diversity and individuality (Transferring contract workers to full-time permanent employees is also actively underway.) With the establishment of the Act to Partially Amend the Act on Promotion of Women's Participation and Advancement in the Workplace on May 29, 2019, we formulated and announced the business owner action plan with the purpose of raising the ratio of women among newly-recruited employees by 10% or more compared to December 31, 2019, in both the EC (general) and FL (clerical) streams, by December 31, 2024. The Company has also established a goal of increasing the number of employees utilizing the teleworking system during the fiscal year ending December 31, 2024 by a factor of five or more compared to the fiscal year ended December 31, 2019. In this way, we aim to ensure that all employees will be able to develop careers inclusive of promotion, advancement, and broader range of positions, while balancing work with childcare, nursing care, and other household chores. To establish a professional environment that enables a diverse workforce to thrive, we have been creating mechanisms that enable everyone to continue their careers even when contending with various life events (family circumstances). For instance, we have made arrangements for flexible working styles, such that include flextime, and have also established a scheme through which the employees are given temporary leave, allowing them to accompany their spouse when their spouse is assigned to overseas posts, and a comeback recruitment system for corporate alumni. Under the workplace management with the focus on work-life balance, an average of 152 hours of overtime are worked by employees each year (approximately 13 hours per month), while the rate of taking yearly paid vacations is approximately 80%.

IV Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and the Progress of System Development

(Basic Views on the Internal Control)

Recognizing that developing and operating the internal control system is an important management issue, the Group has determined at its Board of Directors the Basic Policy for Establishment of an Internal Control System as following:

1. Systems to ensure compliance of execution of duties of Directors and employees with laws, regulations and the Articles of Incorporation
   (1) The Board of Directors, based on the Articles of Incorporation, Regulations of Board of Directors, and other internal regulations, will make decisions concerning important management items of the Group, in addition to supervising the execution of duties by Directors and Executive Officers. To strengthen the supervisory functions of the Board of Directors, two or more Outside Directors will be elected.
   (2) The Company has established "Corporate Advisory Committee" mainly comprised of Outside Officers and outside experts, as an advisory organ to the Board of Directors, with a view to enhancing transparency, fairness and objectivity in decision making concerning important matters of management, including nomination and remuneration of Directors.
   (3) To promote corporate activities from the standpoint of CSR, a CSR Committee will be established, which reports to the Executive Committee.
   (4) Policies regarding compliance with laws and regulations will be defined as The Kuraray Group Code of Conduct. In order to conduct systematic development and operation of a compliance structure as the Group, a Risk Management and Compliance Sub Committee will be established, which reports directly to the President.
   (5) As an internal reporting point for discovering unfair and illegal actions and unethical actions within the Group at an early stage and aiming for independent resolution, a Group Employee Counseling Room and the Global Compliance Hotline will be established. In addition, a Corporate Auditor Hotline will be established as an internal reporting point independent of the management.
   (6) As a prevention measure against the violation of the antitrust laws, regular education and training will be held for executives and employees from each Group company, raising awareness of the internal guidelines regarding the antitrust laws and conducting regular monitoring of the compliance status.
   (7) The Internal Auditors Office, in compliance with the Internal Audit Regulations, will audit the conditions of business execution within the Group.
   (8) Based on the Financial Instruments and Exchange Act, an internal control system will be established to ensure propriety of financial reporting, and will be operated appropriately.
   (9) The Kuraray Group Code of Conduct will prescribe that the Group will deal with Anti-social forces and groups in a firm manner, and will not have any association with such forces and groups, thoroughly disseminating the rules throughout the Group.
2. Systems concerning storage and management of information regarding execution of duties of Directors
   Records regarding execution of duties of Directors such as approval documents, request documents, etc., and minutes and materials of General Meetings of Shareholders, Meetings of Board of Directors, and other main meetings will be stored and managed appropriately in accordance with laws and regulations and

internal regulations.

3. Regulations and other systems regarding management of risk of loss
   (1) Based on the Group Risk Management Regulations, systematic risk management will be conducted throughout the Group.
   (2) Based on the Company Emergency Headquarters Operational Regulations, in the event of a significant crisis regarding the business activities of the Group, the Company Emergency Headquarters will be established headed by the President to deal with the issue.
   (3) Assuming a significant crisis such as a large-scale natural disaster, etc., a business continuity plan (BCP) will be defined on a per-division basis to minimize any interruption of business, and the BCP will be reviewed regularly.

