

This document is an unofficial excerpt translation of Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders of the Company in the Japanese language. The Company prepared this translation only for the reference and convenience of non-Japanese shareholders. Please note that in the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 3405
March 7, 2023

To Our Shareholders:

Hitoshi Kawahara
President and Representative Director
Kuraray Co., Ltd.
1621, Sakazu, Kurashiki, Okayama, JAPAN
(Head Office: 2-6-4 Otemachi, Chiyoda-ku,
Tokyo, JAPAN)

Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders

We are pleased to notify you that the 142nd Ordinary General Meeting of Shareholders of Kuraray Co., Ltd. (the “Company,” together with its subsidiaries, the “Group”) will be held in accordance with the following schedule.

For the convocation of this General Meeting of Shareholders, the Company has undertaken measures for the electronic provision of the information contained in the Reference Documents for General Meeting of Shareholders (the “Matters for Electronic Provision”), and has posted it on the Company’s website on the internet. Please access the website at the following link to confirm those matters.

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

In addition to the Company’s website, the Matters for Electronic Provision are also disclosed on the website of the Tokyo Stock Exchange (TSE). Please access the TSE website at the following link, enter the issue name (company name) or securities code and click on Search. Select “Basic information” and “Documents for public inspection/PR information” to confirm the posted information.

TSE website: <https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If not attending the meeting on the day, you may exercise your voting rights either in writing or via the Internet, etc. in advance. Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights no later than 5:45 p.m. on Tuesday, March 28, 2023.

1. Date and Time: Wednesday, March 29, 2023, at 10:00 a.m.

2. Place: “Orchard”, 2nd Floor, The Okura Prestige Tower, The Okura Tokyo
2-10-4 Toranomon, Minato-ku, Tokyo, Japan

3. Purposes of the Meeting

Matters to be reported:

- (1) Report on the business report, consolidated and non-consolidated financial statements for the 142nd fiscal period (from January 1, 2022 to December 31, 2022)
- (2) Audit Report on the consolidated financial statements by the Accounting Auditor and the Audit & Supervisory Board for the 142nd fiscal period

Matters to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Eleven (11) Directors

Proposal No. 3: Election of Two (2) Members of Audit & Supervisory Board

Notes

- In the event of revisions to the Matters for Electronic Provision, the revised contents will be posted on the Company's website and the TSE website.
- If a shareholder has exercised his/her voting rights more than once via the Internet, only the final execution shall be deemed as his/her effective exercise of voting rights. The exercise of voting rights by sending the Voting Card shall be treated similarly in case of reissuance thereof. However, only the exercise of voting rights via the Internet shall be deemed effective if a shareholder has exercised his/her voting rights both via the Internet and by sending the Voting Card.
- If a shareholder hopes to split his/her voting rights on any of the proposed matters, such shareholder must inform the Company in writing of his/her intention to split his/her vote and the reason therefore at least three (3) days prior to the date of the meeting.

[Descriptions on voting methods, reminders in attending the meeting and other descriptions not applicable to non-Japanese residents are omitted.]

Reference Documents for General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The distribution of profits to all shareholders is one of the Company's top management priorities. We will aim for a total return ratio relative to net income attributable to owners of the parent of 35% or more and annual dividends per share of ¥40 or higher for the period of the medium-term management plan "PASSION 2026" (fiscal 2022 to fiscal 2026).

Under this policy, we hereby propose a year-end dividend payment for the fiscal year as follows.

If this Proposal is approved, the total amount of dividends for the fiscal year, aggregated with the interim dividend, will be ¥44 per share.

Year-end dividends:

- (1) Type of dividend property: Cash
- (2) The matter regarding the assignment of dividend property and total amount thereof:
¥23 per share of the Company's common stock for a total of ¥7,697,928,466
- (3) Effective date of the dividends (payment commencement date): March 30, 2023

Proposal No. 2: Election of Eleven (11) Directors

The term of office of all eleven (11) Directors will expire at the conclusion of this 142nd Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that eleven (11) Directors be elected.

The candidates for the Directors are as follows:

No.	Name		Current positions and responsibilities	Years served as Director	Attendance at meetings of Board of Directors
1	Hitoshi Kawahara	<u>Reappointed</u>	President and Representative Director	4 years	100% (14/14)
2	Hiroaya Hayase	<u>Reappointed</u>	<ul style="list-style-type: none"> ● Representative Director and Senior Managing Executive Officer ● Executive Supervisor of Vinyl Acetate Resin Company ● Executive Supervisor of Vinyl Acetate Film Company ● President of Vinyl Acetate Film Company 	8 years	100% (14/14)
3	Masaaki Ito	<u>Reappointed</u>	Chairman and Director	8 years and 9 months	100% (14/14)
4	Yoshimasa Sano	<u>Reappointed</u>	<ul style="list-style-type: none"> ● Director and Senior Managing Executive Officer ● President of Fibers and Textiles Company ● Officer Responsible for Osaka Office 	7 years	100% (14/14)
5	Keiji Taga	<u>Reappointed</u>	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● Officer Responsible for Corporate Management Planning Office ● Officer Responsible for Corporate Sustainability Division ● Officer Responsible for DX-IT Division ● Officer Responsible for Accounting and Finance Division 	4 years	100% (14/14)
6	Matthias Gutweiler	<u>Reappointed</u>	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● President, Kuraray Europe GmbH 	3 years	100% (14/14)
7	Nobuhiko Takai	<u>Reappointed</u>	<ul style="list-style-type: none"> ● Director and Managing Executive Officer ● President of Functional Materials Company 	3 years	100% (14/14)
8	Jun Hamano	<u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	Director	7 years	100% (14/14)
9	Keiko Murata	<u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	Director	3 years	100% (14/14)
10	Satoshi Tanaka	<u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	Director	3 years	93% (13/14)
11	Kiyoto Ido	<u>Reappointed</u> <u>Outside Director</u> <u>Independent Director</u>	Director	2 years	100% (14/14)

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
1	Hitoshi Kawahara (March 12, 1962) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	April 1984 April 2014 January 2016 March 2016 January 2018 March 2018 March 2019 January 2021	Joined Kuraray Co., Ltd. General Manager of Poval Film Division, Vinyl Acetate Company, Kuraray Co., Ltd. Vice President of Vinyl Acetate Film Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President and Representative Director, Kuraray Co., Ltd. (Current position)	31,200
<u>Reasons for nomination as the candidate for Director</u> Mr. Hitoshi Kawahara was appointed Executive Officer in 2016 followed by the post of Managing Executive Officer, before becoming Director in 2019. In addition to achievements in contributing to the expansion of business performance playing a central role in global Group management and a wealth of experience, he has demonstrated strong leadership to develop a sustainable and solid foundation for Kuraray's growth and drives future development since being appointed as President in January 2021. Therefore, the Company may expect his continued contribution to its management.				
2	Hiroaya Hayase (February 28, 1956) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	April 1980 April 2012 June 2012 April 2013 June 2014 January 2015 March 2015 January 2016 March 2016 March 2020 January 2021 January 2022	Joined Kuraray Co., Ltd. General Manager of Poval Resin Division, Resin Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of Poval Resin Division and General Manager of Production and Technology Management Division, Vinyl Acetate Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Film Company, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President of Vinyl Acetate Resin Company, Kuraray Co., Ltd. Director and Senior Managing Executive Officer, Kuraray Co., Ltd. Representative Director and Senior Managing Executive Officer, Kuraray Co., Ltd. (Current position) Executive Supervisor of Vinyl Acetate Resin Company (Current position) and Executive Supervisor of Vinyl Acetate Film Company (Current position), Kuraray Co., Ltd. President of Vinyl Acetate Film Company, Kuraray Co., Ltd. (Current position)	24,600
<u>Reasons for nomination as the candidate for Director</u> Mr. Hiroaya Hayase has a wealth of experience in the production technology field and vinyl acetate business, etc., and since being appointed as Director in March 2015, he has also been playing an important role in the Kuraray Group's management. Therefore, the Company may expect his continued contribution to its management.				
3	Masaaki Ito (June 23, 1957) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	April 1980 April 2010 June 2012 April 2013 June 2013 April 2014 June 2014 January 2015 January 2021 April 2021	Joined Kuraray Co., Ltd. General Manager of Methacrylate Division, Chemicals Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Vice President of Functional Materials Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Officer Responsible for Corporate Management Planning Division and Officer Responsible for CSR Division, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. President and Representative Director, Kuraray Co., Ltd. Chairman and Director, Kuraray Co., Ltd. (Current position) Chairperson, Saijo Central Hospital (Current position)	67,000
<u>Reasons for nomination as the candidate for Director</u> Mr. Masaaki Ito has a wealth of experience and expertise gained through leading the management of Kuraray Co., Ltd. as President for six years. In addition, since being appointed as Chairman in January 2021, he has also promoted the improvement of Kuraray's corporate governance system to ensure effective and fair management. Therefore, the Company may expect his continued contribution to its management.				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
4	Yoshimasa Sano (April 12, 1956) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	April 1980 April 2010 June 2012 April 2014 January 2016 March 2016 January 2017 January 2018 January 2020 March 2020	Joined Kuraray Co., Ltd. General Manager of Elastomer Division, Chemicals Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. General Manager of Methacrylate Division, Functional Materials Company, Kuraray Co., Ltd. Vice President of Functional Materials Company, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. General Manager of Carbon Materials Division, Functional Materials Company, Kuraray Co., Ltd. President of Functional Materials Company, Kuraray Co., Ltd. President of Fibers and Textiles Company (Current position) and Officer Responsible for Osaka Office (Current position), Kuraray Co., Ltd. Director and Senior Managing Executive Officer, Kuraray Co., Ltd. (Current position)	25,300
<p><u>Reasons for nomination as the candidate for Director</u> Mr. Yoshimasa Sano has a wealth of experience in the vinyl acetate business and chemicals business, etc., and since being appointed as Director in March 2016, he has also been playing an important role in the Kuraray Group's management. Therefore, the Company may expect his continued contribution to its management.</p>				
5	Keiji Taga (October 16, 1961) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	April 1984 April 2014 March 2017 January 2018 March 2018 March 2019 January 2020 January 2022 January 2023	Joined Kuraray Co., Ltd. General Manager of Medical Division, Functional Materials Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Officer Responsible for Corporate Management Planning Office (Current position) and Officer Responsible for CSR Division, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. (Current position) Officer Responsible for Administrative Unit, Kuraray Co., Ltd. Officer Responsible for Corporate Sustainability Division (Current position), Officer Responsible for Global Digital Transformation Office and Officer Responsible for Accounting and Finance Division (Current position), Kuraray Co., Ltd. Officer Responsible for DX-IT Division, Kuraray Co., Ltd. (Current position)	23,900
<p><u>Reasons for nomination as the candidate for Director</u> Mr. Keiji Taga has a wealth of experience, including overseas assignment, in the fibers and textiles business, medical business, and corporate management planning, and since being appointed as Director in March 2019, he has also been playing an important role in the Kuraray Group's management. In addition, as he has served in positions including the chairman of the Risk Compliance Committee, the Company may expect his continued contribution to its management also from the perspective of the Kuraray Group's risk management and reinforcement of compliance.</p>				
6	Matthias Gutweiler (March 11, 1958) <u>Reappointed</u> Attendance at meetings of Board of Directors: 100% (14/14)	March 1988 June 1996 December 2001 January 2009 April 2013 March 2018 March 2020	Joined Hoechst AG Plant Manager of Mowiol, Hoechst AG Joined Kuraray Specialities Europe GmbH Executive Officer, Kuraray Co., Ltd. President, Kuraray Europe GmbH (Current position) General Manager of PVB Division, Vinyl Acetate Company, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. Director and Managing Executive Officer, Kuraray Co., Ltd. (Current position)	0
<p>(Important Positions Concurrently Held at Other Entities) President, Kuraray Europe GmbH</p> <p><u>Reasons for nomination as the candidate for Director</u> Dr. Matthias Gutweiler has track records in R&D and plant management at a world-leading chemical company, and a wealth of experience as President of our major European company, and since being appointed as Director in March 2020, he has been playing a central role in the management of the Kuraray Group. In addition, as he serves as the chairman of the Regional Compliance Committee comprising our European group companies, the Company may expect his continued contribution to its management also from the perspective of global risk management.</p>				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility		Number of Company shares held
7	Nobuhiko Takai (May 5, 1960) Reappointed Attendance at meetings of Board of Directors: 100% (14/14)	April 1984 April 2014 March 2016 January 2019 March 2019 January 2020 March 2020	Joined Kuraray Co., Ltd. General Manager of Genestar Division, Isoprene Company, Kuraray Co., Ltd. Executive Officer, Kuraray Co., Ltd. Vice President of Functional Materials Company and General Manager of Carbon Materials Division, Kuraray Co., Ltd. Managing Executive Officer, Kuraray Co., Ltd. President of Functional Materials Company, Kuraray Co., Ltd. (Current position) Director and Managing Executive Officer, Kuraray Co., Ltd. (Current position)	12,600
<p><u>Reasons for nomination as the candidate for Director</u> Mr. Nobuhiko Takai has a wealth of experience in the vinyl acetate business, Genestar business and carbon materials business, etc., and since being appointed as Director in March 2020, he has also been playing a central role in the management of the Kuraray Group. Therefore, the Company may expect his continued contribution to its management.</p>				
8	Jun Hamano (February 27, 1951) Reappointed Outside Director Independent Director Attendance at meetings of Board of Directors: 100% (14/14)	April 1974 July 1999 July 2004 July 2006 July 2008 July 2009 January 2012 April 2013 June 2015 March 2016 June 2021	Joined Economic Planning Agency of Japan (EPA) Director, Minister's Secretariat Division, EPA Director General for Economic and Fiscal Management, Cabinet Office Vice-Minister for Policy Coordination, Cabinet Office Deputy Vice-Minister, Cabinet Office Vice-Minister, Cabinet Office Advisor, Cabinet Office Executive Advisor, Dentsu Inc. (currently, Dentsu Group Inc.) President, Institute for Science of Labour (currently, The Ohara Memorial Institute for Science of Labour) (Current position) Director, Kuraray Co., Ltd. (Current position) Representative Director and Chairperson, Ohara HealthCare Foundation (Current position)	5,900
<p><u>Reasons for nomination as the candidate for Outside Director and expected roles</u> Mr. Jun Hamano is nominated as the candidate for Outside Director because he has a wealth of experience and broad insight gained through economic administration and other roles at the Economic Planning Agency of Japan and the Cabinet Office to provide valuable opinions and suggestions to the Company's management from an objective viewpoint. Though he has never been directly engaged in corporate management, he is well prepared for properly executing his duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and Ohara HealthCare Foundation. As part of social contribution activities, the Company pays a membership fee to assist The Ohara Memorial Institute for Science of Labour. However, the annual amount of such membership fee is less than ¥1 million per year. Mr. Jun Hamano is thus deemed to be sufficiently independent as Outside Director.</p>				

