May 17, 2023
Kureha Corporation

Notice Regarding the Introduction of Advance Awarding-type Restricted Stock Remuneration Plan and Performance-based Restricted Stock Remuneration Plan

Kureha Corporation announced today that its Board of Directors has reviewed the executive remuneration system at its meeting held on May 17, 2023 and resolved to introduce an advance awarding-type restricted stock remuneration plan (hereinafter "Plan I") and a performance-based restricted stock remuneration plan (hereinafter "Plan II," and together with Plan I, collectively, the "Plans"), and decided to submit a proposal regarding the Plans at the 110th Annual General Meeting of Shareholders scheduled for June 27, 2023 (hereinafter the "Meeting"). Details are as below.

With regard to the said reviewing of executive remuneration system, Kureha has decided to propose at the Meeting that the limit on the amount of basic remuneration (440 million yen or less per year), which was set by approval of the 94th Annual General Meeting of Shareholders held on June 27, 2007, be changed to a limit on the amount of basic remuneration and performance-based remuneration paid as bonuses, and that its amount be set at 500 million yen or less per year (including 100 million yen or less per year for outside directors and excluding the employee salary portion for directors who are employees of Kureha).

I. Objectives and conditions of the Plans' introduction

1. Objectives of introduction

The objectives for introducing the Plans are to provide Kureha Corporation's directors (excluding outside directors; hereinafter "Eligible Directors") with incentive to work to continuously enhance Kureha's corporate value, to let them have a greater sense of shared value with the shareholders, and to make clear the correlation between Kureha's business performance and director remuneration.

2. Conditions for introduction

The introduction of the Plans, under which monetary compensation claims for the granting of shares with transfer restrictions (restricted shares) will be paid to Eligible Directors as remuneration, is conditioned upon shareholders' approval of such payment of remuneration at the Meeting.

As mentioned at the beginning of this release, Kureha will seek approval to revise the limit on the amount of basic remuneration and bonuses at the Meeting, at which it also plans to seek shareholders' approval to set, separately from the above-mentioned limit on the amount of remuneration, a limit on the amount of remuneration to be paid to Eligible Directors under the Plans.

It has been approved at the 94th Annual General Meeting of Shareholders that Kureha is to allot stock acquisition rights as stock options by way of stock-based remuneration to its directors other than outside directors in the amount of 40 million yen or less per year and not exceeding 1,000 shares per year. If the proposal regarding the Plans is approved at the Meeting, Kureha will abolish the limit on the amount set for remuneration in the form of stock acquisition rights as stock options and discontinue the issuing of new stock acquisition rights as stock options to directors.

II. Outline of the Plans

Plan I is an advance awarding-type restricted stock remuneration plan that grants restricted shares, under which the lifting of restrictions is subject to the recipient having remained in the position of Kureha Corporation's director or other positions for a certain period of time. Plan II is a performance-based restricted stock remuneration plan that grants restricted shares according to the level of attainment of performance goals for a designated period after the lapse of the said period.

In the granting of restricted shares under the Plans, monetary compensation claims are to be paid to Eligible Directors, who are made to offer the said monetary compensation claims as contribution in kind in order to have common stock of Kureha issued or disposed of for them. The amount to be paid in per share is to be determined at a Board of Directors' meeting based on the closing price of Kureha's common stock on the Tokyo Stock Exchange on the business day immediately preceding the day on which the Board of Directors resolved on such issue or disposal (or the closing price on the nearest prior trading day if no transactions were made on the said business day) and within a range that does not expressly constitute an advantage to the Eligible Directors.

The total amount of monetary compensation claims to be paid for the granting of restricted shares under the Plans is to be 50 million yen or less per year for Plan I and 300 million yen or less per year for Plan II, and the total number of common shares of Kureha to be issued or disposed of as restricted shares is to be 9,000 shares or less per year for Plan I and 24,000 shares or less per year for Plan II (if, however, there is a change in the total number of issued shares of Kureha due to a reverse stock split or stock split [including allocation of shares without consideration], the said upper limits will be adjusted according to the ratio of such split or reverse split).

