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Kuraray Co., Ltd.

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Kuraray Determines Fiscal 2021 Group Risk Management Policy and Announces Results of Fiscal 2020 Safety Inspections at Overseas Plants

In line with its Group Risk Management Rules, Kuraray has been pushing ahead with the implementation of risk aversion and mitigation measures. Specifically, each business unit at home and abroad carries out a risk self-assessment, while the Risk and Compliance Committee deliberates on the results of such self-assessments and formulates proposals regarding risks requiring particular managerial attention. The Company's President, in turn, examines these proposals and determines management risks to be reported to the Board of Directors. Moreover, Kuraray appoints officers responsible for the supervision of countermeasures put in place for each management risk identified.

Kuraray hereby announces its Fiscal 2021 Group Risk Management Policy, which informs the aforementioned risk management activities to be undertaken in fiscal 2021. In addition, the new policy specifies mitigating the risk of safety-related accidents at overseas plants as an ongoing priority issue. Accordingly, Kuraray intends to continue implementing safety inspections at its main chemical plants run by overseas affiliates. Also, Kuraray hereby discloses the results of said safety inspections undertaken in fiscal 2020.

1. Kuraray Group Risk Management Policy for Fiscal 2021

Basic Policy

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

Priority Issues

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

- (1) Conduct a comprehensive review of the facilities of overseas plants in particular, not only for confirm their safety designs but also management aspects (operation management and facility management) and establish highly effective countermeasures for identified issues in order to mitigate the risk of safety-related accidents occurring.
- (2) Establish a globally unified confidential information management system and strengthen measures to protect data in a timely manner.
- (3) Ensure the thorough prevention of recurrence of any violation recurring through the use of

globally established programs to comply with the Antimonopoly Law.

- (4) Ensure business continuity in response to the pandemic by thoroughly implementing measures to prevent infection and the spread of infection based on the emergency response to COVID-19.

2. Performance of Overseas Plant Safety Inspections

(1) Background and Objectives

The Kuraray Group’s overseas affiliates have long operated without causing major security incidents at their production sites. However, in May 2018, a fire incident occurred at the Kuraray America Inc.’s EVAL plant which resulted in injuries. In line with its determination to not allow an accident of this kind to recur, Kuraray began implementing safety inspections at main chemical plants overseas in fiscal 2019 under its initiative. By doing so, Kuraray strives to review and upgrade safety countermeasures.

(2) Implementation Status of Fiscal 2020 Safety Inspections

- Safety inspections were implemented at two plants in Europe and two plants in the United States. Of these, the plants in Europe underwent on-site inspections. On the other hand, safety inspections at the plants in the United States were carried out remotely in light of the spread of COVID-19 in the country.
- The safety inspections confirmed the progress of efforts aimed at making improvements to findings identified in fiscal 2019 while revealing additional findings. Details are as follows.

(i) Improvement of the management system

Findings identified in fiscal 2019	Progress made/Continuing task to be tackled
Revise concrete methods for management of change (e.g. prior risk assessments of any changes in rules, standards, equipment, operations and other factors) and ensure that post-change confirmation is performed to assess the effect of change	Progress: Strengthened the rule requiring the management of change and improved the methods used for informing all employees of said system Continuing task: Confirm the degree of overall employee understanding and ensure that post-change confirmation is performed to assess the effect of change
Define the authority to grant permission and approval for specific work which is high-risk work via the additional documentation of concrete examples	Progress: Clarified the position of personnel who grant permission and approval in the course of authorization processes for specific work in addition to partially revising the list of such personnel Continuing task: Globally unify the authority to grant permission and approval for specific work

(ii) Enhancement of training

Findings identified in fiscal 2019	Progress made/Continuing task to be tackled
Enhance the training provided for high-risk items at plants	Progress: Implemented education on high-risk items Continuing task: Continue implementing education and enhance employee understanding
Revise and improve the emergency response manual and ensure that employees are completely familiar with its contents	Progress: Completed the revision of the emergency response manual Continuing task: Let employees know about the revision and confirm their understanding

(iii) Expansion of risk assessment

Findings identified in fiscal 2019	Progress made/Continuing task to be tackled
Introduce HAZOP (discovering and responding to sources of danger) to non-regular (start-up, shut-down) work	Progress: Recommended the introduction of HAZOP for non-regular work Continuing task: Continue to recommend the introduction of HAZOP for non-regular work Additional issues: Reevaluate plant safety systems and upgrade measures to prevent the exacerbation of incidents
Reduce the number of work operations with no written procedures for standard practices to zero	Progress: Identified types of operations that are conducted on a non-regular basis and documented them to create manuals through discussion involving relevant personnel Continuing task: Continue with the identification of non-regular operations

(3) Outline and Points for the Fiscal 2021 Safety Inspection Plans

- Implement safety inspections at plants that have not yet been inspected by the end of fiscal 2020 and launch a second round of inspections for overseas plants.
- Management of Change: Confirm the degree of overall employee understanding and ensure that post-change confirmation is performed to assess the effect of change.
- Specific work: Enhance the safety level of on-premise contractors via operational audits undertaken by external organizations along with operational audits by in-house team.
- Identify issues involving aspects of management (plant operation and technology/maintenance management), including human resource development, in addition to formulating and implementing highly effective countermeasures to address such issues.
- Reevaluate plant safety systems and upgrade measures to prevent the exacerbation of incidents.