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility	Number of Company shares held
9	<p>Keiko Murata (February 25, 1962)</p> <p><u>Reappointed</u></p> <p><u>Outside Director</u></p> <p><u>Independent Director</u></p> <p>Attendance at meetings of Board of Directors: 100% (14/14)</p>	<p>April 1986 Joined Economic Planning Agency of Japan (EPA)</p> <p>August 2005 Director for Overseas Economies, Directorate General for Economic Research, Cabinet Office</p> <p>August 2006 Director for International Affairs, Secretariat of the Science Council of Japan, Cabinet Office</p> <p>July 2008 Professor, Graduate School of Social Science, Tokyo Metropolitan University</p> <p>May 2015 Advisor to the President, Tokyo Metropolitan University</p> <p>July 2017 Trustee, Nippon Life Insurance Company (Current position)</p> <p>April 2018 Professor, Graduate School of Management, Tokyo Metropolitan University</p> <p>March 2020 Director, Kuraray Co., Ltd. (Current position)</p> <p>April 2022 Professor Emeritus, Tokyo Metropolitan University (Current position) Professor, Graduate School of Economics, Rissho University (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities) Professor Emeritus, Tokyo Metropolitan University Professor, Graduate School of Economics, Rissho University</p>	2,900
<p><u>Reasons for nomination as the candidate for Outside Director and expected roles</u></p> <p>Ms. Keiko Murata is nominated as the candidate for Outside Director because she has experience in economic administration and professional analysis of Japan and overseas at the Cabinet Office and deep insight as a professor at a university and graduate school to provide valuable opinions and suggestions for the Company's management and improving corporate value from an independent viewpoint. Though she has never been directly engaged in corporate management, she is well prepared for properly executing her duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and Tokyo Metropolitan University or Rissho University. Ms. Keiko Murata is thus deemed to be sufficiently independent as Outside Director.</p>			
10	<p>Satoshi Tanaka (February 27, 1958)</p> <p><u>Reappointed</u></p> <p><u>Outside Director</u></p> <p><u>Independent Director</u></p> <p>Attendance at meetings of Board of Directors: 93% (13/14)</p>	<p>April 1981 Joined Mitsui & Co., Ltd.</p> <p>April 2007 General Manager of Corporate Planning & Strategy Division, Mitsui & Co., Ltd.</p> <p>April 2011 Managing Officer, Mitsui & Co., Ltd.</p> <p>April 2013 Executive Managing Officer, Mitsui & Co., Ltd.</p> <p>April 2015 Senior Executive Managing Officer, COO of Asia Pacific Business Unit, Mitsui & Co., Ltd.</p> <p>April 2017 Executive Vice President and CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer), Mitsui & Co., Ltd.</p> <p>June 2017 Representative Director and Executive Vice President, Mitsui & Co., Ltd.</p> <p>April 2019 Director, Mitsui & Co., Ltd.</p> <p>June 2019 Counselor, Mitsui & Co., Ltd.</p> <p>March 2020 Director, Kuraray Co., Ltd. (Current position)</p> <p>April 2020 Outside Director, Sekisui House, Ltd.</p> <p>January 2021 Independent Director, IHH Healthcare Berhad (Current position)</p> <p>April 2021 Representative Director, Executive Vice President & Executive Officer, Sekisui House, Ltd. (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities) Representative Director, Executive Vice President & Executive Officer, Sekisui House, Ltd. Independent Director, IHH Healthcare Berhad</p>	5,800
<p><u>Reasons for nomination as the candidate for Outside Director and expected roles</u></p> <p>Mr. Satoshi Tanaka is nominated as the candidate for Outside Director because he has a wealth of experience and broad insight, which were developed through his service as Director responsible for the Corporate Staff Unit and Representative Director of Mitsui & Co., Ltd. to provide valuable opinions and suggestions to the Company's management. There are no special interests between the Company and Sekisui House, Ltd. or IHH Healthcare Berhad. Mr. Satoshi Tanaka is thus deemed to be sufficiently independent as Outside Director.</p>			

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility	Number of Company shares held
11	Kiyoto Ido (October 30, 1950) Reappointed Outside Director Independent Director Attendance at meetings of Board of Directors: 100% (14/14)	<p>April 1973 Joined the Ministry of Finance (MOF)</p> <p>March 1980 Consul, Consulate-General of Japan, Frankfurt in Germany</p> <p>July 1989 Deputy General Manager, Finance Dept., Inter-American Development Bank, Washington, D.C.</p> <p>July 1998 Deputy Vice Minister of Finance for International Affairs, MOF Deputy Director-General, International Bureau, MOF</p> <p>June 1999 Minister, Embassy of Japan, Washington, D.C.</p> <p>July 2002 Deputy Director-General, International Bureau, MOF</p> <p>July 2004 Director-General, International Bureau, MOF</p> <p>August 2006 Executive Director, Bank of Japan</p> <p>April 2011 Vice Chairman, Institute for International Economic Studies</p> <p>March 2021 Director, Kuraray Co., Ltd. (Current position) Outside Director, Japan Investment Adviser Co., Ltd. (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities) Outside Director, Japan Investment Adviser Co., Ltd.</p>	2,700
<p><u>Reasons for nomination as the candidate for Outside Director and expected roles</u></p> <p>Mr. Kiyoto Ido is nominated as the candidate for Outside Director because he has a 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 to provide valuable opinions and suggestions for the Company's management and improving corporate value from an independent viewpoint. Though he has never been directly engaged in corporate management, he is well prepared for properly executing his duties as Outside Director such as giving accurate guidance on the management of the Company because of the reasons mentioned above. There are no special interests between the Company and Japan Investment Adviser Co., Ltd. Mr. Kiyoto Ido is thus deemed to be sufficiently independent as Outside Director.</p>			

Notes:

1. Mr. Masaaki Ito is Chairperson of Saijo Central Hospital, to which the Company makes donations. No special interests exist between the Company and any of the other above candidates.
2. Mr. Jun Hamano, Ms. Keiko Murata, Mr. Satoshi Tanaka and Mr. Kiyoto Ido are candidates for Outside Directors.
3. Liability Limitation Agreement
The Company has entered into agreements with Mr. Jun Hamano, Ms. Keiko Murata, Mr. Satoshi Tanaka and Mr. Kiyoto Ido for limitation of liability to the effect that their liabilities for damages under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations, and if their reelection is approved, such contract is planned to be continued.
4. Term of office of Outside Officer
 - (1) Mr. Jun Hamano is currently Outside Director of the Company, and his term of office will be seven (7) years at the conclusion of this 142nd Ordinary General Meeting of Shareholders.
 - (2) Ms. Keiko Murata is currently Outside Director of the Company, and her term of office will be three (3) years at the conclusion of this 142nd Ordinary General Meeting of Shareholders.
 - (3) Mr. Satoshi Tanaka is currently Outside Director of the Company, and his term of office will be three (3) years at the conclusion of this 142nd Ordinary General Meeting of Shareholders.
 - (4) Mr. Kiyoto Ido is currently Outside Director of the Company, and his term of office will be two (2) years at the conclusion of this 142nd Ordinary General Meeting of Shareholders.
5. Registration as Independent Director
The Company has registered each of Mr. Jun Hamano, Ms. Keiko Murata, Mr. Satoshi Tanaka and Mr. Kiyoto Ido as Independent Director prescribed by the Tokyo Stock Exchange as each of them satisfies the criteria for independence for Outside Directors/Auditors set forth by the Tokyo Stock Exchange and the criteria for independence set forth by the Company. The Company plans to continue registering them as Independent Director if their reelection is approved.
6. Directors and Officers Liability Insurance Contract
The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover compensation for damages and legal expenses in the event that a claim for damages is made against the insured due to an act committed by the insured based on his/her position. Each candidate will be insured under the insurance contract. The Company plans to renew the insurance contract with the same contents at maturity.

