



Advancing Resources That Support Sustainable Growth Technological Development Capabilities

Basic Strategy for R&D

Competition is increasing in the chemicals industry due to the entry of companies from emerging countries, and the commoditization of specialty chemicals is also underway. Technological development capabilities to create value-added products are increasing in importance as an essential management resource for maintaining and strengthening global competitiveness.

In corporate R&D, which is the core of the Kuraray Group's technological development capabilities, projects that contribute to group-wide business expansion and profit are promoted under the corporate missions of "Create new businesses," "Strengthen and expand existing businesses," and "Establish and deepen core technologies" through close collaboration with in-house companies, business divisions, and R&D divisions in the Group companies.

R&D Organization

The Research and Development Division, which engages in corporate R&D, manages the Kurashiki Research Center, Tsukuba Research Center, KAI Corporate R&D (United States), the Functional Products Development Department, Vecstar Business Promotion Department, Intellectual Property Department, Market and Business Development Department, and Planning and Administration Department. Furthermore, in 2020 we established the Integrated Technology Fields Search Group at the Kurashiki Research Center to explore research areas that do not fall within the framework of conventional research institutes and that span multiple research institutes.

The two research centers promote R&D of new business, products, and technologies using their core technologies, which comprise organic synthesis and synthetic polymer technologies, catalytic chemistry, vinyl acetate-related polymer materials technology, carbon materials technology, battery material design technology, precision polymerization and denaturation, molding, polymer processing, and computational science. Taking advantage of their analysis and safety assessment techniques in addition to their R&D capabilities, the research

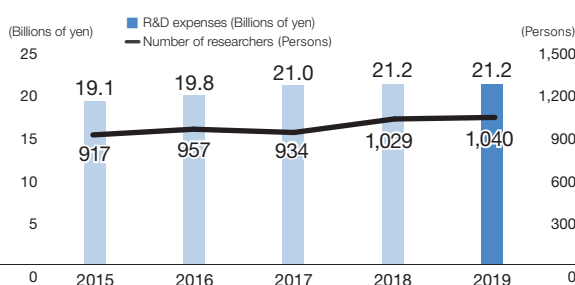
centers also play a role as analysis hubs for all Kuraray Group companies to solve their technical problems.

In addition, the Research and Development Division evaluates and analyzes intellectual property information to support business strategies.

Each business division has its own R&D department at the Kuraray Group's base plants. Including overseas bases, these plants engage in R&D activities while closely working with corporate and business divisions' research, development, and production bases.

The Technology Division, which is responsible for corporate production technology development, manages the Technology Development Center and the Technology

R&D Expenses and Number of Researchers



and Maintenance Management Department. It promotes progress in production technology by collaborating with the Production and Technology Management Division of each in-house company and the Production and Technology Development Department of each plant. It has also begun collaborating with the Research and

Development Division in the early stages of development to accelerate the evolution of new business and products. Since 2018, this department has taken the lead in implementing digital strategies for company-wide R&D as well as production technology.

Priority Policy

Kuraray's corporate R&D activities are guided by its corporate missions to "Create new business," "Strengthen and expand existing businesses," and "Establish and deepen core technologies."

To "Create new business," our policy is to commercialize materials that society needs in areas where only Kuraray can commercialize them. Focusing on our strengths, we set our target in the area within "walking distance" from our home ground (existing businesses), repeatedly taking half-steps or full strides forward from the home ground to expand our business into new domains.

To advance the concept to "Strengthen and expand existing businesses," every one of our business divisions and Group companies collaborate to quickly resolve problems in production and development fundamentals to fortify Kuraray's core business.

Achieving progress with the above will help to "Create of new business" and "Strengthen and expand existing business."

R&D Focus

R&D Topic 1

VECSTAR™ (Liquid crystalline polymer film) / VECSTAR™ FCCL (Flexible copper clad laminates)

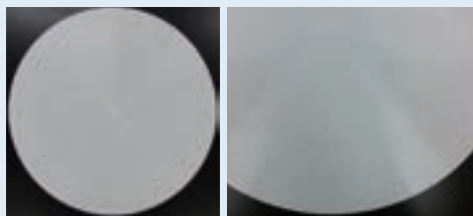
The demand for VECSTAR™ is expected to increase further as an electronic circuit board for electronic devices such as smart phones and for vehicle-mounted high speed communication devices, thanks to its high reputation for low transmission loss in the high-frequency wave range and excellent workability. This led us to upgrade the existing production facilities in 2018. We are also upgrading the existing production facilities for flexible copper clad laminates VECSTAR™ FCCL, which uses liquid crystalline polymer film at the Kashima Plant, and is expected to increase our production capacity for the Saijo Plant and the Kashima Plant combined to 1.8 million m²/year during the second half of 2020.