4. Systems to ensure efficient execution of duties by Directors
   (1) For decisions made by the President or requests of approvals by the Board of Directors regarding significant management items of the Group, preemptive deliberations will be held by the Executive Committee and various committees, aiming for swift management decision-making and efficient business execution.
   (2) Authority to operate businesses as managers of Companies, Divisions, and key organizations will be delegated to Executive Officers, etc., appointed by the Board of Directors, and execution of business at each organization will be made in an appropriate and efficient manner.

5. Systems to ensure the propriety of business operations at the corporate group, composed of the Company and subsidiaries
   (1) Business operation of each Group company will be conducted according to the management policies of the Group as a whole, as defined in the medium-term management plan and annual management plan. Based on the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, each Group company will seek approval and report to the Board of Directors or Executive Committee of the Company concerning important items.
   (2) Decision-making standards will be defined for each Group company within the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, and will be managed appropriately and efficiently. Additionally, to promote unified operations through aiming for communication of views within the Group, a liaison meeting will be held as required between the President of the Company and the Presidents of each Group company.
   (3) Based on The Kuraray Group Code of Conduct, the system will be put in place to enable appropriate execution of duties by Directors and employees of each Group company. In addition, officers will be seconded from the Company to each Group company, to supervise business execution by Directors and employees of each company, and the Internal Auditors Office will conduct internal audits in accordance with the Internal Audit Regulations.

6. Independence from Directors of employees assisting the duties of Corporate Auditors and items regarding ensuring the effectiveness of instructions given to these employees
   Staff for Corporate Auditor will be assigned to assist the duties of Corporate Auditors. Staff for Corporate Auditor will receive direction and orders from Corporate Auditors, and concerning personnel affairs and salary of Staff for Corporate Auditor, decisions will be made after deliberations between the Director supervising personnel affairs and the Corporate Auditor.

7. Systems regarding reporting to Corporate Auditors of the Company and systems to ensure persons who make reports do not receive detrimental treatment as a result of making a report
   (1) Corporate Auditors will attend Meetings of Board of Directors and receive reports concerning conditions of business execution at the Company and each Group company through liaison meetings,

etc., with Presidents of significant subsidiaries.

(2) The Internal Auditors Office will periodically report to the Board of Corporate Auditors concerning conditions of internal audits at the Company and each Group company.

(3) Upon discovering important issues regarding significant violations of laws and regulations or other compliance issues, Directors and officers of the Company and each Group company will swiftly report to Corporate Auditors. Corporate Auditors may request reports regarding these items as required from employees of the Company and the Group.

(4) Employees of the Company and each Group company can notify Corporate Auditors of these matters using the Corporate Auditor Hotline.

(5) Regarding persons who make the above reports and notifications, internal regulations will stipulate that persons who make reports do not receive detrimental treatment on the grounds of making the report.

8. Items regarding prepayment of expenses, procedures for reimbursement, and policies regarding processing of other expenses and liabilities arising from execution of duties by Corporate Auditors
When Corporate Auditors request prepayment or reimbursement, etc., for expenses arising during the course of execution of duties, unless the contents are especially unreasonable, payment will be processed without delay.

9. Other systems to ensure that audits by Corporate Auditors are made effectively
In order to exchange opinions regarding challenges facing the Company, important audit issues, etc., Corporate Auditors will periodically meet with the Representative Directors, and implement interviews with Directors, Executive Officers, and important employees.

(Progress of the System Development for Internal Control and Risk Management in the fiscal year ended December 31, 2020)

1. Initiatives relating to compliance

(1) To work toward improving compliance awareness, workshop-style online seminars were implemented for Section Managers (including Group Leaders) or higher at domestic Group companies, and each Manager or Section Manager subsequently implemented training for employees in their respective divisions.

(2) To establish an effective Antimonopoly Act compliance system, the Company has been developing and strengthening a compliance program across the entire Kuraray Group. In fiscal 2020, the Company evaluated and reviewed the compliance program for the Group companies in Japan and overseas, taking various measures including the development of relevant internal regulations, education and training of officers and all sales staff, risk assessment by business segment, and audit of divisions that participate in bidding.

(3) The Internal Auditors Office implemented an assessment on the development and operation status of an internal control system (J-SOX) to ensure propriety of financial reporting of the Company and the Kuraray Group. Results of the assessment were audited by PricewaterhouseCoopers Aarata LLC, and was reported to the Board of Directors. As teleworking has become more common during the COVID-19 crisis, we considered new ways of approval that require no paper or seal with the audit firm.