Proposal No. 3: Election of Two (2) Members of Audit & Supervisory Board

The terms of office of Members of Audit & Supervisory Board Ms. Tomomi Yatsu and Mr. Kenji Komatsu will expire at the conclusion of this 142nd Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that two (2) Members of Audit & Supervisory Board be elected. The Audit & Supervisory Board has given prior consent to this Proposal.

The candidates for the Member of Audit & Supervisory Board are as follows.

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility	Number of Company shares held
1	<p>Tomomi Yatsu (May 30, 1960)</p> <p><u>Reappointed</u></p> <p><u>Outside Member</u></p> <p><u>Independent Member</u></p> <p>Attendance at meetings of Board of Directors: 100% (14/14)</p> <p>Attendance at meetings of Audit & Supervisory Board: 100% (13/13)</p>	<p>April 1983 Joined Tokyo Electron Ltd.</p> <p>October 1986 Joined Tohmatsu Awoki & Sanwa (the present Deloitte Touche Tohmatsu LLC)</p> <p>September 1990 Registered as a Certified Public Accountant</p> <p>October 2001 Registered with Tokyo Bar Association; Joined Shin-Tokyo Sohgo Law Office (later merged with Bingham Sakai Mimura Aizawa-Foreign Law Joint Enterprise)</p> <p>June 2009 Outside Audit & Supervisory Board Member, Calbee, Inc.</p> <p>June 2010 Outside Audit & Supervisory Board Member, Taiko Pharmaceutical Co., Ltd.</p> <p>March 2012 Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd.</p> <p>March 2015 Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd.</p> <p>April 2015 Partner, TMI Associates</p> <p>June 2016 Outside Director, SMBC Nikko Securities Inc. (Current position)</p> <p>June 2017 Outside Audit & Supervisory Board Member, IHI Corporation</p> <p>March 2019 Member of Audit & Supervisory Board, Kuraray Co., Ltd. (Current position)</p> <p>March 2021 Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (Current position)</p> <p>April 2022 Representative, Yatsu Law & Accounting Office (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities)</p> <p>Attorney (Representative, Yatsu Law & Accounting Office)</p> <p>Outside Director, SMBC Nikko Securities Inc.</p> <p>Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.</p>	0
<p><u>Reasons for nomination as the candidate for Outside Member of Audit & Supervisory Board</u></p> <p>Ms. Tomomi Yatsu is nominated as the candidate for Outside Member of Audit & Supervisory Board because she has broad insight as a certified public accountant and attorney and a wealth of experience at other companies as outside officer, and the Company believes that she is appropriate as Outside Member of Audit & Supervisory Board. Though she has never been directly engaged in corporate management, she is well prepared for properly executing her duties as Outside Member of Audit & Supervisory Board because of her expertise and a wealth of experience in accounting and corporate legal affairs in her long career as a certified public accountant and attorney. There are no special interests between the Company and Yatsu Law & Accounting Office, SMBC Nikko Securities Inc. or Kyowa Kirin Co., Ltd. Ms. Tomomi Yatsu is thus deemed to be sufficiently independent as Outside Member of Audit & Supervisory Board.</p>			

No.	Name (Date of Birth)	Brief personal history, positions and areas of responsibility	Number of Company shares held
2	Kenji Komatsu (March 24, 1953) <u>Reappointed</u> <u>Outside Member</u> <u>Independent Member</u> Attendance at meetings of Board of Directors: 100% (14/14) Attendance at meetings of Audit & Supervisory Board: 100% (13/13)	<p>April 1978 Joined Mitsubishi Corporation</p> <p>February 1996 Joined GE International Inc.</p> <p>July 2005 Representative Director and President, Ecolab Inc. (currently Ecolab GK)</p> <p>April 2007 Senior Vice President, Ecolab Inc.</p> <p>December 2010 Senior Executive Officer, Sanden Corporation</p> <p>November 2011 Joined Bain Capital Asia, LLC</p> <p>March 2013 Director, President, CEO, BELLSYSTEM24, Inc.</p> <p>March 2016 Director and Chairman, BELLSYSTEM24 Holdings, Inc.</p> <p>June 2016 Advisor, COACH A Co., Ltd.</p> <p>December 2018 Advisor, API Consultants Co., Ltd.</p> <p>March 2019 Member of Audit & Supervisory Board, Kuraray Co., Ltd. (Current position)</p> <p>May 2020 Executive Vice President, Fujitsu Component Limited</p> <p>October 2022 Director, Fujitsu Component Limited (Current position)</p> <p>January 2023 Chairman and Representative Director, Longreach Business Partners Inc. (Current position)</p> <p>(Important Positions Concurrently Held at Other Entities) Director, Fujitsu Component Limited Chairman and Representative Director, Longreach Business Partners Inc.</p>	0
<p><u>Reasons for nomination as the candidate for Outside Member of Audit & Supervisory Board</u></p> <p>Mr. Kenji Komatsu is nominated as the candidate for Outside Member of Audit & Supervisory Board because he has track records in management at many other companies both domestically and overseas, and he has a wealth of experience and broad insight developed thorough his career, and the Company believes that he is appropriate as Outside Member of Audit & Supervisory Board. There are no special interests between the Company and Fujitsu Component Limited or Longreach Business Partners Inc. Mr. Kenji Komatsu is thus deemed to be sufficiently independent as Outside Member of Audit & Supervisory Board.</p>			

Notes:

1. No special interests exist between the Company and any of the above candidates.
2. Ms. Tomomi Yatsu and Mr. Kenji Komatsu are candidates for Outside Member of Audit & Supervisory Board.
3. The Company has entered into agreements with Ms. Tomomi Yatsu and Mr. Kenji Komatsu for limitation of liability to the effect that their liabilities for damages under Article 423, Paragraph 1 of the Companies Act shall be limited to the minimum liability amount prescribed in applicable laws and regulations, and if their reelection is approved, such contract is planned to be continued.
4. Ms. Tomomi Yatsu and Mr. Kenji Komatsu are currently Outside Members of Audit & Supervisory Board of the Company, and their terms of office will be four (4) years at the conclusion of this 142nd Ordinary General Meeting of Shareholders.
5. The Company has registered each of Ms. Tomomi Yatsu and Mr. Kenji Komatsu as Independent Auditor prescribed by the Tokyo Stock Exchange as each of them satisfy the criteria for independence for Outside Directors/Auditors set forth by the Tokyo Stock Exchange and the criteria for independence set forth by the Company. The Company plans to continue registering them as Independent Auditor if their reelection is approved.
6. The Company has concluded a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company to cover compensation for damages and legal expenses in the event that a claim for damages is made against the insured due to an act committed by the insured based on his/her position. Ms. Tomomi Yatsu and Mr. Kenji Komatsu will be insured under the insurance contract. The Company plans to renew the insurance contract with the same contents at maturity.
7. In March 2019, while Ms. Tomomi Yatsu was in office as Outside Audit & Supervisory Board Member of IHI Corporation, IHI Corporation received an order from the Ministry of Economy, Trade and Industry to repair engines using repair methods approved by the Ministry of Economy, Trade and Industry, pursuant to the Aircraft Manufacturing Industry Act after inappropriate inspections had been conducted in its civil aero engine maintenance business. Further, in April 2019, IHI Corporation received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism under the Civil Aeronautics Act for the same act. While Ms. Yatsu was not aware of this fact in advance, she has been regularly calling attention to the importance of compliance with laws and regulations. After the fact came to light, she confirmed the status of investigation of the facts and the establishment of appropriate countermeasures to prevent a recurrence, made suggestions for the enhancement of compliance with laws and regulations, and took other actions required of an Outside Audit & Supervisory Board Member.
8. In November 2019, while Ms. Tomomi Yatsu and Mr. Kenji Komatsu were in office as Outside Members of Audit & Supervisory Board of the Company, the Company received a cease and desist order and a penalty payment order from the Japan Fair Trade Commission over violations of the Antimonopoly Act in the manufacture and sale of certain activated carbon used in some water purification, waste incineration, and other facilities in the East Japan and Kinki regions. Neither Ms. Yatsu nor Mr. Komatsu were in office as Outside Members of Audit & Supervisory Board at the time the violations

occurred. After the fact came to light, they confirmed the details of countermeasures at the meetings of the Board of Directors and other meetings, made suggestions for preventing recurrence, and took other actions required of Outside Members of Audit & Supervisory Board.

9. In October 2022, while Ms. Tomomi Yatsu was in office as Outside Director, SMBC Nikko Securities Inc., SMBC Nikko Securities Inc. received a business suspension order and improvement measures order from the Financial Services Agency over violations of the Financial Instruments and Exchange Act, including purchases of shares with the aim of stabilizing the market for listed shares. While Ms. Yatsu was not aware of this fact in advance, she has been regularly calling attention to the importance of compliance with laws and regulations. After the fact came to light, she confirmed the details of countermeasures at the meetings of the Board of Directors and other meetings, made suggestions for preventing recurrence, and took other actions required of an Outside Director.

[Reference] Independence Standards for Outside Officers

1. The Company judges that its Outside Officers and the candidates for the Outside Officers are fully independent from the Company if they do not fall under any of the following items:
 - (1) A business executive of the Kuraray Group
 - (2) A counterparty which has transactions principally with the Kuraray Group, or its business executive thereof
 - (3) A major business partner of the Kuraray Group, or its business executive thereof
 - (4) A major lender of the Kuraray Group, or its business executive thereof
 - (5) A counterparty that receives a large amount of donations from the Kuraray Group, or its business executive thereof
 - (6) A major shareholder of the Company (who possesses 10% or more of the total voting right either directly or indirectly), or its business executive thereof
 - (7) A business executive of the party whose major investor (who possesses 10% or more of the total voting right either directly or indirectly) is the Kuraray Group
 - (8) A consultant, certified public accountant or other accounting professional, attorney or other legal professional who receives a large amount of monetary or other assets from the Kuraray Group other than the executive remunerations (in case of a legal entity, association or other organization, a person belonging thereto)
 - (9) A person who belongs to an accounting firm that conducts the statutory audit of the Company
 - (10) A person who has fallen under the above criteria (1) in the past ten years
 - (11) A person who has fallen under any of the above criteria (2) through (9) in the past three years
 - (12) A person whose position constitutes him/her as having an Outside Officer's interlocking relationship with the Kuraray Group
 - (13) A relative of the persons listed in the above criteria (1) through (11)
2. Even in cases where a person falls under any of the above items, if the person is deemed to be appropriate for the post of an independent Outside Officer in light of his/her personality, knowledge and other qualities, the Company may appoint him/her as independent Outside Officer on the condition that the reasons why the person is deemed appropriate for the post are explained to the public.