R&D Topic 2

Polishing Pads for Semiconductors (CMP pads)

Polishing pads for semiconductors are made of high-hardness polyurethane, a new material developed by leveraging the polyurethane design and manufacturing technologies cultivated through the development of CLARINO™ man-made leather.



Multiple customers have begun the shift to Kuraray's CMP pads since their super-hard surfaces offer outstanding device polishing and smoothing capabilities, create few scratches despite their hardness, and deliver a long service life due to their high abrasion resistance. We have a system in place to provide pads that meet customer needs, and overseas customers are increasingly rating the products highly. We will continue to refine the business structure to accommodate customer needs for both advanced and existing processes.

R&D Topic 3

Anode Materials for Lithium-Ion

We are working on R&D of a new hard carbon that is made of plants and possesses a distinctive structure for use as an anode material for lithium-ion secondary batteries, as well as the development of the manufacturing technology. This new hard carbon will enable both excellent output performance and higher battery capacity than graphite, which is attributed to its structure. The evaluation of its utility as a next-generation anode material is in progress, with consumer applications including batteries for smart phones and tablet PCs, as well as uses for automobiles in mind.





Advancing Resources That Support Sustainable Growth Human Resources

Basic Approach to Human Resource Management

Based on the Kuraray Group Global Human Resource (HR) Policy, the Kuraray Group is making efforts to develop its organizational system regarding the promotion of diversity, fostering of human resources, and fair and just evaluation of

performance, as well as establishing a healthy corporate culture and creating new employment opportunities, so that each employee can grow personally through work.

The Kuraray Group Global HR Policy

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| <p>1 We will respect the human rights of individuals.</p> <p>2 We will abolish discrimination and respect diversity and individuality.</p> <p>3 We will carry out our HR activities in full compliance with applicable laws and regulations.</p> <p>4 We will create HR systems that uphold equality, fairness, and transparency.</p> <p>5 We will strive to improve the environment of workplaces.</p> | <p>6 We will strive to employ personnel who are able to contribute to the development of the Kuraray Group.</p> <p>7 We will place the right person in the right job.</p> <p>8 We will implement evaluation and benefits systems that are fairly satisfactory.</p> <p>9 We will support professional development.</p> <p>10 We will strive to promote communication and disclose information as appropriate.</p> |
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Mechanisms and Systems for HR Development

Executives and Manager Candidate Development

To strengthen its management capability, the Kuraray Group has been providing executive management training (EMT) since 2012 for our business heads, as well as those heading corporate and administrative divisions, in addition to the presidents and similar-level personnel of the Group's subsidiaries outside Japan. EMT enables participants across businesses and regions to hold discussions and more fully perceive the direction the Kuraray Group should take. At each training seminar, we have first-rate consultants who provide information on a variety of themes to participants.

Career Support (Career Training)

Amid rapid changes in the business environment, the Kuraray Group supports the career development of employees through the following systems to enable them to improve their HR value independently and autonomously.

- (1) Training to design one's own career
We provide training for employees at turning-point ages at the Company (ages 30, 42, and 50) to give them opportunities to look back on their career and design their future career path. In the training, employees' superiors also receive guidance and participate in supporting subordinates' career development.
- (2) Provision of opportunities for career consultation
We have an in-house career advisors to help employees design their career and implement career programs.

■ Responding to Globalization of Operations (Global Talent Development Program)

Kuraray Group's sales ratio outside Japan has grown to nearly 70% in fiscal 2019, and approximately 40% of the Group's employees are working in the Group's operations outside Japan.

In order to foster human resources that can actively take part in conducting business internationally with the aim of achieving growth on a global basis, the Kuraray Group has been providing its global human resource development program since fiscal 2007, and more than 800 employees in Japan and from overseas operations participated in the program over the 13-year period through fiscal 2019. This program has been provided continuously, with the content of training revised every year.

