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Risk Management

Risk Management and Compliance Implementation System

The Kuraray Group monitors risks regularly, led by the Risk Management and Compliance Committee, and identifies risks that could have a significant impact on business management. Such risks are proposed to the President, who then specifies those that are critical management risks, and priority countermeasures are carried out after deliberation by the Board of Directors. The Risk Management and Compliance Committee works to manage the progress of priority countermeasures against business management risks as well as to ensure thorough compliance with laws and regulations and corporate ethics and the realization of fair business practices.

Risk Management Policy

The Kuraray Group Risk Management Policy, which the President disseminates to each Group organization, consists of two elements: a long-term, ongoing Basic Policy encompassing overall Group risk management, and priority issues that are the focus for a particular fiscal year in light of the findings of risk analysis of the Kuraray Group and recent social conditions and trends. This framework allows flexible and prompt actions to be taken in response to changes in the risk environment while maintaining the basic approach to responding to risks. The Priority issues are those in which the President clearly indicates specific tasks for the organization to mitigate priority risks and directs the implementation of steady measures.

Kuraray Group Risk Management Policy in Fiscal 2025

Basic Policy

1. Ensure the prevention of illegal or inappropriate conduct that betrays the trust of society.
2. Thoroughly prevent accidents and disasters such as safety accidents, environmental pollution, product accidents that threaten the safety and health of employees, local communities, customers, and business partners.
3. In the event of an incident that has a serious impact on our business or society, we will place the highest priority on gaining the trust of society and will take measures to ensure the safety and health of our employees, local communities, customers, and business partners, and to continue or quickly recover our business.

Priority Issues

Based on the basic policy, recent social situation, and trends in our company and others, the followings will be the Kuraray Group's priority issues for 2025.

1. To reduce the risk of leaks or destruction of confidential information, introduce a globally standardized information security system, and work to improve the standard of confidential information management by thoroughly implementing the rules of confidential information management and steadily undertaking rectification measures based on the results of monitoring of the status of implementation of those rules.
2. To mitigate risk of process accidents, continue to implement measures to enhance operational management and facility management at the Group's plants all over the world. Through on-site audits of individual companies of the Group by the Global Process Safety Management (PSM) Audit Team, comprising members from across the organization, objectively identify issues in safety management and support the rectification of those issues. Also, for issues that are detected, roll out measures horizontally on a global basis to mitigate the risk of process accidents throughout the entire Group.

3. Revise measures for avoidance and reduction of fuel and raw materials procurement risk regarding the latest trends upstream in supply chain and steadily implement those measures, starting with the fuel and raw materials relevant to products with high priority based on the Business Continuity Plan (BCP) of each business.

Our Priority issues for 2024 are shown below, together with specific initiatives taken for these tasks.

Priority issues for 2024

1. Further enhance the level of confidential information management by further strengthening information security throughout the Group, thoroughly disseminating confidential information management rules, and monitoring the status of operations.
2. In order to mitigate the risk of occurrence of safety-related accidents, continue to implement measures to strengthen operations and facility management at overseas plants and objectively identify specific issues at the plants by and through the on-site audits by the Global Process Safety Management (PSM) Auditing Team taking into account the issues related to the safety management system at each overseas affiliate, and promote improvements.
3. Further improve the accuracy and effectiveness of Business Continuity Plan (BCP) by steadily implementing the risk avoidance/reduction measurements developed for the products that are highly prioritized in BCP of respective business based on the result of reexamination of the procurement risks of raw materials, fuels, secondary materials and equipment, including commodity materials, from a supply chain perspective.

Specific Measures

1. To strengthen confidential management on an ongoing basis, the Company restructured the Confidential Information Management Team into a permanent organization in January 2024. As well as establishing the operation of highly secure data storage system which was launched in 2023 and expanding its functions, the Company began operating systems for the detection and automatic suspension of mass downloads.
2. In addition to the safety audits of overseas chemical plants conducted to date by the relevant companies and business units, which began in 2019, the Process Safety Management (PSM) Audit Team comprising global in-house experts was launched in 2022 and is working to identify overseas safety risks and pursue countermeasures. In 2024, the PSM Audit Team conducted on-site audits of three production bases, identifying issues and recommending rectification measures.
3. Continuing from 2023, based on the results of analysis of priority production brands and the risks of disruption to the supply of raw materials, fuels, and other resources in each business, the Company progressively developed and implemented risk reduction measures, starting with those resources that have the highest priority. In the analysis of the risks of supply disruptions for raw materials and other resources, due to changes in upstream supply chain trends, the analysis results were revised considering the most recent trends.

Risk Management

The Kuraray Group's risk management is characterized by a two-tier approach. In terms of vertical risk management, each business division, office, plant, and affiliate identifies risks facing their own organization, independently evaluates such risks, and devises and implements an appropriate response. In terms of horizontal risk management, the responsible corporate departments evaluate pure risks that may occur across the organization, such as natural disasters and infringement of laws and regulations, that have purely a negative impact. Measures to adapt to risks associated with climate change are the purview of the Risk Management and Compliance Committee, which discusses the results of the various organizations' annual risk self-assessments from the perspective of disaster response and business continuity. From among these risks, the Risk Management and Compliance Committee discusses and identifies high-risk items that require a company-wide effort to mitigate. The President then designates these as critical management risks, reports them to the Board of Directors, and appoints an officer in charge as a supervising officer. In 2025, critical management risks are classified into three priority risks to be taken up as priority issues, and nine risks requiring ongoing monitoring, and proper measures are taken for both types of risks. The risks requiring ongoing monitoring in 2025 are: Risks Concerning Product Quality, Regulations of Chemical Substances, Natural Disasters, Geopolitical Risk, Bribery, Antitrust Violations, Intellectual Property Risks, Harassment, and Respect for Human Rights.