[Reference] Skills Matrix for Directors/Members of Audit & Supervisory Board

If Proposals No. 2 and No. 3 are approved as proposed, the composition of Directors and Members of Audit & Supervisory Board of the Company and their knowledge and experience will be primarily as follows:

	Name		Knowledge/Experience of Directors/Members of Audit & Supervisory Board								
			Corporate Management	Global	Sales and Marketing	Production and Equipment Technology	R&D	Legal Affairs and Risk Management	Finance and Accounting	Environment and Society	Human Resources and Labor Management
Directors		Hitoshi Kawahara	○	○	○						
		Hiroaya Hayase	○	○		○	○				
		Masaaki Ito	○	○		○	○				
		Yoshimasa Sano		○	○						
		Keiji Taga		○	○			○	○		
		Matthias Gutweiler	○	○		○	○				
		Nobuhiko Takai		○	○						
		Jun Hamano	Outside Independent							○	○
		Keiko Murata	Outside Independent		○				○	○	
		Satoshi Tanaka	Outside Independent	○	○	○					○
	Kiyoto Ido	Outside Independent		○				○	○		
Members of Audit & Supervisory Board		Kazuhiro Nakayama		○		○	○			○	
		Naoya Uehara		○				○			
		Mitsuhiro Nagahama	Outside Independent	○	○				○		○
		Tomomi Yatsu	Outside Independent					○	○		
		Kenji Komatsu	Outside Independent	○	○	○					

(Note) The above table shows up to 4 knowledge or experience possessed by Directors or Members of Audit & Supervisory Board. The above table does not represent all knowledge or experience possessed by Directors and Members of Audit & Supervisory Board.

Business Report (From January 1, 2022 to December 31, 2022)

1. Current Situation of the Kuraray Group

(1) Progress and Results of Operations

General Situation

In the fiscal year ended December 31, 2022 (“fiscal 2022”), the world economy continued to recover moderately overall with the easing of restrictions on economic activities in many countries. On the other hand, partly due to higher policy interest rates in various countries against the backdrop of rapid inflation and the impact of geopolitical risks such as prolonged Russian invasion of Ukraine, the economy began to slow in the second half of the year, and the outlook remained uncertain and unpredictable.

Under such circumstances, the Kuraray Group promoted three challenges set in “PASSION 2026,” the medium-term management plan starting from fiscal 2022: (1) Sustainability as an Opportunity, (2) Innovations Starting from Networking, and (3) Transformation of People and Organizations. We also worked on price revisions of products that are affected by higher raw material and fuel prices, in addition to focusing efforts on the stable provision of highly value-added products, making use of the global network we have built up to date.

Consequently, consolidated operating results for fiscal 2022 are as follows: net sales were ¥756,376 million, compared with ¥629,370 million in the previous fiscal year; operating income was ¥87,139 million, compared with ¥72,256 million; ordinary income was ¥84,060 million, compared with ¥68,765 million; and net income attributable to owners of the parent was ¥54,307 million, compared with ¥37,262 million. In fiscal 2022, the Company recorded an extraordinary loss of ¥5,785 million as costs related to the suspension of operations, due mainly to the suspension of some production facilities at a U.S. subsidiary.

On January 1, 2022, the Company revised its organizational structure and changed the segment classification of the aqua business from “Others” to “Functional Materials.” The method of allocating eliminations of profits from some internal transactions among segments and corporate was also changed. Figures used in comparisons and analyses of fiscal 2022 reflect these changes. Furthermore, from January 1, 2022, we have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; hereinafter, the “Revenue Recognition Accounting Standard”). In line with the transition provisions set out in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard, the new accounting principle has not been retroactively applied to the previous fiscal year. Net sales and adjustments for the Trading segment for fiscal 2022 have significantly changed compared to fiscal 2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Revenue Recognition Accounting Standard and other standards. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis. Due to this change, net sales in the Trading segment were ¥84,985 million lower compared with the original method.

[Reference]

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

	Fiscal 2021	Fiscal 2022	Change (%)
Net sales	629.4	756.4	-
Operating income	72.3	87.1	-
Ordinary income	68.8	84.1	-
Net income attributable to owners of the parent	37.3	54.3	-

Note: Because the Company has applied the Revenue Recognition Accounting Standard and other standards from fiscal 2022, financial data for fiscal 2022 reflect these accounting standards, and percentage changes are not presented.

Results by Business Segment

Results by business segment are as follows.

Vinyl Acetate

Major Business Lines: Manufacture and sale of PVA resin and film, PVB resin and film, and EVOH resin and film

This segment recorded sales of ¥385,345 million, compared with ¥304,690 million in the previous fiscal year, and segment income was ¥77,547 million, compared with ¥58,255 million.

- (i) Sales of PVA resin decreased due to a suspension of production at some facilities operated by a U.S. subsidiary and a slowdown in demand in the second half of the year. Meanwhile, the Group proceeded with the revision of product prices and shifted toward highly value-added products in response to rising raw material and fuel prices. Shipments of optical-use poval film decreased significantly due to inventory adjustments of LCD panels since the middle of the year. To meet the need for larger LCD-panel for TVs, a decision was made to make a capital investment in the Kurashiki Plant (scheduled to be operational in mid-2024; announced on May 9, 2022). High performance interlayers performed strongly, mainly in PVB film for use in construction in North America. Sales of water-soluble PVA film for use in unit dose detergent packets for laundry were also strong.
- (ii) Sales volumes of EVAL™ ethylene vinyl alcohol copolymer (EVOH resin) increased due to solid demand for food packaging applications, and progress was made in price revisions for this product. In response to strong demand, the Kuraray Group worked on improving productivity and decided to invest in the enhancement of production capacity in the United States and Europe.

Isoprene

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

This segment recorded sales of ¥65,635 million, compared with ¥61,940 million in the previous fiscal year, and segment income was ¥4,270 million, compared with ¥6,080 million.

- (i) The Group proceeded with the revision of the product prices of isoprene chemicals and elastomers in response to rising raw material and fuel prices. On the other hand, sales volumes fell due to temporary difficulties in procuring raw materials and fuel and a slowdown in demand in the second half of the year.
- (ii) Sales volumes of GENESTAR™ heat-resistant polyamide resin were down due to inventory adjustments in automotive applications and electric and electronic device applications.

Functional Materials

Major Business Lines: Manufacture and sale of methacrylic resin, medical products, activated carbon, and high-performance membranes and system for water treatment

This segment recorded sales of ¥174,059 million, compared with ¥142,366 million in the previous fiscal year, and segment income was ¥8,574 million, compared with ¥8,673 million.

- (i) In the methacrylate business, sales volumes were down due to inventory adjustments in electric and electronic device applications. This business was also impacted by higher raw material prices and the deterioration of market conditions.
- (ii) In the medical business, sales of dental materials for esthetic treatment expanded in Japan and overseas.
- (iii) Demand increased in the environmental solutions business, especially for drinking water treatment

and industrial applications in Europe and the United States, and sales of activated carbon expanded. The Group proceeded with the revision of the product prices in response to rising raw material and fuel prices.

(iv) In the aqua business, demand for hollow fiber membranes remained steady.

Fibers and Textiles

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

This segment recorded sales of ¥66,859 million, compared with ¥61,082 million in the previous fiscal year, and segment income was ¥6,736 million, compared with ¥5,608 million.

- (i) Sales of CLARINO™ man-made leather expanded, especially for use in vehicles and in luxury items.
- (ii) In fibers and industrial materials, PVA fiber was affected by slow recovery in automotive production and an economic slowdown in the second half of the year. On the other hand, sales of VECTRAN™ high strength polyarylate fiber remained steady, especially for export.
- (iii) In consumer goods and materials, demand for KURAFLEX™ non-woven fabrics in the restaurant industry was weak, despite an increase in shipments for hygienic use.

Trading

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

This segment recorded sales of ¥58,844 million, compared with ¥144,027 million in the previous fiscal year, and segment income was ¥5,121 million, compared with ¥4,842 million. Sales decreased by ¥84,985 million due to the application of the Revenue Recognition Accounting Standard.

- (i) Sales expanded in fiber-related businesses, mainly in sports wear such as wearables.
- (ii) Sales of resins and chemicals remained strong in Asian markets in the first half of the year, but they were affected by an economic slowdown in the second half of the year.

Others

Major Business Lines: Engineering

In other business, domestic affiliates saw sales recover, resulting in segment sales of ¥52,051 million, compared with ¥44,327 million in the previous fiscal year, and segment income of ¥2,679 million, compared with ¥1,206 million.

[Reference] Net Sales and Operating Income by Business Segment

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

	Net sales			Operating income		
	Fiscal 2021	Fiscal 2022	Change (%)	Fiscal 2021	Fiscal 2022	Change (%)
Vinyl Acetate	304.7	385.3	–	58.3	77.5	–
Isoprene	61.9	65.6	–	6.1	4.3	–
Functional Materials	142.4	174.1	–	8.7	8.6	–
Fibers and Textiles	61.1	66.9	–	5.6	6.7	–

	Net sales			Operating income		
	Fiscal 2021	Fiscal 2022	Change (%)	Fiscal 2021	Fiscal 2022	Change (%)
Trading	144.0	58.8	–	4.8	5.1	–
Others	44.3	52.1	–	1.2	2.7	–
Elimination & Corporate	(129.1)	(46.4)	–	(12.4)	(17.8)	–
Total	629.4	756.4	–	72.3	87.1	–

Note: Because the Company has applied the Revenue Recognition Accounting Standard and other standards from fiscal 2022, financial data for fiscal 2022 reflect these accounting standards, and percentage changes are not presented.

(2) Capital Expenditures

Major capital expenditures invested during fiscal 2022 were as follows:

- (i) Major facilities completed during the year
 - Kuraray Co., Ltd.
Installation of power facilities (Vinyl Acetate; Fibers and Textiles)
- (ii) Ongoing establishment, expansion and reinforcement of major facilities during the year
 - Kuraray Co., Ltd.
Expansion of optical-use poval film production facilities (Vinyl Acetate)
 - Kuraray GC Advanced Materials Co., Ltd. and Kuraray Advanced Chemicals (Thailand) Co., Ltd.
Construction of new plant for chemical production (Isoprene)
 - Calgon Carbon Corporation
Expansion of activated carbon production facilities (Functional Materials)

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

Nothing important to mention

(4) Transfer of Business from Other Companies

None applicable

(5) Succession of Rights and/or Liabilities regarding Businesses of Other Corporations via Absorption or Divestiture

None applicable

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

Nothing important to mention

(7) Financing

In order to meet funding needs during fiscal 2022, we raised funds mainly by bank borrowings and issuing of corporate bonds.

(8) Challenge for the Kuraray Group

Kuraray's mission in the corporate statements is: "For people and the planet—to achieve what no one else can." Based on this, we aim to be a "Specialty Chemical Company contributing to customers, society and the planet and growing sustainably by incorporating new innovation platforms into its own technologies" under the Kuraray Vision 2026, a long-term vision toward 2026, the centennial of the Company's founding.

In line with "PASSION 2026," the medium-term management plan that started in fiscal 2022, the Group set three challenges to tackle listed below to realize the Kuraray Vision 2026.

1) Sustainability as an opportunity

Take sustainability as an opportunity and promote it with the collective strength of the whole group.

2) Innovations starting from networking

Create a growth driver by connecting people with people, and technologies with technologies, both within and outside the Company.

3) Transformation of people and organizations

Transform people and organization via the digital-driven process innovation and the promotion of diversity which will, in turn, help us bring to bear a broad range of ideas.

In fiscal 2023, the second year of the medium-term management plan "PASSION 2026,"

although risks of economic slowdown remain, particularly in Europe and the United States due to monetary tightening, alongside geopolitical risks such as the Russia-Ukraine situation, the economic environment is expected to turn around and start to recover in the second half of the year. Under such circumstances, the Group will steadily establish new facilities, including the Thai Isoprene base, the new water-soluble PVA film plant in Poland, and active carbon production facilities in the United States. We will also focus resource allocation on growth businesses in our efforts to create a more upgraded business portfolio. The Group will continue taking on these challenges as a sustainably growing specialty chemical company toward the centennial in 2026.