Global Team Training (GTT), designed to develop global leadership capabilities for the section manager class, has been provided 18 times, with a cumulative total of 350 employees participating. The network of trained alumni has contributed significantly to the promotion of cross-border communication within the Group.

A trainee system, whereby younger employees are dispatched between the Head Office in Japan and overseas subsidiaries for a limited period of three months, has had more than 100 employees take part, and many of the participants are actively conducting business internationally as global personnel by going on assignments to the Group's subsidiaries outside Japan after they finish the trainee program.

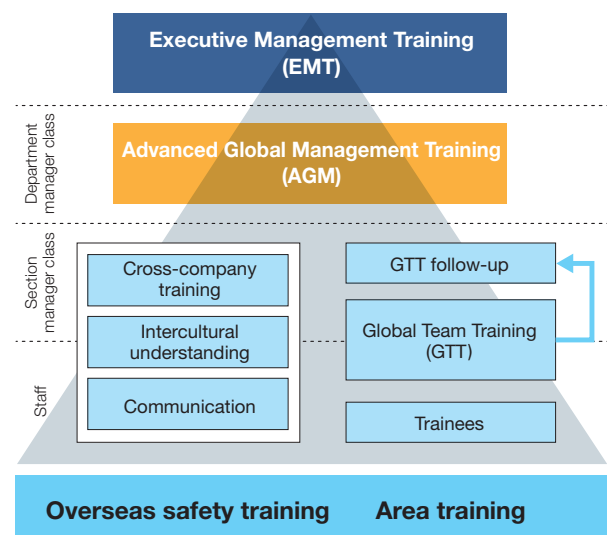
■ Global Human Resource Management

The Kuraray Group is developing a foundation for global human resource management to optimize the way we apply our human resources right across the Group's global operations. Specifically, in fiscal 2017 the Group began phased introduction of globally standardized personnel

evaluation and information systems. With these systems in place, we plan to implement basic human resource management on a global basis that encompasses (1) work goal-setting and personnel evaluation based on those goals,; (2) support for capability and career development,; and (3) discovery of competent human resources, rotation and optimal allocation of HR, and development of a succession plan.

Meanwhile, the globally standardized Kuraray Group behavioral index "Kuraray Competency 5x5" is being implemented and used as a personnel evaluation item and capability development benchmark. In addition, Kuraray sorted out job grades, which were different in each country and company, as global grades based on the duty size and is utilizing them for personnel allocation and selection of participants for human resource development programs.

Global Talent Development Program



Work-Style Reforms and Promotion of Diversity

■ Work-Style Reforms (Productivity Improvement, Working Hour Management, etc.)

Kuraray is promoting work-style reforms toward realizing the ideal work style conveyed in the Top Statement.

While driving the creation of a healthy corporate culture and employee mindset reform, Kuraray is also examining and implementing initiatives to enhance productivity and introducing flexible work programs. In fiscal 2019, a flextime system and work-interval guidelines were established and put into effect. In addition, the rate of taking paid holidays by regular employees, excluding managers, was about 88%.

Furthermore, in order to support employees' active engagement in productivity improvement, Kuraray started paying employees the amount equivalent to overtime compensation for overtime hours reduced from the previous year.

■ Promotion of Diversity

All employees, regardless of nationality, disability, age, gender, gender identity, or sexual orientation, respect the diverse values of individuals and foster a healthy corporate culture that maximizes their individual abilities. Specifically, we conduct training for managers with female subordinates.

The ideal work styles

- Carry out your tasks with awareness of regular work hours.
- Aim to deliver high-quality work within a given time.
- Cooperate with the people around you and share an efficient work style throughout the whole workplace.
- Stay refreshed and in good physical condition to gear up for your next the work day.



Advancing Resources That Support Sustainable Growth Safety Activities

Kuraray's Approach to Safety

In the Kuraray Group's business activities, safety is the cornerstone, an absolute requirement that forms the basis for all activities. Realizing workplaces where people can safely work at ease without accidents is an important theme we need to work on to maintain a stable supply of products and continue to be trusted by society. Based on this view, the Kuraray Group develops and operates safety management systems and conducts various activities. We are putting various measures in place to raise employee awareness of safety and establish safe actions and safety checks as routine practices.