2. Initiatives relating to risk management

(1) Self-assessment of risks was implemented at each domestic and overseas organization based on the Kuraray Group Risk Management Regulations. Following discussions at the Risk Compliance Committee, the President specified significant business risks and appointed supervisors in charge

of each risk in order to implement measures to avoid and reduce such risks.
In November 2020, we identified the following items as priority issues in the Kuraray Group risk management for fiscal 2021.

i. To mitigate risks of occupational incidents, conduct an overall inspection especially of overseas plants from administrative aspects (operational management, facility management) including not only safety design but also human resources development, and establish effective measures to address identified issues.
ii. Establish a globally-unified system for managing confidential information, and steadily strengthen initiatives for maintaining data.
iii. Ensure the reliable operation of the Antimonopoly Act compliance program established globally and eliminate the possibility of recurrence.
iv. Taking into account emergency response to COVID-19, thoroughly implement measures including those for infection prevention and control and ensure business continuity under the pandemic.

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

3. Initiatives relating to internal control of the corporate group

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

4. Initiatives relating to audit systems of Corporate Auditors

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

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

The Group declares in Corporate Statement, "Our Commitment" how the Group fulfills its accountability and responds to the expectation from the society in regard with the diverse connections to the society. In the Kuraray Group Code of Conduct, which embodies "Our Commitment," we have pledged that we take a resolute stance against, and will not associate with, anti-social groups or organizations. In order to ensure

that its Directors and employees comply with this code of conduct, the Company strives to familiarize them with this code through creating and distributing Kuraray Group Compliance Handbook, which offers explanations of the Kuraray Group Code of Conduct, and holding training on corporate ethics. In addition, the Company separately stipulates the prohibition of illegal profit offering and handling of donations, etc. and is working on educational activities on a Group-wide basis to maintain a sound relationship with the society. In case of any unreasonable demands, etc. made by anti-social forces, the Company has a system in place whereby General Affairs Department of the Head Office, the responsible division, collects and collates information, and Manager of General Affairs Department deals with the case as a person in charge of preventing unreasonable demands through coordinating with the relevant external authorities including the police and attorneys.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

2. Other Matters concerning Corporate Governance System

1. Basic Stance toward Disclosure

With our mission of “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,” the Group is striving to enhance its corporate value. Under this mission, our basic stance toward disclosure is to fulfill our accountability to the society through timely and sufficient disclosure of information.

Our basic policy on disclosure is to strictly control the corporate confidential information while at the same time actively disclosing information as a corporate group that is open to society through implementing the principles of “We will maintain a sound relationship with society through good communication” and “We will honor all intellectual property and secure data and information in a proper manner” both stipulated in our commitment (comprised of six principles).

In accordance with the Disclosure Policy of the Kuraray Group which is a written outline of such basic stance and the Company Disclosure Guidelines specifying the principles and practice of disclosure, the Company has established the internal system as following in order to accurately execute the disclosure of “corporate information required for disclosure” (hereinafter, “important corporate information”) as set forth in the rules of the Tokyo Stock Exchange for timely disclosure.

2. The Timely Disclosure System of the Company’s Information

(1) Organization in charge of disclosure

Corporate Communications Department, Corporate Management Planning Office takes charge as the division responsible for the disclosure of important corporate information of the Group.

(2) Collection and control of information

Important information of the Group (determining events, occurring events, or information related to financial results) is reported from each business execution organization to the top management and its staff, that is, the General Manager of Corporate Management Planning Office. Matters requiring the judgment and determination of the top management are presented for discussion at the Executive Committee.

