

Notice Concerning the Adoption of a Restricted Stock Compensation Plan

Kuraray Co., Ltd. announced that it passed a resolution at a Board of Directors meeting held today to adopt a restricted stock compensation plan (the “Plan”) as a new plan to give incentive to Directors. A proposal regarding the Plan will be submitted to the 140th Ordinary General Meeting of Shareholders (the “Shareholders Meeting”) scheduled for March 25, 2021. Details are as follows.

1. Purpose, etc. of adopting the Plan

1) Purpose of adopting the Plan

The Plan is a compensation plan to allot restricted stock to Kuraray’s Directors (excluding Outside Directors, hereinafter “Eligible Directors”), intended to incentivize them to improve Kuraray’s corporate value in a sustainable manner as well as raise the degree they share value with shareholders.

If the Shareholders Meeting approves the adoption of the Plan, Kuraray will no longer grant new stock options under the current plan and subsequently discontinue the issuance of share purchase warrants as stock options.

If the Shareholders Meeting approves the adoption of the Plan, Kuraray plans to adopt a similar restricted stock compensation plan for its executive officers.

2) Conditions for adopting the Plan

The Plan is subject to approval by shareholders at the Shareholders Meeting. There was a resolution at the 131st Ordinary General Meeting of Shareholders held June 22, 2012 that the amount of compensation to Directors shall be ¥800 million or less per year (including ¥100 million or less per year for Outside Directors). The proposal at the Shareholder Meeting will ask shareholders to approve the granting of new compensation for delivering restricted stock to Eligible Directors apart from the said compensation framework.

2. Overview of the Plan

The Plan grants monetary compensation claims to Eligible Directors based on a Board of Directors resolution each fiscal year, in principle. Eligible Directors shall pay all the monetary compensation claims to Kuraray as contribution in kind to receive issuance or disposal of Kuraray’s common stock.

The total amount of monetary compensation claims to be granted to Eligible Directors under the Plan shall be ¥90 million or less per year, which is the same amount as the total amount under the current stock option plan. The total number of common stock Kuraray issues or disposes of under the Plan shall be 60 thousand shares or less per year, which is the same as the total number of shares under the current stock option plan (provided in the event of a stock split (including a gratis allotment of Kuraray’s common stock) or a reverse stock split of Kuraray’s common stock on or after the date of resolution by the Shareholders Meeting, Kuraray shall adjust the upper limit of the total number of shares in proportion to the ratio of the stock split, gratis allotment or reverse stock split.). The amount to be paid in per share shall be the closing price of Kuraray’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors meeting (if there was no trading on that date, the closing price of the most recent preceding trading date). The Board of Directors shall determine the specific timing and distribution of delivery to each Eligible Director.

Kuraray and the Eligible Director shall sign an agreement to allot restricted stock (the "Agreement"), to issue or dispose of Kuraray's common stock under the Plan. The Agreement shall include the following clauses:

- (1) Eligible Directors shall not transfer, pledge or otherwise dispose of Kuraray's common stock allotted under the Agreement from the date of allotment under the Agreement to the date of retirement. "Retirement" refers to stepping down from Director or executive officer positions, but excludes cases where the person becomes an executive officer at the time of retiring as Director, and the person concurrently serving as a Director and an executive officer remains an executive officer upon retiring as Director.
- (2) Kuraray shall acquire the said common stock without consideration when certain conditions apply.
- (3) Details of conditions for lifting the restrictions on transfer established in advance by Kuraray's Board of Directors, etc.

Shares allotted to Eligible Directors under the Plan will be managed in a dedicated account opened by Eligible Directors at a securities company designated by Kuraray to prevent transfer, pledge or other disposal during the period transfer is restricted.

3. Other

In the event that an Eligible Director is not a resident of Japan at the time the Board of Directors meeting is to decide the amount of monetary compensation claims and number of shares to be allotted under the Plan, Kuraray will not grant monetary compensation claims or allot shares under the Plan to the said Eligible Director but instead grant monetary compensation linked to stock price ("phantom stock") within the scope of the existing monetary compensation framework. The same shall apply to executive officers.