At each workplace, we carry out risk assessments to evaluate the risk of process accidents and occupational incidents, promote fundamental equipment safety measures, and prevent accidents and incidents. In order to prepare for such situations, we share information such as cases of process accidents and occupational incidents, and are preventing recurrence by horizontal deployment of measures, and are training to minimize damage.

Safety Activity Management

In accordance with Safety Activity Management Rules, the Kuraray Group develops safety activity plans every fiscal year and implements them to ensure process safety and occupational safety. Specifically, the Safety Promotion Committee, attended by the President and executives in charge, carries out an overall assessment of the safety activity performance of the current year and decide an activity policy for the next fiscal year. Each plant and department conducts safety activities in accordance with their action plans that reflect the determined activity policy. Safety personnel from the Head Office, including

the executives in charge, visit each plant of the Kuraray Group in Japan twice a year to check the activity plan, progress, and outcomes. Head Office staff members visit the Group's subsidiaries outside Japan approximately once every three years to examine the same. Issues identified in on-site checks and the annual safety performance rating are used for overall performance evaluation. The evaluation results are incorporated into company-wide policy making and the safety activity management system for the next year.

Guiding Principle on Ensuring Safety	Action Courses on Ensuring Safety (FY2020)
<p>Safety Is the Cornerstone of Everything We Do</p>	<ol style="list-style-type: none"> 1. Ensuring "Safety First, Production (Construction and R&D) Second" 2. Predict Hazards and Make Sure the Safety before Taking Action, Then Confirm the Action Results Are What You Expected 3. All Employees Must Act Proactively to Ensure Safety

Targets and Performance in Safety Priority Activities

Evaluation: ○ Accomplished, △ Nearly accomplished, × Not accomplished

Item	FY2019			Items related to FY2020 safety activities
	Targets	Performances	Evaluation	
Process Safety and Disaster Prevention, Occupational Safety	Prevention of occupational injuries caused by careless or involuntary behavior of individuals	Through initiatives to boost "recognition" in the workplace and sharing, we strived to heighten individual awareness and reduce behavioral incidents caused by careless or unthinking behavior. Nevertheless, many behavioral incidents still occurred.	△	<ul style="list-style-type: none"> ● Ensuring hazard prediction "KY" to secure the safety of the workplace ● Recognition and realization in the workplace when something feels wrong, and acting on it ● Review and enhancement of "new employee training" ● Implementation of measures to discover latent risks and to minimize actualization risks with regard to process safety ● Reliable operation of the Global Safety Activity Management System
	Transition to a situation where all employees actively take part in safety activities	We continue to work to get everyone in the organization to understand properly the purpose of the initiatives and provide feedback on suggestions/proposals, and having them evolve into proactive ones.	○	
	Promotion of workplace improvement (facilities and operation) by realizing when something feels wrong	We are promoting workplace improvement by developing an environment in which it is easier to notice when something feels wrong through the 5S activities, and we are also implementing measures through on-site patrols and other measures.	○	
	Prevention of process accidents/troubles by making through "check"	While we have been promoting initiatives to incorporate a concrete list of points to be confirmed into the procedure document and checklists, and reviewing difficult-to-follow rules, accidents/troubles and other incidents due to insufficient checking still occur. In particular, it is necessary to review how to give instructions to new employees and confirm work status.	△	
	Implementation of measures to discover latent risks that can lead to process accidents and minimize the occurrence of those risks	Through initiatives to broaden our thinking to off-normal operation/conditions and others, we worked to discover risks, and progressed with confirmation of the maintenance status of measures implemented in the past and their effects. In the wake of a series of fire accidents involving explosions occurred at plants outside Japan since 2019, we initiated emergency safety audits.	△	
	Reliable operation of the Global Safety Activity Management System	In accordance with the established management system, we worked to share safety information and confirm the activity status by visiting overseas bases and holding the Global Meeting. We also initiated emergency safety audits of the chemical plants.	△	