The Company positions the distribution of profits to all shareholders as a priority management issue. For the period of the medium-term management plan “PASSION 2026,” our basic policy is to ensure a total return ratio of at least 35% as a proportion of net income attributable to owners of the parent and an annual dividend of at least ¥40 per share. For fiscal 2022, having revised our previous forecast, we plan to pay out an annual dividend per share of ¥44, comprising an interim dividend of ¥21 and a year-end dividend of ¥23. Share buybacks were approved by resolution of the Board of Directors on February 9, 2022, and the Company bought back 9.42 million of the Company’s own shares at approximately ¥10 billion.

Since its foundation, the Group has conducted management that aims for the improvement of the natural environment and living environment through our business activities, to contribute to the sustainable advancement of society. Positioning sustainability as an important management strategy, key priority issues (materiality) for the sustainable advancement of the Company and society have been selected at a management level, and we are working on solutions to those issues across the entire Group.

In the medium-term management plan “PASSION 2026,” we have compiled the sustainability-related measures that the Group will address in our “Sustainability Medium-term Plan.”

We have declared our endorsement of the Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and we striving to enhance our disclosures in the four areas recommended by the TCFD, namely governance, strategy, risk management, and metrics and targets. The Group will actively promote sustainability and help to improve the natural environment and enhance quality of life for people everywhere with unique technologies and products. Detailed information about the Kuraray Group’s sustainability initiatives and disclosures based on the TCFD framework can be found on the Company’s website.

Kuraray Report (integrated report)	https://www.kuraray.com/csr/report_backnumber
Sustainability website	https://www.kuraray.com/csr
Sustainability Medium-term Plan	https://www.kuraray.com/csr/report2022/4p-model

In May 2018, there was a fire that resulted in injuries of outside contract workers at a U.S. subsidiary, and civil lawsuits were filed seeking damages. Only some of the plaintiffs’ lawsuits are still active. To ensure that a similar fire does not occur again, we have been conducting safety inspections at our main overseas chemical plants since fiscal 2019, in our efforts to revise and strengthen safety measures. We also conduct regular risk assessments and, where risks are identified, we implement additional countermeasures to mitigate those risks, in line with the degree of envisaged damage and the standard of current safety measures. Further, in fiscal 2022, we established a new Global Process Safety Management Audit Team targeting chemical and activated carbon plants, and that team is now operational. Through cross-organizational activities by this team, which has a thorough knowledge of safety and disaster prevention, we will identify issues from multiple angles and bolster information sharing and the horizontal dissemination of knowledge with the aim of improvement.

(9) Changes in Financial Position and Income Summary

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Net sales (Millions of yen)	575,807	541,797	629,370	756,376
Operating income (Millions of yen)	54,173	44,341	72,256	87,139
Ordinary income (Millions of yen)	48,271	39,740	68,765	84,060
Net income (loss) attributable to owners of the parent (Millions of yen)	(1,956)	2,570	37,262	54,307
Net income (loss) per share (Yen)	(5.66)	7.48	108.32	161.13
Total assets (Millions of yen)	991,149	1,051,584	1,091,014	1,221,533
Net assets (Millions of yen)	538,545	515,481	579,602	668,534

Note: Because the Company has applied the Revenue Recognition Accounting Standard and other standards from fiscal 2022, financial data for fiscal 2022 reflect these accounting standards.

(10) Major Subsidiaries

Company Name	Capital	The Company's Equity Position (%) ¹	Major Business Lines
Kuraray Trading Co., Ltd.	2,200 (Millions of yen)	100.0	Exportation, importation and wholesale of textile goods, resins and chemicals
Kuraray Noritake Dental Inc.	300 (Millions of yen)	66.7	Manufacture and sale of dental materials
Kuraray Plastics Co., Ltd.	180 (Millions of yen)	100.0	Manufacture and sale of molded rubber and chemicals, resin compounds and laminated products
Kuraray Engineering Co., Ltd.	150 (Millions of yen)	100.0	Plant design and construction
Kuraray Techno Co., Ltd.	100 (Millions of yen)	100.0	Entrusted services for operations pertaining to production and logistics and manpower dispatching/recruiting business
Kuraray Kuraflex Co., Ltd.	100 (Millions of yen)	100.0	Manufacture, processing and sale of non-woven fabric products
Kuraray Fastening Co., Ltd.	100 (Millions of yen)	70.0	Manufacture and sale of hook and loop fasteners and related goods
Kuraray Holdings U.S.A., Inc.	865,031 (Thousands of U.S. dollars)	100.0	Holding company and controlling function of U.S. subsidiaries
Kuraray America, Inc. ²	10,101 (Thousands of U.S. dollars)	100.0 (100.0)	Importation, exportation and sale of textile goods, resins and chemicals, manufacture and sale of PVA resin, PVB resin and film, EVOH resin and thermoplastic elastomer
MonoSol, LLC ³	59,050 (Thousands of U.S. dollars)	100.0 (100.0)	Manufacture and sale of PVA film for industrial purposes
Calgon Carbon Corporation ²	618 (Thousands of U.S. dollars)	100.0 (100.0)	Manufacture and sale of activated carbon and water treatment equipment
Kuraray Europe GmbH	31,188 (Thousands of euros)	100.0	Importation, exportation and sale of textile goods and chemicals, as well as manufacture and sale of PVA resin and PVB resin and film
EVAl Europe N.V. ⁴	29,747 (Thousands of euros)	100.0 (100.0)	Manufacture and sale of EVOH resin
Kuraray Asia Pacific Pte. Ltd.	29,775 (Thousands of U.S. dollars)	100.0	Manufacture and sale of PVA resin
Kuraray (Shanghai) Co., Ltd.	8,000 (Thousands of U.S. dollars)	100.0	Importation and sale of resins and chemicals
Kuraray China Co., Ltd.	3,000 (Thousands of U.S. dollars)	100.0	Provision of financing/indirect support functions to Group companies in China, and assistance to the Kuraray Group in expanding businesses in China and considering market entry into China
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd.	15,280 (Thousands of U.S. dollars)	100.0	Manufacture and sale of acrylic sheets
Kuraray Hong Kong Co., Ltd.	4,650 (Thousands of Hong Kong dollars)	100.0	Sale of man-made leather
Kuraray Korea Ltd.	2,107 (Millions of Korean won)	100.0	Manufacture and sale of PVB film
Plantic Technologies Limited	131,511 (Thousands of AUS dollars)	100.0	Manufacture and sale of biomass-derived PLANTIC™ film
Kuraray Specialities (Thailand) Co., Ltd.	5,718 (Millions of Thai baht)	100.0	Importation, sale, and market development of resins and chemicals

Notes:

1. The figures in bracket in "The Company's Equity Position" refer to the indirect holding ratio.
2. Kuraray America, Inc. and Calgon Carbon Corporation are wholly-owned subsidiaries of Kuraray Holdings U.S.A., Inc.
3. MonoSol, LLC is a wholly-owned subsidiary of MonoSol Holdings, Inc., which is a wholly-owned subsidiary of Kuraray Holdings U.S.A., Inc.
4. EVAl Europe N.V. is a wholly-owned subsidiary of Kuraray Europe GmbH.

(11) Major Offices, Plants and Research Centers

[Offices in Japan]

	Name	Location
Kuraray Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Osaka Office	Osaka-city, Osaka
	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
	Kurashiki Research Center	Kurashiki-city, Okayama
	Tsukuba Research Center	Tsukuba-city, Ibaraki
Kuraray Group Companies	Kuraray Trading Co., Ltd.	Osaka-city, Osaka
	Kuraray Noritake Dental Inc.	Chiyoda-ku, Tokyo
	Kuraray Plastics Co., Ltd.	Osaka-city, Osaka
	Kuraray Engineering Co., Ltd.	Osaka-city, Osaka
	Kuraray Techno Co., Ltd.	Osaka-city, Osaka
	Kuraray Kuraflex Co., Ltd.	Osaka-city, Osaka
	Kuraray Fastening Co., Ltd.	Osaka-city, Osaka

[Offices outside Japan]

Name	Location
Kuraray America, Inc.	United States
KAI Corporate R&D	United States
MonoSol, LLC	United States, United Kingdom
Calgon Carbon Corporation	United States, United Kingdom, Italy, Belgium, France, China
Kuraray Europe GmbH	Germany
EVAL Europe N.V.	Belgium
OOO TROSIFOL	Russia
Kuraray Asia Pacific Pte. Ltd.	Singapore
Kuraray China Co., Ltd.	China
Kuraray (Shanghai) Co., Ltd.	China
Kuraray Methacrylate (Zhang Jia Gang) Co., Ltd.	China
Kuraray Hong Kong Co., Ltd.	Hong Kong
Kuraray Korea Ltd.	South Korea
Kuraray (Thailand) Co., Ltd.	Thailand
Kuraray India Private Limited	India
Plantic Technologies Limited	Australia
Kuraray South America Ltda.	Brazil

(12) Employees

Business Segment	Number of Employees	Year-on-year Increase (Decrease)
Vinyl Acetate	4,328	138
Isoprene	1,151	60
Functional Materials	3,094	173
Fibers and Textiles	1,413	15
Trading	425	53
Others	1,041	(94)
Corporate (Shared)	251	28
Total	11,703	373

(13) Major Lenders

(Millions of yen)

Lender	Borrowing balance
Nippon Life Insurance Company	25,500
MUFG Bank, Ltd.	21,820
The Chugoku Bank, Ltd.	21,702
Mizuho Bank, Ltd.	18,516
Development Bank of Japan Inc.	16,000

Notes:

- Borrowing balance mentioned above includes borrowings from overseas subsidiaries of lenders.
- In addition to the above, there are ¥80,000 million of borrowings via syndicated loans.

(14) Other Significant Matters of the Kuraray Group

Nothing important to mention

2. Shares of the Company

- Total Number of Shares Authorized to be Issued: 1,000,000,000 shares
- Total Number of Shares Issued: 354,863,603 shares
(Including 20,171,061 shares of treasury shares)
- Number of Shareholders as of December 31, 2022: 105,644
- Major Shareholders

Shareholder's name	Number of shares held (Thousands)	Ratio of capital contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	61,150	18.27
Custody Bank of Japan, Ltd. (Trust account)	28,469	8.51
National Mutual Insurance Federation of Agricultural Co-operatives	10,882	3.25
Nippon Life Insurance Company	10,448	3.12
Kuraray Employee Stock Ownership Plan	6,151	1.84
SMBC Nikko Securities Inc.	6,099	1.82
Meiji Yasuda Life Insurance Company	5,969	1.78
THE BANK OF NEW YORK MELLON 140042	4,808	1.44
Kuraray Business Partner Stock Ownership Plan	4,671	1.40
Japan Securities Finance Co., Ltd.	4,510	1.35

Note: In calculation of "Ratio of capital contribution," the treasury shares of the Company (20,171,061 shares) are excluded from the total number of shares issued.

(5) Shares Issued to Directors and Members of Audit & Supervisory Board as Consideration for Execution of Duties during the Subject Fiscal Year

The details of stock-based remuneration issued during fiscal 2022 are as follows.

Category	Number of eligible persons	Number of shares
Directors (excluding Outside Directors)	6	24,500 shares

Note: Details of the Company's stock-based remuneration are provided in "(4) Total Amounts of Remuneration, etc., Paid to Directors and Members of Audit & Supervisory Board" on Page 29.