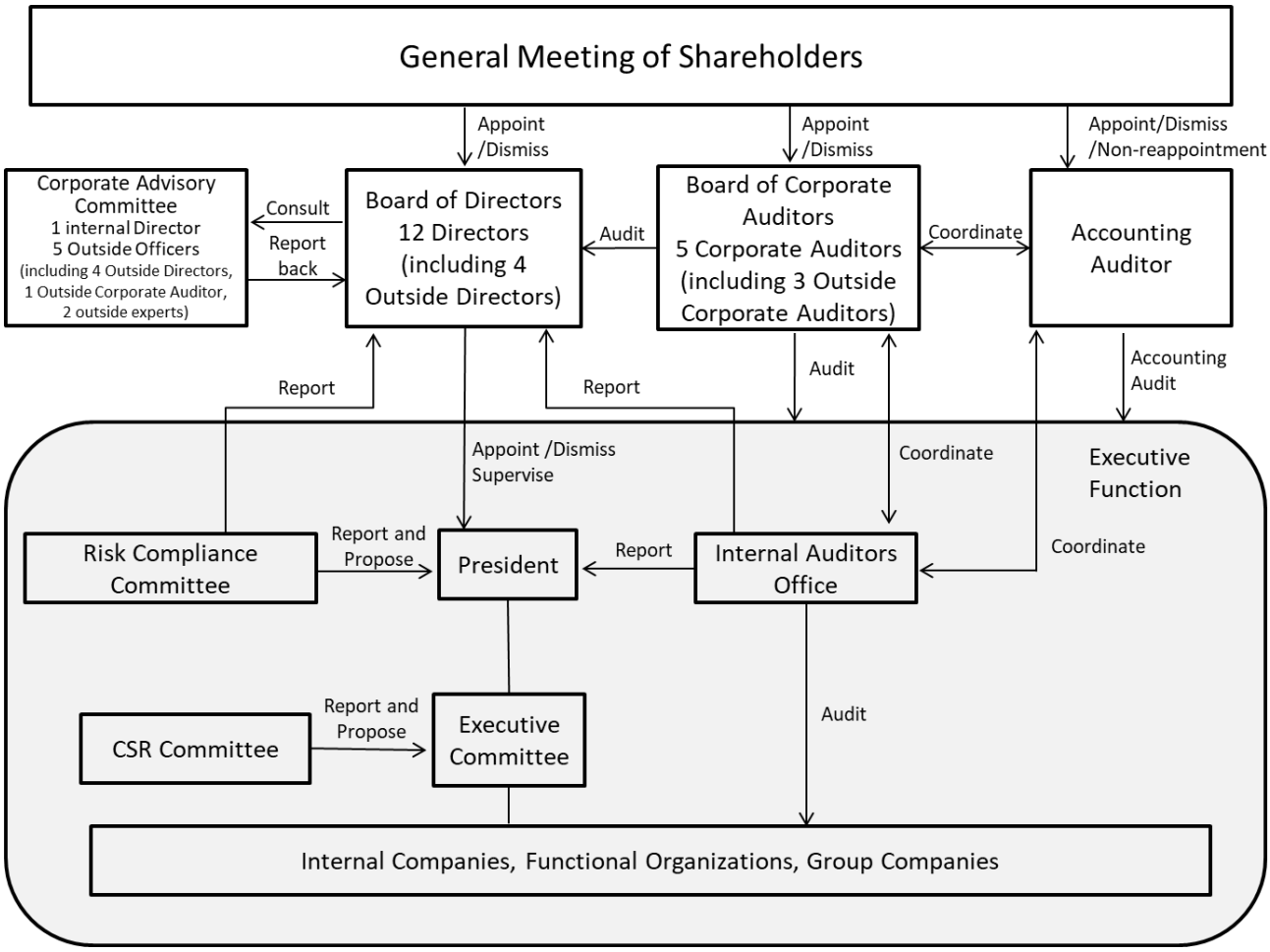
Corporate Communications Department, Corporate Management Planning Office responsible for disclosure obtains the important information in a timely manner via managers in charge of disclosure that are placed in each business execution organization, Corporate Management Planning Department of the Corporate Management Planning Office, administrative organization of the Head Office and other divisions.

In the event of accidents, disasters and other emergencies, Corporate Communications Department, Corporate Management Planning Office obtains the information in a timely manner via the communication network provided in the "Corporate Emergency Headquarters Operating Specifications" or through the duties at the Emergency Headquarters.

(3) Judgment and Determination regarding Disclosure

Matters relevant to the important corporate information are disclosed in a timely manner by Corporate Communications Department, Corporate Management Planning Office. Matters that are uncertain whether they are relevant to the important corporate information are subject to the judgment by Manager of Corporate Communications Department, Corporate Management Planning Office after discussion by the Corporate Communications Department, the Corporate Management Planning Office and Legal Department, CSR Division.

Even when information is not deemed to be relevant to the important company information, if such matters are required to be disclosed in fulfilling the Group's accountability to the society, President makes decision after the discussion at Executive Committee. Notwithstanding the foregoing, in the event of emergencies, President or an officer authorized by the President shall make decision regarding disclosure after the discussion with Manager of Corporate Communications Department, Corporate Management Planning Office.


General Meeting of Shareholders
Appoint /Dismiss
Appoint /Dismiss
Appoint/Dismiss /Non-reappointment
Corporate Advisory Committee
1 internal Director
5 Outside Officers
(including 4 Outside Directors, 1 Outside Corporate Auditor, 2 outside experts)
Consult
Report back
Board of Directors
12 Directors
(including 4 Outside Directors)
Audit
Board of Corporate Auditors
5 Corporate Auditors
(including 3 Outside Corporate Auditors)
Coordinate
Accounting Auditor
Report
Report
Audit
Accounting Audit
Appoint /Dismiss
Supervise
Coordinate
Executive Function
Risk Compliance Committee
Report and Propose
President
Report
Internal Auditors Office
Coordinate
CSR Committee
Report and Propose
Executive Committee
Audit
Internal Companies, Functional Organizations, Group Companies