Numerical Targets and Results

	FY2019			FY2020	
	Targets	Criteria for evaluation	Actual results	Targets	Criteria for evaluation
Process safety	Zero	Zero process accidents	10 cases	Zero	Zero process accidents
Occupational safety	Zero	Zero A and B rank incidents ^{*1}	5 cases (6 persons) ^{*3}	Zero	Zero A and B rank incidents ^{*1}
		The frequency rate of all occupational incidents ^{*2} : 1.5 or less	3.20		The frequency rate of all occupational incidents ^{*2} : 1.5 or less

- *1 A and B rank incidents: An evaluation ranking of occupational incidents using Kuraray's proprietary system that rates the seriousness of occupational incidents from A to D in accordance with the levels of potential disorders and with the levels of faults that caused such incidents. An incident rated A or B is considered to be a serious incident.
- *2 The frequency rate of all occupational incidents: The number of all occupational incidents requiring medical attention per million working hours.
- *3 Includes a case in which two workers were simultaneously affected by one process accident.

In fiscal 2019, however, there occurred 10 cases of process accidents (seven in Japan and three outside Japan), five A and B rank incidents (one in Japan and four outside Japan), and the frequency rate of all occupational incidents for the entire Group was 3.20, failing considerably to meet the target. With respect to process accidents in Japan, there were slight leakages of hazardous materials and minor fires at facilities, which did not lead to a major incident. On the other hand, as two of the three process accidents outside Japan

involved a small explosion, emergency safety audits were initiated at overseas chemical plants. We aim to ensure progress with initiatives for issues identified through audits and improve the safety management level. As for occupational incidents, we will work to reduce minor "behavioral incidents" due to careless and negligent actions that account for the majority of them, and strengthen our facilities and management with the aim of eliminating major incidents (A and B rank incidents) such as workers being caught in machines.

Focus

Safety Audits for Chemical Plants Outside Japan

In response to a series of fire accidents in recent years involving explosions at chemical plants of the Group's subsidiaries outside Japan, we initiated safety audits for chemical plants outside Japan to ensure the safety and stable operation of the Group overseas. The audits include the determination of what can no longer be carried out, whether there are any omissions or deficiencies in management items, and whether long-term stable operations have led to overconfidence and complacency about safety. The audits have detected some issues with the change control process crucial to ensuring safety, the operation of permission/approval for specific works, and the identification of risk sources during off-normal operations (such as start-up and suspension of operations).

For those issues, we will work to develop/enhance process safety management systems that are suitable for their respective plans while stepping up support from the Group in Japan.



Advancing Resources That Support Sustainable Growth Environmental Management

Kuraray's Approach to Environment-Friendly Manufacturing

We believe that the Kuraray Group's mission is to manufacture basic and intermediate materials that will contribute to creating a low-carbon and environment-friendly society and minimize their environmental impact as much as possible. Based on this philosophy, the

Kuraray Group is continuing to conserve the environment by promoting measures to combat global warming, curb chemical substance emissions, and effectively utilize resources by adopting global manufacturing.

Environmental Management System

The Kuraray Group has established the Kuraray Group Environmental Policy and is promoting environmental conservation activities. These activities are in the P (plan) D (do) C (check and evaluate) A (act and improve) cycle for constant improvement according to the Kuraray

Group Environmental Activity Management Rule. Kuraray plants and subsidiaries have acquired ISO 14001 certification and are steadily operating ISO 14001 systems.

Kuraray Group Environmental Policy

The Kuraray Group has established the following policy to contribute to the sustainable development of society and fulfill its responsibilities to future generations through business activities in harmony with the environment.

Basic Policy

1. We give maximum consideration to the environment in conducting our business operations.
2. We conduct perpetual environmental improvement activities.
3. We develop technologies and products which contribute to improvement of the environment.