3. Share Purchase Warrants, etc., of the Company

(1) Details of Share Purchase Warrants Held by Directors and Members of Audit & Supervisory Board of the Company as of December 31, 2022

- (i) Share purchase warrants
391 units
- (ii) Kind and number of shares
Common shares: 195,500 shares (500 shares for each share purchase warrant)
- (iii) Number of share purchase warrants held by Directors of the Company

	Designation of share purchase warrants	Exercise period	Issue price per share	Number of share purchase warrants	Number of holders
			Exercise price per share		
Directors (excluding Outside Directors)	Share Purchase Warrants issued in May 2013 (Stock Options for a Stock Linked Compensation)	May 15, 2013 – May 14, 2028	¥1,482	9 units	3
			¥1		
	Share Purchase Warrants issued in May 2014 (Stock Options for a Stock Linked Compensation)	May 15, 2014 – May 14, 2029	¥1,119	11 units	3
			¥1		
	Share Purchase Warrants issued in February 2015 (Stock Options for a Stock Linked Compensation)	February 17, 2015 – February 16, 2030	¥1,352	16 units	3
			¥1		
	Share Purchase Warrants issued in February 2016 (Stock Options for a Stock Linked Compensation)	February 10, 2016 – February 9, 2031	¥1,200	31 units	3
			¥1		
	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 – February 8, 2032	¥1,538	46 units	5
			¥1		
Share Purchase Warrants issued in February 2018 (Stock Options for a Stock Linked Compensation)	February 15, 2018 – February 14, 2033	¥1,761	32 units	6	
		¥1			
Share Purchase Warrants issued in February 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 – February 13, 2034	¥1,466	56 units	6	
		¥1			
Share Purchase Warrants issued in February 2020 (Stock Options for a Stock Linked Compensation)	February 14, 2020 – February 13, 2035	¥1,314	74 units	6	
		¥1			
Share Purchase Warrants issued in February 2021 (Stock Options for a Stock Linked Compensation)	February 12, 2021 – February 11, 2036	¥1,174	102 units	6	
		¥1			

	Designation of share purchase warrants	Exercise period	Issue price per share	Number of share purchase warrants	Number of holders
			Exercise price per share		
Outside Directors	Share Purchase Warrants issued in February 2017 (Stock Options for a Stock Linked Compensation)	February 9, 2017 – February 8, 2032	¥1,538	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2018 (Stock Options for a Stock Linked Compensation)	February 15, 2018 – February 14, 2033	¥1,761	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2019 (Stock Options for a Stock Linked Compensation)	February 14, 2019 – February 13, 2034	¥1,466	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2020 (Stock Options for a Stock Linked Compensation)	February 14, 2020 – February 13, 2035	¥1,314	2 units	1
			¥1		
	Share Purchase Warrants issued in February 2021 (Stock Options for a Stock Linked Compensation)	February 12, 2021 – February 11, 2036	¥1,174	6 units	3
			¥1		

Notes:

1. The “Issue price per share” and “Exercise price per share” show the amount per share.
2. In the issuance of the stock options for a stock linked compensation, the debit based on the above “Issue price per share” was set off by the credit of remuneration to the Company and there was no payment of money.
3. The above share purchase warrants (stock options for a stock linked compensation) include those granted to Directors concurrently serving as Executive Officers of the Company as compensation to serve as Executive Officers.
4. The Members of Audit & Supervisory Board hold no share purchase warrants.

(2) Outline of the Share Purchase Warrants Issued to Any Employees of the Company, and Directors, Members of Audit & Supervisory Board and Employees of Any Subsidiaries during the Subject Fiscal Year

None applicable

4. Directors and Members of Audit & Supervisory Board of the Company

(1) Directors and Members of Audit & Supervisory Board

Position	Name	Assignments in the Company or Important Positions Concurrently Held at Other Entities, if any
President and Representative Director	Hitoshi Kawahara	
Representative Director and Senior Managing Executive Officer	Hiroya Hayase	Executive Supervisor of Vinyl Acetate Resin Company, Executive Supervisor of Vinyl Acetate Film Company, and President of Vinyl Acetate Film Company, Kuraray Co., Ltd.
Chairman and Director	Masaaki Ito	Chairperson, Saijo Central Hospital
Director and Senior Managing Executive Officer	Yoshimasa Sano	President of Fibers and Textiles Company and Officer Responsible for Osaka Office, Kuraray Co., Ltd.
Director and Managing Executive Officer	Keiji Taga	Officer Responsible for Corporate Management Planning Office, Officer Responsible for Corporate Sustainability Division, Officer Responsible for Global Digital Transformation Office, and Officer Responsible for Accounting and Finance Division, Kuraray Co., Ltd.
Director and Managing Executive Officer	Matthias Gutweiler	President, Kuraray Europe GmbH
Director and Managing Executive Officer	Nobuhiko Takai	President of Functional Materials Company, Kuraray Co., Ltd.
Director	Jun Hamano	President, The Ohara Memorial Institute for Science of Labour Representative Director and Chairperson, Ohara HealthCare Foundation
Director	Keiko Murata	Professor Emeritus, Tokyo Metropolitan University Professor, Graduate School of Economics, Risho University
Director	Satoshi Tanaka	Representative Director, Executive Vice President & Executive Officer, Sekisui House, Ltd. Independent Director, IHH Healthcare Berhad
Director	Kiyoto Ido	Outside Director, Japan Investment Adviser Co., Ltd.
Full-time Member of Audit & Supervisory Board	Kazuhiro Nakayama	
Full-time Member of Audit & Supervisory Board	Naoya Uehara	
Member of Audit & Supervisory Board	Mitsuhiro Nagahama	Outside Director, Azbil Corporation Outside Director, NSK Ltd.
Member of Audit & Supervisory Board	Tomomi Yatsu	Attorney (Representative, Yatsu Law & Accounting Office) Outside Director, SMBC Nikko Securities Inc. Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.
Member of Audit & Supervisory Board	Kenji Komatsu	Director, Fujitsu Component Limited

Notes:

- Directors Jun Hamano, Keiko Murata, Satoshi Tanaka and Kiyoto Ido are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
- Members of Audit & Supervisory Board Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu are Outside Company Auditors as stipulated in Article 2, Item 16 of the Companies Act.
- Member of Audit & Supervisory Board Mitsuhiro Nagahama has been engaged in financial securities business for many years, and therefore has considerable expertise in finance and accounting. Member of Audit & Supervisory Board Tomomi Yatsu is a certified public accountant, and therefore has considerable expertise in finance and accounting.
- The Company has registered Directors Jun Hamano, Keiko Murata, Satoshi Tanaka and Kiyoto Ido and Members of Audit & Supervisory Board Mitsuhiro Nagahama, Tomomi Yatsu and Kenji Komatsu as Independent Directors/Auditors prescribed by Tokyo Stock Exchange.
- There are no special interests between the Company and Ohara HealthCare Foundation. As part of its social contribution activities, the Company pays a membership fee to assist the research activities of The Ohara Memorial Institute for Science of Labour. However, the annual amount of such membership fee is less than ¥1 million per year. Mr. Jun Hamano is thus deemed to be sufficiently independent as Outside Director.
- There are no special interests between the Company and Tokyo Metropolitan University or Risho University. Ms. Keiko Murata is thus deemed to be sufficiently independent as Outside Director.

7. There are no special interests between the Company and Sekisui House, Ltd. or IHH Healthcare Berhad. Mr. Satoshi Tanaka is thus deemed to be sufficiently independent as Outside Director.
8. There are no special interests between the Company and Japan Investment Adviser Co., Ltd. Mr. Kiyoto Ido is thus deemed to be sufficiently independent as Outside Director.
9. There are no special interests between the Company and Azbil Corporation or NSK Ltd. Mr. Mitsuhiro Nagahama is thus deemed to be sufficiently independent as Outside Member of Audit & Supervisory Board.
10. There are no special interests between the Company and Yatsu Law & Accounting Office, SMBC Nikko Securities Inc. or Kyowa Kirin Co., Ltd. Ms. Tomomi Yatsu is thus deemed to be sufficiently independent as Outside Member of Audit & Supervisory Board.
11. There are no special interests between the Company and Fujitsu Component Limited. Mr. Kenji Komatsu is thus deemed to be sufficiently independent as Outside Member of Audit & Supervisory Board.

(2) Liability Limitation Agreements with Directors and Members of Audit & Supervisory Board

Pursuant to the Articles of Incorporation, the Company has concluded liability limitation agreements with all the Outside Directors and Members of Audit & Supervisory Board. An outline of the agreements is as follows:

“After the execution of this agreement, the Outside Director and Member of Audit & Supervisory Board shall assume the liability for damages with regard to the liability stipulated in Article 423, Paragraph 1 of the Companies Act, within the limitation of the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act; provided that the Outside Director or Member of Audit & Supervisory Board has executed its duties in good faith without committing gross negligence.”

(3) Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to cover compensation for damages and legal expenses in the event that a claim for damages is made against the insured due to an act committed by the insured based on his/her position. The insurance contract insures officers, Executive Officers, and employees in management and supervisory positions at the Company and its subsidiaries, and insurance premiums for all of them are fully paid by the Company.

So as not to impede on the roles expected of the insured, the Company has established coverage limits and exemptions.

(4) Total Amounts of Remuneration, etc., Paid to Directors and Members of Audit & Supervisory Board

(Unit: Millions of yen, rounded down to the nearest million)

Category	Amount paid	Amount paid by type				Number of persons paid (persons)
		Monetary remuneration			Stock-based remuneration	
		Fixed remuneration	Performance-linked remuneration ³	Others ⁴	Restricted stock compensation ⁵	
Directors [of which Outside Directors]	536 [57]	321 [57]	185 [-]	1 [-]	27 [-]	12 [4]
Members of Audit & Supervisory Board [of which Outside Members of Audit & Supervisory Board]	95 [37]	95 [37]	-	-	-	5 [3]

Notes:

1. The annual remunerations to Directors and Members of Audit & Supervisory Board of the Company were resolved as follows.

		Date of resolution by the General Meeting of Shareholders	Number of persons subject to resolution
1) Amount of monetary remuneration to Directors	¥800 million or less per year (including ¥100 million or less per year to Outside Directors)	131st Ordinary General Meeting of Shareholders (June 22, 2012)	10 (including 2 Outside Directors)
2) Amount of restricted stock-based remuneration to Directors (aside from 1) above)	¥90 million or less per year and 60,000 shares or less per year	140th Ordinary General Meeting of Shareholders (March 25, 2021)	8
3) Amount of remuneration to Members of Audit & Supervisory Board	¥100 million or less per year	125th Ordinary General Meeting of Shareholders (June 28, 2006)	5

2. The amounts of remuneration, etc. listed above are determined upon multifaceted reviews by the Corporate Advisory Committee including consistency with the determination policy described on the following pages, and after sufficient consideration by the Board of Directors. Therefore, the amounts are judged to be in line with the determination policy described on the following pages.
3. The details, reasons for selecting the indicator, and calculation method of the performance-linked remuneration are as described in the determination policy on the following pages. Net income attributable to owners of the parent, the index for calculation for the subject fiscal year, is given in “(9) Changes in Financial Position and Income Summary” on page 21.
4. One (1) Director who is not a resident of Japan received monetary compensation linked to stock price (“phantom stock”) instead of restricted stock compensation within the range of the monetary remuneration limit.
5. This is the restricted stock compensation of seven (7) Directors. Separately from the restricted stock compensation under the Scheme, another ¥14 million in restricted stock compensation was given to five (5) Directors concurrently serving as Executive Officers of the Company as compensation to serve as Executive Officers.
6. The “Number of persons paid” mentioned above includes one (1) Director who retired at the conclusion of the 141st Ordinary General Meeting of Shareholders held on March 24, 2022.
7. The amounts of remuneration, etc. mentioned above are the book values of expensed amounts.