The below outlines each plan.

[Plan I]

Plan I grants Eligible Directors restricted shares, which are Kureha's common shares whose transfer is restricted for a certain period of time.

When granting restricted shares under Plan I, Kureha Corporation and each Eligible Director are to enter into an agreement on the allotment of restricted shares (hereinafter "Allotment Agreement I") that includes the following items:

1) During the period from the date of awarding of restricted shares until the day the Eligible Director to whom the said shares are awarded resigns or retires from the position of director of Kureha or any other position designated by Kureha's Board of Directors, such Eligible Director shall not transfer, pledge, or otherwise dispose of the awarded shares.
2) Transfer restrictions on all of the said shares shall be lifted upon the expiration of transfer restriction period, provided that the said Eligible Director has remained without a break in the position stipulated in 1) above during the period designated by Kureha's Board of Directors (period of service).
3) In the event that an Eligible Director violates laws, internal rules, or Allotment Agreement I, or falls under any other ground on which Kureha's Board of Directors determines it reasonable for Kureha to acquire the allotted shares from such Eligible Director without consideration, Kureha shall automatically acquire such shares without consideration.

[Plan II]

Plan II is a performance-based stock remuneration plan utilizing performance share units, under which Kureha's Board of Directors sets the standards in terms of the number of shares, the period for which performance is assessed (hereinafter "Assessment Period"), and performance goals for the Assessment Period, based on which Kureha's common shares are granted after the lapse of Assessment Period in the number calculated according to the level of attainment of performance goals. The common shares of Kureha to be granted under Plan II are subject to certain restrictions on their transfer. The first Assessment Period will be from the fiscal year ending March 31, 2024, through to the fiscal year ending March 31, 2026 (April 1, 2023 - March 31, 2026), and subsequent Assessment Periods will be determined by the Board of Directors. Profit indicators, capital efficiency indicators, and other indicators in line with Kureha's management policy will be set as performance indicators by the Board of Directors. For the first Assessment Period, indicators and their respective weights will be as follows: consolidated operating profit (50%), ROE (30%), and ESG management indicators (the levels of attainment of CO_2 emissions reduction, waste reduction, employees' job satisfaction, and other goals will be assessed by the Remuneration Advisory Committee, a non-mandatory advisory body) (20%). Please note, however, that whether to award or pay remuneration, etc. based on the proposal to each Eligible Director has not yet been decided, nor have the number of Kureha's common shares to be awarded and the amount of monetary compensation claims for the awarding of Kureha's common shares.

When granting restricted shares under Plan II, Kureha Corporation and each Eligible Director are to enter into an agreement on the allotment of restricted shares (hereinafter "Allotment Agreement II") that includes the following items:

1) During the period from the date of awarding of restricted shares until the day the Eligible Director to whom the said shares are awarded resigns or retires from the position of director of Kureha or any other position designated by Kureha's Board of Directors, such Eligible Director shall not transfer, pledge, or otherwise dispose of the awarded shares.
2) In the event that an Eligible Director violates laws, internal rules, or Allotment Agreement II, or falls under any other ground on which Kureha's Board of Directors determines it reasonable for Kureha to acquire the allotted shares from such Eligible Director without consideration, Kureha shall automatically acquire such shares without consideration.

Under Plan II, Kureha may make payment in cash in lieu of common shares of Kureha as necessary in cases where, after the Assessment Period has begun and before shares are delivered, 1) an Eligible Director resigns or retires from the position of Kureha's director, etc., 2) a corporate reorganization, etc. takes place, or 3) Kureha's Board of Directors deems that there is a justifiable reason to do so.

(Reference)

Kureha Corporation plans to grant its executive officers restricted shares that are similar to those granted under Plan I, provided the proposal regarding the Plans is approved at the Meeting.

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