Activity item	FY2019 targets	Results
Global warming prevention	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implement measures to reduce GHG emissions by 13,000 tons-CO₂ or more. • Improve at least 1% to the GHG emission intensity index*¹ from the previous year. ● Overseas subsidiaries: <ul style="list-style-type: none"> • Improve at least 1% to the energy intensity index from the previous year. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implemented measures to reduce GHG emissions by 21,000 tons-CO₂. • The GHG emission intensity index fell by 1.7% from the previous year. ● Overseas subsidiaries: <ul style="list-style-type: none"> • The energy intensity index declined by 5.0% from the previous year.
Effective utilization of water resources	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • No specific numerical targets were set. ● Overseas subsidiaries: <ul style="list-style-type: none"> • Improve at least 1% to the water (excluding seawater) usage amount index*¹ from the previous year. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Efforts were made to use water more effectively. ● Overseas subsidiaries: <ul style="list-style-type: none"> • The water (excluding seawater) usage amount index*¹ fell by 5.4% from the previous year.
Management of chemical substance emissions	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Reduce the amount of JCIA-designated PRTR substance emissions*² to less than 957 tons. (Keep it below the FY2016 result.) ● Overseas subsidiaries: <ul style="list-style-type: none"> • No specific numerical targets were set. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • JCIA-designated PRTR substance emissions were 967 tons. ● Overseas subsidiaries: <ul style="list-style-type: none"> • Chemical substance emissions regulations were observed in each country/area.
Reduction of waste	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implement measures to reduce waste by the equivalent of 1% relative to FY2016 level (900 tons) or more. • Reduce the amount of disposal to landfill to less than the FY2016 result (251 tons). ● Overseas subsidiaries: <ul style="list-style-type: none"> • No specific numerical targets were set. 	<ul style="list-style-type: none"> ● Kuraray Group in Japan: <ul style="list-style-type: none"> • Implemented measures to reduce waste by 2,030 tons. • The amount of disposal to landfill was 365 tons. ● Overseas subsidiaries: <ul style="list-style-type: none"> • Legal requirements were observed in each country/area, and efforts were made to reduce and quantitatively manage the amount of waste produced.
Environmental accounting	—	<ul style="list-style-type: none"> ● The amount of investment for environmental conservation: ¥1,674 million (FY2018: ¥1,153 million) ● The cost of environmental conservation activities: ¥2,978 million (FY2018: ¥2,402 million)

*1: Intensity index: A value obtained by dividing equivalent production by environmental impact. The 2016 result was set to 100. (Equivalent production: Production volume converted from the production volume of each product as the production volume of the reference product using a conversion factor determined based on the environmental load intensity of each product in the reference year.)

*2: JCIA-designated PRTR substance: Specific chemical substances in the Law concerning Pollutant Release and Transfer Register (PRTR Law) and substances targeted under voluntary control standards set by the Japan Chemical Industry Association (JCIA).

Environmental Performance

The Kuraray Group in Japan implemented measures to reduce 21,000 tons-CO₂, which exceeded the target of reducing at least 13,000 tons-CO₂ of GHG emissions in fiscal 2019. However, these measures only contributed to decreasing total GHG emissions by about 10,000 tons-CO₂ from fiscal 2018. This was due to the increase in emissions by skipping a year for the large-scale regular repair work that is normally carried out every other year at a production site, occurring production trouble, and changing product brand composition. On the other hand, the GHG emission intensity index declined by 1.7% from fiscal 2018 due to the decrease in equivalent production, failing to achieve the target of an improvement of 1% or more.

The Kuraray Group in Japan achieved the fiscal 2019 target of waste reduction by at least 900 tons with the result of a 2,030-ton decrease. On the other hand, the emissions of JCIA-designated PRTR*² substances amounted to 967 tons in fiscal 2019, slightly being more than the target of keeping the emissions below the fiscal 2016 result (957 tons).

Overseas subsidiaries did not meet the targets of improving 1% to the energy intensity (production) index and the water usage amount (production) index from the previous year. The energy intensity index fell by 5.0% from fiscal 2018, and the water usage amount index decreased by 5.4% from fiscal 2018. The decrease was due to a large decline in equivalent production as result of the switch from in-house production of intermediate product to purchasing from outside source at a production base although both energy and water usage amounts remained at the same level as in the previous fiscal year.