(5) Policy for Determining Compensation, etc. for Each Director

1. Basic Policy for Determining Compensation, etc. for Directors

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

The specific level and system of compensation will be verified and deliberated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, on whether the level and system of compensation are appropriate, based on the results of a survey by a specialized external research institution on executive compensation covering companies such as those listed on the Prime Market of the Tokyo Stock Exchange. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the level and system of compensation.

2. Timing of granting compensation, etc.

Compensation, etc. described in 1. above shall be granted in the following timing:

Type of compensation, etc.	Timing of granting compensation
Fixed compensation (monetary compensation)	Paid as fixed monthly compensation
Performance-linked compensation (monetary compensation)	Paid once a year at a certain time as a bonus
Restricted stock compensation *1, *2 (stock compensation)	Paid once a year at a certain time

*1 Kuraray adopted a new restricted stock compensation in lieu of the existing stock options at the 140th ordinary general meeting of shareholders held in March 25, 2021.

*2 A Director who is not a resident of Japan shall receive monetary compensation linked to stock price ("phantom stock") instead of restricted stock compensation and receive payment of monetary compensation at retirement in an amount linked to stock price at the time of retirement.

3. Method for determining compensation, etc.

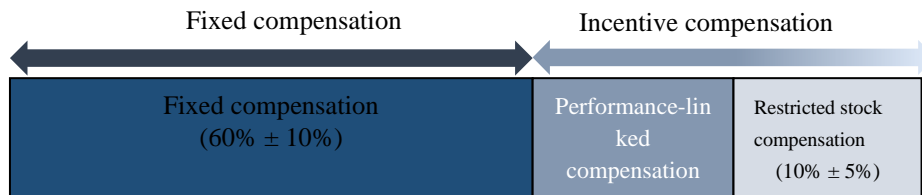
i. Upper limit of total amount of compensation, etc. for Directors

The total amount of compensation, etc. for Kuraray's Directors shall be paid in the scope shown below:

	Type of compensation, etc.	Limit of total amount	Resolution
(1)	Fixed compensation and performance-linked compensation	¥800 million or less per year	131st Ordinary General Meeting of Shareholders
(2)	Restricted stock compensation (separate from (1))	¥90 million or less per year and 60 thousand shares or less per year	140th Ordinary General Meeting of Shareholders

ii. Composition of compensation, etc.

The allocation by type of compensation, etc. for each Director shall be based on the following ratio. (Assuming the goal set at the beginning of the year is achieved)



iii. Method for determining the amount of compensation, etc.

Kuraray takes the policy in the table below to determine the amount of compensation, etc. for each Director. The amounts of fixed compensation and performance-linked compensation calculated based on each formula are evaluated by the Corporate Advisory Committee, mainly comprising outside officers and outside experts, from an objective standpoint. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the amount of compensation for each Director.

Restricted stock compensation is calculated based on the formula and the Board of Directors determines by resolution the number of shares to be granted to each Director.

Type of compensation, etc.	Determination method, etc.								
Fixed compensation (monetary compensation)	<p>[President] The fixed monthly compensation of the President is approximately six times the regular monthly salary of the managers of the highest level.</p> <p>[Directors excluding the President] Obtained by multiplying the fixed compensation for the President by the compensation index determined for each position.</p> <p><Compensation index for Directors by position></p> <table border="1"> <thead> <tr> <th>President</th> <th>Chairman</th> <th>Senior Managing Executive Officer</th> <th>Managing Executive Officer</th> </tr> </thead> <tbody> <tr> <td>100</td> <td>90</td> <td>65</td> <td>55</td> </tr> </tbody> </table> <p>+5 points will be added to Representative Directors other than the President.</p> <p>The compensation for Outside Directors will be determined by referring to the levels of compensation for outside directors of companies such as those listed on the Prime Market of the Tokyo Stock Exchange.</p>	President	Chairman	Senior Managing Executive Officer	Managing Executive Officer	100	90	65	55
President	Chairman	Senior Managing Executive Officer	Managing Executive Officer						
100	90	65	55						
Performance-linked compensation (monetary compensation)	<p>[President] “Net income attributable to owners of the parent” is the index for calculating the performance-linked compensation (bonus) as it is a clear indicator of the results of business operations and corporate management. The payment amount is obtained by the following formula.</p> <p>Bonus = Actual net income attributable to owners of the parent × 0.75/1000 × Company performance reflection rate: 100%</p> <p>[Directors excluding the President] The payment amount is obtained by multiplying the President’s performance-linked compensation (bonus) amount by the same compensation index by position as the one used for fixed compensation, provided Directors in charge of business units shall receive payment with 80% company performance reflection rate as an incentive to maximize business performance with an additional rate within the range of +0% to +40% to reflect the performance of the relevant business unit.</p>								

	<p>Calculation formula for performance-linked compensation (bonus)</p> <table border="1"> <thead> <tr> <th data-bbox="512 253 794 286">Target</th> <th data-bbox="801 253 1423 286">Formula</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 295 794 383">Directors in charge of corporate units</td> <td data-bbox="801 295 1423 383">Bonus = Net income × 0.75/1000 × Compensation index by position^{*1}/100 × Company performance reflection rate: 100%</td> </tr> <tr> <td data-bbox="512 392 794 479">Directors in charge of business units</td> <td data-bbox="801 392 1423 479">Bonus = Net income × 0.75/1000 × Compensation index by position /100 × (Company performance reflection rate: 80% + Business performance addition rate^{*2}: 0% to 40%)</td> </tr> </tbody> </table> <p>*1 Compensation index by position is the same as that used for fixed compensation.</p> <p>*2 Business performance addition rate is obtained by evaluating the performance of the relevant business segment, i.e. the rate of achieving net sales and operating income targets, the degree of year-on-year change in operating income, etc.</p>	Target	Formula	Directors in charge of corporate units	Bonus = Net income × 0.75/1000 × Compensation index by position ^{*1} /100 × Company performance reflection rate: 100%	Directors in charge of business units	Bonus = Net income × 0.75/1000 × Compensation index by position /100 × (Company performance reflection rate: 80% + Business performance addition rate ^{*2} : 0% to 40%)
Target	Formula						
Directors in charge of corporate units	Bonus = Net income × 0.75/1000 × Compensation index by position ^{*1} /100 × Company performance reflection rate: 100%						
Directors in charge of business units	Bonus = Net income × 0.75/1000 × Compensation index by position /100 × (Company performance reflection rate: 80% + Business performance addition rate ^{*2} : 0% to 40%)						
<p>Restricted stock compensation^{*Note} (stock compensation)</p>	<p>[President] A number of shares shall be allotted in consideration of the responsibilities of the President and the level of compensation at other companies.</p> <p>[Directors excluding the President] A designated number of shares shall be allotted by position. To facilitate the sharing of value with shareholders, those in higher positions receive more allotment of shares.</p> <p>Restriction on transfer is to be lifted at the time of retirement.</p>						

Note: Kuraray shall allot a number of points equivalent to the number of restricted stock per position to Directors who do not reside in Japan who are to receive phantom stock, and pay monetary compensation at retirement in an amount linked to stock price at the time of retirement, as stated in in “2. Timing of granting compensation, etc.”

(6) Outside Directors and Outside Members of Audit & Supervisory Board of the Company

(i) Activities of Outside Directors and Outside Members of Audit & Supervisory Board:

	Attendance at meetings of Board of Directors and meetings of Audit & Supervisory Board	Activities and duties performed by Outside Directors regarding their expected roles
Director Jun Hamano	Meetings of Board of Directors 100% (14/14 meetings)	He expressed his opinions as necessary about the management of the Company primarily based on his deep insight gained at the Economic Planning Agency, Cabinet Office, etc.
Director Keiko Murata	Meetings of Board of Directors 100% (14/14 meetings)	She expressed her opinions as necessary about the management of the Company primarily based on her deep insight gained at the Cabinet Office and graduate schools, etc.
Director Satoshi Tanaka	Meetings of Board of Directors 93% (13/14 meetings)	He expressed his opinions as necessary about the management of the Company primarily based on his experience and achievements gained by being deeply engaged in global business management.
Director Kiyoto Ido	Meetings of Board of Directors 100% (14/14 meetings)	He expressed his opinions as necessary about the management of the Company primarily based on his deep insight gained at the Ministry of Finance, Ministry of Foreign Affairs, etc.
Member of Audit & Supervisory Board Mitsuhiro Nagahama	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Audit & Supervisory Board 100% (13/13 meetings)	He made remarks from an expert's perspective primarily based on his abundant experience in financial institutions and his track record as outside officer of other companies.
Member of Audit & Supervisory Board Tomomi Yatsu	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Audit & Supervisory Board 100% (13/13 meetings)	She made remarks from an expert's perspective primarily based on her experience as a certified public accountant and an attorney and her track record as outside officer of other companies.
Member of Audit & Supervisory Board Kenji Komatsu	Meetings of Board of Directors 100% (14/14 meetings) Meetings of Audit & Supervisory Board 100% (13/13 meetings)	He made remarks from an expert's perspective primarily based on his experience and track record of participating in management of many companies in and outside Japan.

(ii) Other matters to be stated:

There is no matter other than the above to be stated regarding the Outside Directors and Outside Members of Audit & Supervisory Board of the Company in accordance with Article 124 of the Regulation for Enforcement of the Companies Act.

5. Accounting Auditor

(1) Accounting Auditor as of the close of the subject Fiscal Year

PricewaterhouseCoopers Aarata LLC

(2) Amounts of Remunerations, etc., to be Paid to the Accounting Auditor

Remuneration, etc., to be paid to the Accounting Auditor (PricewaterhouseCoopers Aarata LLC) pertaining to the subject fiscal year is as follows:

- (i) Remuneration in compensation for audit pertaining to the Company's business as set forth in Article 2, Paragraph 1 of the Certified Public Accountant Law: ¥107 million
- (ii) Sum of money and other financial profits to be paid by the Company and its subsidiaries: ¥135 million

Notes:

- 1. The Audit & Supervisory Board has given consent to the remuneration, etc., to be paid to the Accounting Auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of examining the validity in the content, auditing time, quotation for auditing, etc. with regard to the auditing schedule for fiscal 2022 given by the Accounting Auditor.
- 2. The audit agreement entered into between the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act. Therefore, the amount being derived from the audit under the Financial Instruments and Exchange Act is included in the amount in (i) above.

(3) Accounting Auditor of Certain Subsidiaries

Fourteen (14) of the Company's major subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act or foreign laws and regulations equivalent to such laws) by audit firms other than the Accounting Auditor of the Company (including those certified with equivalent qualifications from another country).