Photo courtesy: Japanese Organization for International Cooperation in Family Planning (JOICFP)

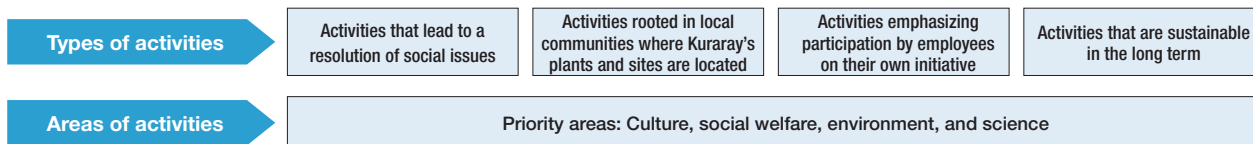
Advancing Resources That Support Sustainable Growth Trust

Social Contribution Activities

With the understanding that sound and sustainable social development is a requirement for corporate growth and prosperity, we, the Kuraray Group, contribute to society through our products and businesses that provide value to people and, as a corporate citizen, address social issues within a reasonable scope.

Kuraray Group Social Contribution Policy

The Kuraray Group vigorously conducts social contribution activities in accordance with the following policy.



Activities of Kuraray

Kuraray holds Chemistry Classes for Boys and Girls that utilize the facilities of its plants, operates workshops for people with intellectual disabilities, and donates the Kuraray Fureai (Rapport) Fund (a matching gift program).

Kuraray also hosts greening activities such as forest conservation and cleanup volunteering around its plants.

Examples of activities

- "Sending School Backpacks Across the Sea"
- "Chemistry Classes for Boys and Girls"
- Operating workshops for people with intellectual disabilities
- "Kuraray Fureai (Rapport) Fund"
- Activity with emphasis on link to local communities



Okayama: cleanup of Lake Kojima basin



For more information about the targets and results of each activity, please visit our website:
https://www.kuraray.com/csr/report2020/activity_target_and_results

Activities of the Kuraray Foundation

In collaboration with external organizations with deep ties to the history and business of Kuraray, the Kuraray Foundation* subsidizes activities that contribute to the resolution of social issues.

- Sponsorship of the Artist in Residence Kurashiki, Ohara (ARKO)



Employees of the Kurashiki Plant visit an atelier at ARKO

- Support for the development of human resources involved in the restoration and maintenance of artworks
- Implementation of academic research contributing to employment promotion of people with disabilities
- Grant for maternal and child health care in Afghanistan
- Support for victims of torrential rains in western Japan
- Grant for National Institutes for Humanities (NIHU) International Prize in Japanese Studies

* Kuraray Foundation: A social contribution foundation (nonprofit general incorporated foundation) established in 2016 with contributions from Kuraray.

Risk Management and Compliance

Risk Management and Compliance Promotion System

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

Risk Management Policy

The Kuraray Group Risk Management Policy, which the President disseminates to each organization, consists of a long-term, continuous “Basic Policy” embracing overall Group risk management and “Tasks for the Fiscal Year” that are to be focused on in a relevant fiscal year in light of social conditions and trends at the Company and other companies, thereby allowing flexible and prompt actions to be taken against changes in the risk environment while maintaining the basic approach to responding to risks.

FY2020 Kuraray Group Risk Management Policy

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.)

Tasks for the Fiscal Year

- (1) Conducting careful re-examination by the entire Group, including affiliated companies in Japan and overseas, of the risks regarding violations of the Antimonopoly Act, and thoroughly enforcing measures to prevent recurrence.
- (2) Conducting an overall inspection of the facilities and soft aspects of overseas plants in particular, and striving to achieve improvement and refinement, in order to reduce the risk of the occurrence of process accidents.
- (3) Clarifying the classification and management method of information and data in accordance with their importance, and strengthening initiatives for maintenance.
- (4) Continuing to inspect, improve, and enhance the quality assurance system, to increase the trust in products.



For more details, please visit our website:

<https://www.kuraray.com/csr/report2020/riskmanagement>

Group Compliance

“Our Commitment” states the principles of our conduct which we should adhere to in our business activities. The “Kuraray Group Code of Conduct” serves as guidelines to implement the commitment in performing day-to-day work. The Group’s top executive has declared that we will comply with laws and regulations and “Our Commitment” under any and all circumstances. To share these principles and commitments among all Kuraray Group personnel throughout the world, the Compliance Handbook has been compiled containing the foregoing



Compliance Handbook

declaration by the top executive and explanations of the “Kuraray Group Code of Conduct.” To disseminate these principles and commitments among all Kuraray Group employees, a compliance handbook has been distributed to all Group employees in Japan and overseas

In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees. In fiscal 2019, the timing of the regional compliance committees’ development of action plans and reporting on accomplishments was aligned with the timing of the holding of the Risk Management and Compliance Committee meeting, to realize a more efficient and effective operating system.

■ Whistleblower System

The Kuraray Group has the Kuraray Group Employee Counseling Room in place for all employees of the Kuraray Group in Japan (including contract employees, temporary employees, and part-time employees) as a whistleblower

system to prevent or detect and resolve compliance violations at an early stage.

In addition, we established the Global Compliance Hotline, which is available to all Group employees across the globe, in order to respond to the rapid progress of globalization.

Number of Consultations at the Kuraray Group Employee Counseling Room Handled in Japan



Thorough Compliance Measures

The Company underwent an on-the-spot inspection in February 2017 by the Fair Trade Commission of Japan in relation to the manufacturing and sale of activated carbon used in water purification facilities, waste incinerators, etc., and was issued a cease-and-desist order and an administrative monetary penalty payment order under the Antimonopoly Act by the said Commission in November 2019 with regard to the manufacturing and sale of designated activated carbon used in some of the water purification facilities, waste incinerators, etc. in eastern Japan and districts in the Kinki region. We were also issued a cease-and-desist order by the Fair Trade Commission of Japan in March 2017 in relation to the bid participation for designated KURALON™ (PVA fiber) products for which the Acquisition, Technology & Logistics Agency was to place orders. We seriously and sincerely accept the gravity of the situation of having received cease-and-desist orders due to violations of the Antimonopoly Act on two occasions, consider compliance with the Antimonopoly Act as one of the highest-priority management issues, and are making every effort to prevent recurrence through various measures.

■ Concrete initiatives taken so far to prevent recurrence

- (1) Establishment of the Antimonopoly Act Compliance Program
 - (i) Amendments of the rules and strengthening of the system
 - Transmitted a message from the top
 - Amended the Antimonopoly Act Compliance Guidelines
 - Established a guideline with respect to contact with competitors
 - Established a prior review system for transactions and meetings with competitors and a system to monitor bid participation information
 - (ii) Internal education
 - Held seminars by an external lawyer on the Antimonopoly Act
 - Conducted training for employees of the divisions
 - (iii) Internal investigation
 - Internal interviews regarding the status of compliance with the Antimonopoly Act
 - Implemented an internal system for self-reporting violations targeting employees in the sales division, including those of affiliated companies
 - Conducted an audit by the Legal Department targeting departments that participate in bids

■ FY2020 action plans for the prevention of recurrence

- (1) Expansion and enhanced operation of the Antimonopoly Act Compliance Program, including globally

- (i) Amendments of the rules and strengthening of the system
 - Re-amendment of the Antimonopoly Act Compliance Guidelines
 - Global roll-out of the guideline with respect to contact with competitors
 - Global roll-out of the prior review system for transactions and meetings with competitors and the system to monitor bid participation information
- (ii) Internal education
 - Host seminars by external speakers for officers of the Company and its Group companies
 - Host seminars for sales staff in Japan and overseas, using internal violation cases as examples
- (iii) Internal investigation
 - Internal interviews regarding the status of compliance with the Antimonopoly Act, including with respect to overseas subsidiaries
 - Conducted an audit by the Legal Department targeting departments that participate in bids, including departments of overseas subsidiaries
 - Implemented an internal self-reporting system, including with respect to overseas subsidiaries
- (2) Amendments of the HR System (in Japan)
 - Enhanced the rotation system for managerial staff who engage in the same duties for a certain period of time

■ Compliance Seminar

Since 2017, department-based education and compliance seminars have been provided to all Group employees in Japan (including contract employees, temporary employees, and part-time employees). We conducted department-based education in a workplace discussion format in 2018, with a view to realizing an open "work environment where employees can regularly exchange honest opinions." In addition, in 2019, we held seminars by external speakers in a discussion format for each division under the theme of improving the situation regarding insufficient communication between the Head Office (division) and plants, which had been highlighted in the department-based education during the previous year. During those seminars, we worked on the prioritization and development of countermeasures against compliance challenges that we face, beyond the walls of the Head Office and plants, and shared the details with each department's staff in subsequent department-based education, to engage in initiatives to resolve challenges with higher priorities.

We will continue to hold similar seminars and provide department-based education.