(4) Policy on Decisions of Dismissal or Non-Reappointment of the Accounting Auditor

The Audit & Supervisory Board shall dismiss the Accounting Auditor of the Company with a unanimous resolution if all Members of Audit & Supervisory Board judge that the Accounting Auditor falls under any of the Items set forth in Article 340, Paragraph 1 of the Companies Act, thereby making them difficult to execute appropriate audits. In addition, the Audit & Supervisory Board shall decide on the dismissal or non-reappointment of the Accounting Auditor as a proposal to be submitted to an Ordinary General Meeting of Shareholders, should there be a case where it is deemed necessary to appoint an Accounting Auditor who could be expected to perform more appropriate audits upon evaluation based on their independency, integrity, or efficiency as the Accounting Auditor, other than the existence of a fact that may fall under any statutory causes for dismissal.

(5) Other Matters to Be Stated

There is no matter other than the above to be stated regarding the Accounting Auditor of the Company in accordance with Article 126 of the Regulation for Enforcement of the Companies Act.

6. Systems to Ensure the Propriety of Business Operations

(1) Systems to Ensure Compliance of the Directors' Execution of Duties with Laws, Regulations and the Articles of Incorporation and Other Systems to Ensure the Propriety of Business Operations

The Board of Directors of the Company has resolved as follows concerning the Basic Policy for Establishment of Internal Control System to ensure the propriety of business operations of the Kuraray Group.

- (i) Systems to ensure compliance of execution of duties of Directors and employees with laws, regulations and the Articles of Incorporation
 - a. The Board of Directors, based on the Articles of Incorporation, Regulations of Board of Directors, and other internal regulations, will make decisions concerning important management items of the Kuraray Group, in addition to supervising the execution of duties by Directors and Executive Officers. To strengthen the supervisory functions of the Board of Directors, at least one-third of the Directors elected shall be independent Outside Directors.
 - b. To promote transparent, fair and objective decision-making concerning important management items such as nomination and compensation of Directors, a "Corporate Advisory Committee" mainly comprised of outside Directors & Members of Audit & Supervisory Board and outside experts will be established as an advisory body to the Board of Directors.
 - c. To promote corporate activities from the standpoint of sustainability, a Sustainability Committee will be established headed by the President, which seeks approval from and reports to the Board of Directors regarding important matters.
 - d. Policies regarding compliance with laws and regulations will be defined as the Kuraray Group Code of Conduct. In order to conduct systematic development and operation of a compliance structure as the Kuraray Group, a Risk Compliance Committee will be established, which reports directly to the President.
 - e. As an internal reporting point for discovering unfair and illegal actions and unethical actions within the Kuraray Group at an early stage and aiming for independent resolution, a Kuraray Group Employee Counseling Room and a Global Compliance Hotline will be established. In addition, a Governance Hotline will be established as an internal reporting point independent from the management to notify Members of Audit & Supervisory Board via an external law firm.
 - f. As a prevention measure against the violation of the Antimonopoly Act, regular education and training will be held for executives and employees from each Kuraray Group company, raising awareness of the internal guidelines regarding the Antimonopoly Act and conducting regular monitoring of the compliance status.
 - g. The Corporate Auditing Division, in compliance with the Internal Audit Regulations, will audit the conditions of business execution within the Kuraray Group.
 - h. Based on the Financial Instruments and Exchange Act, an internal control system will be established to ensure propriety of financial reporting, and will be operated appropriately.
 - i. The Kuraray Group Code of Conduct will prescribe that the Kuraray Group will deal with Anti-social forces and groups in a firm manner, and will not have any association with such forces and groups, thoroughly disseminating the rules throughout the Kuraray Group.
- (ii) Systems concerning storage and management of information regarding execution of duties of Directors
Records regarding execution of duties of Directors such as approval documents, request documents, etc., and minutes and materials of General Meetings of Shareholders, Meetings of Board of Directors, and other main meetings will be stored and managed appropriately in accordance with laws and regulations and internal regulations.
- (iii) Regulations and other systems regarding management of risk of loss
 - a. Based on the Kuraray Group Risk Management Regulations, systematic risk management will be conducted throughout the Kuraray Group.
 - b. Based on the Company Emergency Headquarters Operational Regulations, in the event of a

- significant crisis regarding the business activities of the Kuraray Group, the Company Emergency Headquarters will be established, headed by the President, to deal with the issue.
- c. Assuming a significant crisis such as a large-scale natural disaster, etc., a business continuity plan (BCP) will be defined on a per-division basis to minimize any interruption of business, and the BCP will be reviewed regularly.
- (iv) Systems to ensure efficient execution of duties by Directors
- a. For decisions made by the President or requests of approvals by the Board of Directors regarding significant management items of the Kuraray Group, preemptive deliberations will be held by the Executive Committee and various committees, aiming for swift management decision-making and efficient business execution.
 - b. Authority to operate businesses as managers of Companies, Divisions, and key organizations will be delegated to Executive Officers, etc., appointed by the Board of Directors, and execution of business at each organization will be made in an appropriate and efficient manner.
- (v) Systems to ensure the propriety of business operations at the corporate group, composed of the Company and subsidiaries
- a. Business operation of each Kuraray Group company will be conducted according to the management policies of the Kuraray Group as a whole, as defined in the 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 will seek approval and report to the Board of Directors or Executive Committee of the Company concerning important items.
 - b. Decision-making standards will be defined for each Kuraray Group company within the Domestic Affiliated Companies Management Standards and the Overseas Affiliated Companies Management Standards, and will be managed appropriately and efficiently. Additionally, to promote unified operations through aiming for communication of views within the Kuraray Group, a liaison meeting will be held as required between the President of the Company and the Presidents of each Kuraray Group company.
 - c. Based on the Kuraray Group Code of Conduct, the system will be put in place to enable appropriate execution of duties by Directors and employees of each Kuraray Group company. In addition, officers will be seconded from the Company to each Kuraray Group company, to supervise business execution by Directors and employees of each company, and the Corporate Auditing Division will conduct internal audits in accordance with the Internal Audit Regulations.
- (vi) Independence from Directors of employees assisting the duties of Members of Audit & Supervisory Board and items regarding ensuring the effectiveness of instructions given to these employees
- Staff for Member of Audit & Supervisory Board will be assigned to assist the duties of Members of Audit & Supervisory Board. Staff for Member of Audit & Supervisory Board will receive direction and orders from Members of Audit & Supervisory Board, and concerning personnel affairs and salary of Staff for Member of Audit & Supervisory Board, decisions will be made after deliberations between the officer supervising personnel affairs and Members of Audit & Supervisory Board.
- (vii) Systems regarding reporting to Members of Audit & Supervisory Board of the Company and systems to ensure persons who make reports do not receive detrimental treatment as a result of making a report
- a. Members of Audit & Supervisory Board will receive reports concerning conditions of business execution at the Company and each Kuraray Group company by attending Meetings of Board of Directors, liaison meetings, etc., with Presidents of significant subsidiaries.
 - b. The Corporate Auditing Division will periodically report to the Audit & Supervisory Board concerning conditions of internal audits at the Company and each Kuraray Group company.
 - c. Upon discovering important issues regarding significant violations of laws and regulations or other compliance issues, Directors and officers of the Company and each Kuraray Group

company will swiftly report to Members of Audit & Supervisory Board. Members of Audit & Supervisory Board may request reports regarding these items as required from employees of the Company and the Kuraray Group.

- d. Employees of the Company and each Group company can notify Members of Audit & Supervisory Board of these matters using the Governance Hotline.
- e. Regarding persons who make the above reports and notifications, internal regulations will stipulate that persons who make reports and notifications do not receive detrimental treatment on the grounds of making the report.

(viii) Items regarding prepayment of expenses, procedures for reimbursement, and policies regarding processing of other expenses and liabilities arising from execution of duties by Members of Audit & Supervisory Board

When Members of Audit & Supervisory Board request prepayment or reimbursement, etc., for expenses arising during the course of execution of duties, unless the contents are especially unreasonable, payment will be processed without delay.

(ix) Other systems to ensure that audits by Members of Audit & Supervisory Board are made effectively

In order to exchange opinions regarding challenges facing the Company, important audit issues, etc., Members of Audit & Supervisory Board will periodically meet with the Representative Directors, and implement interviews with Directors, Executive Officers, and important employees.

(2) Summary of operations of the systems

The Company develops and operates an internal control system based on the above basic policy. A summary of key developments and operations during fiscal 2022 is as follows.

(i) Initiatives relating to compliance

- a. To work toward improving compliance awareness, seminars on an open workplace and communication with respect for oneself and others were implemented for Senior Managers at domestic Group companies, and the Senior Manager who attended the seminars subsequently implemented training for employees in their respective divisions.
- b. With establishment of the Kuraray Group Antitrust Compliance Program, the Company strives to implement the program across the entire Group. In fiscal 2022, the Company continued to monitor the compliance system in high-risk businesses and areas and took various measures such as education and training for employees, as well as annual audits of divisions that participate in bidding.
- c. The Corporate Auditing Division implemented an assessment on the development and operation status of an internal control system (J-SOX) to ensure propriety of financial reporting of the Company and the Kuraray Group. Results of the assessment was audited by PricewaterhouseCoopers Aarata LLC, and was reported to the Board of Directors.

(ii) Initiatives relating to risk management

- a. Self-assessment of risks was implemented at each domestic and overseas organization based on the Kuraray Group Risk Management Regulations. Following discussions at the Risk Compliance Committee, the President specified significant business risks and appointed officers in charge of each risk in order to implement measures to avoid and reduce such risks. In December 2022, we identified the following items as priority issues in the Kuraray Group risk management for fiscal 2023.
 - i. Implement information security enhancement measures across the entire Group to further strengthen confidential information management.
 - ii. To mitigate risks of occupational incidents, continue to implement measures to address issues in operational management and facility management at overseas plants, as well as identify and improve issues in safety management systems at overseas affiliated companies through the activities of global Process Safety Management Audit Team.
 - iii. To address the supply risk of raw materials, fuels, secondary materials and equipment,

reinspect all items, including general-use products, from a supply chain perspective and devise countermeasures against risks, starting with those of a high priority based on the Business Continuity Plan (BCP) of each business, thus further enhancing the precision and effectiveness of BCP.

- b. In addition to conducting leakage and fire drills at business sites, the Company proceeded with the establishment of systems for sharing information within the Company Emergency Headquarters using a teleconferencing system, to prepare for situations where it would be difficult to assemble on site, including on holidays and at night. The Company Emergency Headquarters, which was established in response to the security incident of October 2021, was dissolved in June 2022 after implementing emergency responses and formulating subsequent countermeasure plans. As a permanent system, the Company newly appointed an officer in charge of confidential information management and established a confidential information management team under that officer, and the countermeasure plans are being implemented.
- (iii) Initiatives relating to internal control of the corporate group
- a. The “Corporate Advisory Committee,” comprised of one (1) internal director, five (5) outside officers and two (2) outside experts, was met twice during the year. As an advisory body to the Board of Directors, the Committee deliberated on Director candidates and executive compensation, etc. and made recommendations and reports on the outcome to the Board of Directors.
 - b. For the purposes of communicating top management policies for the operation of the Kuraray Group and sharing of Group-wide issues and information, the Company holds individual meetings with the management teams of the major Group companies, either face-to-face or online as necessary, in its efforts for intra-Group communication. 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.
- (iv) Initiatives relating to audit systems of Members of Audit & Supervisory Board
- Members of Audit & Supervisory Board meet with Representative Directors to exchange opinions regarding challenges the Company faces, important audit issues, etc., while implementing interviews with Directors, Executive Officers, and other important employees.